Tourism in Africa

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ABSTRACT

The quality of Africa’s resource endowment for tourism is exceptional, but most countries have only barely
developed their tourism potential. The continent receives about 4% of all international travelers and tourism
receipts, but tourism is “significant” (>2% GDP and >5% exports) in about half of SSA countries. Countries in
Africa are now focusing on tourism as a source of growth and diversification, but with only limited policy guidance
from most donors, despite the sector’s potential. At present, the World Bank Group (WBG) provides limited
support for tourism and has no overall sector strategy, though the CDF, PRSP and CAS are helping to define such
strategies in a few countries. This paper gives a broad overview of issues in tourism in Africa and suggests
guidelines to assist countries to develop a more coherent framework for tourism.

Given its cross-sectoral nature, tourism can only grow sustainably if it is integrated into the country’s overall
economic, social and physical planning policies. Where national attractions are shared with neighboring countries,
joint or regional promotion and marketing can be effective. Partial measures are unlikely to address vested interests,
underlying economic relationships and generic social or physical constraints effectively. Government’s role is to
create the policy framework that will encourage for-profit private investment, and that, in combination with
regulatory frameworks, will ensure good economic returns and linkages with other sectors. To be sustainable,
tourism requires an open dialogue between the government, the private sector, civil society and local communities to
ensure consensual decisions and the generation of economic benefits for a broad spectrum of the population.
National policies must conserve the country’s cultural and environmental heritage to preserve the resource base on
which tourism is based.

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# TOURISM IN AFRICA

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EXECUTIVE SUMMARY

i. The purpose of this paper is to assist the Africa Region to determine whether the Bank can play a more strategic role in tourism. Africa is recognized internationally for the quality of its resource endowment for tourism, and yet it has not managed to realize its full potential. This paper argues that, if African countries can better cater to consumer preferences in originating markets, tourism could have a strong impact on economic growth. Essentially a private activity, tourism is highly dependent on public support. Working within a comprehensive macro-economic framework, governments will have to support tourism through improvements in policies and elimination of critical constraints. In parallel, the competitiveness of private tourism enterprises needs to be enhanced through better management, technology transfer and professional development. This illustrates the inter-dependent responsibilities of the public and private sectors for the success of the tourism sector.

ii. Prior to 1978, the Bank’s Tourism Projects Department (TPD) provided infrastructure for resort sites, lines of credit for hotels, training, and some investment in hotels and other tourism-related projects, such as museums and wildlife. Through sector and economic work, TPD staff worked with governments on policy advice and analysis of tourism’s growth potential and identified the constraints to that growth. Since the closure of the TPD twenty years ago, the World Bank Group (WBG) continued to finance some infrastructure and human resource projects to support tourism in a minor way; however, direct advice on tourism policy was not provided, even in countries with a high potential for tourism. As a result, governments no longer request Bank assistance for the sector, although there are signs that this is changing.

iii. The IFC continued to finance hotels and today has a varied portfolio in tourism. MIGA also is active in tourism through its guarantees and investment promotion support. A number of donors continued to finance tourism and some are currently reviewing their strategies for tourism. Such donors include Canada, the European Commission, which has traditionally financed a variety of aspects of tourism, and the UK Department for International Development (DFID), which is particularly interested in “pro-poor” tourism.

iv. The World Travel and Tourism Council (WTTC)/Wharton Econometrics is currently optimistic about the prospects for tourism growth in Africa. WTTC forecasts that tourism and travel will account for over 11% of GDP in Sub-Saharan African countries in 2000 and will have a growth rate of over 5% in real terms in the ensuing decade. This is considerably higher than the forecast average growth rate of 3% for the world at large. The World Bank forecast growth in real GDP of 2.5% for Sub-Saharan African countries in 1999, rising to 4.0% in both 2000 and 2001, compared with 2.4% and 2.8% for global GDP growth in the same years. Based on the WTTC estimates, travel and tourism will play a significant role in assisting Sub-Saharan African countries to attain their economic growth targets.

v. Tourism is becoming a dominant sector of economic activity worldwide. Currently, over 8% of all jobs worldwide are estimated by WTTC to depend on travel and tourism, which is forecast to create over 5.5 million jobs per year over the next decade. Also according to WTTC, direct spending by international visitors on tourism amounted to 8% of world exports in 1999.

vi. A large number of countries depend on tourism for their economic growth. A recent study done for DFID concluded: “While poor countries only command a minority share of the international tourism market, tourism can make a significant contribution to their economies. Eighty percent of the world’s poor (below US$1 a day) live in 12 countries. In 11 of these, tourism is significant and/or growing. Of the 100 or so poorest countries, tourism is significant
(accounting for over 2% of GDP or 5% of exports) in almost half the low income countries and
almost all the lower-middle income countries.” Using these same criteria and 1996 data, tourism
is “significant” in an impressive number of African countries: Benin, Botswana, Burkina Faso,
Cape Verde, Comoros, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Kenya, Madagascar,
Mauritius, Namibia, Niger, Senegal, Sao Tome & Principe, Seychelles, Sierra Leone, South
Africa, Swaziland, Tanzania, Togo, Uganda, Zimbabwe. Zambia and Mali just missed the cut-off
in 1996.

vii. According to the World Tourism Organization (WTO), Africa as a whole attracts just
fewer than 4% of total world tourists and accounted for 2.0% of international tourism receipts in
1997. Of the Sub-Saharan countries, only South Africa is listed in the top forty tourism
destinations worldwide, where it was 26 th in 1997. The WTO calculates that Africa has just over
3% of world accommodation capacity (796,000 beds). The Africa region showed the strongest
expansion in arrivals of any world region in 1997, up 8.1% over 1996. Furthermore, during the
1988-97 decade, Africa had an average annual growth of 7.2% in visitor arrivals, only slightly
lower than East Asia/Pacific, which had the highest growth rate of all regions though from a
much higher base than Africa. The average annual growth rate for tourist arrivals worldwide has
averaged 5.0% for the past decade.

viii. Given the region’s small share of travel and tourism and the expected dynamic growth of
the sector worldwide, Sub-Saharan African countries can realistically expect to increase their
share of the market. Nevertheless, and despite the low accommodation base in the region, an
expansion of investments in hotels and other accommodation alone will not necessarily result in
an increase in economic benefits commensurate with the investment. As an essential condition,
tourism must create value added for international travelers and provide an experience that is
unique for them. Thus, tourism products and services must be built upon intrinsic tourism assets
-- coastal, wildlife, nature, cultural, or city based -- that can compete internationally. The natural
assets must be accompanied by and packaged with appropriate and competitive built assets, i.e.,
accommodation, tourist services, and infrastructure, as well as a safe and healthy environment
for tourists. The selected packages should create a distinctive quality product that draws tourists
to them and away from alternatives elsewhere in the world.

ix. In today’s globalized market, a country competes with every other destination in the type
and price of tourism it offers. If African countries are to be successful in competing in the
international tourism market, standards of excellence must be introduced for its products,
particularly for infrastructure and accommodation and services. Management and administration
of the sector must improve. Governments must shift to policies that encourage tourism, as
discussed in this paper. For example, the sector cannot develop without improvements in public
health and personal safety in tourist areas. Air policies that support ease of access and traffic
growth are also critical. Governments must also invest in expanded human resource development
and institutional capacity building, and improve environmental mitigation and protection. The
value to the final consumer is determined by the quality of all these components of the tourism
package.

x. Decisions to support tourism and about its scale for the international market should be
taken only after analysis of the demand for tourism to a particular country or region. The flow of
tourists to a destination is to a considerable extent determined by the worldwide tourism
industry, represented by tour operators, travel agents and transport services primarily in the
countries of tourist origin. The creation of a highly competitive quality package of natural and
built tourist assets, combined with good macro and micro management, is most likely to convince the industry to promote one country over another in the global market place.

xi. To be acceptable as a development tool, tourism must generate economic benefits for a broad spectrum of the population and must also ensure their inclusion in decision-making about sector development and trends, as well as preserve the resource base on which tourism is based. The private sector requires a profit on its investments. Government’s role is to create the policy framework that will encourage for-profit investments, in combination with incentives and regulatory frameworks that will ensure good economic returns to a broad range of beneficiaries from these investments and will conserve the country’s cultural and environmental heritage. Given its cross-sectoral nature, tourism will only develop sustainably if it is integrated into the country’s overall policies and economic and physical planning mechanisms and if linkages are created across the many sectors spanned by tourism. Partial policy measures will be inadequate to address vested interests, underlying economic relationships and generic social or physical constraints.

xii. This paper focuses on the management of the tourism sector within a national framework. Because of the number of countries in Sub-Saharan Africa, a generic policy framework is presented that will have to be adapted to and for each country’s individual characteristics. As recently recommended by the U.N. Commission for Sustainable Development, countries that intend to pursue tourism need to formulate a comprehensive policy framework, sometimes called a master plan. Such a plan will require consultations with a broad range of participants and stakeholders. To be successful, tourism requires coordination and complementarity between the government and the private sector, civil society and, in particular, local communities that are specifically impacted by tourism, where NGOs can facilitate the process. A national approach to tourism is essential, but, where national attractions are shared with neighboring countries and/or where joint promotion and marketing of complementary assets would create a more attractive package, a regional approach will sometimes also be indicated.

xiii. Optimism about tourism’s future growth worldwide, combined with Africa’s small current market share and its internationally recognized resource endowment for tourism, is leading several countries to consider ways in which tourism could accelerate economic growth and diversify their economies. Many governments do not know how or where to initiate action, nor whom to approach for assistance in getting started. Some countries may wish to follow the example set by the Government of Zimbabwe in June 1999 in arranging a workshop for a broad range of stakeholders to help define the actions that will be required by the public and private sectors to expand tourism sustainably. The Netherlands financed the workshop and the Bank provided technical support.
TOURISM IN AFRICA

TRAVEL AND TOURISM IN THE WORLD CONTEXT

The latest joint report, dated March 1999, from the World Travel and Tourism Council (WTTC) (see Box 1) and WEFA, an economic forecasting company, estimated that travel and tourism would account for 11.7% of world GDP in 1999 and would grow at 3% per annum in real terms for the next decade. Direct spending by international visitors was forecast as 8% of world exports in 1999. Currently, over 8% of all jobs worldwide depend on travel and tourism, which is forecast to create over 5.5 million jobs per year over the next decade.

Box 1: World Travel and Tourism Council

The World Travel and Tourism Council (WTTC) is a global coalition of more than one hundred Chief Executive Officers from all sectors of the travel and tourism industry, including accommodation, catering, cruise, entertainment, recreation, transportation and travel-related services.

WTTC’s goal is to work with governments to realize the full economic impact of tourism. The Council and its members undertake top-level missions, make proposals and engage in policy discussions with government decision-makers.

WTTC’s economic work is supported by research undertaken by the WEFA group, an economic forecasting company, formerly Wharton Econometrics, founded by Nobel prize winner, Lawrence Klein. The research is designed to determine travel and tourism’s total size and contribution to world, regional and national economies based on the 1993 United Nations system of national accounting. WTTC has also established research centers to provide information and support to decision-makers and the industry on environmental, taxation and human resource issues. WTTC also established the Green Globe program, which is discussed in Annex 2 on “The Greening of Tourism”.

WTTC is established in London, with offices in Brussels and New York, and is managed by a permanent president, who heads a small staff. There are also area representatives, including one in Washington DC. The area representative for Africa is in Zimbabwe.

TRAVEL AND TOURISM IN SUB-SAHARAN AFRICA

WTTC/WEFA forecast that tourism and travel would account for over 11% of GDP in Sub-Saharan African countries in 1999 and have a growth rate of over 5% in real terms in the ensuing decade, which is considerably higher than the forecast average of 3% for the world at large. The World Bank forecast a growth in real GDP of 2.5% for Sub-Saharan African countries in 1999, rising to 4.0% in both 2000 and 2001, compared with 2.4% and 2.8% for global GDP growth in the same years. Travel and tourism could therefore play a significant role in assisting Sub-Saharan Africa to attain its growth targets.

WTTC/WEFA forecasts that jobs in tourism and travel in Sub-Saharan Africa will account for nearly 7.5% of total employment, with an annual growth rate of 3.4% during the next decade. Similarly, investment in travel and tourism in 1999 was estimated at US $6.1 billion or 11.7% of
total investment in Sub-Saharan countries, and is forecast to grow annually at over five percent for the next decade.

These high forecast rates of growth may seem optimistic, but a number of Sub-African countries already derive significant benefits from tourism. Typically, tourism receipts are a high proportion of GNP in the island economies that have targeted tourism for some years: Seychelles (21%), Mauritius (13%) and Comoros (9%), and even in the more recent entrant, Sao Tome & Principe (4.4%). But, in four mainland Sub-Saharan countries, tourism receipts account for over 5% of GNP: Kenya (5.1%), Gambia (5.4%), Namibia (6.9%) and Tanzania (8.7%). In another five countries, tourism receipts account for between 2.5% and 5% of GNP: Senegal and Zimbabwe (3%), Swaziland (3.4%), and Botswana and Ghana (4%). In South Africa, the top tourism destination in Sub-Saharan Africa, tourism receipts account for only 1.6% of GNP in its diversified economy. Tourism is “significant” in a surprising number of countries (Box 2).

**Box 2: Importance of Tourism to African Countries**

A summary of a recent study for the U.K’s Department For International Development (DFID) on “Tourism and Poverty Elimination: Untapped Potential”, was presented at the Seventh Session of the UN Commission on Sustainable Development in April 1999—the first dedicated to tourism (see Box 5). The study highlights the importance of tourism to poor countries.

“While poor countries only command a minority share of the international tourism market, tourism can make a significant contribution to their economies. 80% of the world’s poor (below US $1 a day) live in 12 countries. In 11 of these, tourism is significant and/or growing. Of the 100 or so poorest countries, tourism is significant in almost half the low income countries and virtually all the lower-middle income countries (accounting for over 2% of GDP or 5% of exports).”

Using these same criteria (on the assumption that “exports” are merchandise exports) and based on 1996 WTO data—the latest available, tourism is “significant” in an impressive number of African countries: Benin, Botswana, Burkina Faso, Cape Verde, Comoros, Djibouti, Eritrea, Ethiopia, Gambia, Ghana, Kenya, Madagascar, Mauritius, Namibia, Niger, Senegal, Sao Tome & Principe, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Togo, Uganda, Zimbabwe. Zambia and Mali just failed to make the cut-off in 1996.

**AFRICA’S INCREASING MARKET SHARE**

Of the Sub-Saharan countries, only South Africa is listed in the top forty tourism destinations worldwide, where it was 26th in 1997. According to the World Tourism Organization (WTO)²

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1. The data on international tourism receipts as a percent of GNP relate to 1996 and are published by the World Tourism Organization (WTO) in the 1998 edition of Tourism Market Trends in Africa. Other references to WTO in this paper are drawn from this same publication.
2. The World Tourism and the World Trade Organizations share the same acronym in English—WTO. In this paper, WTO always refers to the World Tourism Organization.
(see Box 3), Africa as a whole,\(^3\) attracts just under 4\% of total world tourists and accounted for 2.0\% of international tourism receipts in 1997. But, the Africa region showed the strongest expansion in arrivals of any world region for 1997, up 8.1\% over 1996. Furthermore, during the 1988-97 decade, Africa had an average annual growth of 7.2\% in visitor arrivals, only slightly lower than East Asia/Pacific, which had the highest growth rate of all regions and from a much higher base than Africa. The average annual growth rate for all tourist arrivals worldwide has averaged 5.0\% for the past decade.

WTO ranked the top twenty destinations in Africa by international tourist arrivals and by receipts in 1997. South Africa was the top destination and accounted for 24\% of arrivals and 26\% of receipts in Africa. The highest annual increase in international tourist receipts in 1997 was recorded by Côte d’Ivoire (17\%), followed by South Africa (15\%), Zimbabwe and Seychelles (14\%), and Tanzania (12\%). The WTO calculates that Africa has just over 3\% of world accommodation capacity (796,000 beds), but does not show the distribution of that capacity among countries.

Given the region’s small share of travel and tourism and the expected dynamic growth of the sector worldwide\(^4\), Sub-Saharan African countries can realistically expect to increase their share of the market. Nevertheless, and despite the low accommodation base in the region, an expansion of investments in hotels and other accommodation will not necessarily bring tourists in sufficient numbers to produce the economic benefits desired. As an essential condition, international tourism must be built upon intrinsic tourism assets that can compete internationally. Such assets may be coastal, wildlife, nature, cultural, or city-based, or a selective mix of these, but they must have a distinctive quality that draws tourists to them and away from possible alternatives. As discussed below, the natural assets must be accompanied by and packaged with appropriate and competitive built assets, i.e., accommodation, tourist services, and infrastructure, as well as a safe and healthy environment for tourists.

This suggests that not all African countries can expect to expand their tourism sectors substantially. Nevertheless, where assets are not world class, they may still have the potential for domestic or regional tourism and may still attract a small number of international tourists. Where a sufficiently distinctive package of assets can be clustered in one destination or combined to form an interesting circuit, international tourists can still be attracted, as is suggested for Côte d’Ivoire (Annex 4). The decision to engage in tourism for the international market should be made after establishing that market demand exists for the type of tourism to be offered and on the scale envisaged and that local populations have participated in the decision-making and will be receptive to tourism.

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\(^3\) For WTO purposes, Africa is the entire continent and not just Sub-Saharan Africa. Tunisia and Morocco were the second and third most important destinations in Africa after South Africa. The North African countries together account for 34\% of all arrivals to the African Continent.

\(^4\) Travel and Tourism is variously described in this paper as a “sector” and as an “industry”. It obviously goes beyond both in its scope.
The World Tourism Organization (WTO) became an executing agency of the UNDP in 1976 and in 1977 signed a formal cooperation agreement with the United Nations itself. The WTO is an intergovernmental body with a mandate for the promotion and development of tourism. Membership includes 138 countries and territories and more than 350 affiliate members representing local governments, tourism associations and private sector companies, including airlines, hotel groups and tour operatives; recently, WTO set up a Business Council, an innovative move for a UN organization. The WTO serves as a global forum for tourism policy issues and centralizes and publishes worldwide information about the sector. WTO has its headquarters in Madrid. The principal organs of WTO are:

- the General Assembly which meets every two years to approve the budget and program of work. Every four years it elects a Secretary General, currently Mr. Francesco Frangialli;
- the Executive Council, which is WTO’s governing board has 26 members elected by the General Assembly in a ratio of one for every five full members. Associate and affiliate members participate as observers;
- the Regional Commissions. Representatives (from Africa, Americas, East Asia and the Pacific, Europe, Middle East and South Asia) are based at WTO’s headquarters. WTO’s six regional commissions meet at least once a year to discuss activities and priorities. In conjunction with the regional meeting, member governments and affiliate members take part in a conference on a particular tourism theme. In May 1999, in Ghana, the WTO and the Africa Travel Association (ATA) held joint annual meetings for the first time. The theme and goal of the meeting were to increase Africa’s share of international tourism;
- specialized committees, which advise on management and program content;
- the WTO Business Council, which was established in 1996, with a Board of Directors drawn from major private sector.

WTO programs are grouped into six broad categories:

- cooperation for development;
- statistics, economic analysis and market research;
- environment, planning and finance;
- quality of tourism development;
- human resource development; and
- communications and documentation.

The economic analysis activities have focused recently on developing and testing a satellite accounting system (Box 9) to measure tourism’s impact. WTO is primarily financed by member’s contributions. Full members pay an annual quota calculated according to the level of economic development and the importance of tourism in each country. Associate and affiliate members each pay a fixed annual contribution. Membership dues account for about 90% of WTO’s budget, with the balance financed from UNDP support costs, investment income and sales of publications and electronic products.

The World Bank Group and WTO have signed a Memorandum of Understanding on joint cooperation.
THE TOURISM PRODUCT

The tourism product consists of the principal assets that the country has to offer to tourists, combined with every aspect of the tourism experience, from the time the tourist decides to travel until his return home. The most frequent types of assets are:

- sun, sea and sand for resort tourism and reefs for snorkeling and diving;
- wildlife for safari tourism;
- mountains, lakes, rivers, forests and valleys for nature, scenic and adventure tourism;
- cultural assets in the form of the built environment (monuments, old cities), a living heritage expressed in distinctive local customs and song, dance, art and handicrafts, etc., and museums that reflect the local cultural heritage or a wider global heritage.

The tourism product, however, is broader than the destination’s tourism assets and includes transport to and from the country and final destination; hotels and other accommodation; restaurants and other types of food service; and tour services that link the various components of a trip, including national parks and city tours. The attractiveness and, therefore, competitiveness, of the tourism product will depend on the quality and accessibility of the built assets and way in which the natural and cultural assets are managed and conserved. In all but remote areas the tourist must have access to banking, telecommunication and medical services. Another essential element of the tourism product is physical security of the tourist and access to appropriate health services.

The tourist experience at the destination goes beyond the array of tourism service providers. Tourists come in contact with a number of officials and their overall memory of their tourist experience is affected to a greater or lesser degree by the attitudes and behavior of these officials. They encounter such “country representatives”, as the tourist thinks of them, in an embassy or national travel office before departure, as customs or immigration officials at the frontier, or by seeking directions from the police. Tourists may often mingle with the local population. In Africa and elsewhere, both officialdom and the local population may sometimes perceive tourism to be exploitation of local assets and customs, so that elements of the local population in their turn seek to exploit tourists. Several countries, particularly in the Caribbean, have undertaken awareness campaigns about the value of tourism to the economy to counter such attitudes and to ensure that all concerned understand that tourism can bring considerable benefits to a country, particularly through the jobs on which the local population depends.

No one supplier within the destination country controls all the components of the tourism product. The tourist, therefore, may have a range of good and bad experiences in the same destination. At one extreme, tourists who make their own travel arrangements and who plan the use of their own time on arrival are more vulnerable to experiencing varying standards of comfort, service, security and sanitary conditions. At the other end of the spectrum, all-inclusive hotels attempt to control the tourist’s total experience by confining them within the hotel’s --
normally expansive--walls and by controlling every aspect of the tourism package. Similarly, a responsible external tour operator\(^5\) will try to ensure some quality control by inspecting the accommodation and food services it sells the tourist in its package and by working with a local travel agent to create a reliable package of internal transport, sightseeing and entertainment.

**COMPETITIVENESS OF THE TOURISM MARKET**

The flow of tourists to a specific country or destination is to a considerable extent determined by the world wide tourism industry, represented by tour operators, travel agents and transport services in the countries of tourist origin. The complexity and power of the international tourism industry is illustrated in Chart 1 and discussed in Annex 1. The modern international travel and tourism industry is highly professional, but the margins for the major tour operators on packaged holidays are generally very small, because the market is so competitive. Margins are higher on business travel and on the customized package tours operated by tour operators catering to higher income tourists, as are many of those traveling to Africa. Package tour operators survive by supplementing profit margins on the travel itself with interest earned on prepayments and sales of life and other types of insurance to travelers, and through a high degree of vertical and horizontal integration. Low margins and EU legislation force the industry to avoid risk so they direct tourists to “problem-free” quality destinations.

The creation of a highly competitive product through good management of natural and built tourist assets is most likely to convince the international industry to promote one country over another in the global market place. Countries can influence these external industry managers through an effective and continuing promotion and marketing campaign, but will be successful only if there is a high-quality, competitive product to sell that competes in value and not just price.

**Competition** in tourism is fierce. Consumers around the world today face an endless array of choices – from mass-marketed, no-frill getaways to customized tours. At one end of the spectrum in Africa, beach hotels in Mombasa currently feature overnight stays for a previously unbelievable $5 to $10. Over-construction of hotels in Mombasa has itself created pressure on prices. Yet, despite these low prices, ethnic flare-ups caused European tour operators to withdraw from the market. The downward spiral created bankruptcies and speculative takeovers

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\(^5\) As noted in Annex 1, European Union legislation requires tour operators to assume responsibility for the quality of the tourism products that they sell to tourists and for their welfare.
at rock-bottom prices, again putting downward pressure on room rates. At the other end of the price spectrum, in a beach market not apparently dissimilar to Mombasa, luxury hotel rooms in Mauritius are commonplace at $1,500 a night in season. These two polar experiences illustrate that tourism can deteriorate quickly if important elements of the overall tourism product, in this case physical security, are absent.

The Internet has further increased competition between tourist destinations. Many of the vast and growing numbers of users are also tourists. The travel industry is currently in a state of flux with electronic commerce threatening traditional outlets, such as travel agents. Industry sources suggest that travel and tourism is second only to computer-related sales in e-commerce. While in the past many travelers have purchased tourism sight-unseen and have been dependent on their travel agent for pricing of a limited number of competing destinations, the World Wide Web sites are increasingly providing:

- availability of “virtual reality” web sites to market destinations and accommodation and related services, which provide tourists with unprecedented previews of a variety of destinations and their costs; and
- greater information about the prices and frequency of different means of transport to specific destinations and about the costs of packages that combine travel and accommodation and sometimes other services.

Therefore, destinations that can convince prospective tourists online that their product provides the best quality within a specific price range have a considerable competitive edge over destinations that are not yet online. The availability of “virtual” destinations online is a factor in the growth of independent travel, particularly in Europe and the USA. Similarly, the prices of packages offered by rival tour operators are becoming more competitive as consumers’ knowledge improves through the Internet.

**Competitiveness** implies improving productivity, which is notoriously difficult in the service sectors where, moreover, productivity changes are hard to measure. Nevertheless, competitiveness is critical to the success of a tourist destination, given that these compete globally. A tourist destination is competitive if it can provide products and services (“the tourist experience”) in a way that creates value for the tourist. But, the drive for competitiveness must take a long-term view of “value” in which governments, central and/or local, have to ensure that national assets are employed in a socially and environmentally responsible way and that funds for their protection and maintenance are available from tourism. Consequently, governments, rather than the private sector, need to capture resource rents from tourist use of natural and built assets. As discussed, below, there can be a tension between industry concern about competitiveness and the charging of resource rents.

**The Price of the Overall Tourism Package.** Competition in the tourism industry is driven not just by price and volume, but also by innovation, technology and entrepreneurial management. Nevertheless, price is, of course, a major element in the tourist’s decision to choose one destination over another. This is especially the case with mass tourism where the demand for a

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beach, sun and sea holiday often overrides differentiation between resorts – such packages are sold almost as commodities. A holiday packaged by an international tour operator, who receives a commission for the service, includes transport as well as lodging and tourist services. The total cost of the package plays a significant role in the selection of a destination for all but high-income tourists. If a country can increase the volume of air traffic in a competitive market, prices can fall considerably. But, given limited demand, the cost of the airfare to a long haul destination like Sub-Saharan Africa can be a high proportion of total cost. With the weight of the airfare in the package, hotels can only marginally influence the package price on a short trip, though that influence becomes greater as the length of stay increases.

**Hotel Pricing.** Pricing of hotel rooms is aggressive and both sophisticated and opportunistic. Each hotel room within the same hotel sells for a different price depending on its location, view and size. But, in addition, the same hotel room sells for a variety of prices depending on several additional factors. For example, because hotels have high fixed capital and operating costs, occupancy rates can be as important to a hotel manager as price, provided that variable costs are covered. Therefore, prices lower than the rack or advertised rate may be offered to groups in order to cover the unit fixed costs. Similarly, prices vary in the off, shoulder and peak seasons for the same room (when the service and number of staff assigned to the room may also vary). Sometimes for social, political or even economic reasons, preferential prices apply to domestic tourists.

In general, hotels at the top end of the market face no reasonable price ceiling, as long as they maintain standards. The competition, however, is intense because many destinations target this small client group of rich individuals. While room rates of $1,500 per day per person are not uncommon in Mauritius, as noted above, that room rate also includes many items that would be charged separately in a standard hotel. The greatest competition and pressure on hotel prices tends to be in the middle range, where the distinctiveness of the accommodation and service is less marked. In this middle price range, especially if there is over-capacity, tour operators and convention organizers can earn substantial discounts on package rates, which may put the financial health of the hotel at risk.

Many small, two- and three-star category hotels are in trouble worldwide because they cannot cater to the ever-increasing size of international tourist groups. Their survival depends on the degree to which they pool their resources in marketing, promotion, reservations systems, purchases, training, etc. and obtain technical and financial assistance from local and external sources for improved management and refurbishing. Some find a niche catering to regional and domestic tourists. There is much at stake here as most countries wish to promote local ownership of small hotels to give nationals a stake in the benefits from tourism. The Caribbean has a number of national and regional programs to assist small hotels, some of which may be adaptable for Africa.

**Airline Pricing.** The Internet is progressively making the scheduled airline reservations systems more efficient. Currently, four global distribution systems (GDS) can instantly check airline availability and make bookings on behalf of customers. While this capability has been available since the 1960s, new software has made the system more efficient, more user friendly for agents, opened up access directly to customers and has begun to diversify the range of products offered to include cruise, car rental and accommodation and, even, railways and ferries.
Pricing of airline services is complex. A scheduled flight is opened for sale of seats at least six months before departure on a typical US airline, and most international carriers now use the same principles. From then until take-off, the carrier may sell tickets at as many as a dozen fares. Overbooking is an explicit policy for airlines to obtain high loads, i.e. the percentage of seats sold, in return for which they compensate passengers who may be “bumped”. In principle, the earlier the ticket is bought the lower the price and the fewer the options for change. The best discounts are usually available based on seven, fourteen and twenty-one day advance purchase. In the last few days and particularly hours prior to take-off, available prices again rise to full fare as business travelers make last minute decisions to travel. If seats are available in the last few minutes before take-off, they may be sold at stand-by prices, which are again reduced for quick sale. Airlines use of these “yield management” techniques, in airline parlance, is highly dependent on GDS, as discussed above. As a consequence, airlines have had to make major investments in information technology. Chart 2 illustrates the prices charged on a scheduled flight from Dallas to Phoenix, USA.

In Africa, because markets are typically small and dispersed, airfares on scheduled carriers are among the highest in the world, even on a cent per km basis. Anecdotally, air transport costs in Eastern and Southern Africa are said to be up to ten times higher than in Florida in the US. Although many countries are serviced by numerous airlines, there is little direct competition. Thus, although an airport such as Dakar or Abidjan may be serviced by Air Afrique, Air France and Swissair, airlines mostly fly on different days and often under pooling arrangements with national carriers.

