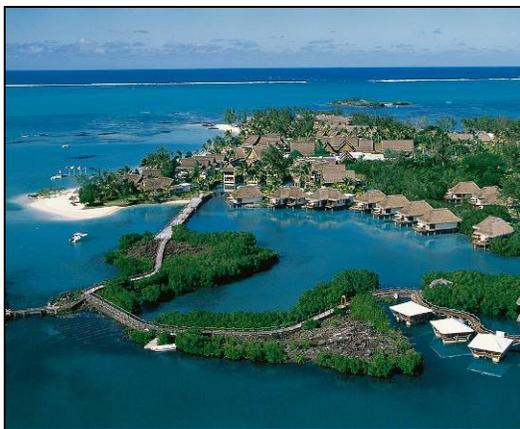


THE WAY FORWARD FOR INDIAN OCEAN ISLAND TOURISM ECONOMIES: IS THERE A ROLE FOR REGIONAL INTEGRATION?

Based upon Tourism Sector Reviews of
Comoros, Madagascar, Seychelles and Mauritius



July 2013

Table of Contents: Opportunities for Regional Tourism Integration

Section 1: Introduction to the Regional Integration Study.....	2
1.1 Background.....	2
1.2 Objective of this Note	4
Section 2: Regional Integration: The Promises and the Reality.....	5
Section 3: Overview of Four Countries’ Tourism Sectors.....	8
3.1 Competitiveness.....	8
3.2 Tourism Contribution to Country Economies.....	9
3.3 Tourism Sector Performance	9
3.4 Air Access.....	12
3.5 Accommodations	12
3.6 Cruise Tourism	13
Section 4: Regional Tourism Integration Overview.....	15
4.1 Why Indian Ocean Regional Tourism Integration is Challenging.....	15
4.2 Collaboration as a Step toward Integration?	17
Section 5: Key Issues for Regional Integration	19
5.1 Air Connectivity.....	19
5.2 Capacity Building and Employment	19
5.3 Regional Product Packaging	21
5.4 Marketing.....	22
Section 6: Recommendations.....	23
6.1 Air Connectivity.....	24
6.2 Capacity Building and Employment.....	25
6.3 Regional Product Packaging	27
6.4 Marketing.....	28
Section 7: The Way Forward.....	30
Section 8: Conclusions	34
Annex.....	36
Annex 1: REGIONAL INTEGRATION Challenges and Recommendations Summary.....	36
Annex 2: COMOROS Challenges and Recommendations Summary	37
Annex 3: MADAGASCAR Challenges and Recommendations Summary	38
Annex 4: SEYCHELLES Challenges and Recommendations Summary	39
Annex 5: MAURITIUS Challenges and Recommendations Summary	40
References.....	41

This report was prepared by The World Bank in support of the Indian Ocean region’s tourism sector development by a team led by Hannah Messerli including Brad Weiss, Juliana Kua, Martine Bakker, Joseph Tomatis and Patricia Rajeriarison.

List of Tables

Table 1: Preconditions for Viable Regional Integration.....	6
Table 2: Typical Regional Integration Gains in the Context of Indian Ocean Economies and Applied to Tourism	6
Table 3: Tourism Competitiveness of Madagascar, Mauritius, and Seychelles (2013)	8
Table 4: Contribution of Tourism to Four Indian Ocean Economies.....	9
Table 5: Top Eight Source Markets for Four Indian Ocean Countries	11
Table 6: Comparison of Cruise Infrastructure and Statistics.....	14
Table 7: Comparison of Four Indian Ocean Countries Across Various Indicators	15
Table 8: Short, Medium and Long-Term Recommendations	23

List of Figures

Figure 1: Four Countries Mapped along Tourism Destination Life Cycle.....	3
Figure 2: International Tourism Arrivals (2003 - 2012).....	10
Figure 3: Mapping of Regional Tourism Integration Recommendations.....	32
Figure 4: Impact and Ease of Implementation Analysis of Regional Tourism Integration Recommendations.....	35

List of Cases

Case Study 1: The Pacific Islands' Regional Integration in Organizational Context.....	7
Case Study 2: The Importance of Reunion Within the Regional Tourism Context	11
Case Study 3: Low-Cost Carriers in Southeast Asia	25
Case Study 4: Caribbean Quality Assured Program.....	26
Case Study 5: South Pacific Cruise Tourism Strategy.....	28
Case Study 6: SPTO and CTO Regional Specialist Programs	29
Case Study 7: Applying European Union Regional Integration to Latin Americaand Beyond	30

List of Acronyms and Abbreviations

AFD	French Development Agency
BASA	Bilateral Air Service Agreement
BRICS	Brazil, Russia, India, China, and South Africa
COI	Commission de l'Océan Indien /Indian Ocean Commission
CTO	Caribbean Tourism Organization
EM	Emerging Market
EU	European Union
GDP	Gross Domestic Product
GDS	Global Distribution System
HA	Hospitality Assured
IFC	International Finance Corporation
INTH	Madagascar National Institute of Tourism and Hospitality
IRT	Réunion Island Tourism Board
ITIOT	Indian Ocean Islands Tourism Organization
MITD	Mauritius Institute for Training and Development
LCC	Low Cost Carrier
PR	Public Relations
SPTO	South Pacific Tourism Organization
STA	Seychelles Tourism Academy
TTCI	Travel and Tourism Competitiveness Index
TTI	Tourism Training Institute
T&T	Travel and Tourism
UNDP	United Nations Development Programme
UNWTO	World Tourism Organization
VIO	Vanilla Islands Organization
VUSSC	Virtual University of Small States of the Commonwealth
WEF	World Economic Forum
WTTC	World Travel & Tourism Council

Executive Summary

Despite its highly acclaimed attractions, the Indian Ocean countries surprisingly draw relatively few tourists. These destinations have much to offer including some of the world's most celebrated beaches, one of the planet's most prominent biodiversity hotspots, and an intriguing cultural melting pot. Yet, the entire Indian Ocean region received only 3.9 million tourists in 2011, equivalent to a 0.4% share of international tourist arrivals globally. This pales in comparison to the more established Caribbean region, which received 20.9 million tourists in 2011 and claimed a 2% international market share.

One reason this region has yet to gain a high profile is its destination's divergent levels of maturity. Of the four countries reviewed, Mauritius has the most mature tourism sector. Last year it received nearly one million tourist arrivals, which is more than 50 times the corresponding arrivals figure for Comoros. Madagascar, recovering from its political crisis of 2009, received just over 250,000 tourist arrivals in 2012. Meanwhile, Seychelles surpassed the 200,000 arrivals figure for the first time.

Indian Ocean tourism has also been hampered by a lack of regional cooperation. While the elusive mechanics of effective regional integration continue to be a focus of economic and policy experts in targeted regions around the globe, the question remains as to if and how regional integration efforts--particularly in the tourism sector---can effect meaningful or transformational change. The Caribbean and South Pacific have been working for decades to build a regional brand and link their various products with limited success. On a comparable level, limited regional integration efforts in tourism have been put forth by Indian Ocean destinations. This can be attributed to several challenges. One is the divergent set of offerings of the countries in terms of attractions and pricing. To the extent that similar markets are being targeted, strong rivalries exist. Added to these challenges are the destinations' distances from traditional and emerging source markets as well as limited resources—financial and political---to commit to policy, partnerships and sector promotion despite the economic rationale for greater regional cooperation.

Regional integration or regional cooperation? Experience and research in the dynamics of regional integration efforts emphasize key conditions necessary for success: (i) domestic peace and security in participating countries; (ii) political and civic commitment and mutual trust among countries; (iii) a minimum threshold of macro-economic stability and good financial management; and (iv) sufficiently broad national reforms to open market.¹ In general, and in the tourism sector in particular, these do not currently exist across the subject economies. In the case of the four Indian Ocean economies investigated, the extent to which these preconditions exist varies greatly. Specific to the tourism sector, there are numerous gaps to be addressed through improved cooperation before reaching these preconditions for regional integration.

Yet, there is reason to believe that there may be momentum and specific opportunity now for embracing regional cooperation activities in tourism, which can lead to a viable platform for leveraging future regional integration efforts. For example, the Vanilla Islands Organization, which aims to facilitate joint promotion of the region, is set to launch in mid-2013. The Indian Ocean

¹ Kritizinger-van Niekirk, L. (2005) “*Regional Integration: Concepts, Advantages, Disadvantages and Lessons of Experience*”, discussion paper prepared by the World Bank's Senior Republic of South Africa Country Economist.

Commission has also signaled tourism to be a top priority. Donor funding is starting to flow to both organizations to finance regional tourism cooperation efforts.

Joint marketing can help raise the region's profile, especially in emerging markets. This can be achieved through joint development of promotional materials and trade fair representation. Additionally, collaboration on statistics collection can provide useful data to guide marketing efforts.