<table>
<thead>
<tr>
<th>Class</th>
<th>Passengers</th>
<th>%</th>
<th>Fare</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Class</td>
<td>2</td>
<td>10</td>
<td>$1,720</td>
</tr>
<tr>
<td>First (upgrades)</td>
<td>12</td>
<td>25</td>
<td>--</td>
</tr>
<tr>
<td>Full Coach</td>
<td>35</td>
<td>20</td>
<td>$1,142</td>
</tr>
<tr>
<td>Coach -- seven day</td>
<td>25</td>
<td>35</td>
<td>$448</td>
</tr>
<tr>
<td>--14, 21 day</td>
<td>52</td>
<td>10</td>
<td>$220/420</td>
</tr>
<tr>
<td>Free Frequent Fliers</td>
<td>13</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>139</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>


Similarly, in Nairobi or Harare, Kenya Airways or Air Zimbabwe serve the international airports along with British Airways, Air France, Lufthansa, Swissair, and KLM. Moreover, these airlines fly triangular routes, which means more frequent stops with ensuing higher costs in landing fees and longer flight times, e.g., Swissair to Zurich from Harare flies via Johannesburg. All these factors conspire to encourage monopolistic practices, keep prices high and service limited. Outside the major hubs, service is even less frequent and often quite erratic. Surprisingly, it is usually governments that wish to limit access to their market. Recently, a number of countries have, if reluctantly, given up the idea of a prestigious national flagship carrier in favor of a more practical approach to improving air travel for consumers and are now adopting open skies policies. Zambia and Nigeria are examples and RSA has competition on many of its lines.

In Europe, charter operations have long held sway for the vacationing public because they offer rates well below scheduled carriers. Prices are set about a year in advance and depend on
achieving high load factors. Charter operations are becoming more frequent especially in Eastern and Southern Africa. Charters can consist of a block booking on a scheduled airline or may be provided by airlines that periodically supplement the capacity and routes of national airlines. Some charter companies may be owned and/or operated by national airlines and others can be subsidiaries of major tour operators. Charters offer more economical prices for vacationing tourists as they are based on filling a single plane and not on maintaining a regular continuous service. Charter rates are often negotiated a year in advance, but as departure dates near, vacant seats are sold at knockdown prices (“last minute sales”, through “bucket shops”, flight consolidators and the airlines themselves) to ensure that planes fly full. Pricing for car rental, trains and cruises is equally complex.

**Pricing of Tourism Assets.** Maintenance of the quality of natural or man-made tourist assets is central to the success of tourism, so that they must be priced efficiently in order to generate the financing for their protection and maintenance. Where the attraction is a commercial operation (for example, a gold mine tour in South Africa), its success or failure depends on the quality of the attraction and the market’s response. Where the assets are publicly owned and maintained, such as monuments and national parks, funding for maintenance must be raised or they will inevitably deteriorate and thus undermine the overall tourism product. France has a long-standing policy of charging for entry to its museums, although there are liberal concessions for interest groups. Even countries such as the United States are facing severe maintenance and even ecological problems in their national parks. Most African wildlife services are known to be operating with declining budgets.

Mechanisms used to raise funds for preservation and maintenance include: direct recovery through entry and user fees, often differentiated as between foreign and local visitors; special taxes paid only by tourists, e.g., accommodation and/or departure taxes; indirect recovery through overall tax revenues; and/or subsidies from a philanthropic organization. It seems inevitable and reasonable that the tourist contribute to the maintenance of the asset, even if it means an across-the-board increase in prices, which can have an impact on the cost of a tourist trip. Where the survival of a significant cultural and/or natural asset is at stake, “willingness to pay studies”, in such disparate countries as Belize and Morocco, have shown that tourists will pay entrance fees or taxes, provided that the funds are allocated specifically for preservation of the asset rather than for general budgetary revenues. If entry/user fees are the mechanism of choice, they will either appear in the price of the tour package or as an out-of-pocket expense for those tourists who choose to visit the attraction. Whether such charges are visible or hidden is a matter of choice for tour operators, but maintenance and mitigation of impacts on those assets that create the core of the tourist experience is a sine qua non.

**The Value of the Tourism Product.** As tourists at all price levels become more sophisticated in the global market, value, and not simply price, becomes a critical element in the decision to visit one destination rather than another. Value is particularly difficult to create – and is often recognized only after the fact. However varied the tourism package may be, it must also include intangibles that cement the whole into a memorable experience representing value for the tourist and one they will tell their friends about and possibly return to experience again— the best form of marketing. As discussed in the chapter on The Tourism Product, such elements may be as simple as pre-trip information in the originating country and good interpretative material of the tourism assets (slide-shows, well-trained guides). It could also be innovative and creative
juxtaposition of components of the package. Primarily, though, the package must display for the tourist the distinctive characteristics of the destination that contrast with all others the tourist might have chosen. Consequently, local cultural and natural assets, and a receptive local population, can be the principal elements in creating value for the tourism product. As a director of the Malaysian Investment Promotion Center once said: “We want you to feel welcome from the moment you step onto a plane to visit us, throughout your visit and on the return trip home”. To achieve this target requires recognition of the importance of tourism at every level in the local society and the implementation of programs that make tourists feel not only welcome but also cherished. Groups such as Disney and Club Méditerranée have perfected hospitality techniques that confirm the hypothesis that “putting the tourist first” is a profitable proposition.

**Examples of African Competitiveness.** While the tourism industry throughout Africa often operates below international competitive standards, several examples exist of products that meet international standards of excellence. Box 4 names the thirteen hotels in four Sub-Saharan countries that have attained the prestigious label of “Leading Hotel of the World”. At least one of these hotels is wholly locally owned and substantially locally staffed and others have local or regional capital and management. Moreover, some countries have been successful in marketing by pursuing *niche* markets aggressively; Botswana, for example, in the Okavango Delta is successful in developing quality activities at the top end of the market. Much of African tourism is related to nature and wildlife, which requires that high environmental management standards be sustained. Annex 2 contains a partial list of tourism products in Africa that have received international environmental awards.

**Box 4: The Leading Hotels of the World in Africa**

<table>
<thead>
<tr>
<th>Country</th>
<th>Hotels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>Mombasa Serena Beach Hotel; Nairobi Serena Hotel; The Norfolk Hotel, Nairobi.</td>
</tr>
<tr>
<td>Mauritius</td>
<td>Le Saint Géran Hotel Golf Club and Casino, Belle Mare; Royal Palm, Grand Baie; Le Touessrok Hotel and Ile aux Cerfs, Trou D’Eau Douce.</td>
</tr>
<tr>
<td>South Africa</td>
<td>Mount Nelson Hotel and The Table Bay Hotel, Cape Town; The Royal, Durban; The Michelangelo and The Westcliff, Johannesburg; The Palace, Sun City, North West Province.</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>Meikles Hotel, Harare.</td>
</tr>
</tbody>
</table>

Le Touessrok in Mauritius was selected as the Best of the Leading Hotels in the World in 1999, with Le Saint Géran, also of Mauritius, sixth.
At its April 1999 meeting in New York, the U.N. Commission for Sustainable Development held its first discussion about tourism and called on governments to develop national strategies or master plans for sustainable development based on Agenda 21 (Box 5).

**Box 5 The U. N. Commission for Sustainable Development and Tourism**

The Rio Earth Summit in 1992 identified tourism as one of the few sectors of economic activity capable of providing an economic incentive for preservation of the environment. Agenda 21 also identified tourism as a potential major source of continuing employment for women and the unskilled. The Seventh Session of the meetings of the Commission for Sustainable Development held in New York in April 1999 included, for the first time, a debate on “Tourism and its Sustainable Development”. A key aim of the meeting was to determine how well the findings of Agenda 21 have been applied to tourism so far, what has been achieved and what remains to be done.

In its conclusions, the Commission urged governments to develop national strategies or master plans for sustainable tourism based on Agenda 21. The Commission encouraged partnerships with private sector players and, particularly, with local residents to involve them actively in planning and benefiting from the fast-growing tourism industry. The economic benefits of tourism have the potential to alleviate poverty in the developing world, but capacity building is needed at the local level to achieve those goals.

The Commission admonished Governments to take strong and appropriate action against any kind of illegal, abusive or exploitative tourist activities, including sexual exploitation. Such activities have particularly adverse impacts and pose significant social, health and cultural threats.

The Commission called on the tourist industry to inform tourists better about cultural and ecological values, such as through in-flight videos. The industry should also provide accurate information on the safety of tourist destinations to enable customers to make informed choices.

The Commission requested interested bodies to work in close collaboration with WTO to:

- clarify the concepts of sustainable tourism and ecotourism and develop and test core indicators. Undertake an assessment of existing voluntary initiatives and guidelines for the economic, socio-cultural and environmental sustainability of tourism. Consider establishing a global network to promote information exchange on sustainable tourism and cooperate with UNEP to develop guiding principles;
- support national efforts towards sustainable development through relevant capacity building, as well as financial and technical assistance and appropriate technologies;
- promote integrated planning for tourism at the local level; and
- encourage more responsible behavior among tourists. In this context, WTO in collaboration with member countries and NGOs is developing a global code of ethics for tourism.

The Commission will review progress in tourism in 2002 as part of its ten-year appraisal of progress achieved since the Rio Summit.
To be acceptable as a development tool, tourism must generate economic benefits for a broad spectrum of the population and must also ensure inclusion of stakeholders in decision-making about sector development and trends, as well as preserve the natural or cultural resources on which tourism is based. The objective of private sector interests is to make a profit on their investments. Government’s role is to create the policy framework that will encourage for-profit investments, but also to formulate the incentives and regulatory frameworks that will protect the natural resource base and ensure good economic returns to a broad range of beneficiaries from these investments over many years.

**Economic Sustainability**

*Tourism as an economic catalyst.* Tourism is a cross-sectoral activity, in which visitors spend money directly in hotels, but, in most cases, they also spend a substantial amount of money outside the hotel. Estimates of such ex-hotel expenditures vary according to the type of hotel and local circumstances, but can range from half to nearly double expenditures in the hotel. These direct expenditures that are induced through the accommodation investment give such tourist operations their relatively high economic returns, as noted in Box 6.

**Box 6: The Economic Rate of Return of Hotel Projects**

<table>
<thead>
<tr>
<th>Country</th>
<th>Other Tourist Expenditures as % of in-Hotel Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbados</td>
<td>82</td>
</tr>
<tr>
<td>Cyprus</td>
<td>100-130</td>
</tr>
<tr>
<td>Jamaica</td>
<td>61</td>
</tr>
<tr>
<td>Kenya</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Safari 113-188</td>
</tr>
<tr>
<td></td>
<td>City/coast 50</td>
</tr>
<tr>
<td>Tunisia</td>
<td>57</td>
</tr>
</tbody>
</table>

According to the IFC, tourism is labor intensive, but the main reason the ERR tends to be high for hotel projects is because of the additional direct expenditures of visitors outside the hotel complex. The results of disparate and undated visitor expenditure studies undertaken locally were published in “Lessons from IFC’s Experience in the Tourism Sector” (1992):

In addition, the multiplier effects of tourism spending and employment are significant. Tourism supports the growth of domestic industries such as transport, agriculture, fishing, food processing, construction, furniture making, handicrafts, financial services, etc., also creating investment opportunities for small- and medium-scale enterprises and also a variety of employment opportunities.
Tourism’s main comparative advantage over other sectors, according to WTTC, is that visitor expenditures also have a “flow-through” or catalytic effect across the economy in terms of production and employment creation. The role of tourism as an entry point in an economy is illustrated in Chart 3. During the construction period, tourism creates jobs in that sector. If the country is sufficiently developed, the investment can generate demand locally for furniture and furnishings, and even for capital equipment. Tourism also generates a demand for transport, telecommunications and financial services. Through consumption of local products in tourist accommodation and through visitor expenditures outside that accommodation, tourism can act as a catalyst for the development of small businesses in production and service sectors, increase the demand for handicrafts, and generate linkages to agriculture, fisheries, food processing, and light manufacturing, such as the garment industry. Tourism can also create links to the informal sector. As noted by the analysis of Pro-Poor Tourism in a study done for DFID (Annex 5), those links do not necessarily happen automatically but need to be explicitly enhanced. Also, notably, tourism can provide an economic base for a region whose only development options are its cultural and natural resources, whether coastal, mountain, or wildlife.

Each new production or service activity that is either started or expanded to meet actual or potential tourism demand will, evidently, require new investment. But, where capacity is
underutilized or people are underemployed, tourism can generate new sources of income without significant new investments. Furthermore, the range of products and services that can be developed for tourism demand, makes tourism a catalyst for entrepreneurial activity.

**Employment.** Tourism is labor intensive with some two employees required per hotel room in developing countries, depending on the type of hotel and local skill levels. Comparisons of investment costs per job in tourism compared with manufacturing, presuppose that countries have a free choice between these alternatives, as well as comparable market entry for each activity. Nevertheless, there is some evidence that tourism is more labor intensive than manufacturing and employs a higher proportion of the low skilled and women. Only in a few small, resource-rich developing countries will the opportunity cost of such labor equal the wages payable in tourism.

An often-neglected facet of employment in the sector, is that tourism, in fact, creates “good jobs”. Physical working conditions are healthier and safer than in sugar cane, mining, logging and, often, manufacturing, among other economic activities. But, also, hotels and tourist services create jobs such as waiters, maintenance engineers, and drivers, which are relatively well paid, particularly when supplemented by tips. With an increasing dependence on locals for their staff, hotels are upgrading the skills of their employees with formal and informal training, and, increasingly, locals are rising through the ranks to technical and senior positions.

**Tourism Demand.** Tourism is often considered volatile. As a global industry, all destinations face the heightened risk of terrorist attacks, which, together with civil strife, war and natural disasters, can terminate demand for the product for a prolonged period. Crime and poor public health standards in a specific destination can greatly reduce demand for an indefinite period after it is evidenced. But, there is some indication that fluctuations in demand for tourism are less severe than for the commodity exports on which many developing countries depend. In fact, fluctuations in tourism are often due to country conditions rather than world prices, as is the case for commodities. The Minister of Mines, Environment and Tourism of Zimbabwe, when opening the 1999 Tourism Workshop (Box 18), stated that while agriculture, mining and manufacturing have suffered declines in the past decade “tourism is the only sector that has continued to perform well even under a severe economic environment.” Tourism also appears to be immune from competition from radically different substitutes in the international market that could cause a switch in demand to another product, as has happened with synthetics for example.

**Leakage.** Concerns are frequently expressed about the “leakage factor” in tourism, i.e., that part of the tourist dollar that leaves the country to pay for the imports consumed by the tourism sector. Small islands and very poor countries may face greater costs than larger, mainland, developing countries, because they will be more dependent on imported goods, foreign airlines and foreign capital. The extent of the leakage of foreign exchange is directly related to a country’s level of development, its economic diversification and the openness of its trade arrangements.

The factors that determine the extent of the foreign exchange leakage are:

- the types of tourism facilities developed and the costs of their marketing and promotion;
• the demand pattern and volume of tourists;
• the extent of local ownership, management and employment in the accommodation and services sector;
• the availability of free transfer of profits;
• import restrictions and duties on imports;
• the prior existence of infrastructure, particularly that is capital intensive like airports, and of technology for telecommunications; and
• the level of development of industries and sectors that are linked to tourism that can supply materials needed at the construction stage and during operation of tourism facilities.

The sum total of these factors is specific and unique to each destination.

Numerous studies have attempted to calculate the leakage of the tourist dollar. Interestingly, there are far fewer studies that calculate the leakage in other sectors such as mining or manufacturing in the same country. Yet, because the leakage factor is related to the country’s level of development, it would seem logical and evident that if the leakage factor in tourism is high, it will be so in other economic activities in the same region or country. Clearly, there are caveats related to the comparative advantage of the various activities within the same country, but the basic principal would seem to apply.

According to a collation by IFC of several studies done by others, net foreign exchange earnings from tourism vary by country but tend to be high relative to other exports. In large countries such as Mexico, Thailand, Turkey and, even, the Dominican Republic, where tourism facilities are constructed, equipped and supplied largely from local resources and staffed by local labor, net foreign exchange earnings can be in excess of 85% of the gross revenues. In small and relatively underdeveloped countries, particularly island nations, imports are sometimes considerable, yielding net foreign exchange earnings of about 45%, without allowing for repatriation of profits. According to Philip English in an older study (Box 7): “The evidence also suggests that the net foreign exchange earnings from tourism are significant, ranging from at least 50% of gross expenditures\(^7\) within the country to as much as 90% in the most advanced developing countries”. Recent preliminary data suggest that leakage is currently of the order of 23-25% in Kenya.

\(^7\) Gross expenditures exclude airfares and tour operator commissions.
Box 7: Economic Benefits of Tourism: A Summary Assessment

The range of situations worldwide limits generalizations about the economic role of holiday tourism. Ultimately, much depends on the resources and needs of the individual developing country. Some lack adequate tourism assets to attract more than a few tourists, others may have to compare the potential of tourism with the potential of exploiting other resources that compete with tourism. Some countries have many resources, tourist and otherwise, yet tourism provides a useful source of diversification among several major income-generating activities.

Small islands are often obliged to embrace tourism as a leading sector because there are few alternatives. Yet, even when comparing small Caribbean islands there are surprising differences in the economic role of tourism. Poorer countries also need to build more infrastructure specifically for tourism. If islands with small economies do not have appropriate facilities before the influx of tourists, they may incur major public expenditures for air and sea ports. On such islands, the effect of tourism on land prices and living costs will be more pronounced. Those residents who do not benefit from tourist expenditures are more likely to suffer a net loss unless governments take corrective actions.

Some of the claims regarding tourism’s economic potential appear justified. The benefit to low-skilled labor is undeniable. Only in a few small resource-rich developing countries will the opportunity cost of such labor equal the wages payable in tourism. The evidence also suggests that the net foreign exchange earnings from tourism are significant, ranging from at least 50% of gross expenditures within the country to as much as 90% in the most advanced developing countries. Finally, it appears that tourism can generate more than sufficient taxes to compensate for public investments. However, where numerous destinations in close proximity compete without any effort at coordination, tax revenues may fall at the same time as incentives are extended—once again this problem is particularly serious among the many islands of the Caribbean. Countries with special attributes such as Kenya are decidedly better off, intrinsically.

The growth performance and potential of international tourism are encouraging. There have been and will be fluctuations in demand, particularly for individual destinations, but they would appear to be less severe than the average for commodity exports on which so many countries in Africa depend.

The picture on employment generation and income distribution is more mixed. The sector is probably less labor intensive than commonly assumed, though the caliber of jobs created may be better than imagined. Even less can be said about the impact on income distribution without reference to specific case studies and, particularly, the nature of government policies. The potential is there to generate some jobs and more investment capital for the rural areas. But tourism development is no substitute for direct attention to the basic needs of society’s poorest segments.

Because of demand instability and a limited impact on employment and the poor, a high level of dependence on tourism does not seem wise. Any kind of monoculture is risky. Tourism should be viewed as a source of diversification, helping to stabilize and boost the host economy by complementing traditional sectors rather than replacing them. This concept has not always been understood. In case studies of larger developing countries, the economic advantages of tourism are not in question.

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8 This is a summary of the Summary of Chapter 2 “Where does the Buck Stop?” in “The Great Escape”, an examination of North-South Tourism by E. Philip English, published by The North-South Institute, Ottawa, Canada in the late eighties. Mr. English is currently a staff member of the World Bank.

9 According to the IFC, tourism is labor intensive with an average of 1.2 – 1.5 employees required per hotel room in developing countries, depending on the type of hotel and local skill levels. This does not include jobs created outside the hotel in tourist services paid for directly by visitors. The estimate also excludes consideration of the jobs created in other sectors that supply the accommodation and service sectors and that vary by country depending on the strength of the linkages and the level of development.
As discussed in the context of airlines and closed economies, “plugging the leak” may not always be in the best interests of the local tourism sector. For example, while “mass” resort tourism may not require imported luxury goods, luxury tourism may well have far less impacts on the natural resource base and may have a higher employee per room ratio, as well as bring in greater levels of net foreign exchange per unit invested. More closed economies may be unable to provide the goods required by international tourists at all or at a competitive price. The level of leakage is, therefore, a function of the level of development and diversification in the tourist destination but can also be a function of the type of accommodation that is most appropriate for the country’s natural and cultural assets and socio-economic conditions.

An extended definition of “leakage” covers the tourist’s payments for travel, insurance and financial services. Revenues from these services will seldom accrue to tourist destinations because tour operators in developed countries dominate the mobilization of tourists for international travel, as discussed in Annex 1. A number of African countries continue to own national or regional airlines, so that some tourists use their services. But the costs and inefficiencies attached to such local ownership can outweigh the advantages of an “open skies” policy that admits foreign carriers (Box 11).

**Linkages.** Leakages of foreign exchange for imported goods actually identify those areas where there could be potential for the private sector to create new linkages to other production and service suppliers in the formal and informal sectors. In the recent DFID paper, the authors asked the important question “why are not linkages stronger between tourism and other sectors of economic activity? Do products need improving, are transaction costs too high, is communication lacking? If so, committed businesses, donors, NGOs and governments can all facilitate change. If the local supply is not and cannot be made commercially feasible, intervention is not appropriate. The lack of examples of strong linkages suggests that the objective is difficult and time consuming, but also that concerted efforts have seldom been made to forge the linkages.” Establishment of such linkages requires close consultation with the industry and, in most countries, special measures to build capacity, introduce quality controls and improved packaging, marketing and distribution channels. As discussed below, there are several examples world-wide of managers who have targeted the local community to supply goods and services for their hotels.

**Box 8: Government Revenues from Tourism-Related Taxes**

| Policies for taxation of tourism must consider the overall competitiveness of the product in the international market and the profitability of the sector locally. In Mauritius, the Government initially imposed a Hotel and Restaurant Tax (HRT) of 10% in addition to the VAT applied to most transactions, which the tourism industry viewed as double taxation. As a result of discussions between the tourism sector and Government, the Ministry of Finance reduced the HRT to 4% for 1998/99, to 2% for 1999/2000 and phased it out from 2000. |

**Tax Revenues.** Governments simultaneously regard tourism as a major charge on the budget because of the demands it makes on public infrastructure and as a cash cow for tax revenues. In this context, as stated in Box 7, “it appears that tourism can generate more than sufficient taxes to compensate for public investments”. The taxes that Governments place on the tourism sector are listed in Box 8. Excluded from the list are the conservation taxes that countries with significant eco-tourism assets, such as South Africa, are beginning to impose on tourists and the
more common user fees to gain access to cultural and natural assets. Potential revenues from tourism can be reduced by the tax incentives offered by many governments to prospective investors. The ubiquitous tax incentives persist because each government believes that investors will turn to rival destinations if they do not match incentive packages offered elsewhere. The Bank Group instead argues that the best incentive for tourism (or any other) investors is an appropriate policy, legislative and regulatory framework, as discussed in the latter part of this report, together with good physical planning and performing infrastructure, and a healthy and crime-free environment.

Industry concern about taxation of its activities is so great, that WTTC, as part of its “Millennium Vision”, included taxation in its program to eliminate barriers to growth. WTTC states that “travel and tourism generates more tax revenues than any other industry and, consequently, WTTC has developed principles, tools and a research capability to work with governments to evaluate intelligent taxation approaches”. Similarly, the WTO Business Council sponsored a worldwide study on the effects of taxation on the tourism industry, which is published as “Tourism Taxation: Striking a Fair Deal”. The theme of the study is that taxes can either stimulate or stifle tourism growth. Clearly, a balance needs to be struck between the need for survival and profitability of private sector investments and for revenues for central and local governments to provide the sector’s social and physical infrastructure requirements and to preserve tourist assets.

**Tourism Satellite Account.** The lack of a comprehensive economic overview of the tourism sector has limited understanding of its role. For nearly a decade, WTTC has promoted the development of credible economic statements of the size, significance and net contribution of tourism activity through the use of Tourism Satellite Accounts. Since 1993, WTO has actively pursued the same objective within the UN System of National Accounts. The objective is to measure the true economic impact of tourism in each country in order to inform the policy decisions of governments and the investment decisions of private industry (Box 9).

**Environmental Sustainability**

Though often referred to as a 'smokeless' industry, the dependence of tourism on natural resources makes any negative impacts more conspicuous. Water pollution, ecological disruption, land degradation, and congestion typify negative environmental externalities associated with poorly planned tourism. Often, however, pollution and degradation from external sources negatively impact the sustainability of tourism investments. Tourism can only be sustainable if the natural assets on which it is based are protected from degradation. This is particularly true in Africa, which is variously marketed as a nature, wildlife, resort and cultural heritage destination. Consequently, a well-managed tourism sector will protect its natural resource base in new developments and mitigate negative impacts on the environment from previous developments and from external sources. During the last decade, considerable progress has been made in understanding the consequences of the degradation and pollution of coastal and nature-based assets and in improving policies and physical planning for mitigation and for management of these assets.
### Box 9: Tourism Satellite Account

The United Nations in 1993 called on all countries to develop a National Satellite Account for Travel and Tourism to provide a credible measure of its true contribution to a national economy. The term satellite account is a term developed to measure the size of economic activities that are not included in their own right in national accounts.

The challenge of creating a TSA is real. Tourism activity generates substantial amounts in personal spending, business receipts, employment, income and government revenues. But, only a small amount of spending occurs in enterprises that are strictly defined as tourist establishments, i.e., hotels and tourist services. A large part of tourism spending takes place for public and private services that are not specifically tourism related. Tourism also directly generates economic activities in construction, agriculture and fishing, manufacturing, transport, banking, insurance, telecommunications, medical, security and retail services. A TSA will help to define the size and value of the sector and allow governments to make better informed policy decisions.

WTO convened a group of experts on TSAs in 1995, who represented the main technical agencies working in national accounts (including the World Bank Group), and representatives of the tourism sector, including WTTC. The result was *TSA: The Conceptual Framework*, which is designed to be consistent with the new national accounting framework adopted by the United Nations, the World Bank and IMF, OECD and other concerned multilateral agencies. Thus countries are able to use existing data from their own statistical services. To date, only Canada, the Dominican Republic, France, Norway and the USA have developed TSAs.

The Dominican Republic, with assistance from WTO and UNDP, undertook an experimental TSA in 1993, which was updated in 1998, designed to be a model for small island nations. The data for 1996 indicate that tourism expenditure as a % of GDP amounted to 20.5%. The comment of the Director of National Accounts of the Central Bank, Olga Diaz Mora, is: “Before using the WTO methodology, the Dominican Republic only measured hotel and restaurant revenues as tourism earnings—a figure that amounted to about 4% of GDP. By studying the impact of total tourism spending, investment in the tourism sector and tax revenues generated by tourism, the government can make better decisions that help develop this strategic sector.”

WTTC with its intimate knowledge of travel and tourism activities and WEFA, an international consulting firm with a long history of economic forecasting, have pioneered TSA research for the past ten years. WTTC/WEFA state that they have fully operationalized and implemented the conceptual structure of the WTO Satellite Account and realigned their own research to produce an integrated system for measuring travel and tourism’s economic impact. The results for South Africa are contained in the report: South Africa’s Travel and Tourism—Economic Driver for the 21st Century. The results are summarized in Box 10.

Physical planning tools are essential for sustainable tourism development and need to be combined with appropriate sector policies and incentives to protect natural resources. WTO has collated several examples of best practices in physical planning for tourism but much relevant information about coastal and island development and carrying capacity and zoning for tourism is scattered.
The Bank Group and the GEF have experience with coastal zone management and with protection of bio-diversity related to nature tourism. The study: “Africa: A Framework for Integrated Coastal Zone Management” contains a long-term objective that would greatly benefit the development of the tourism sector: “A system for integrated and participatory development planning and natural resource management in the coastal zone will be in place by 2025. It will seek to optimize the net benefit flows from coastal resources to individuals and society by reducing user conflicts, mitigating adverse development impacts and enhancing the productivity of coastal ecosystems.”

The Bank Group’s and other donors’ insistence on the use of Environmental Impact Assessments (EIAs) has extended their reach to governments worldwide. The quality of the EIAs submitted for review to government agencies and the review process itself often could be improved. This is particularly the case with EIAs submitted for tourism construction in coastal areas and especially in islands, which have considerably more fragile coastal ecosystems. A body of experience is available worldwide, though not always easily accessible. Physical planning tools are essential for tourism development and need to be used in combination with macro policies and incentives. Annex 3 describes the uses of zoning and carrying capacity in managing tourism development. An essential ingredient for effective environmental management is a

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10 An excellent example of a coastal development policy for islands was done by the Coastal Zone Management Authority in Belize and is contained in Annex III Coastal Zone Management, Belize Environmental Report, Caribbean Division, Country Department III, Latin America and Caribbean Department, World Bank. Report No. 15543-BEL May 30, 1996.
monitoring system that ensures that changes in benchmark data, densities and in uses of the natural assets is monitored effectively and can be controlled.

As knowledge of the consequences of environmental degradation has become more widespread, notable leaders of the tourism industry have responded. Many tour operators have taken positive steps to become environmentally sensitive within their own operations. Some, such as TUI, the German tour operator, and British Airways Holidays, (Annex 2), have begun to help destinations improve their operations and have begun an awareness campaign among the tourists they transport to the destination. A number of hotels and a few entire destinations are adopting “green codes” in their operations and are obtaining certification, which entails a commitment to maintain these standards. As noted in Annex 2, a number of African enterprises have adopted such environmental standards. The environmental issues related to tourism are still not perfectly understood nor are foolproof prescriptions available for more sustainable use of natural resources for tourism purposes. But, governments and investors are much better informed about managing natural resources than they are about preventing social exclusion in tourism and, to some extent, the worldwide audience is better mobilized to address environmental issues related to tourism than those related to poverty.