In order to begin regional coordination as a step toward the goal of regional integration across these islands, the first area of intervention must be air access. Currently, flights between the countries are limited and very costly. This issue could be addressed through re-evaluation of some bilateral air service agreements that restrict flight frequencies as well as the re-invigoration of the "Air Pass", which provides more economical one-way intra-regional flights. In the longer term, entrance of a low-cost carrier could significantly improve regional air connectivity---benefitting both the region's residents and tourists. In addition to better air access, a good way to stimulate more multi-destination trips is to conduct familiarization trips for regional tour operators to raise awareness of each respective island's products.

Another step in regional cooperation can be achieved through cruise tourism development, which can become a key platform for integration efforts in the future. Cruise tourism, by its definition, requires regional collaboration and cohesiveness. In order to attract more cruise ships, the region's countries will need to jointly develop a cruise tourism strategy.

Cooperation in the areas of capacity building and workforce development can also pay dividends. The region suffers from low service quality in many establishments, a problem which relates to uneven levels of quality among regional tourism training institutions. Many of the associated needs can be addressed within the region, through forging partnerships among existing institutions as well as creating a database of local, regional and international experts to support the sector. Establishment of a regional quality service label, growing in popularity for competitive destinations around the world, could prove useful.

It is cautioned that a significant political economy shift must take place in order to bring about desired transformational changes in the tourism sector that could achieve increased productivity and sustainability. While there have been some encouraging signs of increasing collaboration between the Indian Ocean countries, in particular on a bilateral basis, there is still great distance before a consensus can be reached among member countries about whether and how to fully cooperate regionally in tourism. This is particularly true for issues such as regional air connectivity and product packaging, for which some countries perceive that they might lose more than they gain if there is greater regional collaboration. Until there is a collective understanding of all short and long term trade-offs, as well as benefits to be reaped by countries' individually and collectively, regional integration will remain an out-of-reach goal with collaboration initiatives only yielding incremental changes.

SECTION 1

Introduction to the Regional Integration Study

1.1 Background

1. In addition to some of the most acclaimed beaches in the world, the Indian Ocean islands offer one of the planet's greatest concentrations of biodiversity and stunning landscapes that include active volcanoes, sculpted canyons, and verdant seaside cliffs. It is also one of the world's great melting pots as a result of being a confluence point for African, European, Arab, Indian, Chinese, and Indo-Malay people and cultures.

2. Yet, despite its many attributes and accolades, the region is not very well known within the global tourism marketplace. This is reflected in the relatively small number of tourists that visit every year. If the French overseas department of Réunion and the Indian Ocean island nations in Asia (Maldives and Sri Lanka) are added to the countries covered by this study (Comoros, Madagascar, Mauritius, and Seychelles), the total number of international visitors per year would be approximately 3.9 million. That represents a market share of only 0.4% of all annual international arrivals in 2012 (1.04 billion)². In contrast, the Caribbean, another group of islands famed for its tropical beaches and landscapes, receives around 20.9 million tourists per year, or around 2.0% of total global international arrivals. While arguably the Caribbean benefits from proximity to key source markets in North America, the Indian Ocean island nations receive significantly fewer tourists than the islands in the South Pacific region, which receive around 5.8 million international tourists per year (0.6% global market share)³.

3. Certainly one reason that the Indian Ocean islands' tourism position is not as established is that many of its destinations are not as mature as those from regions such as the Caribbean. Critical review of the four countries analyzed illustrates that they are at very different levels of tourism development. Even though all four essentially commenced modern tourism development in the 1970s, each has had a very different trajectory. Using Butler's model of destination life cycles (see Figure 1), the current level of tourism development of the four countries is illustrated⁴. Certainly the least developed is Comoros (18,675 international arrivals in 2011)⁵, whose industry has barely emerged and finds itself in the early stages of involvement. Madagascar (255,942 international arrivals in 2012) is a very large destination that is still within the development stage. Its tourism sector has developed in fits and starts, with strong periods of growth punctuated by political instability that largely erases gains of previous years⁶. Seychelles (208,034 international arrivals in 2012), having pursued a policy of measured growth over the past several decades, finds itself in the consolidation phase⁷. Meanwhile, Mauritius (965,441 international arrivals in 2012), which has led the region with outstanding rates of growth over the past two decades, has

² UNWTO (2011) *UNWTO World Tourism Barometer*, July 2012, UNWTO, Madrid.

³ *ibid*

⁴ Butler, R.W. (1980) "The Concept of a Tourist Area Life Cycle of Evolutions: Implications for the Management of Resources", *The Canadian Geographer*, vol. 24 (1): 5-12.

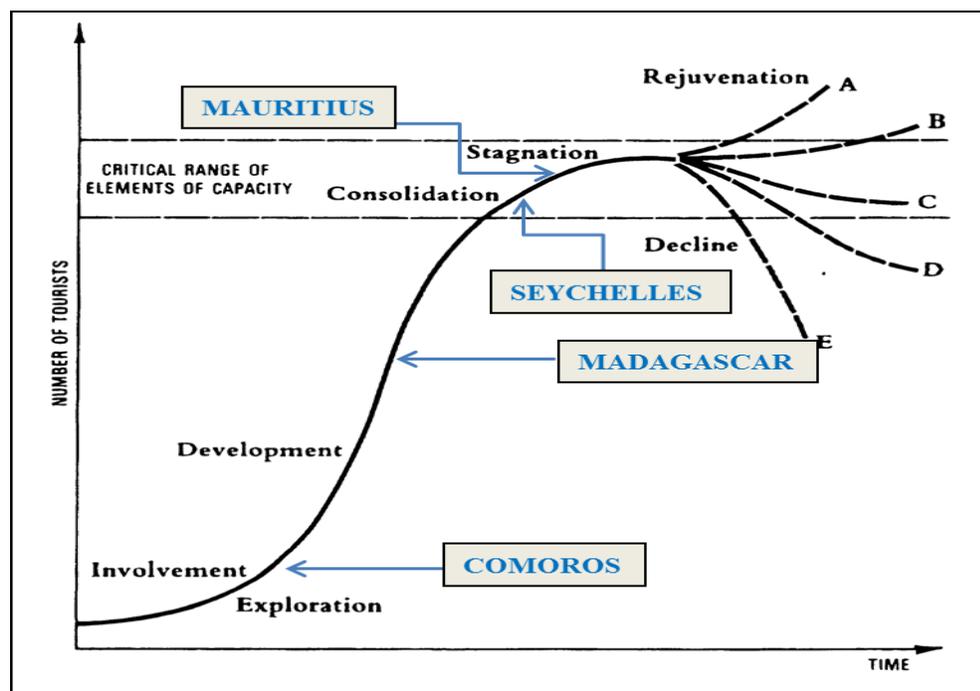
⁵ Rajeriarison, P. (2012) *Note de Politique sur le Tourisme: Union des Comoros*, Policy Note commissioned by the World Bank's Appui à la Bonne Gouvernance Economique (ABGE) Project, October 2012.

⁶ Madagascar Ministry of Tourism (2013) *Statistiques du Tourisme 2012*, Antananarivo.

⁷ Seychelles National Bureau of Statistics (2012a) *Seychelles 2012 Tourism Statistics*, Victoria.

consolidated its industry and now seems to be approaching the stagnation stage⁸. The countries' level of tourism development is reflected in their annual earnings from the sector: Mauritius leads the way with US\$1.49 billion in annual receipts followed by Madagascar (US\$321 million), Seychelles (US\$291 million) and Comoros (US\$35 million).

FIGURE 1: FOUR COUNTRIES MAPPED ALONG TOURISM DESTINATION LIFE CYCLE



Source: Butler, R. W. (1980)

4. Another important reason that the Indian Ocean is not as well-known as the Caribbean and the South Pacific is that it has not worked to promote a regional tourism brand. To date, each country has largely marketed itself in isolation. Other tourism regional integration efforts within the Indian Ocean have also been very limited. This can in part be attributed to differences in levels of tourism development (as shown in Figure 1), quality of tourism product offerings, and target market segments. In contrast, the Caribbean has been more successful at creating and positioning its regional brand. This has come through a clear strategy among its members to work together on branding as well as a number of other regional tourism development initiatives. In fact, the Caribbean's efforts became formalized as far back as 1951 with the creation of the Caribbean Tourism Association, which then combined with the Caribbean Tourism Research and Development Center to form today's Caribbean Tourism Organization (CTO)⁹. The 14 island nations of the South Pacific have also created an official mechanism for cooperation in 1989 when they formed the South Pacific Tourism Organization (SPTO)¹⁰.

5. Yet, given the inherent tourism attributes of the four countries covered in the study, it is even more critical for them to collaborate regionally on tourism to remain competitive in the increasingly crowded global tourism marketplace. Three of the four countries covered in this study are small

⁸ UNWTO (2011) *UNWTO World Tourism Barometer*, July 2012, UNWTO, Madrid.

⁹ Caribbean Tourism Organization (2013b) *About Us*, <http://www.onecaribbean.org/aboutus/>

¹⁰ South Pacific Tourism Organization (2013) *About SPTO*, <http://spto.org/about>

destinations with relatively limited product options to drive visitors to their shores. Even Madagascar, with its diversity of tourism assets, has limited product options to offer visitors due to inadequate infrastructure and product development. Given the Indian Ocean destinations' distance from traditional source markets such as Western Europe and emerging source markets such as China, it is likely that they would be able to attract a greater number of visitors if complementary destinations in the region could be visited in a single trip. Pooling the countries' resources to conduct joint partnership and marketing activities would likely allow their limited resources to create greater impact in key source markets.

6. Of late, momentum has been gathering for greater tourism cooperation among Indian Ocean countries. The launch of the Vanilla Islands Organization (VIO), which aims to facilitate joint promotion of the region, is being targeted for June 2013 and is seen as a positive first step among its five Indian Ocean country members (Comoros, Madagascar, Mauritius, Réunion, and Seychelles) towards greater regional tourism collaboration. The Indian Ocean Commission (COI) has also signaled regional tourism integration to be one of its priorities¹¹. Clear opportunities for greater regional tourism integration in the areas of improving regional air connectivity, cooperation in capacity building and workforce development, collaboration in product packaging, and joint marketing are starting to emerge.

1.2 Objective of this Note

7. This note, prepared by the World Bank, is an analysis aimed at assessing opportunities for tourism integration among the four Indian Ocean island nations of Comoros, Madagascar, Mauritius, and Seychelles. To inform this regional analysis and recommendations, the four reviews were conducted to provide a basis for understanding each country's tourism sector in terms of its development and current performance, contribution to the economy, and principal challenges. As a basis for analysis of the prospect of regional integration, the current state of tourism in each of the countries is considered within a regional context and recommendations for specific regional tourism integration initiatives are provided as guidance for the way forward.

8. The tourism sector reviews were completed through a combination of desk research and country visits that involved consultations with a range of stakeholders from the public sector, private sector, civil society, and donor community. Each country review also contains a set of recommendations for addressing the identified challenges. Included in the key issues identified for each country's tourism sector are those issues that have regional implications.

¹¹ COI's Member States are the same five countries that are part of VIO.

SECTION 2

Regional Integration: The Promise and the Realities

9. The concept of regional integration is familiar to governments and civil society across Sub-Saharan Africa (SSA). Embraced as part of the African Unity vision of the 1970's, integration efforts evolved from import-substitution to increasingly more open door policies during the 1980s. More recent activity in this area includes the establishment and maturing of regional trade agreements (RTAs) and related organizations such as the East African Community (EAC), SADC (Southern African Development Community) and the IOC (Commission de l'Océan Indien). Regional integration is understood to be the combination of policy development and implementation across borders to enhance economic performance. Generally, regional integration is considered in terms of:

- (i) geographic scope (i.e., the number of countries involved in agreements)
- (ii) substantive coverage (i.e., the sector or activity involved such as trade, labor mobility, macro policies, sector policies, etc.); and
- (iii) depth of integration (e.g., from simple coordination or cooperation to deep integration).¹²

10. While SSA has increasing experience with regional integration, the potential versus actual pay-offs are a point of debate. Experience and research in the dynamics of regional integration efforts emphasize key pre-conditions necessary for success: (i) domestic peace and security in participating countries; (ii) political and civic commitment and mutual trust among countries; (iii) a minimum threshold of macro-economic stability and good financial management; and (iv) sufficiently broad national reforms to open markets. This "open regionalism" is simply viewed as striving for a region-wide market economy that is also open to the outside world and is noted as critical to securing complementarity and cohesiveness at national and sub-national levels. Originating from APEC, the concept of open regionalism seeks to foster the ability of member states to ease intra-bloc trade while simultaneously easing external trade barriers on imports from outside of the region. Outward orientation, a market driven process and meaningful private sector involvement are each crucial to defining, establishing and successfully implementing open regionalism.¹³ These preconditions, applied to tourism and the specific context of the Indian Ocean economies reviewed, are summarized below.

¹² Kritizinger-van Niekirk, L. (2005) "*Regional Integration: Concepts, Advantages, Disadvantages and Lessons of Experience*", discussion paper prepared by the World Bank's Senior Republic of South Africa Country Economist.

¹³ *ibid*

TABLE 1: PRECONDITIONS FOR VIABLE REGIONAL INTEGRATION

Preconditions for Viable Regional Integration	Applied to Tourism	Indian Ocean Economies Context
1. Domestic peace and security	Image of a country's peacefulness is extremely important for tourist arrivals	Mixed image given the historical activity in Comoros and current uncertainty in Madagascar
2. Political and civic commitment and mutual trust among countries	A shared vision for tourism for the region among the policymakers is important	Uneven commitment within the tourism sector as for economies overall
3. Macroeconomic stability and good financial management	Currency volatility trends have direct impact on tourism operators' business decisions	Tendency for operators to focus only on those markets/economies where they have experience rather than expand risk to additional countries
4. Sufficiently broad national reforms to open markets	Tourism depends upon many different industries and as such a broad liberal policy environment is conducive to the industry	Business enabling environment in each country varies in openness and ease of doing business

Source: Adapted from Kritizinger-van Niekirk, L (2005)

11. For countries to commit to policies of open regionalism through integration possible gains must first be achievable and understood on a practical level. The most typical gains are trade gains, increased returns and increased competition and investment. Other gains which can be achieved through regional integration include: (i) enabling stronger domestic reforms through regional commitments; (ii) signaling of policy orientation and approaches; and (iii) establishing “insurance” for members against possible “hazards” (such as macroeconomic instability, terms of trade shocks trade wars, etc.).¹⁴ In the case of the Indian Ocean economies, typical gains with respect to tourism are summarized below.

TABLE 2: TYPICAL REGIONAL INTEGRATION GAINS IN THE CONTEXT OF INDIAN OCEAN ECONOMIES AND APPLIED TO TOURISM

Gains from Regional Integration	Context of Indian Ocean Economies	Applied to Tourism
Trade Gains (especially through improved air access)	Expanded and improved air access will support both tourism and overall trade activity through ease and attractive pricing of transport	Competition among airlines through open air access can drive ticket prices down within the region while also building volume
Increased Returns and Increased Competition	Increased economies of scale will foster competition. Increased competition will add pressure for hotel products and tour offerings to be at or above standard	Opportunity for expanded offerings through multi-destination packaging of tourism products (such as hotels and tours/attractions)
Increase in Investments	Increased competition for new properties will put pressure on older properties to be improved	Increased investments in hotels and other tourism related services (such as transport services)
Signaling of Priority Sector(s)	Consistent focus on the sector can enable higher returns overtime as well as benefits for domestic population through strategic development of infrastructure, business enabling environment, etc.	Governments can showcase their commitment to the tourism industry enabling improved business environment and increased benefits overtime for domestic population

Source: Adapted from Kritizinger-van Niekirk, L (2005)

¹⁴ *ibid*

12. Regional integration involves policy risks and reaching for targets that have proven to be illusive previously. In this regard, following the concepts of pragmatism and gradualism becomes a critical principle. Simply, a commitment to regional integration raises expectations for accelerated integration and benefits. As noted by Kritizinger-van Niekirk, “Accelerated integration means, fundamentally, credible integration built on pragmatic, gradual steps that reinforce trust and commitment, and make the process self-perpetuating.”¹⁵ Across diverse geographic, linguistic, political and economic contexts within and across sub-region countries, practical and gradual approaches provide a basis for achieving a momentum which is resilient.

CASE STUDY 1: THE PACIFIC ISLANDS’ REGIONAL INTEGRATION IN ORGANIZATIONAL CONTEXT

The organizational environment supporting regional integration often includes an assortment of stakeholder groups with malleable agendas along with varying areas of specificity and focus. The Pacific Island region provides such an example. Of note are two regional organizations which bring the Pacific Island states together to address trade and broader policy agendas including tourism: (i) the **Pacific Islands Forum** based in Suva, Fiji and (ii) the **South Pacific Community (SPC)** based in Noumea, New Caledonia. Simultaneously, the **South Pacific Tourism Organisation (SPTO)** operates regionally and is focused only on tourism.

The Forum is the main intergovernmental agency that drives the regional agenda in terms of trade and governance issues, etc. (see <http://www.forumsec.org/index.cfm>). They also support coordination of various topical issues including airline services and environmental protection. The Forum is a high profile vehicle in the Pacific with annual leaders meetings for heads of state and the Forum Finance Ministers Meetings targeting key finance decision makers. Guided by the collaboratively generated “Pacific Plan”, resolutions are intended to be binding for all members. The overall charter updated every few years, guides focus and coordination.

In contrast, the South Pacific Community includes a slightly different group of countries, is based in a French territory, and has closer links to the EU (see <http://www.spc.int>). SPC provides leadership and guidance on practical implementation such as in training co-ordination. The Forum and SPC each benefit from major support provided by Australia and New Zealand, which are dominant economies and trading partners in the region. The Forum in particular is a significant vehicle for securing both countries’ regional and bilateral aid programs and donor coordination. In the end, this facilitates collaboration across on-going shared interests. This translates into access to funds, implementation guidance, good governance guidelines and continuous emphasis on public/private dialogue.