**Poverty and Social Inclusion**

Tourism is praised for absorbing more women and unskilled than other sectors, as noted by Agenda 21, and, for being economically significant in the vast majority of low-income countries, yet, is often criticized for being foreign-owned and not employing locals at higher management levels. As noted in the overview of tourism issues in Mauritius (Annex 4), the industry has been heavily locally or regionally owned and managed from the outset. Local investors continue to diversify out of other sectors, principally sugar and manufacturing, into tourism. This also appears to be the case in Zimbabwe and Kenya. The perception of foreign-dominated management of hotels is questionable today. For one thing, few hotels are sufficiently profitable to be able to carry expatriate salaries. As noted in Mauritius, at least one five-star hotel, which is part of a large local chain, is 100% locally owned and managed, with not a single foreigner on its staff. In Côte d’Ivoire, tourism services are dominated by nationals and citizens, i.e., the latter being Ivoirians of foreign extraction who have elected to spend their lives in Côte d'Ivoire. Insufficient research has been done on this issue in Africa, but in the Caribbean, where the same allegation is occasionally still made, ownership and management is predominantly local or regional for all ranges of accommodation and services.

One of the real issues in tourism everywhere in developing countries is how to extend the benefits to the poor and to local communities. Donors and NGOs have initiated, with mixed success, many community-based projects to try to establish linkages to traditional tourism. Some of the failures can be attributed to not associating the private sector with such initiatives at an early stage. Private sector involvement at the design stage assures purchase of the local goods and services from the outset and avoids unfulfilled expectations. Hotel managers or owners, in such varied destinations as the Eastern Cape in South Africa, the Dominican Republic and Fiji, have deliberately involved the local community in their activities, sometimes with outside technical assistance. The links to the local communities include: employing local people and sourcing goods and services from the community, supporting the establishment of micro or small-scale enterprises to supply hotel needs, upgrading training and skills for specific activities,
such as guides. Interdependence between the local community and the tourist accommodation generally improves relations and the benefits are mutual.

Other initiatives are designed to empower local people to host tourists in their communities and thus give value to natural or cultural assets owned by the local community. Hosting may include reception facilities for day time visits or overnight accommodation for tourists. Selected ongoing initiatives are summarized in Box 16. Consultants addressed the issue of pro-poor tourism in two recent studies for DFID, which are summarized in Annex 5. A major conclusion of these studies is basically the same as that of the Commission for Sustainable Development: “The economic benefits of tourism have the potential to alleviate poverty in the developing world, but capacity building is needed at the local level to achieve these goals.” The DFID consultants explore the range of strategies that will be needed to ensure a broader distribution of tourism benefits and find that specific targeted actions will be required to forge the links.

**CURRENT CONSTRAINTS TO THE DEVELOPMENT OF TOURISM IN AFRICA**

If Africa is to be successful in competing in the international tourism market, standards of excellence must be introduced for its products, particularly for infrastructure and accommodations and services. Management and administration of the sector must improve. The primary focus for governments must be the implementation of policies that will encourage tourism development, as discussed below. Yet, the sector cannot develop without improvements in public health and personal safety in tourist areas. The formulation of air policies that attract greater traffic is also critical. Governments also need to address human resource development and capacity building, and improve environmental mitigation and protection.

Both hotels and airlines require long term financing for substantial investments that are written off over long periods. Infrastructure is an essential component of the tourism product that also requires large amounts of lumpy capital investments. Government policies, procedures and institutions should facilitate the acquisition, use and disposal of such assets efficiently. Economic policies and the availability of financing can expedite or slow down the entrepreneur’s or manager’s ability to use the resources at his/her disposal effectively. But, the effectiveness and efficiency of government procedures and processes are also central to increasing productivity in enterprises. Government, therefore, should reduce red tape by establishing clear, predictable “rules of the game”.

Only Government can create the business environment in which a responsible private enterprise can thrive. The private sector will respond to the environment it finds – the greater business confidence, the higher investment is likely to be. Conversely, a weak business environment will spawn low investment or enclave investment that discourages participation by local populations, a common complaint about tourism. The Government must help the population at large to understand the ways in which tourism can help improve the economy and welfare. Governments must help local communities in the tourism destination, who depend on tourism for income and job creation, to protect their way of life while simultaneously encouraging tourism. It is therefore important to create a shared vision of the sector, promote high standards of ethics and conduct, and catalyze government, the industry and civil society towards its attainment.
A mix of development assistance to help address these issues, which would benefit a range of economic activities, and private sector investment will be required to enable African destinations to compete in the international tourism market. The combination of policy improvements plus the catalytic nature of tourism could have a strong impact on economic growth. The major constraints within the tourism and travel sector that impede such growth are discussed below. The type of international tourism that a destination should attract will be determined by the quality of its intrinsic tourist assets, their relative scarcity and size, together with distance from major markets, ease and cost of access, among other factors. Many destinations aim at the luxury market, but, as noted, the competition here is fierce and the market segment small, while the initial capital investment costs are high. Promoters of community-based tourism aim at the opposite end of the market and bring in backpackers and/or tourists prepared to live in typical local villages. The middle income market is broader but still requires a certain volume of visitors to meet hotel occupancy targets and justify infrastructure requirements. Ideally, a tourism sector should have a variety of facilities that aim at a range of demand segments.

Air Transport. The air distribution channels that deliver tourists to and from the region constitute the main restriction on the flow of tourists to Africa, with the chief issues being:

- weak bargaining power of governments to open routes for national airlines because of the small size of the fleet and their reluctance to enter into an open skies policy;
- the power of tourism distributors to control the direction of tourism demand, airline seat availability and, to an extent that varies by destination, the price of the airline seat and hotel room, and, frequently, the cost of the total end product price;
- the airlines hub-spoke system of passenger delivery improves aircraft utilization and airline load factors, but can adversely affect the numbers of through-passengers able to travel on to hotels in destinations located beyond a major destination spoke; and
- insular African air transport systems comprise a collection of national and regional airlines operating both inter- and intra-regionally. Each of these systems has different characteristics in terms of route structure, average spoke length, numbers of carriers operating, type and passenger capacity of aircraft in use, and the number and runway length of airports served.

The high cost of airfares to Africa will limit the pool of middle to lower-income tourists able to afford a holiday in Africa, at least until there is greater competition between airlines and more flexibility in the types of air packages offered. The seriousness of the situation in Western and Central Africa is outlined in Box 11.
Box 11: Air Transport Trends and Economics in Western and Central Africa

This report, based on “Air Transport Trends and Economics in Western and Central Africa. Joint Collaborative Effort of the Private Sector Development Department and the Africa Region of the World Bank. October 1998”, provides the results of a preliminary assessment of trends of passenger air travel in the Western and Central Africa (WCA) Region. Under the umbrella of the Yaoundé Treaty (YT, of 1961 which organized air transport in 11 WCA countries and granted traffic rights to one carrier—Air Afrique), air transport in WCA has remained largely isolated from the full impact of the economic trends that have characterized the international air transport industry. In the WCA region, airline services have continued to decline and are characterized by unreliability, inconvenient schedules for both the business traveler and the tourist market, and extremely high prices. Furthermore, the government-owned carriers of the WCA region are on the verge of bankruptcy. Several factors account for this:

- a rigid regulatory framework, nearly forty years old, that confers a monopoly in much of the WCA region and is combined with a restrictive web of bilateral agreements. As a result of the barrier to new entrants, Air Afrique, which is 70% owned by the founding states, has neither decreased costs nor improved services; and
- Air Afrique and most local carriers are government-owned, while, by contrast, 75% of world airlines are privately owned. Schedules do not reflect market demand and schedule changes represent political compromise and not commercial imperatives.

Attempts to reform the YT and liberalize the regional markets have focused on the:

- design of a common air transport policy for the whole sub-Saharan Africa region under the 1988 Yamoussoukro Declaration Principles; and
- revision of the YT and privatization of local carriers. The Ministers decided to open the unified zone to limited competition and a second carrier per country with two frequencies per week.

These efforts have so far failed to bring significant improvements because they were piecemeal rather than comprehensive and there was no real consensus about and commitment to the reform agenda.

In the light of this situation, the report recommended fundamental change. Open skies would be adopted. Air Afrique’s exclusivity on the regional routes would be removed immediately within the region. Exclusivity on long haul should be removed after a transition period of three years. Both local carriers and Air Afrique would be subject to privatization. Under the plan, other components of air transport (air navigation services, airports) would also be modernized and civil aviation authorities would be strengthened to improve safety and support demand.

Lack of a Critical Tourist Mass. Current air policies constrain both the types of tourists that are able to visit Africa as well as the volume that would make investments in social and physical infrastructure more cost effective. “Critical mass” is discussed in Box 12.
Increasing tourism volumes by building additional hotels are often necessary in order for a destination to reach the level of “critical mass”, whereby airlines are convinced to establish routes and tour operators decide to promote the destination. Although this is often viewed as a chicken and egg situation, hotels are a key factor in the equation. A certain volume of hotel rooms and visitors are also required in order to justify the sometimes large investments in infrastructure such as airports, roads, ports, power, local transport companies, waste management, landfills, etc. In this respect, concentrated and well-planned integrated resort development is generally more successful commercially and a better guardian of the environment than ad hoc developments throughout a country. On the other hand, destinations where existing services such as power, waste treatment and water supply are already running at or close to capacity need to be carefully monitored.

Regional and domestic tourism can help to boost the critical mass of tourists required to enable the tourist sector to become viable. There are two quite different forms of regional tourism: first, tourists from neighboring countries visit a regional destination and, second, destinations in neighboring countries are jointly marketed and promoted to attract a greater volume of tourists than might visit a single destination in the region. In the first sense, both regional and domestic tourism can boost occupancy rates, iron out seasonal fluctuations generated by events in countries of foreign tourist origin, and sustain lower-category hotels. Many African countries have substantial numbers of regional visitors, though the main purpose may be family or business visits. In the second sense, regional organizations are already operational in West and Southern Africa. The Regional Tourism Organization of Southern Africa (RETOSA), which was established by SADC in 1995, functions as a regional marketing organization based in Johannesburg. The Tourism Sector Coordinating Unit is a separate but allied body under the overall SADC umbrella, concerned with government policy issues relating to tourism and with its secretariat based in Mauritius. WTTC has analyzed the prospects for regional tourism growth in the SADC countries and a summary of that analysis is in Annex 4.

Financial of Hotel and Tourist Services. Local participation in the benefits from tourism should not include public sector ownership of tourism accommodation or services, which is or should be a private sector activity. Some hotels in Africa are still owned by governments. A few are even still managed by the public sector, though most are under management contracts with hotel chains. As noted by the IFC, nominal equity participation does not ensure commitment to efficient management. Most government-run hotels tend to be inefficient, are in a state of disrepair, and have annual losses. The IFC has played a significant role in assisting the government, local and foreign sponsors, hotel operators and the lending community to privatize hotels. An essential part of the process is the renovation and refurbishing that is normally required to make the hotel competitive. In Africa, the IFC is associated with transactions related to the Polana Hotel in Mozambique and the Federal Palace Hotel in Lagos, Nigeria.

The construction of luxury hotels tends to attract financing from private sources--sometimes irrationally--relatively more easily than for other categories of hotels, because of the (not always correct) assumption that they will be profitable. Financing for other categories of hotels is quite problematic in most African countries. Financial mechanisms do not exist to mobilize the considerable sums required for new construction and the terms of lending, as illustrated in Box 13, are generally unsuited to the special needs of hotels. Small hotel owners have special needs for renovation and refurbishing, but are not considered “bankable” clients in many African
societies. Local tour operators normally have equal difficulty in financing the purchase of vehicles that are essential to their operations. In Côte d’Ivoire such operators claimed to have paid almost 100% of the cost of the self-financed vehicle in import duties in 1999.

Box 13: Financing of Hotel Projects

Hotel finances tend to be more complex than for most investment activities and require specially designed terms of financing. In its 1992 “Lessons from IFC’s Experience in the Tourism Sector”, the Corporation highlights some major issues.

Hotels are characterized by high fixed costs, both in terms of the capital required to build a property and operating costs. Hotel projects also face a variety of risks related to the project itself, the various players involved and the financial structure. However, a number of risks are external to the project, such as political and economic stability and natural disasters.

Promoters of hotel projects are often in a position to increase the return on their own equity investments (if any) by profits or fees on the construction and equipping of the hotel; travel agency commissions, tour operator mark-ups, or other marketing fees; fees for management and related services; or ownership of adjacent land that appreciates in value following the construction of the hotel.

Investors often consider potential capital gains as an important attraction in hotels. Realizing these gains, however, may be difficult when the principal shareholders are content to hold the real estate indefinitely and opportunities for disposing of shares at good prices are limited.

Three among the lessons learned from the IFC’s experience with hotel financing are:

• market forecasts should be based on a systematic examination of factors likely to affect both supply and demand. Sensitivity tests should consider the possibility of significant shortfalls in both occupancy and room rates and increased capital costs at the same time, as well as the implications of possible exchange rate adjustments;

• IFC should grant and encourage others to grant longer grace periods. A new hotel typically takes about three years to achieve a stable level of revenue. Grace periods are also often eroded by construction and completion delays. Inadequate grace periods contribute to the need for financial restructing. Longer repayment periods and/or graduated payments should be considered; and

• while hotel operator equity is to be encouraged, token equity does not provide appropriate motivation. Operator guarantees, performance clauses, lower fixed rate fee, better incentive fee structure, waived, subordinated or deferred fees, etc. can be more effective in encouraging operator efficiency and commitment.

As discussed in Box 13, return on equity is not always the main motivation for investing in hotels. Hotel owners who can cover cash flow by other means sometimes own the hotel for speculative reasons related to its real estate appreciation. At the lower end of the spectrum, small hotel owner-managers view the hotel as a means to subsidize their own living expenses and, consequently, contribute family labor to its operations without proper accounting for either costs or profits. The motivations for hotel ownership tend to be more varied than for most entrepreneurial activities and with luxury hotels are sometimes exotic or quixotic.

Hotel profitability is not always solely determined by average room and food and beverage sales. Hotel revenues are also derived, among other sources, from leasing arrangements for services on
the premises (shops, casinos, and marine sports) and from non-hotel guests attending meetings and functions and purchasing hotel services such as catering.

Ownership and management of hotels are often in different hands, with the owners entering into contractual arrangements with chains or individuals. Unless those contractual arrangements are well structured to provide incentives to the managers to make profits, these may be willing to sell rooms at the first offered price to raise occupancies or to gain clients for other hotels in the chain. On the other hand, management contracts can be effective mechanisms to transfer technology, encourage professional development and improve management.

Management may well be the most critical factor in the quality of the hotel and, therefore, in the price it can charge over time and in its competitiveness. The most visible part of the hotel complex is the public space, i.e., bedrooms, restaurants, meeting rooms, swimming pools, sports facilities, shops, etc. The larger hotels also provide their own stand-by generators, water and sewage treatment plants, laundries, etc. Managers oversee a large staff of varied skills including engineers, accountants, chefs and waiters, housekeepers, and activity organizers. They are also required to meet and greet important visitors and local dignitaries and, increasingly, establish special relationships with the local community. Good hotel managers are scarce and, whatever their training, require considerable experience in the job before becoming effective. As Mark Twain noted: “All saints can work miracles, but few could manage a hotel”.

The lack of availability of financing for tourist accommodation and services is a critical constraint to the growth of tourism in Africa. Financing is badly needed for refurbishing of accommodation, new constructions, the SMEs and micro enterprises that will strengthen the linkages between tourism and other sectors and that will allow local communities to access the benefits from tourism, and for supporting infrastructure. Risk mitigation tools, such as guarantees on non-commercial risk, can provide additional comfort to private investors.

Security for loans, including property rights to assets ranging from land to intellectual property, is often an issue. National policies for land ownership, titling and zoning can help to keep traditional land assets in the hands of communities, as well as ensuring the availability of collateral. For the larger investors, land titling is an essential pre-requisite without which the investment will not take place. This is a policy area that has an impact on all economic sectors, as well as on the population as a whole, but where many governments lack expertise and political will.

Probably the main external source of private debt and equity capital for hotels and services in Africa is the IFC, which has financed such projects for the past three decades and fills an essential gap in an activity so dependent on private sector financing. In recent years, the IFC has created specific mechanisms to address the needs of smaller hotels. As discussed earlier, the Corporation has also handled the important issue of renovation of hotels in the course of their privatization. IFC’s activities are described in Annex 6.

Part of the mandate of another member of the World Bank Group, the Multilateral Investment Guarantee Agency (MIGA), is the promotion of foreign direct investment to developing countries. MIGA has already delivered specialized investment seminars on tourism at the request of African countries. A description of MIGA’s activities is in Annex 6.
**Physical Safety and Public Health.** Investors and tour operators have two essential requirements before they will invest in, promote or send tourists to a destination:

- physical safety of tourists; and
- high hygiene standards in accommodation and food establishments and overall good health facilities.

In this age of globalization, serious crime against tourists hits the international headlines around the world and can destroy the tourist destination. Apart from the obvious desire to keep tourists happy so that they will become repeat visitors and/or advertise the trip by word of mouth to others, there are now compelling legal reasons for tour operators to ensure the physical safety and health of tourists. The European Community Directive on Package Holidays, issued some five years ago, makes the tour operator responsible and liable for the health and welfare of its tourists. In terms of public policy the host country, therefore, needs to:

- enhance measures for crime prevention and tourist safety, enforce laws to penalize crime, and undertake a public education campaign to ensure that nationals understand the value of tourism to the country and treat tourists well; and

- identify the main public health issues that affect tourists and introduce measures to eliminate these.

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11 According to Trevor Atherton of Coopers & Lybrand, Australia, in a personal communication, a 1996 Privy Council decision holds that the EU directive is not just confined to tours promoted or offered in the EU, but can apply to tour operators from any common law country.
Box 14: Safety and Security in West Africa

WTO and the Economic Community of West African States (ECOWAS) organized a seminar in March 1999 on The Safety and Security of Persons and Goods in the Tourism Sector. The more than 100 delegates from the ECOWAS area agreed that improving safety and security is the key to attracting a bigger share of international tourists to West Africa. The delegates developed a “Plan of action on safe tourism in the ECOWAS Area”, which includes five specific projects to be implemented in cooperation with WTO:

- a workshop on how to set up National Facilitation Committees to handle problems of border formalities;
- courses on food safety and the personal security of visitors;
- police training in cooperation with Interpol;
- assessment of first aid and medical facilities in the region and assistance from insurance or travel-assistance companies to upgrade them; and
- a regional conference on tourism and the media.

ECOWAS governments were urged to adopt a National Plan of Action on Safety and Security. The first step should be an assessment of current risks and the appointment of a person responsible for tourist safety and security in each country. Enforcement of existing international standards for air transport safety and baggage screening at airports is a top priority. The Air Mauritius Traffic Manager urged countries to reinvest airport user fees to upgrade security equipment and navigation facilities.

An example of Government concern for safety and security issues is shown in Box 14. Some health threats cannot be eliminated only prevented by inoculations and preventive medicines, which tour operators and travel agents have a responsibility to explain to tourists in their charge. Others, that are caused by poor hygiene can be eliminated by education and training within the accommodation and food preparation sectors at the initiative of hotel managers. The training can significantly reduce absenteeism and can have a concomitant impact on the health of the families of these employees. Although the Ministry of Health has a direct responsibility for such training, hotel managers and tourist associations elsewhere have initiated such training, in cooperation with the Ministry and/or health specialists attached to local or regional institutions. By addressing these two issues, the Government will make the country safer and healthier for tourists and for nationals.

Infrastructure. Tourism is far more dependent on infrastructure than are most economic activities. Furthermore, unlike other activities, the absence of any one infrastructure service can seriously harm the marketability of the tourism product. Access to the country and specifically to the destination, are as important to the client as the availability of water and power at the destination. If sewage and solid waste management systems are not adequate, ultimately the quality and resource base of the asset will be damaged. Increasingly, telecommunications are vital to the marketing, promotion and sale of the tourist accommodation and to meet the demands for entertainment or the business needs of visitors. The specific requirements for tourism include the formulation of standards and norms for water quality and waste disposal, especially in coastal and other fragile natural resource areas, the provision of trunk infrastructure and of network infrastructure for site development, particularly in previously underdeveloped regions or rural communities. Nevertheless, as suggested in Box 12, there needs to be a critical mass of tourism
facilities to attract adequate air services and reduce promotion costs. Once such a critical mass is planned, the provision of public infrastructure services is more cost-effective.

Many individual resort hotels and accommodation in isolated areas already provide infrastructure services within the hotel gates. The traditional package treatment plant is notoriously difficult to operate efficiently and disposal of the treated sewage often remains a problem. The costs of providing services such as power, water filtration and treatment, solid waste collection, and sewage treatment add to the operating costs of hotels. Measures that are recommended to meet Green Globe and ISO14001 standards tend after a time lag to reduce operational costs (Annex 2).

Where infrastructure investments have not kept up with the expansion of tourism, too often there have been negative impacts on the natural resource base. Government pricing policies for infrastructure provided to the tourist sector should ensure cost recovery. As a matter of equity and social inclusion, such infrastructure should also be extended to communities in the immediate tourism area, probably with differential pricing. Besides improving the quality of life for local communities in the area, tourism infrastructure also benefits other economic activities.

Traditionally, development agencies have assisted governments with the provision of priority infrastructure for general development purposes. Even throughout the long dearth of direct financing for tourism, many donors continued to finance infrastructure projects that supported tourism activities. In turn, infrastructure investments stimulate new private sector investment in accommodation and tourism services.

The private sector has begun to finance infrastructure or has entered into public-private partnerships for the provision of infrastructure, particularly airports and airlines, on which tourism depends, and telecommunications. For private sector financing of infrastructure to be effective, government policies will need to encourage privatization of existing state-held entities, public-private partnerships and arrangements such as build-operate-transfer (BOT) or build-own-operate (BOO), especially in the electricity sector. The provision of guarantees from international agencies for private sector investment and export credit guarantee schemes by bilateral agencies can also help to induce foreign private sector investment for infrastructure.

Institutional Strengthening and Knowledge Management. The right institutional framework is a key component of a successful tourism sector. At some central level in Government, normally in a ministry of tourism, there must be a small team of people capable of planning for the sector, based on sound information and a good understanding of the issues and complexities. The leader should have sufficient authority to enlist support and inputs from other technical ministries. The team must be capable of managing a process of preparation of a master plan for tourism, together with a strategic action plan for its implementation that will require close collaboration with the private sector. As discussed in Annex 3, physical planning measures and environmental and building standards need to be introduced and their implementation ensured. Investment proposals have to be reviewed and project development will entail coordination with local authorities, which will often require technical guidance. Furthermore, coordinated efforts are required between the public and private sectors for promotion and marketing. Statistics are the domain of the public sector, but, research on visitor preferences and satisfaction is carried out in conjunction with the private sector in many countries.
As a generalization, most ministries of tourism require strengthening prior to and in order to manage tourism growth. Weak tourism ministries cannot expect to gain cabinet-level support for the demands that tourism makes on other ministries or departments of government, such as public works and transport, and even on statutory bodies when these are in charge of utilities. Many of these responsibilities cannot be successfully undertaken by civil servants operating under civil service rules. Many of them are best undertaken in coordination with other departments of government and in partnerships with the private sector.

Public-private partnerships are essential in tourism. The capital that valorizes the tourism assets stems from the private sector, but the private sector cannot operate efficiently without considerable government support for this cross-sectoral service export. One of the most frequently adopted measures to achieve a common vision or strategy for the sector is the creation of a high-level consultative forum, which has the support of the highest political authority, and where government and the private sector, e.g., the head of the hotel, restaurant and services association(s), and other stakeholders, such as local authorities and NGOs, are represented. The ministry of tourism usually has the mandate for policy formulation, which can include formulating a national strategy or master plan, generally with consultant assistance, and for monitoring its implementation. Government and the private sector can set up a separate tourism development authority as a statutory body with product development and marketing and promotion functions, particularly if large-scale tourism development is envisaged. An important function of the statutory body is responsibility for investment promotion and its facilitation.

The preferred institutional arrangements for tourism will have to be custom designed for each country and evolve from the size and characteristics of the sector and its prospects for growth. In all cases, the strength of the partnership between Government and the private sector will determine the effectiveness of the institution to be responsive to market changes, which will be essential to maintain tourism growth.

Local management of the tourist sector requires awareness of developments and trends in international markets. Connectivity between the country and the global market is essential for the efficient management of the sector. If the assets on which tourism is based are to survive, public sector institutions, particularly at the local level, must have the capability to require and assess EIAs, to undertake land-use planning, implement zoning and estimate carrying capacity, and have the capacity and authority to manage the coastal zone. In order to allocate scarce promotional and marketing resources efficiently and to cater successfully to tourism demand, tourism entities need to conduct well-designed visitor surveys and allocate resources to the collection, collation and interpretation of the results. Tourism sector managers must maintain accurate records of the country and region of origin of tourists, length of visitor stay, preferred destinations and activities, means of travel to the country and within it, preferred type of accommodation, and average expenditure within and outside the accommodation. To inform policy and decision makers accurately about the sector, satellite tourism accounts are recommended for countries where tourism is a significant economic activity.

**Promotion and Marketing.** To influence tour operators and potential tourists, countries must promote and market their country using ever more sophisticated tools (See also Annex 1). National organizations have an unprecedented opportunity to reach new tourists via the Internet without, however, abandoning traditional promotional and marketing techniques. In many
countries, the public and private sectors join forces to undertake such programs. The Government allocates budgetary funds for the promotion of the country and its main tourist areas in order to create an overall image of the country and its tourism assets. The private sector promotes specific tourist accommodation and services within the country. Promotion and marketing programs for major tourist destinations are undertaken by specialized firms that know how to target their activities in the best interest of the country as a whole. In recent interviews, a selection of UK tour operators all lamented the absence of promotion and marketing by African governments, noting that this put African destinations at a disadvantage in the competitive international tourism market, given the incessantly negative press reports about Africa today.

**Capacity Building and Manpower Development.** Local firms need to learn how to manage tourism if they are to succeed. Whatever their area of specialization, e.g., resort, wildlife, nature or cultural tourism, managers must keep abreast of activities by their competitors. If there is a sufficient body of local expertise in the sector, professional and business associations can help to transmit knowledge and experience to raise standards in the sector. Local entrepreneurs and selected staff may require specialized, short-term training, which may be accomplished by a paid association with a successful enterprise in a more developed tourism sector. Private sector enterprise networks already exist in Africa with World Bank support, which could be specifically extended to tourism enterprises. The Southern Africa Enterprise Network has already created a tourism cluster, *i.e.*, a group of businesses working in tourism throughout the region that exchange information and network, while still competing with each other.

A travel and tourism sector today also requires services in transport, banking and telecommunications that have grown increasingly sophisticated and that require local staff with the capacity to operate the services. Foreign visitors require modern medical services to be available in the destination. The international competitiveness of the tourism sector requires that the staffs of hotels and other accommodation and in the related service sectors are trained to be efficient in their specific jobs, as well as pleasant and knowledgeable in their interaction with tourists. Most private sector organizations would expect to train staff in-house as part of their investment, but require a certain level of basic education in their trainees.

If local communities are to participate actively in decisions about the development of tourism in their communities and benefit from that development, trainers and facilitators will be needed. To maximize the returns to this training will require training a few key local people, who will become trainers themselves. In a country with a growing tourism sector, these overall requirements provide the Government with manpower targets for its educational, vocational and technical, and professional training programs. These requirements may also serve as one focal point for international development assistance to the tourism sector.

**Policy Framework For Tourism in Africa**

The focus of this paper is the management of the tourism sector within a national framework, with the full understanding that tourism spans many sectors, participants and stakeholders. Essentially a private sector activity, tourism is highly dependent on public sector support. To be successful, tourism requires coordination and complementarity between the government and the private sector, civil society in general and, in particular, with local communities that are
specifically impacted by tourism, where NGOs can facilitate the process. (The role that NGOs can play in tourism is outlined in the summary of the DFID paper in Annex 5.) Unmanaged, the sector can have negative impacts that are frequently cited in the literature: social, environmental, health and economic. A managed sector can lead to improvements in access, infrastructure, health and physical safety, communications, etc., that also improve the business environment generally and can create major benefits for local people.

Given its cross-sectoral nature, tourism will only develop sustainably if its needs and impacts are integrated into the country’s overall policies and economic and physical planning mechanisms. Partial policy measures will be inadequate to address vested interests, underlying economic relationships and generic social or physical constraints. Furthermore, to avoid the negative impacts of tourism will require a concerted effort by the government, the private profit and non-profit sectors, as well as local communities. This will also require that investors and travelers, with the active assistance of the tour operators that bring foreign visitors to developing countries, observe the customs, laws, regulations and environmental and economic interests of the country of tourist destination.

The tourism sector can be confined to a specific region of a country or can permeate a wider area, but a comprehensive policy framework is always desirable as a guideline and monitoring tool to measure progress in creating the right incentives for investors, in implementing product development and in provision of basic services. The growth of a successful tourism sector will require that investments in tourist accommodation and services, and those in infrastructure (including energy, water, waste management, and transport) and human resource development are phased in a timely way. Tourism can expand successfully over time if the carrying capacity of the assets is not exceeded. Properly managed and controlled through appropriate policies, incentives and regulation, tourism can be an effective economic development tool that stimulates broad-based economic and social development.