While both the Pacific Islands Forum and SPC raise tourism awareness through selective trade initiatives, the South Pacific Tourism Organisation is a separate regional organization dedicated to growth of the tourism sector (see <http://spto.org>) across the seventeen countries.

The benefits delivered to member countries include SPTO’s focus on marketing the region as a single destination in major origin markets where each island country would be unable to manage that representation. Its major programs are associated with joint representation at the global travel trade shows (such as ITB and World Travel Market in London, etc.) and research such as the Cruise Strategy. SPTO is fundamentally a government agency, although it has adopted an open membership for private sector corporations with limited success to date. SPTO has a history of successfully attracting donor funds particularly to support marketing, promotion and vocational training efforts. However, such funding is not guaranteed, and its ability to tackle substantive policy issues requires continued funding.

¹⁵ Ibid.

Not surprisingly, SPTO also faces challenges in consistently marshaling governments and the industry to follow a common agenda despite SPTO's assertion that "SPTO works for everyone". Challenges include the fact that many members are direct competitors and, thus, find it hard to cooperate. Also, some industry members do not view their businesses as part of the "South Pacific" and can deem membership not worthwhile. For many, paying membership fees to support a marketing message that is not clearly aligned with their product is not beneficial when the preferred approach is to have their own customized representation.

Ethnic, cultural and political divisions play an important role in the activities of these organizations. There are three quite different ethnic groups in the islands - Micronesian, Polynesian and Melanesian - as well as several members that are French. This leads to smaller groups of countries coming together on more practical matters that may not benefit the larger group. Similarly, for the French territories, their political allegiance is to a power outside the region for many trade issues. Whether shepherding a broad based trade facilitation policy agenda or a sector specific focus, such regional organizations are continuously challenged to meet the often divergent expectations of their collective memberships.

SECTION 3

Overview of Four Countries' Tourism Sectors

3.1 Competitiveness

13. In the 2013 Travel and Tourism Competitiveness Index (TTCI), through which the World Economic Forum (WEF) ranks 140 countries along 14 sector pillars, Seychelles fares best with a ranking of 38. It is followed by Mauritius (58), and Madagascar which is among the ten lowest scorers (131)¹⁶. Comoros was not included in the TTCI¹⁷. Table 1 shows overall rankings, as well as those in categories relevant to the discussion of regional tourism integration. Some of the most notable disparities are seen in categories such as "Government Prioritization of Travel and Tourism (T&T) Industry", "Price Competitiveness in T&T Industry" and "Education and Training".

TABLE 3: TOURISM COMPETITIVENESS OF MADAGASCAR, MAURITIUS, AND SEYCHELLES (2013)

	Madagascar	Mauritius	Seychelles
Government Prioritization of T&T	92	7	4
Timeliness of T&T Data	93	7	17
Comprehensiveness of T&T Data	95	72	72
Effectiveness of Tourism Marketing	92	22	18
Openness to Bilateral ASAs	97	73	135
International Air Transport Network	115	56	42
Quality of Port Infrastructure	121	48	43
Price Competitiveness in T&T Industry	54	75	120
Education and Training	129	47	48
OVERALL RANKING (of 140)	131	58	38

Source: WEF (2013)

¹⁶ WEF (2013). Travel & Tourism Competitiveness Report 2013, WEF, Geneva.

¹⁷ Comoros was probably not included in the TTCI due to lack of available data.

3.2 Tourism Contribution to Country Economies

14. There are significant differences in the relative size of the tourism sector within the countries' overall economies. Of the four, Seychelles' economy is the most reliant upon tourism and ranks third in the world (out of 181 countries surveyed) in terms of the direct contribution of tourism to GDP (see Table 2). It also ranks second globally in terms of employment and fourth in capital investment in the tourism sector¹⁸. Mauritius is also highly reliant upon the sector, with rankings of 16 and 18 for contributions to GDP and employment, respectively¹⁹. The tourism sector plays a smaller role in the Madagascar economy²⁰ and even less in Comoros²¹.

TABLE 4: CONTRIBUTION OF TOURISM TO FOUR INDIAN OCEAN ECONOMIES

	Comoros	Madagascar	Mauritius	Seychelles
Direct Contribution to GDP	3.2%	5.4%	12.6%	24.8%
Direct Contribution to GDP Ranking (of 181)	95	52	16	3
Direct Contribution to Employment	2.7%	4.3%	12.0%	25.8%
Direct Contribution to Employment Ranking	114	67	18	2
Visitor Exports	18.8%	26.6%	34.7%	33.3%
Visitor Exports Ranking	49	37	29	30
Tourism's Share of Capital Investment	3.4%	15.5%	6.6%	38.4%
Tourism's Share of Capital Investment Ranking	131	26	76	4

Sources: WTTC (2012a, 2012b, 2012c, 2012d)

3.3 Tourism Sector Performance

15. Similar or complementary levels of tourism volume can provide a basis for collaboration among regional countries. However, for the four countries studied, tourism arrival figures vary considerably. Figure 2 tracks arrivals to each country over the past decade. Consistent with international receipts figures, Mauritius leads the group by far, with Madagascar and Seychelles well below and Comoros at fairly negligible levels. Over the past decade, Madagascar has seen the strongest growth rate (12.2%), with figures directly influenced by political instability in 2002 (with a strong rebound in 2003) and 2009 (with a sharp drop that year followed by steady recovery)²². The next best performer was Seychelles, with 6.3% annual growth²³, followed by Mauritius (3.8%)²⁴. The growth figures of these three countries largely reflect their position within the tourism life cycle model, which suggests that emerging destinations will have higher growth rates than more mature destinations. The exception is Comoros, which has only grown at 2.1% over the last decade²⁵ despite its rather low baseline figures²⁶.

¹⁸ WTTC (2012d) *Travel & Tourism Economic Impact 2012: Seychelles*, WTTC, London.

¹⁹ WTTC (2012c) *Travel & Tourism Economic Impact 2012: Mauritius*, WTTC, London.

²⁰ WTTC (2012b) *Travel & Tourism Economic Impact 2012: Madagascar*, WTTC, London.

²¹ WTTC (2012a) *Travel & Tourism Economic Impact 2012: Comoros*, WTTC, London.

²² Madagascar Ministry of Tourism (2013) *Statistiques du Tourisme 2012*, Antananarivo.

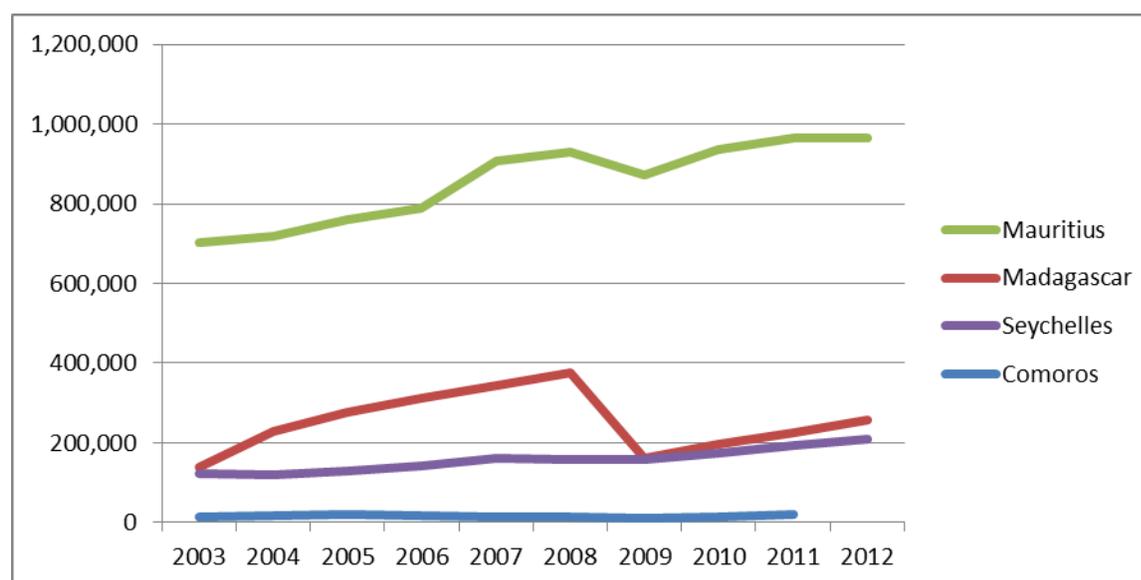
²³ Seychelles National Bureau of Statistics (2012a) *Seychelles 2012 Tourism Statistics*, Victoria.

²⁴ The World Bank (2012a) *Indian Ocean Islands Tourism Sector Review: Mauritius and Comoros*, Unpublished report forming part of Regional Tourism Integration Study, August 2012.

²⁵ Since 2012 arrival figures are not yet available for Comoros, growth from the last decade was measured from 2002 until 2011.