The following sections outline a macro-economic and legislative framework for tourism and the policies required for implementation. The section also outlines the additional policy requirements for specific categories of tourism, i.e., resort, nature/eco-tourism, community-based, and for cultural heritage preservation. Nevertheless, governments may not have sufficient incentives to introduce the proposed reforms without evidence that the rate of tourism growth can indeed be raised. It may be more effective to emphasize concrete, visible initiatives -- not as a substitute for continuing policy and institutional reform, but as “entry points” from which systemic constraints can be addressed more specifically and from which tangible reforms follow as corollaries. Such an approach can identify the root causes of systemic problems and formulate concrete goals that become benchmarks to measure success or failure. Importantly, this approach links investment projects and policy and institutional reform programs in a practical framework. As an example, community involvement in tourism in East and Southern Africa led to a vital dialogue on the relative rights of landowners, users and animals in and around national parks and wildlife refuges. The focus on environment and eco-tourism led to a redefinition of acceptable levels of site development and land use, which would not have occurred if left to the private sector alone and that might not have been identified by macro or sector policy analysis. Such a proactive approach to tourism should always be based on sound knowledge of the economy and sector and involve stakeholders.
**Macro-Economic and Legislative Framework for Tourism.** Tourism investors, whether foreign or domestic, will be attracted to invest in the tourism sector in a specific country or destination only if the macro-economic framework is conducive to private sector investments. In this sense, investors in tourism are no different from those in other sectors. Macro-economic policies that create such an environment should foster stability, confidence and predictability by aiming at:

- a stable, inflation-free economy in which growth of GDP shows an improving trend;
- continuity in fiscal policies, with a tax system that is no more onerous than in competing destinations;
- sound management of the balance of payments, with no restrictions on imports needed for construction and operation of private investment activity;
- a competitive exchange rate;
- free movement of profits and capital;
- open pricing policies; and
- incentives for private sector investment where necessary.

Within the macro-economic framework it is also highly desirable to aim for:

- an effective public sector and local administration through adequate wage and benefit policies, with penalties for inefficiencies, particularly corruption;
- a sound banking system with links to external markets, a credit system available to foreign investors and a local or regional capital market; and
- policies and/or incentives for the progressive removal of infrastructure constraints and the development of an efficient telecommunications system.

Investors will also evaluate critically the country’s legislative and regulatory framework. Among the issues they will weigh in the balance are:

- good governance and the absence of political upheavals;
- effectiveness of and continuity in corporate and contract law. Private sector investors should be able to enter into contracts with enforceable mechanisms for conflict resolution;
- access to land and property titles, with a transparent cadastral registry system. Property laws must be enforceable with reasonable transaction costs;
- labor laws that balance the interests of employee and employer;
• licensing systems that are equitable and in which the licenses are obtainable at reasonable transaction costs;
• laws that protect the safety and security of locals and visitors, with enforceable penalties; and
• through public education, a local population that is receptive to foreign visitors.

INTEGRATED STRATEGY FOR SUSTAINABLE TOURISM

A Comprehensive Policy Framework for Tourism. Given the multi-faceted nature of tourism and the competition between destinations, governments of countries with an established tourism sector or significant tourism assets need to have a specific policy for tourism and a mechanism that forges links and fosters partnerships among the different stakeholders. A comprehensive strategy is sometimes called a master plan, with the distinction that the latter specifically includes physical planning as well as economic, environmental and social planning. Physical planning is essential for tourism if the sector is to grow and develop sustainably, as discussed in Annex 3.

Public sector support specifically to tourism should generally consist of:

• consultation with stakeholders about the location, scale and type of tourism envisaged;
• the formulation and implementation of an appropriate policy, regulatory and legal framework for the sector, as well as the adoption of physical planning in tourist areas;
• provision of essential infrastructure, whether with public or private funds and/or through public-private partnerships;
• institutional support for the sector, including promotion of tourism investment, e.g., the establishment of a one-stop, efficient, investment agency;
• overseas marketing and promotion of the country as a tourism destination, generally in close cooperation with the private sector;
• protection of the natural resources on which the tourism attraction is based;
• immigration and customs procedures that facilitate the entry and exit of tourists;
• policies that ensure global linkages through an open skies air policy (see Box 11) and that seek out technology partnerships for telecommunications;
• property rights policies that permit the acquisition of an undisputed, long-term title to land and property; and
• social policies that create a healthy, educated and law-abiding population.

The major investments financed by the private sector are accommodation and related tourism services. Given appropriate policies, private sector investors could be interested in the full range of tourism categories in Africa, i.e.:

• resort hotels and complexes, mostly in the coastal zone but also on lakes and rivers;
• business hotels in major arrival and departure cities and in secondary cities that form part of a tourist circuit;
• nature/ecotourism related to wildlife and parks and protected areas12;
• community-based tourism, which provides access to ethnic groups and the natural and cultural assets of which they are custodians; and
• cultural heritage preservation and promotion.

**POLICY REQUIREMENTS FOR SPECIFIC CATEGORIES OF TOURISM**

Policies, regulations and state or local authority activities that benefit *resort tourism*:

• coastal zone management policies that protect the coastal zone from pollution and erosion and introduce mitigation policies for degraded areas; these objectives can best be achieved through an Integrated Coastal Zone Management institution with a mandate to address the cross-sectoral activities that impact the coastal zone;

• beaches require specific management guidelines, the training of local district councils to implement these and, where the councils lack such capacity, the establishment of a national beach authority;

• land-use planning and zoning to control land development schemes and densities and to protect the natural resource base of the tourism area. A qualitative notion, at least, of the carrying capacity of specific sites should be developed;

• site planning regulations, building and architectural standards, and landscape design controlled by a Planning Authority. The distinctiveness of a destination is enhanced by maintaining local traditions or themes in architecture;

• local or state authorities should ensure that water supply, sewerage systems, power, solid waste collection and disposal, and public transport are supplied at

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12 Adventure tourism is not discussed specifically in this report and is classified under nature/ecotourism. This may consist of any one of a variety of activities undertaken either alone or in a group, ranging from exploring the Okavango Delta in Botswana, rafting on and camping by one of Africa’s great rivers, birding in the newly opened Gorongosa National Park in Mozambique or driving through the Sahara to Dakar in Senegal.
internationally competitive tariffs, with continuous service guaranteed, and with progressive participation in investment and management of these services by the private sector;

- licenses and permits for the operation of the hotel should be subject to annual inspection against established management and operating criteria by the Tourism Ministry; and

- performance and environmental management systems (e.g., ISO 14001) should be introduced in hotels, with assistance if necessary from the national hotel association or international training and award programs, to enhance the efficiency, environmental quality and cachet of destinations.

With the exception of the first two, all the requirements for resort complexes also apply to business hotels. Business travel, including meetings and conventions, accounts for some 25% of all hotel rooms sold in developing countries. A discussion of the issues relating to resort tourism is in Annex 4, using Mauritius as a case study.

Policies, regulations and state or local authority activities that benefit nature/eco-tourism:

- land-use planning and zoning within the natural asset to control conflicting uses and to establish thresholds and ceilings;

- boundary delimitation, fenced or open, combined with patrols by security guards and park rangers;

- recognition and protection of land owner property rights, including those of indigenous people;

- stipulation of policies and laws to protect wildlife;

- creation of trails within the natural asset, with good signage and trained guides;

- basic infrastructure to make the asset accessible;

- development of information materials and interpretation centers;

- construction of tourist facilities in or near the asset, ranging from parking and restrooms, to shops for the sale of handicrafts, local souvenirs and food and beverages and incentives for private concessions of these facilities; and

- incentives for inclusion of local communities in the benefits of nature tourism.

Issues related to National Parks in Kenya are outlined in Box 15.
Box 15: Issues Related to National Parks in Kenya

Seen nationally the parks are a major economic asset. Tourism, which is based mainly on wildlife and on the national parks, is Kenya’s largest single source of foreign exchange, ahead of any single agricultural product. But little of that money directly benefits the local people, who feel that their land has been expropriated to create these parks and who see wildlife wandering freely across park boundaries to use and sometimes damage the land that remains to them. Other factors add to that resentment. The gate fees charged to enter the parks are beyond the reach of many local people, and few of them own cars. It is an ironical situation because these people have moved on foot among the animals in the parks for generations; they now must have a permit and a car to do the same thing.

Successful park management must include the surrounding areas to ensure the goodwill and tolerance for wildlife of the people living near the parks. Surrounding communities must be compensated directly for damage to their land and must benefit directly from the tourist income by being involved in the trade at the local level.

Wildlife herds in Kenya today are only the remnants of far larger herds from previous times. Nevertheless, they still cannot be accommodated in today’s national parks because of the needs of migratory herds and of the range of some of the animals, i.e., several thousands of square kilometers. The reduction in the natural habitat has concentrated game in a limited area. In Tsavo National Park, for example, elephants are grazing themselves to extinction; in Amboseli and Nairobi National Parks, thousands of animals die each year because of the lack of grazing land and the shortage of water during droughts.

Most of the parks were established on derived grasslands that had been partly maintained as grasslands by fire. In the absence of fire, the land is reverting to woody vegetation, which is unsuitable for game adapted to open plains. Tourism and the facilities for tourism inside the parks, some of which have developed into small towns, are also putting pressure on the national parks. Most of the tourist facilities are constructed near areas where game concentrates in large numbers. In effect the lodges compete with the animals for water and many of their sewage systems are poorly planned. “Off-road” driving by tourists, which is becoming more prevalent, also damages the scarce vegetation. Lodges should never be built in parks and “off-road” driving should be prohibited.

For the national parks planner, the problem is finding a compromise between ecological goals, the national goal of promoting tourism, and the needs of the local people for grazing land, traditional hunting, and free access to the parks on foot. Kenya has a high population growth rate and many hungry people to feed. There is a danger that in the struggle to survive, the value of conserving natural ecosystems will be forgotten.


Policies, regulations and state or local authority activities that benefit community-based tourism:

- most of those listed for nature/eco-tourism also apply to community-based tourism;

- owners of SMEs and microenterprises can participate in tourism activities more broadly than at the community level, but everywhere will require access to a financial system to start and operate the tourism venture. Communities engaged in tourism revenue-generating activities will normally require technical assistance from experienced NGOs with:
(a) selecting and setting up SMEs and microenterprises;
(b) access to finance;
(c) basic skills in financial planning and book-keeping;
(d) training as guides;
(e) development of information materials, including for promotion and marketing;
(f) an equitable distribution of the benefits to the members of the community; and
(g) technical know-how in the upkeep and maintenance of the facilities.

Experience world-wide at the community level suggests that tourism is best introduced as a diversification of traditional community activities. Dependency on tourism revenues can be socially, and even economically, disruptive, given seasonality and that the demand for the tourism facilities and services are beyond the control of the community. An overview of issues and community-based tourism projects in Southern Africa is contained in Box 16.

**Cultural Heritage Preservation**, unlike other activities that directly affect tourism, is a relatively new activity for the World Bank. The Bank’s Social Development Task Group report (May 1998) concluded that culture is an essential dimension of development, that can provide a “lens for development”, illuminating hidden assets and defining a range of institutions to address problems the Bank could not resolve otherwise. Specifically, a program on culture and development can:

- provide new economic opportunities for communities to grow out of poverty;
- catalyze local-level development by building on diverse social, cultural, economic and physical resources;
- generate revenues from existing cultural assets;
- strengthen social capital and social cohesion; and complement strategies for human development and build dynamic, knowledge-based societies.

The key question is not whether culture matters, but how the Bank should integrate cultural dimensions into its work, to carry out its development mandate and its ongoing work in various sectors more sensitively and effectively\(^\text{13}\).

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\(^\text{13}\) Source: Culture and Sustainable Development: Premises and Work Plan. Environmentally and Socially Sustainable Development and Special Programs, March 26, 1999.
Box 16: Community-based Tourism

The Natural Resource Management Program of the Southern Africa Development Community (SADC) enlisted the assistance of the Africa Resources Trust (ART) to convene a workshop in Windhoek in January 1999 on community tourism. Recently, the role that “community-ecotourism” can play in the region’s social and economic development, as well as in helping to conserve biological diversity, has been under consideration. Some fifty participants from eight SADC countries attended the workshop, representing traditional leaders, elected community representatives, NGOs, community-based organizations, academics, wildlife authorities, practitioners, senior government officials and the private sector.

The main recommendations of the workshop for the future emphasized:

- better research and planning of projects including community involvement and awareness;
- facilitating community access to services such as feasibility studies and planning, institution building, negotiation, contracting and management of small businesses;
- issues of tenure over land resources (often national policies do not support community efforts);
- facilitating joint ventures between communities and the private sector; and
- developing practical marketing policies.

Many community-based natural conservation and development programs in Southern Africa are already marketing ecotourism. The first program was pioneered by Zimbabwe, with Campfire (Communal Areas Management Program for Indigenous Resources), a program that combines sport hunting with photo-safaris. In Botswana, communities have formed trusts, such as the Chobe Enclave Conservation Trust, established in 1992. By 1997, revenue from sport hunting and tourist campsites in this area reached $150,000 and 85% of it was reinvested in other income-generating activities. In Namibia, many local communities are starting to involve themselves in tourism through the establishment of campsites. In response to the growth of demand for these activities and the lack of knowledge about their initiation and management, the Namibian Community-based Tourism Association was launched in October 1995. Both the EC and USAID support such projects in Namibia.

In the Western province of Mozambique, wedged between the Cabora Basa Dam and Zimbabwe, the Tchumo Tchato Community Program has been successfully launched. In Zambia, the ADMADE and Luangwa Integrated Resource Development programs are now consolidating. In South Africa, a traditional ecotourism destination, community-based schemes are mushrooming, especially in Kwazulu-Natal and the Northern Province.

Source: “Hunters—the ultimate ecotourists”, EC Courier No. 175 May-June 1999

To date, the Bank has supported the following operations:

- mainstreaming culture to support education;
- community based projects such as, indigenous peoples’ projects, community-based development projects, potential social investment funds, and micro-enterprise development; and
- projects focused on conservation of built and natural assets, usually urban, environment or rural development projects.

Policies, regulations and state or local authority activities that benefit cultural heritage:

- provision of technical assistance (often international) for the restoration and preservation of the cultural icon;
• land-use planning and zoning within and around the cultural asset for its protection;
• development of good signage and trained guides, and, if big enough, of specific tourist circuits;
• development of information materials;
• basic infrastructure to make the asset accessible;
• construction of tourist facilities in or near the asset, ranging from parking and restrooms, to shops for the sale of handicrafts, local souvenirs and food and beverages; and
• if the cultural asset is in a large urban area, basic infrastructure facilities will need to be upgraded to prevent pollution and enhance the appearance of the access areas.

Box 17 contains examples of cultural tourism projects under preparation in Africa.

**Box 17: Cultural Tourism in Africa**

**Cultural Heritage Project in Ethiopia.** Ethiopia is the site of some of the oldest human settlements in Africa. Recorded Ethiopian history begins with the meeting around BC 1000 of King Solomon and the Queen of Sheba, but relatively recent discoveries indicate the existence of a rich prehistory. Evidence of Ethiopia’s culture and history is found in its ancient monuments, cities, and prehistoric sites, while its living culture is reflected in the work of architects, musicians, writers, artisans and crafts people. Much of this rich heritage is being eroded by rapid development. Ancient craft skills are being lost as markets and values for artisan crafts change over time.

The Government is seeking the World Bank’s support with a Learning and Innovation Loan with the objective of testing and developing, on a pilot basis, the means for more fully integrating the conservation and management of its cultural heritage into local and national economic development. The project would support the development of approaches to the conservation of cultural heritage assets through site planning and conservation of archaeological and historic buildings and sites, and through the development of better information for conservation planning and threat mitigation.

The project would contribute to the revitalization of economic activity by testing out approaches for small crafts-based enterprises and by increasing the value of historic sites for tourism. The project has strong capacity-building elements associated with site planning and conservation and the development of regional inventories to create cultural heritage databases. Poverty alleviation is a specific focus of the artisanal crafts development component, which is also designed to prove that cultural heritage preservation can generate jobs and economic growth.

**The Slave Route.** Initiated in 1995 as part of the UN’s International Year of Tolerance, the Slave Route aims to boost cultural tourism to West Africa. The WTO and UNESCO are implementing the program. The immediate goals are to restore monuments, enhance history museums and launch promotional campaigns in selected tourism generating markets. The project will be expanded eventually to nations in southern and eastern Africa, as well as countries in the Caribbean.
NEXT STEPS

WTO and WTTC have produced convincing evidence of the size and scope of the sector. Optimism about tourism’s future growth worldwide, combined with Africa’s small current market share, is leading several countries to consider ways of expanding their tourism sector. Many governments do not know how or where to initiate action, nor whom to approach for assistance in getting started. A number of donors are currently reviewing their strategies for financing of tourism. These include Canada, the EU, which has traditionally financed a variety of aspects of tourism, and DFID, which is particularly interested in “pro-poor tourism”. The latest thinking of these donors about tourism is summarized in Annex 5.

Some countries may wish to follow the example set by the Government of Zimbabwe in June 1999 in getting a broad range of stakeholders together to help define the actions that will be required by everybody concerned to develop tourism (Box 18). An open channel of communication between the parties will greatly help understanding and ultimately confidence – a forum in which issues can be discussed freely, action plans developed, decisions taken to remove roadblocks and the negative impacts of tourism minimized. In many countries, a first stage is to create the conditions under which industry professionals (public and private) can hold responsible debates with emphasis on real opportunities, real problems and real solutions. An effective forum should address all those issues that can help create the conditions for increased productivity or competitiveness of the sector. These will vary but include the labor market, professional and vocational education; taxation policy; investment promotion, business law and conflict resolution; competition and regulation; the often vexed question of quality control and hotel and restaurant inspection and rating. To improve the effectiveness of the national forum, firms should use their business associations as an initial stage for an exchange of views within the industry and for the formulation of industry positions on issues. Such professional associations should also promote education, training and technical know-how – all essential if the firms are to compete successfully in the global economy.

Within the World Bank Group, both IFC and MIGA finance tourism, as described in Annex 6. During the seventies, the Bank operated a Tourism Projects Department (TPD), which it closed in 1978. The operations of the TPD and the reasons for its closure are discussed in Annex 7. Subsequently, the Bank supported tourism indirectly through infrastructure and, occasionally, human resource development financing. Since the rise of concern about environmental issues, the World Bank has itself and through the Global Environment Facility aspects of nature/eco-tourism; the Bank has also begun to finance cultural heritage projects, which are often an integral part of the tourism product. Currently, the Caribbean Department is assessing the appropriateness of incorporating tourism into its economic and sector work program; the World Bank Institute may deliver a course on tourism; and in the Africa Region, tourism is incorporated in a number of country assistance strategies and PRSPs, Zambia and Kenya, for example.
Box 18: A Tourism Workshop in Zimbabwe

In June 1999, the Ministry of Mines, Environment and Tourism, convened a Tourism Workshop, with support from the World Bank and the Netherlands. Stakeholders from the public and private sectors, an elected official, the Regional Tourism Organization for Southern Africa (RETOSA), the WTO and WTTC all attended. The Minister of Mines, Environment and Tourism exhorted the participants to “outline a course of action that will firmly place tourism in its rightful place in our national economic agenda”.

The objectives of the workshop were to:

- build consensus on major issues affecting the tourism industry;
- identify the constraints in the tourism industry and suggest means to remove these;
- assess capacity building needs;
- formulate an action plan to assist Zimbabwe to draw up a Tourism Master Plan; and
- determine what support donors could provide to move the process along.

The Tourism Workshop identified four major areas of concentration where removal of the constraints would make a major impact on the growth of the tourism sector, as follows:

- developing a shared vision and Government/Private Sector partnership;
- developing enabling policies to stimulate growth;
- addressing the need for awareness and capacity building; and
- marketing Zimbabwe as a tourism destination.

The participants also discussed how, by whom, and when existing constraints could be removed. The participants decided to form a task force, broadly representing those present, to formulate a possible strategy based on the key issues emanating from the workshop. The task force would then present the proposed strategy to the Minister of Mines, Environment and Tourism for his endorsement. The hoped-for outcome of the workshop is the creation of a forum where tourism issues, which are cross-sectoral, can be debated in a macro-economic context. In such a forum, solutions can be formulated and policies and projects designed. Implementation would be ensured through an identification of the capacity requirements of the responsible agencies, as well as possible sources of technical assistance and funding.

Should the Africa Region decide to enhance its role in tourism, it would make sense do so in close collaboration with IFC and MIGA. Such a WBG effort, coordinated through the Comprehensive Development Framework (CDF) and Poverty Reduction Strategy Papers (PRSPs), would also entail consultations with country partners and the international donor community to establish whether the country has potential for tourism development, whether other assistance is already available or not, and whether the WBG can make specific contributions to ensure that, through its interventions, tourism develops sustainably.

The potential demand for assistance for tourism in Africa is large – in some cases, tourism is the only sector that offers growth potential, and, in others, it is an important source of employment and of diversification of exports. As a consequence, the World Bank will have to establish priorities that meet the needs of its member countries yet adhere to strict policy criteria. The determining factors will be:
• the public good content of each intervention, which creates downstream benefits from improved policy formulation by governments. The objective of policies for tourism will be to ensure that it is an effective and sustainable economic development tool, with broad social welfare benefits. The policies would be designed to create incentives to strengthen positive externalities, such as poverty alleviation, and reduce negative ones, such as coastal zone degradation. The WBG is particularly well placed to provide such assistance given its familiarity with so many countries’ macro-economic and social policies. Specific policies for tourism may need to be grafted on to existing economic policies or may require a more thorough redesign of existing policies. The public good aspect of such policy formulation is the creation of an enabling environment that attracts investors and increases the efficiency of their investments, leads to sustainable growth of demand for local tourism assets, and facilitates interventions in the sector by the international donor community and local NGOs;

• to compensate for market failure, which may not value essential natural assets correctly or does not create the opportunity for expanding potential economic linkages from tourism to other economic activities, such as agriculture and agribusiness, handicrafts, manufacturing and recycling;

• the absence of a critical element that could enhance the competitiveness of the destination and its attraction for investors, such as social and physical infrastructure or hotel financing, which may simultaneously offer an entry point for WBG intervention; and

• the opportunity costs of not providing assistance. While the actual costs are difficult to assess, the current demand for tourism assistance to all WBG institutions, suggests that governments are concerned about their inability to improve their management of the sector without external assistance and recognize that the WBG institutions can help them to develop the sector sustainably.

The World Bank Group has an established panoply of lending and non-lending instruments and broad operational experience in the Africa region that makes it well-prepared to address the cross-sectoral aspects of tourism and the related policy formulation issues, which must address the growth of the sector while also incorporating poverty alleviation, social inclusion and natural resource protection and management. These instruments include non-lending activities such as assistance with knowledge management and research. Furthermore, the Bank’s convening power could assist governments to initiate the critical partnerships with the private sector and local communities that are essential for harmonious and sustainable growth.
TOURISM IN AFRICA:
OVERVIEW OF THE STRUCTURE
OF THE INTERNATIONAL TOURISM INDUSTRY

The Tourism in Africa paper concentrates on the role of Governments in creating an enabling investment climate for the private sector in tourism. All export industries compete in an international market but few have such complex structures and such a variety of intermediaries and individual buyers as tourism. A country develops the elements of a tourist product, with or without external assistance. Then a number of players in the tourism system assemble and distribute the end product for consumption by the buyer, i.e., the tourist.

The end product that is assembled for sale consists of:

- the tourist asset;
- the services of the transportation sector to deliver the tourist from the country of origin to the country of destination;
- hotels and other tourist accommodation;
- food and beverage suppliers;
- the services and activities of those who provide equipment to enjoy the asset, as in diving and skiing, those who help the tourist to better understand his/her surroundings, e.g., museums, guides, and those who provide entertainment for the tourist through music and dance, festivals and casinos;
- the services of other suppliers of goods and services, such as handicrafts and duty-free shopping; and
- transport for internal transfers.

Some consumers purchase most of the components of the end product in a package tour and others purchase selected elements. At an extreme, the Individual Tourist (IT) may purchase only transportation from one distributor and accommodation directly from the supplier.

Tour operators and travel agents mainly handle the sale of the end product to the consumer, although transportation companies also sell the end product directly to tourists. Another group that has become an increasingly important player in the tourism supply chain is the “Holiday-maker”, which is both producer and distributor. Cruise ships and all-inclusive hotels are in this category and have a high repeat business that allows them to by-pass other distributors. The distributors decide which end products to market to separate segments of potential demand based on the quality and competitiveness of the product, the evidence of market acceptability through the positive or negative reactions of returning
tourists, and the margins the distributors receive from selling a particular end-product. These decisions can be influenced by the promotional and marketing activities of tourist destinations, as discussed below.

The facilitators of the end-product sale are the developers of computer reservations systems (CRSs) and financial service providers who facilitate payment transactions between the producers, distributors and consumers. Increasingly, the Internet is becoming a major source of sales of the tourism and travel end product, which is exceeded in sales volume only by computer equipment.

The final consumer is the tourist and is the object of all the attention from all the players in the tourism industry. Tourists to Africa reside mostly in high-income countries in the North and mainly in Europe. Regional tourism is significant in several parts of Africa as discussed in the main report, but is not mobilized by the international tourism industry, which is the subject of this note. The combined preferences of consumers, including those of regional and domestic tourists where these are significant, determine the success or failure of tourism destinations.

**TOUR OPERATORS**

Tour operators determine the itinerary, content, timing and maximum size of package tours. The tour operator contracts several months ahead of time with airlines, hotels, and local transportation and tourist service companies. The tour operators contract the services of local ground operating companies to supply smaller services locally, such as local tours and guides. They then sell the total package to the consumer, generally through travel agencies but also through their own marketing arrangements. The tour operators’ markup on their packages is between 15 and 35%. Turnover is large but the industry is very competitive and operating costs and overheads can be relatively high so that margins are often slim.

The industry is characterized by small and medium-sized businesses, particularly in the specialty market, but there has also been a trend to consolidation in the larger tour companies based in Europe, Canada and Japan. In general, tour operators are interested only in the bottom line but individual companies have shown more commitment to the tourism destination companies. As discussed in Annex 2, the largest tour operator in Germany, TUI, has an expressed interest in partnerships with developing countries that incorporate a social agenda. British Airways Holidays introduced substantial environmental programs and projects in this decade. Thomson in the UK is currently considering developing a policy for ethical tourism.

The proportion of packaged holidays varies significantly by destination. For example, packaged holidays in outbound traffic to Africa from the UK approach 50% of all travel, but are as low as 5% of total travel to Australia and New Zealand. The chief reasons are that many UK citizens have family ties in Australia and New Zealand and are housed and guided around by relatives; there is no language barrier; and the threats to physical safety and health are perceived to be negligible. By contrast, many tourists visiting less familiar
destinations perceive them to be higher risk and prefer to have arrangements made for them and travel in groups.

The growing entry of tour operators into the African market influences the competitive climate in which African hotels operate, since it places them in permanent competition with other destinations worldwide. Group travel also has price implications. Charters or block booking of airline seats for group travel can reduce the overall cost of the package and open the market to new demand, but it also places a downward pressure on the prices and, therefore, profits of both airlines and hotels. In the Caribbean, which has become a case study of the impact of tour operators on hotel operations, hotel managers have conceded ever-larger discounts in the prime winter season, as well as in summer, to attract group business. The change from individual traveler (IT) rates to package discounts is claimed by hotel interests to have resulted in lower average achieved room rates in the Caribbean. This has required either ever-higher occupancy rates to break-even or a reduction in operating costs that affects the quality of the product and, ultimately, demand for it. This situation, however, arises where there is over capacity of accommodation and/or a temporary shortfall in demand. A compensating factor for the hotels is that, through package tours, part of the downward price pressure is absorbed by airlines.

The horizontal integration of airline and hotel investors has stimulated the growth of larger hotels to accommodate group travel efficiently. All-inclusive hotels are also more numerous. While these are under scrutiny for their perceived lack of linkages to local communities and the local economy, they attract higher income tourists and have a high repeat business.

The smaller hotels have been adversely affected by group travel because of the unwillingness of tour operators to disperse a large group of tourists among a number of small hotels, often of varying quality. Another consequence of group travel is that small hotels have been penalized by lack of availability of airline seats for individuals.

Tourists whose decision to travel is made with a short lead time are often the ones most able to afford full-price airline tickets and rack rates, i.e., advertised rates, at quality hotels. But, lack of airline space can limit access and the tourist may become aware that the favored hotel may well be offering a discounted rate for groups. IT tourists pay by traveler checks or by credit card during their stay and on departure, while some tour operators tend to delay their payment for hotel services until well after these have been provided, creating cash-flow problems for hotel managers.

Package tour operations may have had some negative effects on the profitability of hotels in a number of destinations, but they also move large numbers of tourists to a variety of destinations worldwide—a volume that could not have developed solely through IT. Tour operators are associated with mass tourism, but, in fact, cater to a broad range of income levels. Many contain units that are specialized in niche markets, such as adventure tourism, eco-tourism, birding, fishing, golf, diving, etc. Consequently, tour operators will continue to have an enormous influence on the direction of the flow of tourists for the foreseeable future and African tourism managers must attempt to persuade them of the
attractiveness of the African region. The most persuasive argument will be the creation of an efficient, highly competitive tourism product.

**TRAVEL AGENCIES**

Travel agencies need to be licensed or accredited by the Airline Reporting Corporation and/or International Airlines Travel Agent Network in order to be able to issue airline tickets. Most developed countries have created professional associations and most travel agencies join these. There are also specialized professional associations such as the Association for the Promotion of Tourism to Africa and the Africa Travel Association (AFA). Tour operators use travel agencies as their major marketing outlet. Individuals relied more heavily on travel agents until the advent of the Internet for the processing of their travel requests, though they still rely on the travel agent for advice on their chosen destination.

Travel agencies sell airline tickets and end products packaged by tour operators and distributed through national networks. The travel agent will sell only those products that benefit his/her operations. The travel agent will wish to retain his/her client so will only send the client to reputable tour operators, who can be guaranteed to provide the services advertised and will not go bankrupt—as has happened.

The commission structure set by the tour operator creates a major incentive or disincentive to promote specific packages. Travel agencies generally earn between 10 to 15% on tour operator packages, somewhat higher than the industry average for domestic travel transactions except business travel. However, this is under pressure as several airlines have reduced commissions to travel agents. This, together with burgeoning information technology and the Internet, is changing the way business is done in the travel industry. Nonetheless, in contrast to many bread and butter transactions by travel agents, African tour group destinations are considered “big ticket” travel packages.

**AIRCRAFT**

Commercial airlines operate scheduled services and also, frequently, their own corporate tour operations. Charter airlines operate their own services and lease their services to tour operators. Tour operators can operate their own charter airline services. The ever more complex and even incestuous service and leasing arrangements between scheduled carriers, their corporate offshoots, tour operators, and charter services are indicative of the competitive nature of the airline industry today, which is driven to reduce costs and increase airline occupancy rates because margins are so slim.