²⁶ Rajeriarison, P. (2012) *Note de Politique sur le Tourisme: Union des Comoros*, Policy Note commissioned by the World Bank's Appui à la Bonne Gouvernance Economique (ABGE) Project, October 2012.

FIGURE 2: INTERNATIONAL TOURISM ARRIVALS (2003-2012)



Sources: Madagascar Ministry of Tourism (2013), Rajeriarison, P. (2012), Seychelles National Bureau of Statistics (2012), UNWTO (2013), World Bank (2012a)

16. In tourism receipts, Mauritius earns the highest amount from international tourists at US\$1.49 billion per year. Far below are Madagascar and Seychelles, which earn US\$321 million and US\$291 million, respectively. They are then trailed significantly by Comoros, with receipts of only US\$35 million per year²⁷. Mauritius' tourism sector earns more than 40 times that of Comoros.

17. Another area that can provide a basis for regional integration in tourism is drawing upon similar source markets. Table 3 shows the top eight source markets for the four Indian Ocean island nations including France, the primary source market. France's share varies between 53.8% in the case of Madagascar to 15.5% in the case of Seychelles. Other European markets of UK, Germany, and Italy are all among the top eight in Seychelles, Madagascar, and Mauritius.

18. There is a significant difference among the islands in terms of visitation from emerging markets (EMs). Seychelles has a relatively high percentage, with its fourth through sixth most important markets being Russia, UAE, and South Africa, respectively²⁸. Mauritius' fourth largest source market is South Africa and sixth largest is India²⁹. Likewise, Madagascar's third largest source market, China, is primarily comprised of expatriate workers³⁰. Overall, Seychelles has the broadest market diversification, with eight markets contributing only 68.4% of all international arrivals.

²⁷ UNWTO (2011) *UNWTO World Tourism Barometer*, July 2012, UNWTO, Madrid.

²⁸ Seychelles Tourism Board (2011) *Seychelles 2012-2020 Tourism Master Plan*, Beau Vallon.

²⁹ The World Bank (2012a) *Indian Ocean Islands Tourism Sector Review: Mauritius and Comoros*, Unpublished report forming part of Regional Tourism Integration Study, August 2012.

³⁰ Madagascar Ministry of Tourism (2012a) *Statistiques du Tourisme 2011*, Antananarivo.

TABLE 5: TOP EIGHT SOURCE MARKETS FOR FOUR INDIAN OCEAN COUNTRIES

Comoros		Madagascar		Mauritius		Seychelles	
Country	%	Country	%	Country	%	Country	%
France	53	France	53.8	France	31.3	France	15.5
Réunion	7	Réunion	7.3	Réunion	12.0	Germany	13.5
Mayotte	7	China	3.6	UK	9.1	Italy	11.2
Tanzania	3	UK	3.5	S. Africa	9.0	Russia	6.5
Madagascar	2	Italy	3.5	Germany	6.6	UAE	6.2
Germany	1	Mauritius	3.3	India	6.0	S. Africa	6.0
USA	1	USA	2.6	Italy	5.5	UK	5.4
China	1	Germany	2.4	Switzerland	2.5	Switzerland	4.1
TOTAL	75	TOTAL	80	TOTAL	82	TOTAL	68.4

Sources: Rajeriarison, P. (2012), Madagascar Ministry of Tourism (2013), Statistics Mauritius (2013), Seychelles National Bureau of Statistics (2012)

19. Intra-regional travel among citizens of Indian Ocean countries remains relatively limited with the exception of outbound travelers from Réunion, which represent the second largest source market for Mauritius (12.0%), Madagascar (7.3%) and Comoros (7.0%). The next most important intra-region source market is Mauritius, which is Madagascar's sixth largest source market, accounting for 3.3% of international arrivals.

CASE STUDY 2: THE IMPORTANCE OF REUNION WITHIN THE REGIONAL TOURISM CONTEXT

While not one of the four countries included in this study, the French overseas department of Réunion has a key role to play in regional tourism integration. This is reflected in the fact that it serves as the headquarters of the Vanilla Island Organization (VIO). Part of Réunion's value to the other members is its largely complementary tourism offering, making it an attractive partner for multi-country packaging. The island offers excellent hiking opportunities – most notably to Piton de la Fournaise, one of the world's most active volcanoes. Other adventure tourism opportunities on the island include rafting, rock climbing, and canyoning. Réunion offers beach tourism as well, but its product is not in direct competition with Seychelles or Mauritius. As opposed to the exclusive international resorts in those countries, Réunion mostly offers mid-range, locally-owned hotels and Bed & Breakfasts.

Réunion's importance to VIO also comes from the size of its tourism industry. It received 446,500 tourist arrivals in 2012, nearly as many as Seychelles and Madagascar combined. However, 80% of those tourists were from France, many of whom were visiting friends and relatives (VFRs). Overall, VFRs make up the largest tourism segment for Réunion (47%) followed by leisure tourists (41%) and business tourists (8%).

Réunion is also the source and destination for a significant amount of intra-regional tourism. Tourists from other Indian Ocean countries make up 10% of Réunion's arrivals. Conversely, Réunion represents the second largest source market for Mauritius (12% of international arrivals), Madagascar (7.3%) and Comoros (7%).

Another notable contribution of Réunion to Indian Ocean tourism integration is the extensive air network offered by Air Austral. Réunion is the only country connected to every other VIO member. Air Austral travels frequently to Mauritius (twice per day) and Madagascar (daily). Also important are its flights to Paris (nearly twice per day). This allows Réunion to serve as a gateway to the region. This is all the more important in light of reduced frequencies to Paris among other Indian Ocean air carriers.

Sources: Air Austral (2013), French National Institute of Statistics and Economic Studies (2013)

3.4 Air Access

20. Connectivity---between destinations within a region as well as with source markets---can be instrumental in assuring longevity in regional integration enabling the movement of goods and people. Desired connectivity includes attention to achieving an optimal mix of frequency, direct routes, and competitive pricing.

21. The best connected of the four studied islands is Mauritius, with flights to over 20 international destinations. Madagascar has flights to nine international destinations, while Seychelles links to eight and Comoros only five. One notable trend over the past years has been a significant decline in flights from Europe³¹ and an increase in flights to Asia and the Middle East. This is due to a number of factors including (i) the economic downturn in Europe, (ii) increased fuel prices for long haul flights, (iii) aggressive route development by Middle Eastern carriers, and (iv) an increase in business and tourism travel from Asia.

22. Also contributing to this air access shift has been the poor state of health of the national carriers in recent years. Comoros no longer has a functioning national carrier while Air Madagascar is in the midst of a financial crisis exacerbated by the EU's decision to blacklist its planes. Air Mauritius is currently facing financial difficulties and may be looking for strategic partnerships. In early 2012, the struggling Air Seychelles was resuscitated when Etihad bought a 40% stake and injected US\$20 million into the airline³².

23. The current state of intra-regional air connectivity covers Comoros, Seychelles, Madagascar, Reunion Island and Mauritius. The two best connected countries are Mauritius (Port Louis) and Madagascar (Antananarivo) with connections through Réunion (Saint Denise) as well as direct connections between each other. For Comoros (Moroni) connections exist through Reunion to other islands along with a limited set of direct flights to Madagascar. For the Seychelles a limited number of direct flights to both Mauritius and Réunion allow for connections to other islands. Still, Mauritius does not have direct air links to Comoros; Madagascar is not directly connected with the Seychelles; Seychelles and Comoros are also not directly connected with one another.

3.5 Accommodations

24. The four countries vary considerably in terms of room supply. Madagascar leads the group with 20,520 rooms³³, followed by Mauritius with 11,925 rooms³⁴, Seychelles with 4,066 rooms³⁵, and Comoros with 503 rooms³⁶. While it may be surprising that Madagascar has many more rooms than

³¹ In the past few years, Air Seychelles has pulled its direct flights from London and Paris, leaving it with no direct flights to Europe (Air Corridor runs one weekly flight to Frankfurt). Air Mauritius is left only with direct flights to London and Paris after having cancelled flights from Munich, Frankfurt, Geneva, and Milan. Air Madagascar now only flies to Paris after pulling flights from Milan and Zurich/Munich.

³² Thome, W. (2013) "Air Seychelles Turns the Corner with a Million US Dollar Profit", Blog posting, 3/9/2013, <http://wolfgangthome.wordpress.com/2013/03/09/air-seychelles-turns-the-corner-with-a-million-us-dollar-profit/>

³³ Madagascar Ministry of Tourism (2013) *Statistiques du Tourisme 2012*, Antananarivo.

³⁴ The World Bank (2012a) *Indian Ocean Islands Tourism Sector Review: Mauritius and Comoros*, Unpublished report forming part of Regional Tourism Integration Study, August 2012.

³⁵ Seychelles Tourism Board (2011) *Seychelles 2012-2020 Tourism Master Plan*, Beau Vallon.