The air distribution channels that deliver tourists to and from the region constitute the main restriction on the flow of tourists to Africa, with the chief issues being:

- weak bargaining power of governments to open routes for their national airlines because of the small size of the fleet and their reluctance to enter into an open skies policy;
• the power of tourism distributors to control the direction of tourism demand, airline seat availability and, to an extent that varies by destination, the price of the airline seat and hotel room, and, frequently the cost of the total end product price;

• the airlines hub-spoke system of passenger delivery improves aircraft utilization and airline load factors, but can adversely affect the numbers of through-passengers able to travel on to hotels in destinations located beyond a major destination spoke; and

• insular African air transport systems comprise a collection of national and regional airlines operating both inter- and intra-regionally. Each of these systems has different characteristics in terms of route structure, average spoke length, numbers of carriers operating, type and passenger capacity of aircraft in use, and the number and runway length of airports served.

The quality of the transport infrastructure and the relative costs of landing fees and other charges in the country of destination can sway decisions by airlines about whether or not to service a destination. But, in order to increase the flow of air traffic to Africa and thereby remove one of the major constraints to the development of tourism to the region, African governments and local airlines will need to overhaul their air policies, as discussed in the main report.

**HOTEL COMPANIES**

Within the international tourist sector, multinational corporations have engaged in both horizontal integration in the form of foreign direct investment, leasing, management contracts, franchising and marketing agreements for hotels, and vertical agreements between hotels, airlines, tour operators and travel agencies. For example, approximately 78% of major hotels along the Kenyan coastline and around 66% of those in Nairobi and in the National Parks and Reserves have had some foreign investment, although less than 20% have been subject to total foreign ownership. Equity holdings have been acquired, for instance, by the tour operators: African Safari Club, Hayes and Jarvis, Universal Safari Tours, Kuoni, Polmans, TUI, Franco Rossi and I Grandi Viaggi, as well as by British Airways and Lufthansa. Foreign hotel chains have managed a number of hotels, and franchising contracts with such groups as Holiday Inn, Hilton, Intercontinental and Sheraton, have occurred.

International hotel chains have relatively few properties in developing countries and these are frequently in major business centers and are managed rather than owned; in these cases the commitment is for the length of the management contract. The French group Accor has the largest presence of any international hotel operator in developing countries, a number of which have been financed with the assistance of the French Government. The most significant tour operator investments in African destination countries have been by German tour operators in Kenya and the Maldives, where relatively high tourism volumes were anticipated on a continuing basis.
Business travel produces higher margins than leisure tourism; therefore, hotels tend not to seek management contracts for tourism hotels in developing countries. As a consequence, there are now a number of local and regional hotel groups, such as the Alliance hotels in Kenya, Southern Sun International in South Africa and Beachcomber in Mauritius.

MARKETING AND PROMOTION

Marketing and promotion are often overlooked when countries establish a tourism sector, yet without it demand may never be generated for the product in sufficient quantity for it to be viable. Empirical evidence suggests that marketing of a country internationally should be a joint public-private sector activity. Some experts believe that because the industry is fragmented and each unit is involved in selling its own perspective, the activity should be led by the public sector particularly in a new or fledgling destination. The rationale is that only the government can reflect the country’s tourism policies and image in the messages to be delivered to tourists. By controlling marketing a Government can prevent the “wrong” messages being sent externally, such messages generally relate to cultural, social inclusion and ethical issues. The British Tourism Authority illustrates the extent of government involvement in developed countries. BTA receives about GBP 35 million annually from the government and an additional GBP 16 million from the private sector.

The public-private sector effort will promote the country as a whole and specific regions or destinations within the country. Individually, hotels, groups of hotels, or destinations that include several non-affiliated hotels and tourist service providers, will promote their own accommodation and services. Smaller hotels have the most difficulty in absorbing advertising costs and can often be assisted by national and regional hotel associations with joint promotion and marketing, combined with a joint computerized reservation system.

The promotion of tourism in foreign markets targets the general public through advertising campaigns and travel agents and tour operators by a variety of means. Many countries hire public relations firms, specialized in tourism marketing, to handle their advertising campaigns in major destination markets. Most companies develop a special logo, music and or message for their countries that can become instantly recognizable. An advertising campaign targets a mix of media for the general public: television, radio where it is important, the Internet, where many countries now have their own websites, the travel sections in newspapers, travel magazines, travel books and even documentaries, and brochures.

Tour, airline and travel agency operators also consume these same mixed media messages as the general public, but they are specifically targeted also. The travel industry trade press is a prime target for country promotion. The tour operators and travel agencies are targeted through paid familiarization trips to the destination, bonus trips for successful marketing of

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14 This section deals with marketing and promotion of a country as a tourism destination to the world market of travelers. Although there are overlaps in the methods and materials used, the marketing and promotion of the country to investors in the tourism sector is a separate issue and is handled by MIGA within the World Bank Group.
the country, paid conferences in selected regions, and ultimately incentive commission structures. Simultaneously with the marketing and promotion by the country and individual resorts or hotels within that country, tour operators are also advertising their package holidays through the same print and visual media, directly to tourists and through travel agents and, increasingly, the Internet.

**TOURISM AND TECHNOLOGY**

Technology has already had a major impact on marketing and on the structure of the tourism industry. All sections of the tourism industry are using information technology and cannot today survive without it. Tourism has become an information intensive industry, in which the speed and efficiency with which information is processed in every aspect of the industry has grown exponentially since the information age began. Tourists can now determine the price and availability of their preferred destination in minutes from their computer terminal. Technology is also available to enable potential visitors to take a virtual tour of their hotel and the resort as whole, as well as the natural assets they will visit, such as a rain forest or an underwater reef. In the industry, there is much consolidation and destination management systems (DMSs) such as Apollo, Amadeus, Galileo, Sabre, Worldspan, Hotel Automation, Thisco, link airlines and hotels in vast networks. Some well-known DMS are the Irish Gulliver system, the UK’s VisitBritain program, the Canadian Travel Exchange and, in Africa, the Namibia Wildlife Resorts central reservation system. Individual service providers are paring costs by selling mostly on the internet: easyJet, airTrans, and easyRentacar are examples.

The impact of the new technology on consumer preferences and on the industry itself is not yet well understood but will have significant impacts. Computerized reservation systems drastically reduce the costs of a booking to airlines. The productivity of travel agents is considerably higher; yet demand for their services by the producers, other distributors and consumers may decline. At the same time, the technology should increase demand for tourism through greater transparency about the price and quality of the product offered, as well as make destinations more competitive with each other.
TOURISM IN AFRICA: THE GREENING OF TOURISM

A number of national tourism bodies and commercial enterprises have taken significant initiatives for the development, management and marketing of sustainable tourism. These include the adoption of environmental codes of conduct and active programs to provide incentives and technical assistance to hotels and tourist destinations to adopt measures that will mitigate and reduce negative impacts on natural resources. A selection is discussed below, together with some specific examples from Africa.

Touristik Union International (TUI) of Germany is the largest tour operator in Europe. TUI caters to some five million tourists traveling to over 150 holiday destinations and publishes 30 million brochures annually. Recognizing that ecological management is a form of value or asset management, TUI was among the first to set up a corporate department dedicated to environmental issues, which moreover reports directly to TUI’s executive board. TUI has adopted as a corporate principle: “Commitment to the Protection of our Natural Environment”. Over the last decade TUI has systematically developed environmental know-how, which it has incorporated in planning, program design, development, hotel contracting, and catalogue information. The objective is to reduce to a minimum the ecological impacts of tourism.

TUI sets quality targets for its holiday hotels and tourist destinations and its environmental checklists and evaluations have set industry standards. TUI analyses the state of its destinations and prepares an environmental evaluation. The process starts with the monitoring of bathing water and beach quality, encompasses checks on sewage treatment plants and waste disposal sites, and goes much further than simple energy and water saving measures in the hotels. Nature conservation, animal welfare, species preservation, reforestation and the use of renewable sources of energy are also important issues. The extensive information collected by TUI all around the world is entered into the TUI Environmental Database and used in the company’s planning and catalogues. Contract hotels are also monitored annually on the basis of a comprehensive environmental compatibility checklist.

Tourist officials, local authority representatives, local politicians and hoteliers are brought together at “round table” meetings in order to find joint solutions to the environmental problems that TUI may identify. TUI holds seminars with hotel partners to support environmentally sound hotels. TUI’s airline partners have spent considerable sums on improving their fleets in accordance with environmental criteria. TUI also works with its railway and bus partners to address their environmental issues and encourages its customers to travel responsibly.

During the last annual tourism trade fair in Berlin, TUI staged an environmental forum, which focused on the social as well as the ecological challenges of tourism. The forum consisted of a dialogue with destination representatives and national and international experts to assess how balance can be achieved between economic success, social responsibility and environmental conservation. According to Dr. Ralf Corsten, Chairman of the Executive Board of TUI, writing in the EC Courier No. 175, May-June 1999, in a
globalized economy expectations of what a growing tourist industry can deliver are growing. It is seen as a source of economic development, jobs, innovation and social modernization. Yet there is little evidence that tourism has helped close the widening economic gulf between North and South. In the long-term this threatens both the global environment and international tourism itself.

Increasingly, the onus is being put on big concerns like TUI to shoulder more responsibility for ensuring a more equitable distribution of tourism’s benefits. Social standards and accountability should be integrated in future quality standards, just as ecological standards have been. Aware that this issue has still to be addressed by tour companies and that it can only be successful if addressed collectively, TUI offered to work with UNEP to support a ‘Joint Tour Operators Initiative’. This initiative would entail holiday companies committing themselves to concrete, binding measures to support ecological and social sustainability of tourism projects and destinations.

**British Airways Holidays (BAH)** is the wholly owned tour-operating subsidiary of British Airways, which sells vacations both from and to the UK. Represented in 77 countries, BAH created over 200,000 holidays in 60 countries in 1997. In launching the 1997 products, Managing Director, Roger Heape, told the media: “Long-haul holidays now account for 20% of the total UK holiday market and are the fastest growing part of the market.” Within the UK, 50% of long-haul holidays are taken by the over-45s--an age group that will increase in size from 22.5 million in 1995 to 24.5 million by 2005. Indicators suggest there will be a huge increase in global tourism worldwide over the next 10 years. Inevitably this will cause massive hotel-building programs, which are bound to have an impact on the environment. The challenge, therefore, is to minimize the environmental impacts.

BAH was one of the first major UK tour operators to introduce an environmental policy and an associated action program. The BA Environmental Branch conducts a rolling program of reviews of the environmental aspects of the airline’s activity at all major locations. In 1993 consultants conducted an environmental review of BAH’s internal and external affairs. As a result, BAH appointed an Environmental Coordinator, reporting to the Managing director, to champion environmental issues, provide a focus for activity, liaise with external organizations and monitor implementation. BAH also developed a policy statement of respect for the environment to reflect the particular nature of BAH.

While the company introduced good environmental practices internally, BAH wanted to introduce clear-cut environmental initiatives that could be communicated easily and would gain the attention and approval of customers and influence the behaviors of suppliers. This constituted a challenge. Customers spend significant amounts of money on the year’s main vacation and could not be expected to respond well to complex environmental messages at the very moment they were planning to relax. Suppliers had their own cultures, objectives and commercial imperatives and were often operating in very different economic and political circumstances.

BAH adopted a series of measures in addition to encouraging its own staff at all levels to include environmental considerations into operational and corporate criteria:
BAH brochures for travel outside the UK carry environmental guidelines for individual tourists, headed “Fragile Earth. Travel wisely”;

a travelers donation scheme supports conservation work by a select number of beneficiary agencies annually, under which BAH contributes about GBP 2 for every passenger traveling to the specific country where the agency is working. For example, in 1997 BAH contributed to Friends of Conservation (FOC) for their efforts in Kenya to monitor rhino monitoring and for FOC’s animal anti-harassment programs in the Masai Mara National Reserve. To encourage contributions from passengers, BAH publishes the contact address of the beneficiary agency;

all customers receive a holiday advice booklet, which includes the suggestion to remove the packaging from films, cosmetics and other holiday items before boarding the plane to lessen the load on garbage disposal in the destination. There is advice on energy and water savings in hotels and a demand that customers do not attempt to purchase products made from threatened or endangered species;

each traveler receives destination specific “Eco Notes” about the host country’s environmental policies, important cultural factors, rare and endangered species, heritage sites and national parks, etc.; and

British Airways Tourism for Tomorrow Awards recognize environmental achievement around the world.

11. One of the recommendations of the 1993 environmental review was that BAH should undertake a survey of the impacts of its products on a specific destination. The Seychelles was chosen because of its popularity and clearly defined geographical boundaries. The study identified a number of areas, including tourism infrastructure, consumption of resources, and material and waste management, for cooperation and improvement.

12. **Green Globe and International Organization for Standardization (ISO) 14,000**

environmental standards are the two principal systems for ensuring that hotels introduce environmental systems into their operations. The “greening”, if done efficiently, translates into lower operating costs, generally higher occupancy rates because of the enterprise’s appeal to environmentally conscious travelers, and, often, a more collegiate structure among staff that tends to reduce turnover.

13. **Green Globe** was established in 1994 by the World Travel and Tourism Council (WTTC), a global coalition of tourism industry chief executive officers (Box 1). Green Globe is a worldwide environmental management and awareness program for the travel and tourism industry. Its prime objective is to provide a low-cost, practical means for the industry to undertake improvements in environmental practice. Membership of Green Globe entails a serious commitment to improving environmental performance. Separately, Green Globe assists individual enterprises and entire destinations to obtain Green Globe
certification. The Société Générale de Surveillance (SGS), the largest international verification, testing and certification organization, has developed a “Sustainable Tourism Certification Programme” for hotels that adopt Green Globe standards and wish to obtain accreditation.

Based on Agenda 21 principles, Green Globe provides a tailor-made methodology for travel and tourism companies to implement sustainable development. The priority areas for individual travel and tourism companies are:

- design of environmentally sensitive products;
- energy efficiency, conservation and management;
- environmentally sensitive purchasing policy;
- involving staff, customers, and communities in environmental issues;
- land use planning and management;
- noise control;
- partnerships for sustainable development;
- protection of air quality;
- waste minimization, reuse and recycling;
- waste water management, reuse and recycling where feasible; and
- transport.

The Green Globe EMS has been developed specifically for the travel and tourism industry. The standard is designed to enable companies to progress to ISO 14,001 certification.

*ISO 14,000 sets* the guidelines for an internationally accepted environmental management system (EMS) that has been developed by the International Organization for Standardization for a broad range of enterprises. The EMS helps organizations manage the environmental impact of their operations through setting goals and targets. ISO 14001 is a system model for implementation of the guidelines, i.e., it sets up the mechanisms for implementation, monitoring, review and corrective action. The ISO in its 9000 series has developed five standards for quality management and assurance, which are applicable to travel and tourism enterprises. Many hotels set in motion the 9000 series EMS and then move to the environmental standards of 14001. Certification or registration by an independent third party is required prior to accreditation. The Labourdonnais Hotel in Port Louis, Mauritius, was awarded the ISO 14,001 certification in 1998.

**The International Hotels Environment Initiative (IHEI)** is a global non-profit network of hotel companies that exists to promote environmental progress across the hotel industry.
The IHEI is a program of The Prince of Wales Business Leaders’ Forum. The IHEI is governed by an International Council, which has pooled resources to develop a pro-active, international environmental campaign to meet the needs of the industry. Among the hotels represented on the Council are or have been: Accor, Forte Hotels, Hilton International, Holiday Inn Hospitality, Indian Hotels Co. Ltd., Inter-Continental Hotels and Resorts, ITT Sheraton Corporation, Mandarin Oriental Hotel Group, Marriott Corporation, Marco Polo Hotels, Radisson SAS Hotels Worldwide, Renaissance Hotels International, Scandic Hotels, AB, The Taj Group of Hotels. The *Green Hotelier* is IHEI’s flagship publication and is the premier source of information about the environmental issues and challenges the hotel industry faces. The magazine is produced with the support of American Express Travel Related Services and Utell International. Many international hotel groups make annual awards to the hotels that have done the most to support environmental programs. These and other case studies are reported in the *Green Hotelier*, together with technical information on environmental management of hotel operations, their energy and water consumption, waste disposal and linkages to other sectors.

**AFRICAN TOURISM ENTERPRISES RECEIVING ENVIRONMENTAL AWARDS.**

A number of tourist and travel businesses in Africa have received environmental awards in recent years. Among these are: a promotional product, Green Route in Zimbabwe; Tropical Nature and Cultural Safaris, Kenya; Phinda Resource Reserve Conservation Corporation Africa, South Africa; Il Ngwesi Lodge, Lewa Conservancy, Kenya; Serena Lodges and Hotels, Kenya; Zanzibar Serena Inn, Tanzania; Serena Tourism Promotion Services SA; the Inter-Continental, Nairobi; La Bourdonnais Hotel, Mauritius.

A few travel associations have begun to promote and reward high environmental standards in countries of destination. The first Environmental Award by the American Association of Travel Agents (ASTA), in combination with Smithsonian Magazine, was given to Rwanda for the development of the Mountain Gorilla Sanctuary a few years ago.

**THE AFRICA TRAVEL ASSOCIATION: ECO-TOURISM MANIFESTO**

A number of professional organizations have begun to promote environmental codes of conduct for their members. WTO is currently developing a global code of ethics for tourism. A few years ago, the Africa Travel Association adopted an eco-tourism manifesto under which member countries pledge to:

- establish the machinery for protection of the ecology, natural resources and wildlife;
- enhance the quality of the tourist visit by easing the entry and exit formalities;
- create good infrastructure assuring easy access and to use trained personnel to highlight each country’s unique appeal;
• establish rigid codes of quality for accommodation and services, making sure the local tourist economy does not overshadow the attraction; and
• work with transportation companies to make travel safe, comfortable and convenient.

The travel industry pledges to:

• prepare the visitor by providing detailed information on the culture;
• provide clients with opportunities to participate in ecological and environmental programs; and
• adhere to a strict code of truth in advertising by accurately describing facilities and costs.

Visitors should be encouraged to:

• respect the land and water, not only to avoid damaging, abusing or littering, but to contribute to the preservation and protection of these resources;
• enjoy the wildlife in its natural habitat and refrain from harassment of these magnificent creatures;
• honor the sensitivities, customs and culture of the people they are visiting and observe local rules of etiquette and behavior;
• share and exchange cross-cultural ideas and keep an open attitude to local values; and
• continue this habit of caring and concern upon returning home, by not supporting industries that harm ecosystems and the environment.
TOURISM IN AFRICA: PHYSICAL PLANNING FOR TOURISM

Physical planning is an essential tool within a national tourism policy to ensure that tourism developments do not take place on sensitive ecological sites and have no impacts on such sites and do not take place on land reserved for other purposes such as agriculture or a green belt. Physical planning also controls the location and densities of tourism development to prevent exceeding the physical carrying capacity of the area and having a negative impact on the host society and its culture. Zoning determines where construction may or may not take place by demarcating specific areas for different types of uses. Carrying capacity determines how much development can take place in designated development areas.

Many countries have Town Planning Departments created by Acts that provide the legal basis for planning and control of development. Specific sections of the Act generally cover Hotels, Tourist Apartments, Private Hotels, Boarding Houses and Guest Houses. The mandate includes density; plot ratio, minimum site area, building height and parking. A critical requirement for coastal development in many Acts is for a setback from the high water mark (generally either 30 yards or 30 meters) for all coastal development. Given improved knowledge of coastal zone management, the provisions of such Acts may have to be reviewed for developments on the coast and, particularly, for developments on islands. As noted in the text, path-breaking work has been done on small island development in Belize.
Box 19: Development Guidelines

In the case of major projects, proposals should be seen to be capable of meeting certain standards and criteria, before detailed design is commenced. The following requirements should be met before Outline Development Approval is sought and detail design is undertaken.

1. Water Supply: All tourist establishments should have adequate and sustainable supply in terms of quality and quantity, in relation to the type and scale of development;

2. Surface Water: Drainage should be adequate to prevent dampness and damage. Building levels should take into account storm surge;

3. Sewerage: A properly designed system should be provided appropriate to the scale of development and located to meet the necessary pollution standards;

4. Waste Disposal: Hygienic collection and storage facilities should be provided, preferably with separation for recycling;

5. Electricity: An adequate and reliable supply should be available. Environmentally friendly alternative sources and energy conservation should be a prime consideration and be encouraged;

6. Telecommunications: Desirable at all tourist facilities and attractions;

7. Underground Cabling: On new facilities cabling and services should be underground. For existing facilities encouragement should be given to relocating existing supplies underground, particularly if alterations and extensions are carried out;

8. Road Access: legal right of access to the site needs to be established together with the agency for any necessary works of improvement.

The “Fiji Tourism Development Plan 1998-2005”\(^{15}\) contains Development and Architectural Guidelines for tourism development. These are shown in Boxes 1 and 2.

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\(^{15}\) Prepared as a joint exercise between Deloitte & Touche, the Ministry of Tourism and Transport and the Tourism Council of the South Pacific, and principally funded by the European Union.
Box 20: Architectural, Landscape Design and Site Planning

1. Architectural Design: The proposal should comply with the design guidelines for tourism/hotel development. The maintenance of the Fijian tradition of architecture should be a primary aim of any new development, or alteration to existing buildings;

2. Landscape: Proposals should include landscaping and the design should respect the climatic zone. Care should be taken to conserve the natural landscape in terms of significant trees and the skyline;

3. Native species: Preference should be given to the use of species native to the area of the development and the importation of exotic species discouraged;

4. Views: Buildings should not be sited or of such height or size that views from roads, trails, public areas, and of nearby properties are obstructed;

5. Skyline: Buildings should not be sited where they break the skyline, particularly on ridgelines that form the boundary between village and natural conservation or protected areas.

Following the Rio Conference in 1992, WTO published “Sustainable Tourism Development: Guide for Local Planners” in which examples were provided of implementation of both zoning and carrying capacity measures (see boxes 3 and 4). Zoning is a widely employed land use-planning tool to limit the type of use and building density in specific areas.

Carrying capacity is a measure of sustainability. It is the level of human activity that a site can tolerate without deterioration of natural and man-made assets and a negative impact on the quality of life of resident communities and the visitor experience. Once established, carrying capacity is:

- a practical tool to use in maintaining the balance between development and conservation;
- a threshold beyond which further planning is required;
- a benchmark against which to measure change and its causes; and
- an early warning system.

Despite the evidence of the adverse environmental, social and –eventually—economic consequences of attracting more tourists than a destination can handle, the carrying capacity concept is rarely employed in tourism. Ken Chamberlain, former chief executive of the Pacific-Asia Travel Association, writing in UNEP Industry and Environment, Jan-
July, 1997, explains the reservations and outlines practical implementation measures: “Carrying capacity has often been defined in mathematical terms requiring a series of technical studies, which has put off planners, particularly at the local level. Instead, it should be a matter of the best judgment of the people on the spot, in cooperation with technical agencies where these have relevant information. It is more important to establish the benchmark quickly with limited expense rather than delay the definition in the interests of 100% accuracy. An effective process is to assemble a representative group of no more than seven local people, of which one has conservation experience. The group could be chaired and briefed by a local government official. An experienced outside facilitator should guide the discussion, respond to questions and ensure that the goals of the meeting are met. The group should establish or agree to capacities, measurement criteria and implementation plans, aided by technical agencies.”

**Box 21: Example of Use Zoning for Archaeological Site Conservation**

**Borobudur National Archaeological Park in Java, Indonesia**

Borobudur, a large late eighth century Buddhist monument, is one of the most impressive and important archaeological sites in South-East Asia. Major reconstruction works were undertaken from the early 1970s to the early 1980s by the Indonesian government with UNESCO and other international assistance to stop the water-related damage that was deteriorating the monument and, through provision of a suitable drainage system, preserve the monument indefinitely. Park plans were formulated for Borobudur and Prambanan, another important monument in the area, within the framework of regional tourism plans for all Java. Much consideration was given to the importance of the monuments in the tourism and educational process, their impact on the local communities, and the need for continuing research and preservation of other archaeological sites in the area. Maximum visitor capacities were determined for peak daily and hourly periods, and the types of domestic and foreign visitors determined. Visitor facility needs were calculated based on the projected park usage and the conservation facilities required. The land use planning approach was that of establishing zones for various types and intensities of land use around the monument. Five zones were established:

- **Zone 1** – Area for protection of the immediate environment of the monument with no development allowed except for landscaping;
- **Zone 2** – Area for development of facilities for visitor use, park operation and archaeological conservation activities;
- **Zone 3** – Area, including the access road and smaller monuments, within which land uses are strictly controlled to be compatible with the park concept;
- **Zone 4** – Area for maintenance of the historical scenery;
- **Zone 5** – Area for undertaking archaeological surveys and protection of unexcavated archaeological sites.

An important component of the implementation program involved relocation of some
residents further away from the monument in order to implement the zoning plan.


When a carrying capacity is established, the distribution of visitors over time and space needs to be addressed to identify areas where usage is likely to be heaviest, together with specific measures to mitigate these impacts. Where possible, quantitative measures should be established. The most common measures of capacity are numbers of hotel beds, tourists and vehicles. Such measures may need to be adjusted with experience and for purposes of monitoring and feedback should be collected as an ongoing activity.

**Box 22: Example of Regional Tourism Plan Analysis**

1. Tourism Carrying Capacity Study for Goa, India

2. The State of Goa, located on the west-central coast of India facing the Indian Ocean, occupies some 3,700 square kilometers with a coastline of 106 kilometers, 65 of which consist of sandy beaches. The government’s policy is for the controlled expansion of tourism development. In 1988, there were 850,000 tourists, the majority of whom were domestic travelers. The tourism resources in Goa include extensive beaches and a scenic natural environment of lush vegetation of palm groves along the coast, forested inland hills and mountains, some wildlife, distinctive cultural arts, crafts, and music, and highly interesting religious and historic buildings. Domestic tourists visit Goa throughout the year whereas there is a definite seasonality of foreign tourist arrivals, with the low season during the monsoon period from June to September and the peak season during the sunshine of November through January.

3. Since the major attraction of Goa for holiday tourists is the quality and extent of the beaches, these lands along with labor supply capabilities, infrastructure capacities and social impact evaluation were the primary considerations in the carrying capacity analysis. Considering the existing distribution of tourist arrivals and the recreational preferences of domestic tourists, it was estimated that an average density of 40 square meters of beach area per tourist bed would be an appropriate standard in assessing beach carrying capacity. Assuming an average width of sandy beach of 40 meters, application of that standard means that not more than one bed per running meter of beach should be developed. It was also decided that not more than 70 percent of the beach or 46 out of the 65 kilometers should be developed in order to:
   - Protect the general landscape character of the area;
   - Protect the coastal villages and their surrounding areas, so that villagers
can continue their customary daily activities without disturbances;

- Avoid ribbon or continuous development along the coastline, but instead encourage development to take place in groupings with adequate natural vegetation in between;

- avoid disfigurement of the coastal character because of building activities; and

- cater also for the recreational and other needs of the local inhabitants.

4. Application of the standard of one meter of beach frontage per tourist bed to the 46 kilometers results in an overall regional maximum development level of 46,000 tourist beds. As 30 per cent of beds of lower rate levels are expected to be constructed in places not directly facing, the beach and sea, not more than 35 kilometers of beach frontage are expected to be actually utilized for development. This pattern will result in a density of about 57 square meters of beach area per tourist bed in accommodations fronting the beach although tourists staying in non-beach oriented accommodations will still make some use of the beaches. Because many domestic tourists and local residents here do not use the beach intensively. It is unlikely that the number of people on particular beaches on any day will exceed the above densities. Even on peak use days the densities are not likely to drop below 10 square meters per person, which is considered acceptable both in this region and internationally.

5. Based on assumptions made of future accommodation occupancy rates (75 per cent for domestic tourists and 50 per cent for foreign tourists), average lengths of stay (4-5 days for domestic tourists and 15 days for foreigners) and a ratio of 80 per cent domestic and 20 per cent foreign tourists (aimed at increasing the proportion of foreign tourists through marketing and product development strategies), the 46,000 beds’ allowed would imply a level of approximately 4.1 million tourist arrivals annually, almost five times the 1988 level of tourists visiting the region. Assuming a need for 1.0 employees per bed (about 2.0 employees per room) in the upper classes of hotels and .4 employees per bed in the other classes of accommodation and an assumed distribution of types of accommodation based on the types of tourists attracted, the direct tourism sector employee requirement was calculated to be 60,000 persons. The indirect employee requirement was calculated to be 300,000 (only twice the present number because of assumed greater productivity of workers in this sector in the future). Based on the present level of underemployment and unemployment and projected growth of Population and employment in other sectors of the economy, it was determined that an adequate labor supply will exist to serve the projected level of tourism development.

TOURISM IN AFRICA: OVERVIEW OF TOURISM ISSUES IN SELECTED AFRICAN COUNTRIES

OVERVIEW OF TOURISM ISSUES IN CÔTE D’IVOIRE

The Size of the Tourism Sector

Just over 274,000 foreign travelers visited Côte d’Ivoire in 1997, an increase of 16% over 1996. Although this represents a doubling of the numbers in 1992, travelers to Côte d’Ivoire had hovered around 200,000 in the period from 1985 to 1991. Tourism suffered from the same economic crisis that affected all the country’s economic activities in the early years of the current decade.

Foreign travelers comprise business visitors, tourists, conference participants, family visitors, and others (which account for about 1% of the total). Conference and family visitors account for roughly 10% each of the total, with conference visitors on an upward trend according to tour operators within Côte d’Ivoire. Business visitors outstripped tourists in 1997—114,000 against 108,000, not for the first time, but both show a significant growth trend and account for 80% of all foreign visitors. The main source markets are other African countries with some 50% of arrivals in 1997, Europeans 39%—of which one quarter are French, “Americans” 7.5% and others 3%.

People interviewed questioned the accuracy of tourism statistics in Côte d’Ivoire, though without questioning the broad trends revealed by official statistics about foreign visitors. The efficacy of collection and processing of data may have been affected by recent structural changes to public sector tourism institutions, the absence of data processing equipment and minimal budgets. Furthermore, there are many entry points by road from neighboring countries and consequent problems in defining “foreign visitors” in these circumstances.

Despite the presence of a World Tourism Organization (WTO) expert, Côte d’Ivoire has not had the funds to put in place a system of satellite accounting for tourism. The difficulties of measuring the contributions of tourism to the economy are related to its cross-sectoral characteristics. Satellite accounting improves understanding about tourism’s size and linkages and becomes both a useful analytical and planning tool, as well as a promotional tool for increased budgetary resources.

Growth Targets

According to the WTO, which uses national statistics, tourism receipts of US $88 million constituted less than 1% of GNP and 1.8% of merchandise exports in Côte d’Ivoire in 1997. Nevertheless for some years the Government has referred to tourism as the “fourth foot of the elephant”, with the elephant symbolizing a growing economy. Having failed to meet the target of 500,000 visitors by the year 2000 (as is now virtually inevitable), the Government has set a new target of one million visitors by 2005. The current constraints
that beset the sector suggest that such a target may be unattainable and that it might not be wise to try to grow at such a fast pace, but that some growth is indeed possible.

Today, Côte d’Ivoire attracts only 1% of international tourist expenditures in Africa as a whole and 11.5% of such expenditures in West Africa\textsuperscript{16}. Côte d’Ivoire is fifteenth among all African destinations and third in West Africa in size of tourism receipts. Despite this small share currently, Côte d’Ivoire has a diversified package of tourist assets, which suggests that the country should be able to increase its share of tourist receipts in future.

**The Tourism Assets**

There is no single world-class asset in Côte d’Ivoire that by itself will draw international tourists, except possibly for the underdeveloped coastal resort areas around San Pedro. Nevertheless, there are a number of cultural, natural and wildlife, and urban assets that could provide an interesting package to tourists who want to combine knowing more about Africa with a resort holiday. These assets are of equal interest to foreign visitors staying with relatives and to many visitors from neighboring countries, as well as to international tourists. The more successful local tour operators are already selling this package and it consists of:

- the rich and living cultural heritage of 60 different tribes in the country, which is on display in villages through traditional ceremonies accompanied by costumes, masks, dance and specific rites, which are also symbolized in a variety of handicrafts;
- eight national parks and five wildlife reserves/conservancies on over two million hectares of land;
- Abidjan, a bustling modern city, with shopping and nightlife, including casinos, in a beautiful lagoon setting;
- Yamoussoukro, the new political capital, with its enormous, modern Basilica modeled after St. Peter’s in Rome, which is becoming a place of pilgrimage, and architecturally interesting public buildings; and
- a 500-kilometer coast, with a Club Med and Valvart in Assinie and resort hotels and tourist services in Grand Bassam to the east of Abidjan, and pockets of resort developments in the inlets and lagoons west of Abidjan along the coast to San Pedro, where there is a small airport, and beyond to Grand Béréby.

A typical seven-day tour to Côte d’Ivoire from Europe begins in Abidjan and ends either in Grand Béréby/San Pedro or Grand Bassam or Assinie, with a visit to Yamoussoukro always included. The tour circuits vary, most frequently including:

\textsuperscript{16} Word Tourism Organization. Tourism Market Trends in Africa. 1998
• Bouake, Khorogo, Tortiya
• Daloa, Man, Gouesseso, Touba
• Katiola, Odienne, Boundiali and nature and wildlife reserves.

One tour agency specializes in adventure tourism that includes cycling, hiking, fishing and rafting. Some visitors travel specifically to view birds and butterflies. Villages that make handicrafts and copies of masks used in traditional ceremonies are included in most circuits. Regional tourism circuits include Burkina Faso and Mali, in particular.

Political stability has reigned in the country since Independence and Côte d’Ivoire has not engaged in regional wars. In addition, air and road access is satisfactory, with rail transport also available. Three airports are classified as of international caliber: Abidjan, Bouake, and Yamoussoukro. The Abidjan airport is currently being extended and plans are underway to convert San Pedro into an international airport. Côte d’Ivoire is served by Air Afrique, the regional airline, and by a growing number of scheduled international airlines, including, currently, Air France, British Airways, KLM and South African Airways. Eight other small airports dot the country and are served by two domestic airlines: Air Continental and Air Inter Ivoire. There is an excellent road network connecting major centers and an adequate one to remoter areas. Four-wheel drive cars are needed for visits to parks and reserves. Côte d’Ivoire supports an “open skies” policy and currently receives a number of charters.

The Constraints to the Growth of the Tourism Sector

The Accommodation Sector. The chief constraint is the limited number of hotel rooms and the poor quality of the majority. Out of over 7000 hotel rooms in the country, 43% are in Abidjan. There are only 1063 rooms on the entire coast and, of these, Club Med, Valvart and a new hotel (Paladien) account for 532 rooms on choice sites on the east coast. The remaining rooms are scattered throughout the country in small hotels of generally less than 50 rooms. The exception is Yamoussoukro, where the new hotels make it an important conference center. Quality is a problem everywhere including in Abidjan’s biggest hotel complex. Government owned hotels have not been adequately maintained and not all have yet been privatized. No objective classification by category has been done for several years. Currently hotels adjudicate their own star rating -- generously by international standards, and the Direction de la Promotion du Tourisme does not have the budget to begin a reclassification of existing hotels.

The lack of hotel rooms of acceptable international quality constrains the growth of conference business in Abidjan—otherwise a natural locus in West Africa or even internationally for this business. One of the largest tour operators limits the size of a conference it will handle to 500 people, because of the lack of availability of quality rooms. The small size of existing hotels in the interior (and even on the western coast) makes it difficult for tour operators to handle transfers of groups of 50 and over, thus limiting the development of cultural and nature tourism. The poor quality of hotels in
Abidjan, combined with the high costs of airfares to Abidjan, also limits the country’s capacity to market itself and compete internationally.

The smaller hotels throughout the country serve the needs of lower-income tourists from neighboring countries. Not all these hotels are operated continuously as commercial establishments, i.e., as licensed accommodation, but are family establishments with rooms to rent or are operated with varying success by small entrepreneurs without any formal training. There appear to be no effective support systems from professional associations or technical agencies for the hotel sector, whether small or large.

**Absence of a Financing System.** Tourism entrepreneurs in Côte d’Ivoire complain about their lack of access to financing for hotel construction and equipment. Local banks seem to regard tourism as a riskier business than others. Banks also had bad experiences with such loans in the past, when many borrowers were merely interested in obtaining equipment duty-free rather than actually building a hotel. The current Minister has requested that his staff begin to control investments made under the Hotel Incentives Act. Funds for refurbishing and remodeling of hotels are available only as a standard commercial loan.

Tour operators complain about the onerous terms of commercial bank financing for buses and four-wheel drives and that import duties on vehicles double their cost. The three owners interviewed in June stated that they had financed vehicle purchases out of their own funds.

Concern over lack of financing led the Fédération Nationale de l’Industrie Hôtelière de Côte d’Ivoire to hold a high level colloquium in April 1999 to discuss issues related to financing of the tourism and hotel sector. Participants are currently preparing a “Livre Blanc” for Government that incorporates suggestions about possible financing strategies.

**Investment Incentives.** Côte d’Ivoire has offered a series of investment incentives, including fiscal and profit repatriation, to prospective hotel investors for many years. As noted above, not all beneficiaries have been bona fide investors. The investment code that was revised in 1995 included larger investors and not just small and medium-sized firms. The code makes no distinction between foreign and domestic investors nor between sectors of activity, though additional incentives are available for investments outside Abidjan and other major urban centers. In 1995, the Government also established the Centre de Promotion des Investissements de Côte d’Ivoire (CEPICI) designed as a one-stop information shop for potential investors and to establish linkages between the public and private sectors. In 1998, an IDA Technical Assistance Credit provided support to CEPICI, among other agencies, as part of a capacity building program for private sector development, which was not specifically linked to tourism. Until some of the existing constraints to tourism development are removed, the sector seems unlikely to attract many serious investors, who are currently concentrated in oil, gas and mining.

**Public Health.** Côte d’Ivoire is in a malaria zone. Water is not potable everywhere. Furthermore, lax hygiene standards can have temporary impacts on the health of visiting tourists. Medical and emergency facilities, however, in Abidjan are very good.
**Public Safety.** Abidjan is a big city with large pockets of poverty. Tourists need to take the same precautions as in any big city. Opinions vary as to the level of tourist vulnerability throughout the rest of the country. The ubiquitous presence of police road patrols combined with some ambiguity about their purpose does not reassure visiting tourists. Concern about security has led the Ministry of Tourism to propose establishing a “Brigade Touristique”, which would undertake a tourism awareness campaign and assure the protection of tourists in major destinations and at border points. The Government is reported to have agreed to provide a budget for the creation and operation of the Brigade.

**Entry Requirements.** These comprise the requirement for a visa, as also the attitudes of customs and immigration officials to incoming tourists. Côte d’Ivoire is one of the few countries that still requires tourist entry visas for all foreigners. The hassle this can entail for prospective tourists can turn them elsewhere. Very recently, the government has agreed to provide individual and group visas on arrival at the airport. It will be important to ensure that the process works smoothly and does not cause inordinate delays to entering tourists.

**Environmental Issues**

The World Bank and France are currently assisting the Ministry of the Environment—Direction de la Protection de la Nature, Cellule de Coordinating du PCGAP, to manage a system of national parks and protected areas. Wildlife is being introduced in some parks from Southern Africa to supplement the dwindled local stock. The conservation of these areas presents a challenge. Managers will need to ensure that local communities benefit from the conservation activities to avoid poaching of trees and animals. Revenues from tourism could help to offset the costs of managing these areas. But, the gamut of visitor facilities will need to be improved before tour operators are willing to take visitors to the parks and reserves regularly.

Development of the coast has been undertaken without any adequate physical planning related to the management of coastal areas. With assistance from France, the Government is currently undertaking a study to develop guidelines for coastal zone management. There is considerable potential for tourism development in the Grand Bereby/San Pedro area and, at the moment, there are expressions of interest in building hotels in these areas. Given the fragility of coastal assets, the Government would be well advised to wait for the outcome of the French study before authorizing further development of these coastal areas. Currently, some twelve Government and local agencies have responsibility for the coastal area. The creation of a coastal zone management authority with planning and coordinating responsibilities would seem to be essential if tourism development is to be undertaken sustainably.

According to the Ministry of Tourism, hotel developers must provide environmental impact assessments (EIAs) as part of their request for access to incentives. These are reviewed by the Direction Générale de la Promotion in the Ministry.

**Capacity Building, Training and Awareness Campaigns**
If the tourism sector is to grow in Côte d’Ivoire, there is a need for capacity building in the public sector. (An organization chart of the Ministry of Tourism is attached.) The Minister is well aware of this need, which was also highlighted in interviews with the private sector. Individual management of hotels and tourist services should be the sole preserve of the private sector. But, the Ministry must create a policy and regulatory framework that will help the private sector to flourish. In addition, the Ministry should play an important role in identifying the constraints to tourism growth that are the responsibility of the public sector, e.g., a review of the taxes applied to tourism, visa regulations and immigration and customs procedures, security—as is being done with the tourist brigades, health procedures in hotels and restaurants, promotion of Côte d’Ivoire abroad with all related publicity and marketing materials, etc.

The Ministry’s ambitious program for the development of the tourism sector and handicrafts, contained in a March 1999 document (Cadre Général de Politique de Développement du Tourisme et de l’Artisanat) has not received budgetary support. The Ministry may need to single out some clear priorities in its program, in consultation with the private sector, to obtain financing from public and external sources and, possibly, even the private sector.

Currently, the Office Ivoirien du Tourisme et de l’Hôtellerie (OITH), which is responsible for the promotion of the sector locally and abroad, is a department of Government 17. As such it is poorly funded and subject to the internal controls of a government department, which are not relevant or appropriate for a body essentially engaged in public relations and promotion. Many countries have found it more appropriate to establish such an office as a parastatal or statutory body, which is financed by both the private and public sectors. Currently, at the invitation of the Ministry, the role and future status of the OITH is under discussion by the private sector. Recommendations will be available in June 2000.

Côte d’Ivoire has a Hotel School and a University degree program for tourism. Both these programs would benefit from an external review of their relevance and quality.

The Private Sector

The private sector has a specialized tourism association, the Fédération Nationale de l’Industrie Hôtelière de Côte d’Ivoire, but the larger tourism entities also are members of the non-specialized federation of industries. A handful of local tour operators/travel agents have driven the success of the tourism sector to date. Busy and successful as they are, they might welcome inclusion in a regional private sector enterprise support system to learn from experiences elsewhere and to help broaden their professional network. Certainly, new entrepreneurs would benefit from targeted assistance from an experienced association or network of tourism professionals. The issue of availability of financing, particularly for hotels (see box in main text), remains a constraint on the activities of local entrepreneurs.

Justification for Tourism in Côte d’Ivoire

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17 The Direction de la Promotion has administrative responsibility for the development of the sector, but does not handle promotion and marketing.
The main justification for tourism is the employment it generates, directly and indirectly, foreign exchange earnings and the diversification of the export sector. The potential for establishing linkages between tourism and other sectors, particularly agriculture and manufacturing, would seem to be strong. Given that tourism would incorporate circuits outside Abidjan there would also seem to be considerable potential for the development of micro and small-scale enterprises near these destinations. Tourism could become a source of revenues —of varying significance according to the area—in the conservation of parks and reserves and in the generation of income and employment to communities surrounding these parks. Lastly, a targeted public health campaign in tourist areas would also bring considerable benefits to the local population.

**Proposed Action Plan**

As the Minister himself stated, a comprehensive and integrated plan is needed to make tourism generate its true potential. Studies of several aspects of the tourism sector have already been undertaken in Côte d’Ivoire. These, including a tourism plan drawn up some five years ago, need to be reviewed and collated, and, if strictly necessary, updated.

Even this preliminary overview of issues in the sector, suggests that the first stage of tourism development should concentrate on major circuits that already sell, rather than trying to open up the entire country. Adoption of such a plan would ensure close collaboration between the public sector, local administrations and the private sector, which already has developed tourism in these areas. Efforts could be concentrated on selected circuits so that each destination within the circuit develops a small cluster of efficient tourism services. This would entail addressing the constraints to growth, ensuring the participation of a broad range of local beneficiaries through training for employment in the hotel and related tourism services sector, and provision of incentives for the creation of micro and small scale enterprises. To ensure an attractive package for tourists, systems will have to be developed and financed to protect and preserve existing natural and wildlife resources and the specific local cultural heritage. Public health and tourist security will also have to be addressed in these destinations.

In parallel and within a longer-term perspective, planning could entail the integration of selected national circuits into a regional circuit with matching assets elsewhere, e.g., Mali and Burkina Faso, Senegal, Ghana. Such planning should lead to increased numbers of tourists to the region as a whole and could give a great boost to the preservation of the living and built cultural heritage in the region.

As a means to get started, a workshop, modeled on the one in Zimbabwe that already received verbal support from the Minister could be undertaken. The objective of the workshop should be to identify priority circuits and the constraints to their development, as well as realistic proposals for the removal of these constraints.
OVERVIEW OF TOURISM ISSUES IN GHANA

Ghana is not widely recognized as a tourist destination and international knowledge of its potential and attractions is limited. Nonetheless, the country does have natural and cultural/historical attractions: the national parks and reserves, including the internationally known Kakum Park with its unique canopy walkway; and Mole Park with its diverse wildlife and rare animal species. The Kintampo high water falls is a natural wonder. There is the historic Elmina Castle, the oldest standing European-built structure in sub-Saharan Africa, the site of sub-Saharan Africa’s first Christian church.

International tourist arrivals in Ghana increased from 125,000 in 1989 to 325,000 in 1998. The principal market segments include business travelers attending meetings and conferences, visiting friends and relatives (VFR), individuals on official mission and vacations. Domestic arrivals in Ghana are estimated to be ten times international arrivals. Market trends indicate a growth trend in international tourism, with tourists demanding better services in line with their specific interests. African-Americans goes there for its historic legacy; Europeans see it as a country rich in culture. About 60% are leisure tourists and the balance business tourists (about a quarter for conferences, most of that are for groups of 50 or less); the latter has increased in line with the improvement in the economy since 1995. The VFR market consisting largely of the diaspora, Ghanaians living abroad, which has increased tourism in all areas of the economy and is an important prime target for future marketing promotion.

In 1997, tourism contributed an estimated 6.5 per cent to Ghana’s GNP. It also brought in about $521 million in foreign exchange, representing 17% of total foreign exchange earnings and an estimated $304 million to government revenues. Local tourism contributes about an additional $12 million to total tourism expenditures.

In the past, the Government of Ghana played a pervasive role in tourism as policymaker, economic operator and promoter but little progress made because the private sector was not integrated into the process. In promoting tourism to Ghana, an appropriate framework at the national, provincial and local levels needs to be created with the participation of the Department of Tourism, the Tourism Board and the Wildlife Service. Policy and planning will need to reflect the priority attached to tourism as a national goal, integrated into the overall national and regional framework, if its full potential is to be realized. Tourism policy should encourage environmental concerns and community participation in the development, management and protection of the tourism resource base.

Sector constraints to the development of tourism include: lack of information on the country’s attractions; limited promotional airfares; strict entry visas requirements (processing a visa takes 3 to 6 weeks); high airport taxes; poor destination management by local tour operators. The present gaps in that require immediate attention include: infrastructure (roads, transport, airport, communication) and accommodation (hotels, motels etc.); limited sources of investment; little support for the private sector especially SMEs in the sector; inefficient sector policies and regulations to maintain environmentally sustainable tourism. Moreover, most of the potential sites for tourism development sites
are undeveloped. Access to historical sites, national parks and reserves must be improved if more tourists are to be attracted. Some have development plans underway (e.g. Digya Park) but only Mole and Kakum Parks have been reasonably improved to meet quality tourist standards.

In 1995, the Government drew up a development plan through the year 2020, Vision 2020. It provides the basis for establishing a tourism policy and growth targets, based on the natural, historical and cultural resources of the country. It has initiated a public-private partnership to encourage dialogue among stakeholders, across regions, within local government, local communities, civil society and the private sector. The objective is to use and conserve resources (forests, wildlife, coastal and watersheds) for the promotion of tourism as a contribution to sustainable growth. Under the policy, tourism would serve as a major sector of investment and source of revenue to build better infrastructure.

Ghana has set a target of one million tourists by the year 2010, which is ambitious and may conflict with its stated objective of eschewing mass tourism. Projections by the National Tourism Board estimate one million tourist arrivals (30% for business, 20% for VFR and 50% for vacationers) and gross receipts of about US$1 billion by year 2010:

<table>
<thead>
<tr>
<th>Type of Tourist Arrivals</th>
<th>Historical 1995</th>
<th>Projected 2000</th>
<th>Projected 2005</th>
<th>Projected 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business</td>
<td>139,000</td>
<td>177,000</td>
<td>237,000</td>
<td>302,000</td>
</tr>
<tr>
<td>VFR</td>
<td>109,000</td>
<td>139,000</td>
<td>177,000</td>
<td>226,000</td>
</tr>
<tr>
<td>Holiday</td>
<td>38,000</td>
<td>83,000</td>
<td>224,000</td>
<td>534,000</td>
</tr>
<tr>
<td><strong>Total Arrivals</strong></td>
<td><strong>286,000</strong></td>
<td><strong>399,000</strong></td>
<td><strong>638,000</strong></td>
<td><strong>1,062,000</strong></td>
</tr>
</tbody>
</table>

The emphasis would be on targeting specific international market segments, not ‘mass’ or low budget tourism, while at the same time promoting domestic tourism (with affordable access for Ghanaians to historic, cultural and natural attractions). Regional cooperation with West African countries and others in Africa is also envisaged. For example, the Monument and Museums’ Board, supported by UNESCO and other African countries is planning a new project called the Slave Route Project to preserve the history of slavery along designated African routes. Efforts will be made to enhance the standard of facilities offered, in terms of comfort and service, safety and security, and environmental sensitivity. Ghana hopes to meet its target markets by positioning the country as a prime African destination with excellent historical, cultural and natural attractions, and embarking upon a selective marketing strategy with core markets (the sub-region, Southern Africa, USA and Europe). The targets above are very ambitious and can only be achieved if the country accords top priority to tourism and to develop a competitive product and service line.
OVERVIEW OF TOURISM IN MAURITIUS

The Tourism Sector Today

Mauritius presents an image of a consistently successful resort destination harboring some of the world’s best resort hotels and catering to high-income tourists, predominantly from Europe. Mauritius is essentially a sun, sea and sand destination, in which over 90% of the hotels have beach frontage. The number of awards won by hotels in Mauritius—most recently the “Best of the Best Leading Hotels in the World” to Sun International’s Le Tissier Hotel, which is one of the three “Leading Hotels” in Mauritius, sets the tone. The relatively high average annual hotel occupancy rates (72% for all hotels and 77% for large hotels, i.e., those with over 80 rooms) and the number of repeat tourists to the island validate the image. The distance from its major source markets in Europe and the consequent high airfare to reach Mauritius has helped to preserve its exclusive image, bolstered by government and private sector determination not to permit unscheduled airline charters. Despite not being a mass tourist destination, Mauritius received over half a million tourists in 1998 with an average length of stay of 10.3 days. Over 60% of tourists are Europeans and nearly half of these are French.

Part of the island’s success is attributed to its exceptional natural assets: coral reefs, white sand beaches, ultramarine coastal seas suitable for all forms of water sports and a pleasant year-round climate. The local population in and outside the hotel sector deserves considerable credit for the success. Tourism literature promotes Mauritians as people with a ready smile and friendliness towards foreign visitors. Mauritians have a good education system, are bilingual (French and English) and are descended from a number of races, which maintain their different cultural heritages.

Successive Governments have encouraged private sector investment and have attempted to create a favorable investment climate through “Tourism and Leisure Development Incentives”. These currently offer reduced taxes and duties during hotel construction and operation, as well as preferential rates for term loans and overdrafts from commercial and development banks in Mauritius.

Tourism is very much a local success story with local people involved at all levels, directly and indirectly, in the sector. Mauritian entrepreneurs invested in hotels from the outset and the initial investors now own an important hotel chain, Beachcombers, containing one
current “Leading Hotel of the World” (Royal Palm). Other Mauritian entrepreneurs have diversified their interests from sugar and textiles into hotels. There is a high degree of local ownership of hotels, including the only five star business hotel in Port Louis. Government policy requires that Mauritians should control the equity in hotels of less than 100 rooms. Whereas, hotels of more than 100 rooms can be 100% owned by foreign nationals. Currently, 20% of hotel capacity is entirely owned by foreign promoters.

Mauritians permeate all levels of management and staff in the entire tourist sector. In at least one five-star hotel, 100 % of management and staff is of local origin. Nevertheless, most big hotels have some expatriates at top management level, mainly as chefs and managers of the housekeeping, food and beverage, and entertainment departments.

The national airline is also largely Mauritian-owned but includes among its shareholders, British Airways, Air France and Air India. Mauritius shares its routes with prestigious airlines, including those of these shareholders and others such as Singapore Airlines.

There is a continuous dialogue, though not necessarily always agreement, between the Government and the private sector on the management of the tourism sector. The Joint Tourism Council of the Ministry of Tourism and Leisure is chaired by the Minister of Tourism and Leisure and was set up in August 1998. The Prime Minister’s office and the Ministry of the Environment participate in Council meetings and all the private sector tourism associations are members. The Council was set up under an administrative order and has no legal powers. Its deliberations, however, can provide the basis for policy formulation for the tourism sector. In addition, the Joint Economic Council (JEC) represents the collective interests of several professional and business associations to the Government.

Over the years, a number of professional tourism associations have emerged. The Association des Hoteliers et Restaurateurs de l’Ile Maurice (AHRIM), despite its very small staff, undertakes effective analyses of issues and represents the tourism sector’s specific interests to Government. AHRIM’s paid membership currently comprises 31 of the 59 small hotels and all 28 of the large hotels, as well as restaurants and tourist services and travel. Other associations in the tourism sector include:

- the Association of Inbound Operators (AIOM), whose membership has grown from 7 in the early 1990s to 19 today;
- the Mauritian Association of IATA travel agents (MAITA), which has 16 members; and
- the Tourism Activities Professionals Association (TAPA), the most recent, which has 9 founder members, who mainly represent the scuba diving, pleasure craft and big-game fishing operators. These niche markets have contributed substantially to the expansion of tourism to Mauritius.

In 1998, 90 hotels containing 7267 rooms were in operation. Tourism generated 16,490 direct jobs in tourism establishments employing ten or more people. Of these 11,177
employees were in the hotel sector, 3924 people were employed in travel and tourism, and 1389 in restaurants. In parallel with the hotel activities, three sub-sectors of tourism—boating, tour operating and car hire—have grown rapidly during the past decade. The Ministry of Tourism estimated in 1997 that 30,000 jobs were created in other sectors because of the growth of tourism. The contribution of tourism, at current factor cost, to GDP has increased steadily from 3.2% in 1990 to 4.9% in 1997.

Tourism has close linkages with other economic sectors. In 1996, the University of Mauritius identified selected agricultural products consumed by the tourism sector, the volumes consumed, and that consumption as a percentage of total local production. Out of the 21 products listed, tourist consumption ranged from: 0.08% of sugar, to 6.1% of poultry, 8.39% of carrots, 10.14% of eggs, over 22% of honey, nearly 27% of crustaceans, and a high of 42% of local pineapples. The Government has also made specific provision for a crafts market in a major shopping center in Port Louis, where the goods are mainly sold to tourists.

The degree of local inputs at the construction stage varies according to the architecture of a hotel. There are relatively few imports of construction materials, furniture and furnishings in even five-star hotels built to local design (i.e. bungalows with thatched roofs spread out over a substantial terrain). However, in a new five-star, high-rise hotel, the import content was said to be very high. In a study undertaken by reputable authors in the late eighties but not currently available for review, the overall leakage factor in the tourist “dollar”, i.e., the amount spent on imported goods and services, was estimated at about 40%, but the basis for the calculation is not known.

Expansion Plans

The Government approved the addition of some 1000 rooms in 1999. These include the newly constructed 5-star Prince Maurice with 91 suites, which joins other luxury hotels on the island that charge up to $1500 per night per person for their top suites in season. The rest consist of a mix of new hotels, including a Radisson Plaza, and expansions and renovations to existing hotels. The construction of another 500 rooms will be completed in 2000. This includes an expansion to 250 rooms in the Saint Geran, a member of the Sun International group and another “Leading Hotel of the World”, which was classified sixth in the world last year. Two new hotel chains will also enter the Mauritian market at this time—Hilton and Oberoi. Sun International and Beachcomber, a local chain, together hold nearly 40% of the total rooms on the island.

The planned expansion of 3,200 hotel rooms by 2002, including the 1500 added in 1999 and 2000, will increase the current stock of rooms on the island to 10,600 hotel rooms or by 43% in four years. In 2000, with a hotel stock of 8,800 rooms, tourist arrivals are expected to peak at 650,000. While the growth rate of tourist arrivals has been remarkable, hotels are faced with competition from rapidly expanding construction of the informal villa/bungalow accommodations, which are believed to attract up to 30% of arriving tourists to Mauritius.
The issue of whether Mauritius is overbuilding its hotel capacity or simply building rooms in response to growing demand is a matter of debate. It is true that the long-term growth rate for tourist arrivals to Mauritius over the past thirty years has been 12% per annum, which would suggest that the targets for 2002 should be easily attained. However, there have been occasional weaknesses in that growth. The lower than average growth rates in 1998 and 1999, which gave rise to concern, may have been due to temporary factors, given the impetus in tourist arrivals in 2000. The temporary factors included:

- the highly discounted packages offered by Asian destinations during the Asian economic crisis, which had a negative impact on tourism to Mauritius;
- a number of hotels were closed for renovation/upgrading in 1998; and
- the social disturbances in Mauritius in the early part of 1999, combined with incidents of lack of tourist safety, discouraged tourism in that year.

Vulnerabilities of the Tourism Sector

The tourism sector in Mauritius is facing a number of problems, ranging from “acts of God” to a perception of inadequate planning. Mauritius has positioned its tourism product at the pinnacle of market excellence, which requires that the sector offer the highest quality product in an intensely competitive market. Mauritius competes continuously with the Caribbean, the South Pacific and Asian resorts, and a host of smaller high priced resort destinations worldwide. The main dangers to Mauritius’ competitiveness are discussed below.

Tourist Safety. There are two sine qua non for a tourism destination: physical safety and absence of health threats. Mauritians currently are treating the 1999 incidents of social unrest as isolated events, rather than as a reflection of more profound social problems. Concerns about the safety and security of tourists in certain tourist areas, particularly in the unprotected informal accommodation sector, were raised with the police by AHRIM, before 1999. Only time will tell, whether the incidents will act as permanent or temporary constraints to tourism growth. In the meantime, the issue of tourist safety is constantly on the agenda of the Joint Tourism Council of the Ministry of Tourism and Leisure.

The Informal Accommodation Sector. The units that comprise this sector vary greatly, but not a few are the second houses of wealthy individuals. Because this informal sector is unregulated and its income is unreported, it competes unfairly with existing hotels. Owners of the informal accommodation do not collect the current 10% VAT and the recently reduced tax on hotel and restaurant charges (2%). Owners are merely offsetting their operating costs or increasing returns to their investments, so to gain business they undercut hotel rates. The informal accommodation is competing strongly with formal accommodation in all categories, though principally with the small locally owned hotels, which in every tourist destination are the most vulnerable section of the accommodation sector. The high overall average occupancy rates for hotels in recent years are suspected to
mask weaknesses in the small hotel sector. If the quality of the informal accommodation matches the image that Mauritius projects through its hotels, and some of it seems to, there is a place for self-catered accommodation in the tourism product. But, it is to the country’s advantage that the tax system that applies to hotels should also apply to this type of accommodation and that it compete for tourists on the same price terms as the formal sector. Given the size of the informal sector, its lack of regulation and its impact on earnings of the formal sector, it is urgent that the Government encompass it within the formal accommodation sector.