³⁶ Rajeriarison, P. (2012) *Note de Politique sur le Tourisme: Union des Comoros*, Policy Note commissioned by the World Bank's Appui à la Bonne Gouvernance Economique (ABGE) Project, October 2012.

Mauritius given disparities in international arrival figures, Madagascar is a far larger country with a much greater domestic tourism market. With the exception of a few city hotels and beach resorts, the vast majority of Madagascar's accommodations are small and independent establishments. Few. Although the number of rooms in Madagascar has increased by 120% over the past decade, few international chains are present in the country³⁷.

25. Most of Mauritius' accommodations are large beach resorts geared towards luxury and in recent years, mid-tier markets. Building began in the late 1970s by owners of large sugar estates. Today three local companies own 30% of the island's hotel rooms, with a number of international brands such as Hilton, Sofitel, Four Seasons, and InterContinental present through management contract arrangements. Given that much of the hotel construction had occurred in the previous two decades, the number of beds increased by only around 24% during the past decade. Occupancy rates for 2011 were estimated at 65% and seem to be on a downward trend³⁸.

26. Most of Seychelles' hotels and resorts are foreign-owned establishments on the coast that cater to high-end international tourists. Many are managed by international chains, including all those mentioned above for Mauritius. The room supply has increased by more than 60% over the past decade and some estimates indicate that the supply will double over the next decade³⁹. This will place downward pressure on occupancy rates. The 2011 figure was 61% and has been on a largely upward trend over the past decade⁴⁰. There is also a significant number of locally owned accommodations, most of which are relatively small guesthouses.

27. In Comoros, there are only 52 accommodations spread across the three islands. Few are of international standard and only two are backed by foreign investors. By far the largest and grandest establishment was the Galawa Hotel, but it was abandoned by Sun International in 2000. In the following years, a number of investors started and then stopped refurbishment efforts. A Qatari company, Katara Hospitality, has now taken over the hotel and is targeting to open it by 2015. Average occupancy rates across Comoros are estimated roughly at 25% to 50%⁴¹. Only a broad estimation can be made since no formalized system is in place for consistent and reliable collection of tourism data.

3.6 Cruise Tourism

28. Within the context of establishing a competitive tourism sector across the region, cruise tourism can be a key platform for regional integration efforts going forward. Cruise tourism, by its definition, requires regional collaboration and cohesiveness. In order to attract more cruise ships, the region's countries will need to jointly develop a cruise tourism strategy.

29. While the Indian Ocean is seen as having high potential for cruise tourism, the market is still fairly limited and has been hampered in past years by piracy. Comparing cruise ship calls and cruise visitor arrivals across the four countries is difficult given inconsistencies in collection methods and

³⁷ Madagascar Ministry of Tourism (2013) *Statistiques du Tourisme 2012*, Antananarivo.

³⁸ The World Bank (2012a) *Indian Ocean Islands Tourism Sector Review: Mauritius and Comoros*, Unpublished report forming part of Regional Tourism Integration Study, August 2012.

³⁹ Seychelles Tourism Board (2011) *Seychelles 2012-2020 Tourism Master Plan*, Beau Vallon.

⁴⁰ Seychelles National Bureau of Statistics (2012b) *Statistical Bulletin: Hotel Statistics (Q2 2012)*, Victoria.

⁴¹ Rajeriarison, P. (2012) *Note de Politique sur le Tourisme: Union des Comoros*, Policy Note commissioned by the World Bank's Appui à la Bonne Gouvernance Economique (ABGE) Project, October 2012.

limited reporting by port authorities⁴². Nevertheless, it is clear that Mauritius is the regional leader. In 2010, it inaugurated an internationally-certified cruise ship jetty. In the 2010/2011 fiscal year, it received 27 cruise ships carrying a total of over 26,000 passengers (see Table 4). Of these, 18 were from around-the-world cruises including nine from Italy-based Costa Cruises, which initiated Indian Ocean cruises in 2007/2008⁴³. By comparison, Mauritius received only 10 cruise ship calls in 2000/2001.

TABLE 6: COMPARISON OF CRUISE INFRASTRUCTURE AND STATISTICS

	Comoros	Madagascar	Mauritius	Seychelles
Ports-of-call with Existing Cruise Infrastructure	0	3	1	1
Cruise Ship Calls (2010)	2 (2011)	29	27	20
Cruise Visitor Arrivals (2010)	Not available	Not available	~26,000	15,634

30. In 2010, Seychelles received 20 cruise ships carrying 15,634 passengers. Records from 2004 indicate a significant decrease in the number of ships (60 in 2004) but a dramatic increase in the number of passengers (5,024 in 2004). These seemingly paradoxical figures are due to the significant increase in the size of the vessels—the average number of passengers per vessel in 2004 was 84 compared with an average of 782 in 2010⁴⁴. Seychelles' only major cruise jetty is in Victoria. Plans to build an esplanade for arriving passengers, put on hold in light of the piracy menace, may soon move forward.

31. Madagascar, by virtue of its size and wide diversity of attractions, is critical for cruise tourism in the region. It has three major ports that can receive large cruise ships, with another slated to be upgraded soon. In 2010, there were a total of 29 calls in Madagascar. This was down significantly from the 68 received in 2008⁴⁵. The decrease can be attributed to both the 2009 political crisis and rise of piracy. Finally, Comoros, with its limited port infrastructure⁴⁶, received only two cruise ship calls in 2011⁴⁷.

⁴² While Port Authorities indicate that they collect data from all cruise ship arrivals, these are often not reported to government tourism or statistics bodies in a timely manner—if at all. Multiple attempts to obtain up-to-date statistics from Port Authorities have been fruitless for three of the four countries studied.

⁴³ The World Bank (2012a) *Indian Ocean Islands Tourism Sector Review: Mauritius and Comoros*, Unpublished report forming part of Regional Tourism Integration Study, August 2012.

⁴⁴ Seychelles Tourism Board (2011) *Seychelles 2012-2020 Tourism Master Plan*, Beau Vallon.

⁴⁵ Alter Ego Development (2011) *Tourism in Madagascar: Diagnosis and Recommendations*, Study prepared for JICA (Madagascar Office), November 2011.

⁴⁶ Comoros has been in discussion with donor agencies about financing a major upgrading of the Mutsamudu port that would allow them to receive cruise ships. To date, however, no funds have been committed.

⁴⁷ Rajeriarison, P. (2012) *Note de Politique sur le Tourisme: Union des Comoros*, Policy Note commissioned by the World Bank's Appui à la Bonne Gouvernance Economique (ABGE) Project, October 2012.

SECTION 4

Regional Tourism Integration Overview

4.1 Why Indian Ocean Regional Tourism Integration is Challenging

32. The concept of regional integration in the tourism sector is often pursued because of its potential economic benefits, yet experience around the world demonstrates how challenging it can be to achieve. Even in regions such as Western Europe, where there is relatively more homogeneity in historical ties and level of economic development, country differences often stand in the way of greater collaboration. The Caribbean and the South Pacific are often cited as examples of regions where there has been some success in regional tourism integration. Yet, many such initiatives there have fallen short of expectations. The Association of Southeast Asian Nations (ASEAN) has attempted for many years to collaborate more closely in tourism, with the most recent effort being the development of an ASEAN Tourism Strategic Plan 2011 – 2015⁴⁸. However, even in this effort most stakeholders would assert that relatively little progress has been made in implementing the plan. Resistance can be attributed to country initiatives in tourism development taking precedence over regional initiatives, differing levels of commitment to regional tourism integration among different countries, and threats to vested interests that translate into the jockeying of perceived winners and losers in regional tourism integration efforts.

33. Many of the challenges for Indian Ocean regional tourism integration efforts relate to significant differences among the four countries. Regional integration efforts tend to be more challenging when the countries involved are highly heterogeneous. This is certainly the case for the four Indian Ocean countries being considered. Table 5 highlights important geographic, demographic, economic, and developmental differences among the countries. The table is followed by an explanation of a number of other challenges that are more specific to the tourism sector.

TABLE 7: COMPARISON OF FOUR INDIAN OCEAN COUNTRIES ACROSS VARIOUS INDICATORS

	Comoros	Madagascar	Mauritius	Seychelles
Size (km ²)	2,235	587,041	2,040	455
Coastline (km)	340	4,828	177	491
Population (millions)	.75	22.6	1.3	.09
GDP (million USD)	872	21,370	20,260	2,410
GDP Per Capita (USD)	1,300	1,000	15,600	26,200
Human Development Index (of 186)	169	151	80	46

Sources: CIA Factbook (2013a, 2013b, 2013c, 2013d), UNDP (2013)

Different Levels and Types of Tourism Development

34. Figure 2 highlights the differing arrivals' volumes in each of the four studied countries as well as the fact that Mauritius receives far more tourists than the other three countries. Mauritius' tourism industry has grown swiftly since the 1970s through widespread development of large, high-end beach resorts. In contrast, Seychelles has focused on similar products, but with a preference for smaller, more

⁴⁸ Sunalai, Pawinee (2010) *ASEAN Tourism Strategic Plan 2011 – 2015*, Report prepared for ASEAN, <http://www.asean.org/resources/item/asean-tourism-strategic-plan-2011-2015-2>.

exclusive beachside establishments. Madagascar, meanwhile, largely caters to mid-end “discovery” tourists attracted by the country’s tremendous biodiversity and unique culture. Its sector’s growth has been severely stunted by political instability. This is also the case for Comoros, whose tourism sector has not progressed in part due to a series of coup d’etats over the past two decades. Comoros’ attractions are primarily marine and beach-based, although there are indications of ecotourism potential.