The Rate of Tourism Expansion. From 1990 to 1998, Mauritius expanded its hotel sector by 2400 rooms, i.e., over eight years. The Government is now proposing to increase the hotel stock by 3200 rooms in four years and is not radically changing the product to appeal to new markets or new types of tourists. An expansion of tourism is more difficult to achieve successfully with an already significant hotel base and is doubly difficult when the target market is high-income, which, by definition, comprises a small segment of world demand. Existing hotel owners fear that the substantial expansion of hotels will not lead to a commensurate increase in new tourists from new markets, but, instead, will draw existing tourists away to the newer hotels and/or will lead to declining occupancy rates for the entire hotel sector.

To its credit and somewhat unusually for a tourism ministry, the Ministry of Tourism froze hotel developments between 1990 and 1993, when low occupancies characterized the hotel sector. Since 1993, the Ministry reviewed hotel development annually, until it commissioned a Carrying Capacity study in 1997 done by KPMG. The KPMG study came to the conclusion that the country could sustain up to 750,000 tourists by the year 2002, provided that adequate measures were taken to handle social, environmental and infrastructure development needs. The study recommended that:

- proposed future tourism expansions be accompanied by sequenced plans for physical infrastructure, i.e., water, roads, airports, sewerage, etc.;

- a number of measures should be introduced to protect the environment and the marine environment in particular, i.e., lagoonal water quality, beaches, creation of marine parks, control of boating activities, standards for treated water, disposal of solid waste, etc.;

- public beaches should be managed more effectively to serve the needs of local people for leisure activities; and

- there should be more interaction between tourists and local people, coupled with improved security to assure tourist safety.

Some of these issues are being addressed by the relevant government departments, though there is a strong sense among the environmental NGOs in Mauritius concerned with the marine environment that the opportunity costs of inaction have been high, particularly for the reefs, and that the pace of action on water quality, waste disposal and beaches and
marine parks management is too slow. The Ministry of Tourism has taken on board a number of issues, such as mooring buoys, pleasure craft regulation, zoning of tourism marine areas, and self-regulation of the diving industry that are contributing to improved management of the sector.

Compounding the sustainability challenges of a major expansion in tourism is the gap between theory and practice in physical planning in Mauritius. In theory, Mauritius has excellent planning regulations and procedures for EIA licenses. In practice, the ribbon development around the coast, the lack of monitoring of EIAs, the apparent violation of setback regulations, the burgeoning informal accommodation for tourism, are having negative visual impacts on the coastal zone, as well as, inevitably, adverse environmental impacts. These physical planning weaknesses will make it hard for Mauritius to expand its hotel sector substantially and still attract the high-income tourist market.

Environmental planning has been an ongoing activity of the Ministry of the Environment since 1990. Mauritius produced one of the first National Environmental Action Plans in the world, with World Bank assistance, yet the gap between theory and actual planning is still not closed. A pristine coastal zone is so crucial to the sustainability of the tourism sector in a resort destination and particularly for a high-cost destination, that the weaknesses in Mauritius must be highlighted:

- the large gated hotels and numerous private accommodation in the coastal zone are built close to the beach, with no apparent observation of setback regulations. The physical impacts of building too near to the coast can lead to beach and coastal erosion and can impact the health of reefs and the critical functions of seagrass beds;

- many lagoons are reputed by people interviewed to be “dead”, as result of dumping of solid waste and sewage, agricultural runoff and pollution from both the sugar refining and textile industries. Hotels operate sewage treatment plants, but their efficiency is unknown and they are notoriously difficult to operate efficiently. In this context, the World Bank project of January 1998 for Environmental Sewage and Sanitation, which has as one objective: “reversing the current trend of environmental pollution on the island and in its coastal zone”, is of high priority for tourism. Currently, construction of a sewerage network for Grand Baie has begun and other networks are planned for tourist zones;

- there is no municipal recycling of waste, nor is there separation of wastes--the local landfill receives everything. A private firm specializes in recycling, but not for the public sector;

- the lack of awareness of environmental good practices is illustrated by cases reported to or observed by the consultant: a glass bottom boat routinely drops its anchor on a reef near a popular hotel; guests walk across the top of the reef at low tide on the recommendation of the hotel; motor boats operate
frequently in the fragile area between the beach and the reef; littering of beaches and the marine environment is widespread;

- one hotel on the island (Labourdonnais) has complied with ISO 14001 standards and has also met Green Globe standards and been so certified by the SGS, others are in the process of introducing environmental management systems. This seems to be a rather slower greening of hotels than in the Caribbean, where with assistance from USAID, several Jamaican hotels, as well as hotels on other islands are moving to operate under Green Globe standards. Some Pacific islands are also pursuing green certification; and

- Mauritius suffered its worst drought in 55 years in June 1999. Hotels were able to cope with temporary cuts in water supply. But, new hotels will put even greater pressure on water supplies. Simply as a precaution, Mauritius will need to factor in a concern about water supply into its future plans for hotel expansion.

Human Resource Development. Mauritius is a net importer of labor, particularly for the construction and textile industries, and to a lesser extent for the hotel sector, as discussed above. The availability of trained manpower for the hotel sector was addressed a few years ago with the creation of the Hotel Training School, but this training is mainly for entry-level positions. Skills scarcity in the travel and tourism sector is pervasive and particularly at middle and higher management levels. Hotels already poach from one another. HRD for the tourism sector needs to be addressed and resolved before the new hotel rooms go on stream.

Air Access. Air access may be a constraint to the expansion of tourism given the protection of air rights the national airline receives. JEC considers that air access is inadequate for all local industries, not just tourism. The Government is opposed to charters and the tourism industry occasionally wavers but is also generally opposed too because these run counter to the luxury image of Mauritius. Hotel managers are wary of the downward pressure charters would place on hotel rates. Charters generally do require hotels to reduce their rack rates in return for group bookings. On the other hand, at times of weak demand, rack rates also come under pressure from scheduled airlines and travel agencies that organize group tours, particularly where the airfare is as high as to Mauritius.

The Future

For a variety of complex reasons, sugar and textile exports from Mauritius face tougher competition and less assured markets. Production costs are also affecting that competitiveness, as they are beginning to do in tourism. But, for the foreseeable future the population of Mauritius will be heavily dependent on tourism to maintain its income levels. Therefore, if Mauritius is to continue to attract a high-income European tourist market, all the stakeholders in tourism must jointly shape policies that will find solutions to the range of issues, particularly environmental, raised in this note. The binding glue in the joint effort should be the adoption of policies that clearly define Mauritius as a “green” destination. Image in the international tourism market is all-
important, but image must also reflect the reality, so that there should be no delay in addressing the present potential threats to the coastal zone. The EC is financing a Tourism Master Plan for Mauritius and its sister island Rodrigues in 2000. Mauritius would do well to postpone any further expansion of the hotel sector beyond those investments already approved, until the findings of this master plan are available.
OVERVIEW OF TOURISM IN SOUTH AFRICA

Tourism in South Africa, according to the government’s White Paper, has largely been a missed opportunity. This is an odd statement for a country that welcomes close to one third of all foreign tourists visiting Sub-Saharan Africa. Moreover, WTTC forecasts a bright future for South African tourism (based on tourism satellite accounts, which include domestic as well as foreign tourism): in 1997, travel and tourism was worth about R60.5 billion (US$9.9 billion) and is predicted to grow at a rate of 12% to the year 2010; domestic tourism is twice as large as foreign tourism but is expected to narrow the gap (44% foreign tourists by 2010). Tourism accounts for between 7 and 8% of GDP and is expected to grow at a rate of 10% to reach double digits in GDP terms by 2010, according to WTTC. Tourism creates one-in-fifteen jobs in the country currently and is expected to grow to one-in-eleven by 2010. Why then is it a missed opportunity?

South Africa’s potential for tourism is enormous but has been hampered until recently by its history, economy and social and political setting. Known for its diamonds and gold (tourism attractions in themselves!), South Africa’s resource base for tourism is exceptional and there needs to be a shared vision of its potential. Its tourism product relies on diversity for its appeal: accessible wildlife; varied and spectacular scenery, unspoilt wilderness areas; diverse cultures; and a climate varying from Mediterranean in the South to hot and dry elsewhere. There are unlimited opportunities for special interest activities (whale watching, sailing, fishing, white water rafting, hiking and bush survival, conservation and eco-tourism, wine tasting, golf). There are linkages with the rest of the economy, notably its agricultural produce (wines and fruits) and its handicrafts, arts and cultural heritage. In addition, there is no time difference with northern European markets; it has international class hotels and resorts for business, tourism and conferences; the quality of infrastructure, communication and health services is good; and the country has a fine network of national parks. There are excellent opportunities for regional linkages (Okavango in Botswana, Victoria Falls and Kariba in Zimbabwe, Kalihari Desert in Namibia, and beaches in Mozambique). Many of South Africa’s attractions are world famous: Capetown with its Table Mountain and the Cape of Good Hope; Sun City with world class resort facilities; Kruger National Park (the first of its kind in Africa); KwaZulu-Natal; the Garden Route and Maputaland.

Tourism is a highly competitive set of industries and in the modern world relies for success on value added to the basic resource endowment. Success is dependent on how the country’s resources are managed and packaged – led by science, technology information and innovation – and a partnership between government and commercial interests. The Internet, for example, is threatening traditional ways of doing business, as tour operators and travel agents with fixed commission structures fight to retain market share with the pervasive new technologies. In the early part of the century, the railroad from Capetown (picking up clients from passenger steamers from Europe) could make money carrying five trainloads of tourists on an arduous 57-hour trip to Victoria Falls per year. Quaint as that seems; it was the beginning of an industry approaching ten percent of GDP and of overall employment.
Foreign arrivals to South Africa totaled 5.4 million in 1997. Adjusted for cross border transfers (job seekers, etc), this total falls to 1.6 million international arrivals (compared to 1.4 million in 1996); of these, were 242,00 air arrivals (6% of total) from points of origin in Africa. About 25% of visitors are from Britain, 15% from Germany and 10% from the United States; amongst African countries, Zimbabwe and Namibia are the most important, 20% and 13% respectively. For domestic tourism, according to SATOUR, sixteen million South Africans (63% of the population) took 30 million trips in 1996. In terms of expenditures, of a total of R60.5 billion in 1997, R43.8 was for tourism services (domestic R29.2 billion and foreign R14.6 billion), capital and other expenditure R16.7 billion (1US$ = 6 Rands). Foreign tourism is expected to increase its share, due to South Africa’s remarkable assets and a favorable exchange rate.

The region of Southern Africa attracts about 30% of Africa’s total arrivals and about the same proportion of its tourism receipts. The Regional Tourism Organization of Southern Africa (RETOSA, the promotion group for SADC) was created a few years ago with support from MIGA to market Southern Africa and work with public and private agencies to that end. A recent initiative is the Okavango Upper Zambezi International Tourism Development Initiative to create a giant wildlife sanctuary to be supported by public and private funds. They are also promoting a Shengen-type tourist visa to give tourists simplified formalities in regional trips to member countries (SADC essentially).

South Africa has close to 8,500 tourism accommodation establishments with over 160,000 rooms and a total of 600,000 beds. Camping and caravan sites are the biggest group (28% of total), hotels (25%), holiday apartments (11%), resorts (11%), guesthouses and farms (9%) and game lodges (6%). National parks’ accommodation is only 2% of room capacity (4% including campsites). In 1997, the overall hotel occupancy rate was 55% (average room rate (ARR): R233), of which, 41% in greater Johannesburg (ARR: R247), 80% in the Cape Peninsula (ARR: R346) and 60% in Durban (ARR: R204); little information is available for other types of accommodation. With the exception of the Cape region, these rates are not particularly high and yet there has been a construction boom in hotels in response to market expectations; room rates are modest in foreign exchange terms.

South Africa has several international airports (Durban, Cape town) and Johannesburg has become the regional hub for international travel; its **Jan Smuts International Airport** is in a major expansion mode. There are frequent flights to overseas markets and the airport is served by many of the world’s biggest airlines. There are excellent connections to neighboring countries, often served by several airlines. Johannesburg remains a high cost airport but the volume of business has made it somewhat cheaper than others, that wish to play a regional role (e.g. Harare).

As noted above, investment in tourism in 1997 amounted to about R16.7 billion in hotels and infrastructure, much of it domestic capital. The Government encourages public/private partnerships but sources of public funding for tourism remain few. There are a number of funds dedicated to specific investment types – infrastructure, equity in enterprises, etc. There are proposals for a specific tourism fund but this has not made any headway. A number of incentives have been offered in the past but these have been mostly for 3, 4, and 5 star hotels. If there is to be an incentive program for tourism, it should go well beyond.
hotels to cover all tourist activities. However, even in South Africa, the merit of fiscal incentives is hotly debated and it may make more sense to support firms to become more competitive on the one hand and to ensure that serviced land be delivered on the other – by facilitating appropriate land development schemes (private and public).

A number of problems face the industry in South Africa, including the need to:

(i) Maintain high standards in tourism facilities. In the days when tourism was essentially a domestic preoccupation, many facilities were self-service. Thus, chalets in the national parks, while located splendidly, did not come up to international standards and were rented at modest tariffs; on the other hand, some hotel chains produce hotels of superb quality (Southern Sun) affiliated with the most prestigious international marketing networks (Leading Hotels of the World, etc.). As tourism grows, attention to quality standards will be more important (the National Park Service, for example, is now exploring options for concessioning its lodging facilities to the private sector);

(ii) Train staff to be effective spokespersons for tourism. Tourism relies on personable and professional service and the Government’s White Paper attaches great importance to its employment creating potential, especially in rural and remote areas where populations have never come into contact with foreign travelers. Training programs are being offered in traditional settings and by distance learning by private and public agencies and needs to be stepped up; and

(iii) Above all, measures to stem the violence and the eroding sense of personal safety are urgently required. At least one major hotel has been mothballed in Johannesburg and many businesses have moved out from the city center. A strategic tourism security workshop was organized in 1995 but more needs to be done to create long-term solutions: involving local communities, creating employment, training and awareness programs. Several arts projects are under review to bring new life to downtown Johannesburg building on South African music, for example.

Tourism is the domain of the Ministry of Environmental Affairs and Tourism. While this seems to be a marriage made in heaven, environmental affairs has a staff over 1,000, while tourism has been the responsibility of a handful of staff. Tourism has lacked a real champion and platform as a potentially critical sector. Yet tourism is well placed to respond to the Reconstruction and Development Program’s (RDP’s) central mandate of creating jobs. In fact, SATOUR has been the visible arm of South African policy in tourism and played a heroic role. But it is over-burdened, handling the functions of both national government and the statutory body it is, and has come to be associated with the old South Africa and privileged tourism. There are a plethora of private sector agencies representing all branches of the industry; SATOUR has been replaced in the provinces by Provincial Tourism Organizations; and regional issues also require close attention (see RETOSA mentioned above). There is clearly a need for a common platform for public and
private parties to work on enhancing South Africa’s tourism prospects and creating a way forward.

A number of factors favor the growth of tourism in South Africa. The range and variety of its product offerings are impressive; recent increases in the supply of accommodation facilities and infrastructure services; greater cooperation with other countries in the sub-region; exceptional value for money in the short run; and a political climate which augurs well for peace and growth. On the other hand, South Africa has to work on the security of tourists, gaps in infrastructure provision (particularly in rural areas) and policies preventing market responses and the need to maintain product quality and service standards through training and capacity building.

WTTC’s study on South Africa makes upbeat projections for the sector, predicting a 10% share of GDP and creation of 175,000 jobs directly in travel and tourism and as many as half a million throughout the economy. It also makes sensible recommendations: to make tourism a strategic economic and employment priority; to move towards open and competitive markets; to pursue sustainable development and to break down the barriers to growth.

In the end, it will depend on how South Africa mobilizes its resources to build a world-class industry. It will have to create its vision, objectives and principles. Tourism is dependent on the establishment of cooperation and partnership with key stakeholders (it should be private sector driven and government should provide the enabling environment); its development should be underpinned by sustainable environmental practices and effective community participation; it should reach out to neighboring countries for the good of the region; and it should support the economic, social and environmental policies and goals of the government.

Sources:
Tourism Talk 1997, Grant Thornton Kessel Feinstein
WTTC: South Africa’s Travel and Tourism.
OVERVIEW OF TOURISM IN SADC COUNTRIES
BY THE WORLD TRAVEL & TOURISM COUNCIL

Measuring Travel & Tourism’s Economic Impact
WTTCAFEA methodology reflects the satellite accounting concepts developed through the World Tourism Organization, incorporating public and private sector approaches.

Our research analyses two aspects:
- The Travel & Tourism Economy identifies the broad impact of travel demand as it flows-through the economy. It consists of goods and services produced for visitors and other activities strongly dependent on Travel & Tourism spending, such as retailing and construction, which would decline if travel demand reduced.
- The Travel & Tourism Industry identifies the narrower economic impact – goods and services directly for visitors, such as accommodation and transport.

Satellite Accounting is useful because it allows the measurement of new service sectors which did not exist when the system of National accounting was established.

Southern Africa’s Travel & Tourism: The Context
With its unique diversity of natural and cultural heritage, the countries of Southern Africa have enormous strengths and are set to become key global tourism players with growing demand for adventure tourism, eco-tourism and independent travel. Trends pushing this growth cycle include:
- The political transformation in South Africa which has benefited the image of the Region as a tourist destination and paved the way to the development of large scale co-operative projects such as trans-national wildlife reserves.
- The development of Johannesburg as a gateway used by over 70 international airlines. This position also benefits other SADC members such as Botswana, Zimbabwe, Namibia, Swaziland and Malawi.
- Increasing liberalisation of air transport is now allowing direct access to more destinations throughout SADC which themselves will become important hubs.
- A rapidly growing cruise market is emerging as an important element on Africa’s eastern seaboard and in the Western Indian Ocean.
- Buoyant travel within SADC, with South Africa driving the largest volume of outbound regional tourism.
- A strong core brand developed by RETOSA, building a regional tourism identity for SADC countries.
- Excellent value for money for visitors from key origin markets.

However, Southern Africa also faces some critical challenges:
- Continuing conflict, political unrest and uncertainty in some SADC countries including high profile bombings and kidnappings which may involve tourists;
- A development context which can include high levels of public debt, the need for institutional reform, limited private investment, poverty and health problems;
- Crime in certain areas which may lead to a perceived lack of safety and security throughout the region;
- Gaps in infrastructure, a lack of capacity and the need for major investment in facilities;
- Poor international flight frequency, often limited internal transport links, cross border access difficulties
- Too much red tape, both for companies doing business in SADC and for the tourists who wants to visit;
- A lack of basic education and vocational training in customer care and service quality.
- Reinvestment in infrastructure in many areas, particularly in countries such as Angola and Mozambique.

Prospects
WTTCAFEA forecasts that over the next decade, the economic contribution of Travel & Tourism in the SADC region will grow by 5.9% per year, well above the world average expectations of 3.4%. Growth will be greatest in Angola and Tanzania. During the same period, nearly two million new jobs are forecast to be created as the impact of Travel & Tourism flows through the economy of the Region.

The forecasts for individual countries vary widely within the umbrella figures for the Region as a whole. In some countries, like the Seychelles, Namibia and Mauritius, Travel & Tourism already contributes over 20% of GDP. In other countries, such as Malawi and Lesotho and DR Congo, tourism represents under 5% of GDP. South Africa stands out as the biggest Travel & Tourism economy at US$9 billion in 1999, forecast to more than double by 2010.

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<th>SADC COUNTRIES</th>
<th>Travel &amp; Tourism Economy GDP (1999 Percent of Total)</th>
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<td>Angola</td>
<td>5.2%</td>
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<td>Botswana</td>
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<td>DR Congo</td>
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<td>Lesotho</td>
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<td>Mauritius</td>
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<td>Tanzania</td>
<td>11.4%</td>
</tr>
<tr>
<td>Zambia</td>
<td>7.0%</td>
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<tr>
<td>Zimbabwe</td>
<td>12.4%</td>
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</table>

0% 5% 10% 15% 20% 25% 30%
As far as absolute levels of employment is concerned, Mozambique leads the field with more than 1 million jobs supported by Travel & Tourism, forecast to rise to 1.4 million by 2010. Travel & Tourism employment represents nearly 28% of total jobs in Mauritius and over 20% in Seychelles and Namibia compared to 3.9% in Malawi and 4.6% in Congo.

<table>
<thead>
<tr>
<th>SADC COUNTRIES</th>
<th>Travel &amp; Tourism Economy Employment (1999 Percent of Total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>5.2%</td>
</tr>
<tr>
<td>Botswana</td>
<td>12.0%</td>
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<tr>
<td>DR Congo</td>
<td>6.6%</td>
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<tr>
<td>Lesotho</td>
<td>4.9%</td>
</tr>
<tr>
<td>Malawi</td>
<td>5.9%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>14.7%</td>
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<tr>
<td>Mozambique</td>
<td>27.9%</td>
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<tr>
<td>Namibia</td>
<td>20.5%</td>
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<tr>
<td>Seychelles</td>
<td>27.9%</td>
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<tr>
<td>South Africa</td>
<td>20.4%</td>
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<tr>
<td>Swaziland</td>
<td>8.1%</td>
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<tr>
<td>Tanzania</td>
<td>11.4%</td>
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<td>Zambia</td>
<td>7.0%</td>
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<tr>
<td>Zimbabwe</td>
<td>12.4%</td>
</tr>
</tbody>
</table>

Export income from Travel & Tourism is of great importance to SADC countries and this significance will grow. Spending by foreign visitors is forecast to rise at over 7% per year in SADC countries, especially in countries which start from a strong base such as South Africa, Tanzania and Angola. All three are forecast to see an average growth in visitor spending of over 8% per year to 2010.

Government expenditure on Travel & Tourism projects in SADC is forecast to rise from US$59.3 million in 1999 to US$1.6 billion in 2010, representing a real growth of 6.9% per year. Across the member states, forecast growth in spending ranges from 2.3% per year in Malawi to 8.9% in Swaziland.

Travel & Tourism is also expected to attract a steadily increased share of private capital investments. Tourism related investments in the region are forecast to rise at a rate of 4.5% per year to 2010 and by that time will represent over 40% of total private investment in Mauritius and over 10% of private investment in Namibia, Seychelles, South Africa, and Tanzania.

As the WTTC congratulates the SADC states on creating RETOSA, a joint public/private sector co-operation to promote regional tourism. This initiative is positive signal that governments are recognizing the fundamental role that Travel & Tourism can play as an economic driver and the value of government-industry partnerships as a development tool.

Realising the Potential

Travel & Tourism is already a strong and growing force in Southern Africa. It has enormous potential to create jobs, to increase wealth, to stimulate exports and to act as a catalyst for broadscale social and economic development. SADC governments have recognized the far-reaching potential of tourism in social and economic development and now need to ensure this potential is realised.

The impact of a prosperous Travel & Tourism sector will be increased if Governments:

- Work with the international agencies to create a climate which attracts investment, streamlines regulation and provides the infrastructure necessary for Travel & Tourism, all of which in turn will help to drive economic development.
- Encourage investment incentives and microlawns in order to promote the development of small enterprises - a key factor for the successful development of SADC Travel & Tourism.
- Give the people of Southern Africa the capacity to be actively involved in sustainable Travel & Tourism projects at the community level.
- Ensure that the underlying policy framework, including fundamentals like the taxation and planning systems, are conducive to sustainable growth.
- Work with the private sector to develop competitive products and international standards of service.
- Encourage investment in education, training and environmental good practice.
- Treat consumer safety and security issues as the highest priority with national policy and local implementation.

Annex 4

Reproduced from: Southern African Development Community’s Travel and Tourism Economic Driver for the 21st Century

World Travel & Tourism Council
TOURISM IN AFRICA:
SELECTED DONOR TOURISM STRATEGIES

CANADIAN AGENCY FOR INTERNATIONAL DEVELOPMENT (CIDA)

In response to a request from the Canadian Agency for International Development (CIDA), consultants completed a study in December 1998\textsuperscript{18} to help CIDA identify the key concerns relating to tourism that are relevant to its development objectives and strategies. The study examines the potential links between tourism and CIDA’s six key priorities: basic human needs, women in development, infrastructure services, human rights, democracy and good governance, private sector development and environment. Once the costs and opportunities have been identified, CIDA will determine the extent to which it can assist developing countries in overcoming the barriers to tourism development. The study is still under consideration.

Although tourism is not explicitly targeted for assistance, many of CIDA’s current programs have a direct or indirect influence on the tourism industry in the countries it assists. Indirectly, CIDA has helped finance regional planning, coastal zone management, protected areas and transportation infrastructure. Historically, CIDA’s direct assistance to tourism has been concentrated on the Caribbean and includes upgrading of airports, harbor improvements and water availability, but also support for the development of strategies for eco-tourism and assistance to improve managerial capabilities and human resource development for tourism. In Africa, CIDA has assisted the Government of Zimbabwe with improved environmental impact assessment capability and with the initial steps for preparation of a master plan for the environmentally sustainable development of tourism at Victoria Falls, which is a World Heritage Site.

CIDA programs also support tourism directly and indirectly, for example, the Small Project Implementation Facility (SPIF), the Canada Training Awards Project (CTAP III) and the Institutional Co-operation (ICD) and NGO Divisions. CIDA also supports a tourism-training center in Canada.

Since the inception of the Industrial Co-operation Program (CIDA-INC), INC has received in the range of 60-70 proposals for financing of tourism projects, of which 19 received support. During the period 1980/81 and 1990/91, INC did not support projects in the tourism sector. Two projects in Africa that INC has supported are the Hotel, Conference and Health Centre in Cape Verde and the HTTI Rehabilitation and Expansion Project in Tanzania. To help screen projects for their environmental, economic and social impacts, the INC has drawn up questions to be asked, in addition to standard INC analysis, for tourism projects. A selection of these follows-- in the original document some impacts are relevant in all three analyses but are not repeated here:

Economic Impact:

- Does this project contribute to the diversification or expansion of the country’s economic base?
- Does the country have a current tourism Master Plan? Where does the project fit within that Master Plan?
- Does the project reflect strategic and rational land use planning by local government?
- Employment creation: how many jobs will be created by the project? What types of skills will be transferred? Are wage scales comparable to similar facilities in the country? Superior? How will the operator recruit junior, middle and senior management? Does the operator have in place a strategy to train locals for management positions?
- To what extent will the development have backward linkages into the local economy, e.g., local procurement?
- Is the company proposing a long-term involvement in the country? Are revenues based on a solid analysis of earnings from prospective tourist traffic or from the quick re-selling of the property?

Environmental Impacts:

- Does the local government subject projects to an environmental review? Is an acceptable Environmental Impact Assessment (EIA) required to obtain a development permit?
- Does the local government have in place monitoring procedures and mechanisms to ensure environmental standards are respected?
- Are coral reefs, coastlines, heritage sites, and national parks, threatened already?
- Is the developer using “eco-tourism” to mask a conventional approach to a tourism project?
- What is the optimal carrying capacity of the area in terms of volumes of tourists?
- Infrastructure capacity utilization: the terms of reference for EIAs should measure stress on airports, ports, roads, water supply, sewage, and energy;
• Are standards of hygiene tenuous, e.g., what is the incidence of water borne disease, number of days of beach closure for pollution, days limits of air pollution exceeded?

• Is the area the habitat of an endangered or rare species? Does the site contain unique ecosystems?

Social Impacts:

• Newspaper test: could the agency defend its participation in the project if it were to be described on the front page of the local or national newspaper?

• Elitism test: to what extent will the local population have access to the tourism facility?

• Cultural conflict: to what extent is the project compatible with the religious beliefs, traditions, lifestyles, dress codes and attitudes towards foreigners? What is the ratio of tourists to local inhabitants? Are attitudes of resentment towards tourists already a problem?

• What types of social benefits, i.e., pension, health care, will the employer provide?

• Is resettlement an issue? How will the local residents be integrated into the development of the project for their long-term economic benefit?

• Who are the potential winners and losers as a result of this project?

• What are the potential negative social impacts, e.g., crime, prostitution?

THE EUROPEAN COMMISSION (EC)

The European Commission (EC) has been the biggest donor to the tourism sector in the ACP countries for some twenty years. Support has focused on four main areas: human resources and institutional development, product development, market development, and research and information. After an evaluation of its tourism programs, a recent Council Resolution on Sustainable Tourism in Developing Countries defines the role that projects and programs should play in tourism development:

• maximize tourism’s contribution to the overall social and economic development of the country;

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• minimize existing or potential negative effects of tourism;
• contribute to poverty eradication; and
• aid governments in establishing legal and institutional frameworks capable of supporting tourism initiatives at all levels in an environmentally and socially responsible manner.

Support for the private sector will target two levels: improving the partnership between firms and branches of activity connected with tourism and through cross-disciplinary measures for SMEs. Cooperation should also help promote competitiveness.

Partnerships between the private and public sectors and civil society will ensure that the needs of the market and the local people are taken into account. Sustaining the social and cultural fabric, as well as the special features of the destination is a guiding principle. The greatest exposure to the negative effects of tourism is found at the grass roots level so initiatives that involve such stakeholders are encouraged. The aim is to obtain a commitment from public authorities and the industry to pursue viable policies compatible with environmental considerations.

The EC notes that regional cooperation is beneficial to tourism development. Economies of scale can be realized in training and information gathering. Common problems such as environmental protection can be resolved jointly. Countries can also jointly promote particular tourism products.

**DFID and Pro-Poor Tourism**

The UK Department for International Development (DFID) committed itself in a 1997 White Paper to help reduce world poverty by half by 2015. Recently, DFID commissioned work to explore the contribution that tourism can make to this goal.

In a study on Nature Tourism\(^\text{20}\), consultants noted that tourism is the biggest industry in the world and nature tourism is one of its fastest-growing sectors. Many of the world’s most beautiful natural areas are in its poorest countries. Tourist income can have a major impact on poor rural communities and can deliver much-needed improvements to rural infrastructure and services—in turn encouraging further development. The challenge is to ensure that the benefits of tourism are sustainable and fairly distributed and any negative impacts are minimized. The key issues for nature tourism are to ensure that:

• local communities play a role in its development and management and secure a fair share of its benefits;
• destinations receive long-term investment and commitment from operators, thus providing economic stability; and

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\(^{20}\) The Durrell Institute of Conservation and Ecology, University of Kent, did the research for the study.
the industry contributes to conserving the natural resource base on which it depends.

A summary of a recent study for DFID on “Tourism and Poverty Elimination: Untapped Potential”\textsuperscript{21}, was presented at the Seventh Session of the UN Commission on Sustainable Development in April 1999—the first dedicated to tourism. The study highlights the importance of tourism to poor countries.

The authors note the considerable debate and contrasting evidence over the impacts of tourism on local people, as well as the relative absence of an analysis of its impacts on poverty. Rather than trying to determine whether tourism is or is not pro-poor, the more useful question is whether it can become more pro-poor and how. Commercial reality dictates that there are limits to the extent that tourism can be made pro-poor. It is a commercial sector driven by business opportunities, not an engine for providing social services to the poor. Nevertheless:

- tourism is a massive and growing industry already affecting millions of the poor, so a marginal improvement could generate substantial benefits;
- compared with other economic sectors tourism offers four advantages for pro-poor growth;
- because the customer comes to the ‘product’, there are opportunities to make additional sales. By comparison, a factory selling shirts for export cannot also sell the customer a cup of tea and a rickshaw ride;
- there is some evidence that tourism is more labor intensive than manufacturing and employs a higher proportion of women;
- unlike many other traded good industries, tourism has potential in poor countries and regions with few other competitive exports;
- tourism products can be built on natural resources and culture, which are assets that some of the poor have;
- although the poorest may not benefit directly, the costs they face can be reduced. Furthermore, not all the poor will benefit equally, particularly the poorest 20 percent; and
- considerable progress in placing environmental issues on the tourism agenda shows that concerted action can make a difference.

A range of strategies is needed to promote pro-poor tourism at the local destination and at the national policy level. The objective should be to expand business, employment and

\textsuperscript{21} Paper prepared for DFID by Deloitte & Touche, the International Institute for Environment and Development, and the Overseas Development Institute.
income-generating opportunities. At the international level, simply putting pro-poor tourism at the top of the agenda will focus attention on making the most of tourism’s potential contribution to poverty elimination. Identification and dissemination of ‘good practice’ guidelines on pro-poor tourism should be done, as it was for eco-tourism.

Specific strategies for Governments, NGOs, businesses and donors are suggested:

_Governments_ can remove red tape and regulations that suppress the informal sector; ensure that planning and siting decisions do not prevent market access; enhance the human and natural assets of the poor and encourage products that build on these assets; assess which types of tourism (backpackers, domestic tourists) generate the most local economic opportunities and encourage them; encourage business to develop their own plans for expanding linkages, which is one criterion for issuing tourism leases in South Africa; enhance participation of the poor in decision making related to their livelihoods.

_NGOs_ can provide credit and non-financial services for micro-enterprises; build the capacity of poor people to assess and participate in and implement tourism options; facilitate communication and negotiation between businesses and local people; mediate or advise on making commercial and development goals compatible.

_Businesses_ need to assess how they can create linkages with and generate income possibilities for local communities, through: out-sourcing services such as laundry and transport; supporting local enterprises; creating opportunities for tourists to visit sellers in local communities; explore potential partnerships with communities when making new investments; join partnerships with donors, NGOs and governments.

_Donors_ can support all of the above but particularly building strategic partnerships and encouraging exchange of experiences. In some cases they can subsidize the transaction costs of changing to local suppliers through training.

The important question of why linkages are not stronger between tourism and other sectors of economic activity is unresolved. Do products need improving, are transaction costs too high, is communication lacking? If so, committed businesses, donors, NGOs and governments can all facilitate change. If the local supply is not and cannot be made commercially feasible, intervention is not appropriate. The lack of examples of strong linkages suggests that the objective is difficult and time consuming, but also that concerted efforts have seldom been made to forge the linkages.
TOURISM IN AFRICA: IFC AND MIGA TOURISM OPERATIONS

INTERNATIONAL FINANCE CORPORATION

The International Finance Corporation (IFC) is the only World Bank Group agency to have financed tourism projects continuously and to have maintained an in-house small team of tourism experts for the past three decades. The IFC finances private sector investment mobilises capital in the international financial markets and provides technical assistance and advice to governments and businesses in developing countries. In partnership with private investors, the IFC provides loan and equity finance for business ventures in developing countries.

Technical Assistance and Financing for SMEs and Small Hotels and Tourist Services

IFC’s role and responsibilities for smaller locally owned and managed enterprises has been expanded in recent years through its donor-supported technical assistance (TA) programmes. This TA is channelled through five different programmes each with specific purposes: promotion of private sector development, special environmental technical assistance initiatives, privatisation support in selected countries of the former Soviet Union, a joint IFC-World Bank service to facilitate growth of foreign investment in client countries, and four regional special-purpose programmes, comprising:

Africa: Project Development Facility (APDF) and Training and Management Services project/Management Services Company (ATMS/AMSCO);
Mekong: Project Development Facility (MPDF);
South Pacific Project Development Facility (SPPF).

The main purpose of the facilities is to provide technical assistance support to small and medium enterprises in the areas of project preparation and structuring, training and operational assistance. For the most part small and medium entrepreneurs assisted by the facilities have been nationals. A growing number of entrepreneurs are women. The UK Know-How Fund is a significant contributor to the TA activities.

One example of an AMSCO project is the Sambiya River Lodge (SRL), located in one of the most beautiful and exclusive national parks in Uganda. AMSCO is providing a General Manager (GM). Under the agreement between AMSCO and SRL, the local staff will be trained in all areas within the industry and will eventually take over from the GM.

In addition to the TA facilities, IFC has established a Small Enterprise Fund (SEF) and specific regional funds to assist small and medium enterprises (SMEs) with financing of $100,000 to $1.5 million. The MPDF has an associated Mekong Financing Line; the Africa facilities have the Africa Enterprise Fund (AEF); and the SPPF has the Pacific Islands Investment Facility (PIIF).

The Blue Bay beach resort in Tanzania, which will be a 92-room beach resort targeting European tourists, is an AEF-financed operation. The resort will create 70 jobs in the
resort itself. Through the AEF programme, IFC has also provided finance for two tour operations in Africa: Ambercombie & Kent in Tanzania and Zimbabwe, where the investments were quite small and comprised the purchase of vehicles, a small office with a reservations system and working capital.

In other regions, the IFC has provided longer-term funds for small and medium enterprises through conventional credit lines and support for equity investment funds directed at unlisted medium-size enterprises.

**The Tourism Portfolio**

IFC’s total portfolio for tourism lending increased significantly from $189 million in FY90 to $434 million in FY94, but was reduced to $409 million in FY98. The decline reflects the smaller size of projects currently being approved, as well as prepayment of some of the larger projects in the portfolio. Tourism investments are well diversified geographically with projects in 42 countries and are fairly evenly spread regionally in terms of amounts. Over half of the 88 investments currently in the portfolio are in Africa. Because 27 of these 46 investments are financed by the AEF, the average size of investments in Africa at $1.9 million is much smaller than elsewhere. In addition to hotels, IFC finances restaurants and other related tourism services. IFC also supports privatisation efforts for airlines (Kenya and Hungary) and could finance private infrastructure investments.

Some characteristics of IFC’s tourism portfolio are:

- tourism investments are frequently IFC’s first investment in a country and in some cases still the only project (Angola, Laos, the Maldives, Vanuatu and Cyprus);

- recent investments still recognise the need for luxury hotels in certain city markets and resort destinations in an attempt to upgrade the overall destination; and

- IFC continues to invest in both city/commercial hotels and resort hotels. But, recent investments have been made in secondary cities and industrial areas, particularly in countries that are well supplied with hotels in capital cities.

In comparison with earlier tourism investments, the current portfolio reflects more mid-scale investments directed at the regional and domestic markets.
MIGA

Tourism is one of three key sectors for which MIGA receives the most requests for assistance from governments, reflecting the increasing focus on tourism as a means to achieve economic development. MIGA has been active since 1993 in tourism through its political risk mitigation instruments and through its promotion of foreign direct investment and marketing of destinations. Currently, only 3% of MIGA’s guarantee portfolio is in the tourism sector, but MIGA has catalyzed investments for both debt and equity in a variety of projects ranging from a $5 million aerial tramway in Costa Rica to an over $30 million Marriott Hotel in Peru. In Africa, MIGA provided $3.6 million in guarantees and marketing services for a tourism investment in Madagascar in 1991.

The Investment Marketing Service (IMS) has a mandate to promote the flow of foreign investments to and among developing member countries. These investments not only provide needed capital but also access to new technologies and improved management and marketing techniques through the investor’s involvement in the venture. The various activities of the IMS include:

- Information dissemination about investment opportunities, business operating conditions and business partners through MIGA’s websites: www.IPAnet.net and www.PrivatizationLink.org;
- Capacity building activities for intermediaries involved in investment promotion, primarily through assistance with strategy formulation/implementation and training in investment promotion skills and the use of information technology;
- Investment facilitation and direct investment promotion support through bringing investors and project sponsors together.

The IMS activities involve conferences and linked activities such as tourism strategy workshops. Typically MIGA focuses on a single sector, e.g., tourism, on a multi-country basis, to extend its reach and impact and encourage regional cooperation and exchange of “best practices” between countries. In Africa, MIGA’s activities have included:

- an investment promotion conference in Botswana in 1993 for private participants from Botswana, Lesotho, Namibia, Swaziland and Zambia;
- an Africa strategy workshop in 1994 for nineteen African governments;
- a SADC strategy workshop and a SADC Investors Forum for twelve SADC member countries in 1997; and
- as part of its technical assistance mandate, MIGA assists developing member countries to formulate strategies for sustainable tourism with foreign investment as a key component. MIGA has recently developed a
collaborative agreement that includes the Bank Group, WTTC, WTO and George Washington University, to identify barriers to tourism investment and to assist member countries seeking foreign investment in the sector.
TOURISM IN AFRICA: THE WORLD BANK'S TOURISM PROJECT DEPARTMENT (1969-1978)

After nearly twenty-five years of operation, the World Bank created a Tourism Projects Department (TPD) in 1969. Based on observations of Mediterranean and Adriatic countries and Mexico, tourism was perceived to be a major generator of foreign exchange and of direct and indirect employment, as well as an activity that stimulated substantial economic linkages to production and other service sectors. Worldwide, the major economic development concerns were lack of debt-servicing capacity and high rates of unemployment. Furthermore, in poorer countries where tourism—and very often long-haul tourism—was the only development option, the Bank realized that considerable planning and new policy formulation would be required for efficient sector management. At the time, few, if any, lending institutions could provide such technical assistance.

By the mid-seventies a specialized tourism staff of about thirty professionals was in place and tourism was given the same status as other productive/service sectors in the Bank’s project and analytical work. The TPD was involved in land development by providing serviced infrastructure, lines of credit for hotel development, hotel and tourism training, and some investment in hotels and other tourism related projects, such as museums and wildlife. Tourism sector studies in some 31 countries provided the basis for policy advice to governments about sector management. Tourism staff regularly participated in Bank macro-economic missions, where they estimated the potential growth of tax revenues, foreign exchange and direct and indirect employment, and investment requirements, and identified constraints to growth and the policy instruments to address these.

In 1978, the Bank decided to close the TPD. The formal reason was the high manpower costs per project—both in country and in the Bank itself. Several TPD projects contained what were then innovative facets, e.g., using local communities for wildlife conservation, mitigation and protection of the coastal zone, preservation of cultural assets, cultivating local ownership and management of tourist accommodation, which added to the complexity and often the costs of project preparation and implementation. Orchestration of cross-sectoral missions with staff from other Bank departments and with the IFC, under the TPD banner, faced bureaucratic constraints. Similarly, the complexity of the projects often strained the limited capacities of Tourism Ministries to coordinate the sequenced actions of several government agencies and private investors, which often led to delays and even some cancellations of components of projects under preparation. Although, eventually, most of the projects attained their employment and income effects and their foreign exchange targets, many struggled with financing, management and market weaknesses, particularly under the impact of the oil crises of the seventies.

Image reasons contributed to the Bank’s decision to pull out of tourism. A lending institution created to assist developing countries and increasingly concerned about reaching “the bottom 40%” i.e., the poorest of the poor, found itself financing or associated with construction of luxury/first class accommodation for rich travelers from the developed world. (Only in a few projects did the TPD aim for a more diversified market, mainly because most tourism to developing countries was long-haul and by definition high income.) Furthermore, a growing literature attested to the deleterious social, cultural and
even health problems that could arise from unmanaged tourism from developed to developing countries. The Bank was not prepared to defend projects in a sector that adversely affected its image and a TPD that was ill fitted to its own bureaucratic structures.

At the time of its closure, the TPD had processed loans and credits totaling $337 million for 18 projects in 14 countries and the World Bank had become the major source of expertise, funds and technical assistance for tourism development. A brief summary of selected TPD projects is in Attachment 1 and a complete list of tourism projects undertaken in Africa is in Attachment 2.

TOURISM IN THE BANK IN THE 1980s

As an element of the 1978 decision to terminate free-standing tourism projects, the World Bank’s Executive Directors allowed the Bank to continue to finance supporting infrastructure for tourism and the IFC to continue to finance hotels, mostly for business. Therefore, in the 1980s the Bank financed transport (Yugoslavia) and water and sewerage projects (Mexico), as well as vocational training (The Bahamas), among others, that provided support to existing or expanding tourism areas. Tourism demand provided the economic justification for such projects.

As financing for stand-alone tourism projects ended and the staff in the TPD were assigned elsewhere, the Bank’s capacity to provide expert policy analysis and technical assistance for the sector also ended. Occasionally, consultants were employed on economic missions in areas where there is a high dependency on tourism, such as the Caribbean. Knowing that tourism projects were ineligible for financing, governments no longer requested Bank assistance for this sector and Bank staff disregarded it even in countries with a high dependency on tourism.

THE COSTS OF NON-PARTICIPATION IN THE TOURISM SECTOR

Simply put, the World Bank is currently giving scant attention to the world’s fastest growing economic activity. Furthermore, Tourism and Travel is expected to overtake agriculture as the world’s largest economic activity this year. Given the sheer size of tourism and noting that developing countries accommodate roughly 25% of all international tourist arrivals, the current level of sporadic support for tourism in the World Bank is striking and has costs as follows:

- The Bank currently provides little assistance to governments to ensure that the expansion of tourism is done sustainably. At risk are the natural resources on which tourism is based. Yet with appropriate protection and mitigation measures, tourism can be an effective tool to protect the environment, since the sector depends for its very existence on those resources;

- The World Bank no longer works with developing countries to create a policy framework for the efficient management of tourism, a complex
economic activity that is cross-sectoral, that must engage the private sector to be successful, and yet also depends on specific public sector actions;

- The tourism industry has been unable to take advantage of new financial mechanisms offered by the Bank in other sectors that attract investments to create partnerships between the private and public sectors, particularly for the financing of infrastructure;

- Without the Bank’s presence as an honest broker, the interests of local communities in areas suitable for tourism development are not necessarily well represented; and

- The opening of tourism areas that require substantial investments and partnership leaves countries vulnerable to pressures from unregulated developers.

THE RATIONALE FOR BANK GROUP FINANCING OF TOURISM PROJECTS

The Bank’s re-entry into tourism appears justified:

- To tackle the multi-sectoral aspects of tourism development and concomitant multi-faceted policies that determine the success and sustainability of tourism development. The current more fluid structure of the World Bank would permit, for possibly the first time in the Bank’s history, efficient preparation of cross-sectoral policies and projects and, through the CDF and the PRSP, coordination of the activities of the members of the World Bank Group in the growth of the tourism sector in a particular country or even a particular region;

- To resume the research work initiated in the 1970s on the economic costs and benefits of tourism, the direct and indirect employment resulting from investments in tourist accommodation, the terms of financing of hotels (where IFC has expertise), methods of creating linkages between tourism and production and other service sectors, and other related themes.

- To ensure that tourism developments are designed to protect natural resources whether in coastal zones or the interior. The Bank could help to collate and disseminate information about best practices for the sustainable management of these areas, i.e., physical planning, use of recycled materials for building, construction methods in sensitive areas, waste management, solar and wind energy use, sewage outfall placement in the coastal zone, protection and mitigation of damage to coral reefs, beach management, etc.;

- To maximize poverty alleviation and protect cultural assets that are part of the national heritage. The Bank could also stimulate, through its interventions and through its partnerships with NGOs, public education
campaigns to educate tourists as well as local people about the protection of natural resources and respect for cultural heritage; and

- The involvement of the World Bank once more in financing of tourism could encourage the entry on a larger scale of the regional development banks, which would make even more widespread the campaign to make tourism sustainable and ensure that the distribution of benefits is equitable.
SELECTED PROJECTS FINANCED BY THE WORLD BANK’S TOURISM PROJECTS
DEPARTMENT IN THE 1970S

From the beginning, the TPD focused on policy advice and on the preparation of infrastructure projects that would attract hotel investors. Sometimes, however, the investment for the hotels was not immediately induced by these investments, leading the Bank to provide lines of credit through local development banks. On occasions, the absence of training capacity became a limiting factor on the development and the Bank financed hotel training schools. Several of the projects contained provisions for protection of cultural assets. Possibly the most quoted project was designed to combine wildlife conservation with an expanded visitor capacity in three of Kenya’s more important wildlife tourism areas. An innovative project in Barbados designed to attract smaller investors envisaged several local entrepreneurs operating individual accommodation units on one site but sharing common dining, recreational and shopping facilities and centralized marketing, purchasing and financial services.

The large tourism infrastructure projects, which became the norm in the TPD, set high standards that would even be acceptable now if subjected to environmental impact assessments (EIA). Pollution control (principally sewage treatment and disposal) and protection of the natural assets on which the project was based were essential components. The first hotel construction project in Yugoslavia identified the need to replace the water supply and sewerage system that had been constructed in Dubrovnic by the Romans to mitigate pollution of the Adriatic. Other examples of TPD projects follow and a complete list is contained in Attachment 2:

**Egypt:** the project consisted of three geographically separate components: i) the strengthening of infrastructure to provide the basis for the new hotel capacity in Luxor, with the renovation of one hotel and the construction of a hotel school; ii) a modest expansion of hotel capacity at Abu Simbel with its supporting infrastructure; and, iii) the renovation of the Egyptian Museum in Cairo.

**Tunisia:** the project provided infrastructure for six tourism zones located on Tunisia’s 1000 km coastline, which included: roads, water, sewerage systems, electricity and telecommunications. It complemented the financing of hotels and other accommodation provided through intermediary institutions with funds from the IFC and the World Bank.

**Dominican Republic:** Edward Inskeep in his 1991 book “Tourism Planning: An Integrated and Sustainable Development Approach” evaluated the Playa Dorada project, which received World Bank financing. Playa Dorada was planned as an integrated beach resort with extensive amenities, including shopping, a golf course and convention facilities, a beach club aimed at local townspeople and several greenbelt reserve areas located throughout the complex. Inskeep described the lasting benefits of the project as: a credit mechanism for financing tourist accommodation, high investment and employment, and improved sector administration. Growth in non-hotel jobs all along the coast was stimulated by the project. Little or none of the development at Puerto Plata would have occurred without Playa Dorada, because this project demonstrated the
viability of the tourism sector *per se* in the Dominican Republic. Furthermore, during the downturn in the sugar market from 1984 on, tourism receipts first offset and then surpassed losses in sugar export revenues. Moreover, the project had a largely favorable impact on the environment.
TOURISM PROJECTS FINANCED BY THE BANK IN AFRICA

(Completed, ongoing and planned)

BANK-FINANCED PROJECTS

Country, title, year, cost

**Côte d’Ivoire**

Tourism Development Project (Loan 1124)

1975

US$9.7 million

To provide (i) long-term loans for the construction of new hotels; (ii) technical assistance to Crédit de la Côte d’Ivoire (CCI) and Ministry of Tourism; and to review the country’s tourism potential and priority areas for touristic development.

**Côte d’Ivoire**

Second Tourism Development Project (Loan 1698)

1988

US$75 million

To foster development of tourism as a means to diversify the economy and as a source of income, employment and foreign exchange earnings; to continue and expand institution building effort started under First Tourism Project (LOAN 1124-IVC). Consisted of: LOC for hotel financing; wildlife program to improve Azagny National Park; and technical assistance for tourism sector institutions.

**Ghana**

Natural Resources Management (Cr.3091)

1998

US$15.0 million

- Implementation of forestry/wildlife policies
- Management of high forest, savanna woodlands and protected areas

**Kenya**

Wildlife & Tourism Project (Loan 1304)

1990

US$32.2 million

To combine wildlife conservation with expanded visitor capacity in 3 Kenyan wildlife tourism areas through strengthening staffing, training & investment activities.
<table>
<thead>
<tr>
<th>Bank-Financed Projects</th>
<th>Project Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kenya</strong></td>
<td></td>
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<tr>
<td>Protected Areas and Wildlife Service Project</td>
<td>First phase of a 10-year wildlife sector development program. Main project objectives of this phase are: to halt decline of country’s wildlife and its system of national parks and reserves; to further develop a sound foundation for environmentally sustainable wildlife-based tourism; to help develop a comprehensive policy framework for a second project phase in the second.</td>
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<tr>
<td>(Cr. 9981)</td>
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<td>1992</td>
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<td><strong>Senegal</strong></td>
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</tr>
<tr>
<td>Petite Côte Tourism Project</td>
<td>To develop integrated tourism resort as a guide to future development, to reduce cost of infrastructure development, to avoid environmental deterioration, to strengthen management of tourism sector, and to develop Gorée Island as a historic tourism site.</td>
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<td>(Loans 1412 &amp; 1413)</td>
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<td>1987</td>
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<tr>
<td>Tourism Rehabilitation Project (Credit 860)</td>
<td>To assist Tanzania to reverse deterioration of tourist facilities in order to re-establish tourism as an important foreign exchange earning industry; to provide Tanzania with trained manpower and marketing tools to optimize improved facilities.</td>
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<td>1986</td>
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<td>US$15.8 million</td>
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<td><strong>Uganda</strong></td>
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</table>
| Institutional Capacity Building for Protected Areas Management and Sustainable Use (Cr.3115) | Promote/support: institutional development/capacity building for Uganda Wildlife Authority (UWA)  
- incremental support to UWA to protect and manage national parks and reserves; and  
- development and implementation of effective tourism policy. |
| 1998                   |                     |
| US$7 million           |                     |
**Zimbabwe**
Park Reservation and Conservation (Cr. 3083)
1998
US$62.5 million

Provide infrastructure, rehabilitation and expansion to conserve wildlife and protect and increase economic productivity of wildlife, tourism

**Burkina Faso and Republic of Côte d’Ivoire**
Global Environmental Facility Project
West Africa Pilot Community-Based Natural Resources and Wildlife Management Project
1995
US$2.64 million to Burkina Faso
US$2.80 million to Côte d’Ivoire

To conserve biodiversity through local community participation in capacity building and human resource development, zoning wildland and village areas, improving natural habitat and wildlife management, and improving agricultural land management and infrastructure development.
tourism in Africa: Africa tourism statistics his annex are contained in

Tourism Market Trends

Africa

1998 Edition

Published by:

World Tourism Organization
### Table 1

**INTERNATIONAL TOURIST ARRIVALS BY REGION - 1988 - 1997**

(millions of arrivals and per cent)

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Source: World Tourism Organization (WTO)
### Table 2

**INTERNATIONAL RECEIPTS BY REGION - 1988 - 1997**

(receipts in US$ Billion and per cent)

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</table>

Source: World Tourism Organization (WTO)
### Table 3

**SHARE OF EACH REGION IN INTERNATIONAL TOURIST ARRIVALS AND RECEIPTS WORLDWIDE, 1970-1997**

*(per cent)*

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Source: World Tourism Organization (WTO)
### Table 4

**TOP TWENTY TOURISM DESTINATIONS IN AFRICA**

International tourist arrivals (excluding same-day visitors) (thousands of arrivals) - 1997

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<th>1997</th>
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**Note:** Kenya = Data available up to 30.3.1998. Updated data for 1997 = 700,000.

**Source:** World Tourism Organization (WTO)
### TOP TWENTY TOURISM EARNERS IN AFRICA

International tourism receipts (excluding transport)

(US$ million) - 1997

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**Note:** Kenya = Data available up to 30.3.1998. Updated data for 1997= US$ 400 Mn.

**Source:** World Tourism Organization (WTO)
## Table 6

### Trends of International Tourist Arrivals in Africa

<table>
<thead>
<tr>
<th>Country</th>
<th>Tourist arrivals (000)</th>
<th>% change over previous year</th>
<th>Market share (% of total Africa)</th>
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### Note
- Kenya = Data available up to 30.3.1998. Updated data for 1997= 700,000.

69
### Trends of International Tourism Receipts in Africa

<table>
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<tr>
<th>Country</th>
<th>Tourism receipts (US$ mn)</th>
<th>% Change over previous year</th>
<th>Market share (%) of total Africa</th>
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<td>Togo</td>
<td>11 13 13 13</td>
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</tr>
<tr>
<td><strong>Total Africa</strong></td>
<td>8,421 7,257 8,144 7,942</td>
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Note: Kenya = Data available up to 30.3.1998. Updated data for 1997 = US$ 400 Mn.
Source: World Tourism Organization (WTO)
### Table 8

**Tourist Arrivals in Africa According to Main Source Markets**

(Thousands of arrivals, growth percentage and market share)

<table>
<thead>
<tr>
<th>Source markets</th>
<th>Tourist arrivals in Africa (thousands)</th>
<th>Average annual growth rate (%)</th>
<th>Market share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>3,468</td>
<td>7,781</td>
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</tr>
<tr>
<td>Europe</td>
<td>5,029</td>
<td>6,929</td>
<td>3.6</td>
</tr>
<tr>
<td>Middle East</td>
<td>1,368</td>
<td>785</td>
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<td>Americas</td>
<td>398</td>
<td>620</td>
<td>5.1</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>208</td>
<td>394</td>
<td>7.3</td>
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<td>Other countries</td>
<td>2,037</td>
<td>6,782</td>
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<td>TOTAL AFRICA</td>
<td>12,508</td>
<td>23,291</td>
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</table>

Source: World Tourism Organization (WTO)

### Table 9

**European Tourism Trends in Africa, 1988-1997**

(Thousands of arrivals)

<table>
<thead>
<tr>
<th>Destinations</th>
<th>European tourist arrivals (thousands)</th>
<th>Average annual growth rate (%)</th>
<th>% of total Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Africa</td>
<td>3,213</td>
<td>4,409</td>
<td>3.6</td>
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<tr>
<td>Southern Africa</td>
<td>349</td>
<td>1,062</td>
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<tr>
<td>Eastern Africa</td>
<td>805</td>
<td>900</td>
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<tr>
<td>Western Africa</td>
<td>541</td>
<td>491</td>
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<tr>
<td>Middle Africa</td>
<td>120</td>
<td>67</td>
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<tr>
<td>TOTAL AFRICA</td>
<td>5,029</td>
<td>6,929</td>
<td>3.6</td>
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Source: World Tourism Organization (WTO)
### Table 10

#### Tourism in the Economy of African Countries - 1995

<table>
<thead>
<tr>
<th>COUNTRIES</th>
<th>GNP (USD million)</th>
<th>GNP per capita (USD)</th>
<th>Tourism receipts as percentage of GNP</th>
<th>Merchandise exports</th>
<th>Commercial services exports</th>
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<tbody>
<tr>
<td>Eastern Africa</td>
<td>50194</td>
<td>4.6</td>
<td>21.8</td>
<td>52.4</td>
<td></td>
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<tr>
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<td>708</td>
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<td>6.8</td>
<td>5.3</td>
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<tr>
<td>Comoros</td>
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<td>-</td>
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<td>7.2</td>
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<td>22.9</td>
<td>49.6</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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</table>

Source: World Tourism Organization (WTO)
### Table 11

**HOTELS AND SIMILAR ESTABLISHMENTS - ACCOMMODATION CAPACITY**
(thousands of bed-places and market share)

<table>
<thead>
<tr>
<th></th>
<th>Bed-places (thousands)</th>
<th>Market share (%)</th>
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<tr>
<td>Europe</td>
<td>8,542</td>
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<tr>
<td>Americas</td>
<td>6,436</td>
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<td>269</td>
<td>525</td>
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<td>Middle East</td>
<td>141</td>
<td>254</td>
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<td>South Asia</td>
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<td>198</td>
</tr>
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<td><strong>TOTAL</strong></td>
<td>16,277</td>
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</table>

Source: World Tourism Organization (WTO)

### Table 12

The size and scale of the hotel industry worldwide, 1995

<table>
<thead>
<tr>
<th>Region</th>
<th>Revenue (US$ m)</th>
<th>Hotels* (no)</th>
<th>Rooms (000)</th>
<th>Tourism receipts (US$ m)</th>
<th>Employees (000)</th>
</tr>
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<tbody>
<tr>
<td>Africa</td>
<td>6,300</td>
<td>10,769</td>
<td>384</td>
<td>12,279</td>
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<td>1,150</td>
<td>48</td>
<td>1,490</td>
<td>232</td>
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<td>102,853</td>
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<td>EEA*</td>
<td>87,491</td>
<td>151,945</td>
<td>4,365</td>
<td>175,790</td>
<td>1,874</td>
</tr>
<tr>
<td>Other Europe</td>
<td>22,521</td>
<td>19,176</td>
<td>1,127</td>
<td>31,050</td>
<td>805</td>
</tr>
<tr>
<td>Europe</td>
<td>100,012</td>
<td>171,123</td>
<td>5,452</td>
<td>206,840</td>
<td>2,679</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>252,994</td>
<td>211,744</td>
<td>12,249</td>
<td>401,475</td>
<td>11,317</td>
</tr>
</tbody>
</table>

* Registered hotels. EEA = European Economic Area, or members of the European Union and European Free Trade Association.

Source: World Tourism Organization (WTO)
International Hotel and Restaurant Association (IHRA)