[Different Levels of Commitment to Regional Integration](#)

35. Given the diversity of each of these island nations, their tourism sectors and target markets, it is not surprising that the countries are not equally committed to the idea of regional integration. Significant internal challenges can also play an important role. For instance, Madagascar is in the midst of a critical election while Mauritius is grappling with the fallout of a year of virtually no growth and dipping occupancy rates.

36. The sense of rivalry that exists among some countries is also notable. Seychelles and Mauritius, which offer similar products to many of the same markets, feel a strong sense of competition – rather than collaboration – amidst increased competition across the global tourism industry. Additionally, some stakeholders from the two countries with less developed tourism sectors (Madagascar and Comoros) feel that they have not been fully incorporated into regional tourism integration planning and will not benefit as much from regional integration as their more developed neighbors. Adding further complication, within each country there are divergent views between the public and private sectors on the optimal level of regional integration in tourism.

37. An example of the limited inclination to embrace a basic regional tourism integration initiative tourism is the consideration of creating regional accommodations classification system within the Indian Ocean region, as has been done recently in the East Africa Community. While there was some support for the idea in Seychelles, stakeholders in Madagascar and Mauritius were less enthusiastic. The most common objection related to the significant differences among the countries’ accommodations offerings was in terms of type, price, and size. For example, it was not deemed feasible to put high-end luxury lodges from Seychelles within the same system as rustic eco-lodges in Madagascar.

38. In another example, the idea of creating a sustainability label was also discussed with stakeholders in the various countries, but not widely accepted. The lack of agreement was largely due to differing roles of local communities and biodiversity in the countries’ tourism sectors. These differences have led each country to pursue different programs. Madagascar is creating a sustainability program aligned with that of Fair Trade in Tourism South Africa. Seychelles has recently launched the Seychelles Sustainable Tourism Label with support from UNDP, and Mauritius is developing its own certification program.

[Results of Previous Attempts](#)

39. Several Indian Ocean regional tourism integration activities have taken place in the past. Most notable was a project sponsored by the EU in the late 1990s. The project provided support for joint marketing and representation at major international trade fairs. It also worked to create the Indian Ocean Islands Tourism Organization (OTIOT), similar to those that exist in the Caribbean and South Pacific. Yet OTIOT was not able to fully-established itself and its’ sector focused marketing activities were short-lived. According to several participating stakeholders, the project was undone by political disagreements among and between member countries.

4.2 Collaboration as a Step toward Integration?

40. Despite the many inherent challenges, momentum towards Indian Ocean tourism integration has been growing. Several key factors and collaboration efforts are detailed below.

Emergence of the Vanilla Islands Organization (VIO)

41. In 2010, the concept of joint marketing under the banner of the “Vanilla Islands” was set in motion by the tourism authorities of the Seychelles, Mauritius, Réunion, Madagascar, and Comoros. This initiative will likely launch in 2013, with its secretariat based in Réunion. VIO will be chaired by Seychelles Minister of Tourism Alain St. Ange, while the CEO role will be filled by Réunion Island Tourism Board (IRT) Managing Director General Pascal Viroleau. Initial seed capital will come through a 700,000 Euro grant from the EU. VIO will concentrate its initial efforts on marketing and public relations, with a particular focus on emerging markets. Engaging cruise companies will also be an important focus. VIO envisions its role to evolve into areas such as product development, standards creation, and knowledge sharing. Having an official platform with a high-level management team and budgetary support should provide a strong foundation for its efforts. Also, given that Réunion is part of the VIO and COI, as well as the fact that it already has strong tourism links to three of the four Indian Ocean countries being examined in this study, full analysis of its current and potential role in Indian Ocean tourism integration would add value to the findings of this study.

Increased Interest from the Indian Ocean Commission (COI)

42. Another organization that can play a fundamental role in regional tourism integration is COI. Secretary General Jean-Claude de L’Estrac, who entered office in July 2012, has signaled tourism to be a priority for his administration. During a meeting held in November 2012 in Réunion, tourism ministers from Member States affirmed their support for regional cooperation and identified five pillars to work on: (i) product development, (ii) multi-country packaging, (iii) intra-regional travel, (iv) promotion, and (v) cross-cutting issues (including training, quality assurance, and environmental standards). COI plans to form a steering committee that will help create a strategy for regional tourism cooperation. One of its top priorities will be to improve intra-regional air transport. It has already commissioned several studies on the subject and will further support sector dialog through hosting topical conferences and meetings. During another meeting focused on regional air transport integration held in May 2013 in Mauritius, most member countries and national airlines expressed interest in liberalizing air access within the region. They felt that this would facilitate increased trade and improve regional competitiveness as a whole, in tourism and other sectors⁴⁹. While there was consensus on the importance and impact of expanded air service in the region, the direction for achieving necessary reforms was highly divergent.

Increasing Support from Donor Organizations

43. In addition to EU support for VIO, there are other possible lines of funding that may materialize to support regional tourism integration. The EU will be supporting an upcoming COI-led study on key Indian Ocean source markets. It is also studying the possibility of supporting COI’s regional tourism cooperation strategy. COI could secure additional tourism funding through the European Development

⁴⁹ Some opposition to air transport liberalization was expressed by Mauritius’ Civil Aviation Authority, Air Mauritius, and Air Austral (Réunion’s national airline). As such, meeting attendees agreed that it would be important for ministers responsible for transport and tourism to meet again by the end of 2013 to see if some resolution may be reached.

Fund (EDF)'s 2014-2020 financial framework⁵⁰. In this case, funding would come through Réunion. Meanwhile, the French Development Agency (AFD) is planning a 1.5 million Euro initiative to support Indian Ocean regional integration with tourism being one of several sectors that will likely be funded. Donor interest in support of the sector ranges from policy reforms to capacity building. In addition support exists for non-sector specific activities that benefit the sector such as fisheries, transport infrastructure and financial sector development.

Emergence of BRICS

44. While Indian Ocean destinations have suffered a setback from the economic crisis in key European source markets, new opportunities have arisen with the emergence of the BRICS countries (Brazil, Russia, India, China, and South Africa). With increased disposable income levels and the desire to explore new destinations – as many as ten in one trip – Chinese tourists are important targets for multi-destination holiday packages in the Indian Ocean. Russian travelers are motivated by the region's appealing climate as well as its beaches. Meanwhile, the growing markets of India and South Africa are located on the region's doorstep. South Africa serves as an important air and cruise hub for the region, receiving many international tourists interested in combining safari trips with beach destinations. In addition, its volume of outbound travelers is growing measurably.

New Opportunity for Stability through Upcoming Elections in Madagascar

45. Tourism stakeholders throughout the region recognize that stability in Madagascar is critical for promoting multi-country trips as well as Indian Ocean cruise tourism. This is due to the highly complementary nature of the country's natural and cultural attractions. The unresolved political crisis that began in 2009 has deterred tourists and stymied efforts by international operators to promote regional packages. This could change if elections are successfully held and followed by an extended period of stability.

Piracy in Region Waning

46. While the threat of piracy still looms, incidents have decreased significantly over the past year. Just 75 attacks took place in the Gulf of Aden and off the coast of Somalia in 2012, down from more than 200 in 2011. According to the International Maritime Bureau, an organization that monitors crime at sea, 71 sailors are currently being held hostage by pirates. In early 2011, the corresponding figure was 758⁵¹. Improvement in the piracy situation is attributed in part to increased stability in Somalia as well as a broader international effort to promote security within Indian Ocean waters. While the improving situation has stimulated renewed interest in promoting cruise tourism to the region, the threat of piracy remains a concern for tourism and hospitality operators across the region.⁵²

⁵⁰ The European Development Fund (EDF) is the main instrument for the European Union to provide development aid in the African, Caribbean and Pacific (ACP) countries and the overseas countries and territories (OCTs).

⁵¹ The Economist (2013) *What happened to Somalia's pirates?* <http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-11>

⁵² For an in-depth analysis of the economic impact of piracy in the region see The World Bank (2013d) *The Pirates of Somalia: Ending the Threat, Rebuilding a Nation* <http://www.worldbank.org/africa/piratesofsomalia>

SECTION 5

Key Issues for Regional Integration

5.1 Air Connectivity

47. All four countries are signatories to the Yamoussoukro Decision of 1999, which calls for the full liberalization of African air transport services⁵³. However, implementation has stalled in the Indian Ocean, as is the case in much of the African mainland. In practice, some air liberalization has taken place at a bilateral level through Bilateral Air Service Agreements (BASAs). These exist between all four countries. In years past, there were also a number of strategic partnerships and code share agreements among regional airlines. However, few are still in place, which contributes significant constraints on increased trade between the four countries.

PRINCIPAL CHALLENGES

Intra-Regional Flights are Very Expensive

48. High costs of regional flights act as a deterrent for those interested in visiting multiple Indian Ocean countries. A 2011 Indian Ocean air access study compared the lowest available costs of various flights within the region to flights of similar distances within Europe and the Caribbean. On average, the Indian Ocean flights cost 613% more than the European flights and 182% more than the Caribbean flights⁵⁴. High costs for Indian Ocean flights can be attributed to (i) a failure to implement air liberalization policies, (ii) some inefficiently run national carriers, (iii) high taxes, (iv) expensive handling service fees, and (v) airline pricing structures that fail to encourage multi-country travel within the region.

Limited Intra-Regional Routes and Frequencies

49. Direct connectivity is fundamental to regional integration. Overall connectivity in the region is poor. To date, some of the Indian Ocean countries are not interconnected with direct, efficient or viable transport. As an example, Comoros is not connected with flights to Seychelles or Mauritius. In another example, Seychelles lacks a direct connection with Madagascar. This is due in part to an outdated BASA, which was created in 1979 and does not even specify the number of permitted frequencies. Seychelles has not received a response to its requests to update the BASA, although Madagascar's civil aviation authority maintains that it is willing to revisit the issue. Air Seychelles would also like to increase its frequencies to Mauritius but is not able to do so under the current BASA.

5.2 Capacity Building and Employment

50. Formal jobs in the four countries' tourism sectors tend to be highly sought-after among locals. The jobs pay relatively well and provide opportunities for international exposure—a point that is particularly attractive to youth, who make up a large portion of the tourism workforce. Women face few gender-related barriers-to-entry in the tourism sector, and are well-represented in most Indian Ocean tourism businesses. With the exception of the Seychelles, most non-management tourism workers are locals. In all four countries, however, management-level positions in foreign-owned tourism businesses are dominated by foreigners.

⁵³ The World Bank (2013c) *Open Skies for Africa: Implementing the Yamoussoukro Decision* <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTTRANSPORT/EXTAIRTRANSPORT/0,,contentMDK:22709045~pagePK:210058~piPK:210062~theSitePK:515181,00.html>

⁵⁴ Constellation Aviation Consulting (2011) *Air Services in the Indian Ocean Region: A Report to the Indian Ocean Commission*, October 2011.

51. Businesses in the four countries indicate that they would prefer to be less reliant upon foreign labor, given the relatively higher foreigner labor costs. They also represent a significant amount of leakage along the tourism value chain. Although the four countries employ varying percentages of foreign labor, all recognize the importance of developing and maintaining high-quality tourism training institutes (TTIs) to reduce foreign labor figures and allow for broader job creation at the local level. In order to address TTI capacity needs, a number of bilateral partnerships have been forged among TTIs across the region. For example, Madagascar's state-run National Tourism and Hospitality Institute (INTH) has engaged in a series of highly fruitful exchanges with the Seychelles Training Academy (STA), La Renaissance Hotel School in Réunion, and the Mauritius Institute of Training and Development (MITD). Partnerships often involve exchanges of instructors for continued learning, facilitation of internship placements for students, and technical assistance in areas such as curriculum development, training material creation, and program administration.

PRINCIPAL CHALLENGES

Uneven Level of TTIs in Region

52. The level of tourism and hospitality training varies considerably among the four countries. This is reflected in the 2013 WEF TTCI ratings (see Table 1). While Mauritius and Seychelles rank fairly high (47 and 48), Madagascar's score is far lower (129), and Comoros would likely be further behind if rated. Mauritius has a very well established network of TTIs that include the Ecole Hôtelière Sir Gaëtan Duval, a government institute set up in 1971; Vatel, a well-regarded French hotel business school now with institutes in 30 countries; and training institutes set up by Beachcomber and Constance, two of the largest hotel chains on the island. Seychelles has STA, a relatively new institution with some seasoned staff and an ambitious facilities expansion program.

53. Madagascar's INTH, which has some significant capacity and budget shortfalls, has been the main TTI in the country. In recent years, a number of private TTIs have opened, including Ecole des Métiers du Tourisme et de l'Hôtellerie Majunga (EMTH) in 2003, Ecole Supérieure Spécialisée du Vakinankaratra – ESSVA (Antsirabe) in 2007, and Centre de Formation pour le Tourisme et l'Hôtellerie – CFTH (Nosy Be) in 2009. Overall, Madagascar still has major training gaps, especially outside of the capital. These include curricula that do not match industry needs, instructors with limited industry experience, and poorly-equipped facilities. Comoros is even more limited in its training capacity. For instance, the two-year diploma program at the University of Comoros has appreciable gaps in facilities and staff capacity.

Low Quality of Service in Many Establishments

54. Many workers across the four countries have not attended a TTI. Furthermore, apart from establishments managed by an international chain, most hospitality businesses do not offer substantial in-house training courses. The reasons for this vary. Often, managers themselves do not possess the capacity to provide professional in-house training. In some of the countries, business owners are reluctant to invest in training programs because of high staff turnover rates. Also, some business owners feel that better trained workers will demand higher salaries. The result is that service levels in many establishments in the four countries are low and often not commensurate with prices charged. This is of concern even to establishments that do invest in training, as they feel poor service quality in other establishments can tarnish the image of the entire destination.

5.3 Regional Product Packaging

55. The type of regional product packaging that Indian Ocean stakeholders seem to most firmly and widely support is cruise tourism. While the negative effects of cruise tourism are well-documented, in particular in the Caribbean, there is a significant positive economic impact achieved through cruise tourism on balance⁵⁵. Any cruise development efforts in the region will need to be grounded by a sustainable development strategy. Despite cruises coming to the region for some time, the number remains limited. While historically collaboration efforts among Indian Ocean countries in this area have been fairly limited, increasing dialogue appears to be taking place as the threat of piracy wanes. In terms of combining Indian Ocean destinations for tourists on standard air and land transport packages, efforts have also been limited. The most successfully promoted packages have been between Réunion and Mauritius, given their proximity and complementary offerings. This effort was aided considerably by a forward-thinking decision in 2011 by Réunion to waive visa requirements for package tourists from China, India, South Africa, and Russia.

PRINCIPAL CHALLENGES

Some Key gaps in Cruise Development Efforts

56. While nearly all tourism stakeholders across the region see strong potential for cruise tourism, the four countries are at very different levels of preparedness. As can be seen in WEF TICI rankings in Table 1, there are some important gaps in terms of port infrastructure⁵⁶. The ports in Comoros, not featured in the rankings, are not currently able to receive cruise ships⁵⁷. Yet, port infrastructure is only one piece of the puzzle. Other gaps include lack of a clear cruise homeport in the region, tourism products to cater to large groups of cruise tourists, poor roads leading from ports to key tourism attractions, limited opportunities for local businesses to offer services to cruise passengers, inadequate visa and immigration processing services in port areas, and a lack of environmental regulations for cruise ships. Due to the multi-destination nature of cruise itineraries, gaps in any of the cruise destinations hinder the entire region's ability to attract more cruise ships.

Limited Packaging of Multi-Country Trips

57. Joint packaging with other destinations can be a highly beneficial strategy. For example Singapore, with its excellent air links and many urban tourism options, found that it could increase its tourist traffic by cross-selling complementary beach products such as Bali and Bintang in Indonesia.

58. In the Indian Ocean to date, few packages other than Réunion-Mauritius have been successfully marketed. Mauritius and Seychelles are rarely packaged because of similar products and high airfare costs. Seychelles and Madagascar have limited air connections, and Comoros currently lacks the air connections and infrastructure to be considered for packaging. Madagascar is widely regarded as a high

⁵⁵ Based on a presentation by Ted Blamey, independent cruise consultant, at Cruise Shipping Asia in 2011, the cruise industry in the USA in 2010 generated about \$18.1 billion in direct spending and employed more than 140,000 persons; similarly, the cruise industry in Europe in 2010 generated about EUR14.5 billion in direct spending and employed more than 150,000 persons. According to a study commissioned by the Singapore Tourism Board, the cruise industry in Singapore in 2010 generated about \$430 million in direct spending and employed, directly and indirectly, 3,365 persons.

⁵⁶ Concern about Indian Ocean port infrastructure was echoed during a recent conversation with a manager at Royal Caribbean Cruise Lines, one of the five largest cruise ship operators in the world.

⁵⁷ Comoros occasionally receives cruise ships, but they must anchor at sea and then send passengers to shore using smaller motorized boats.

potential packaging destination because of its wide variety of complementary attractions. Yet currently it is only packaged with Mauritius or Réunion on a very limited basis. This is largely attributable to the current political situation.

59. Another important impediment to packaging, both for Madagascar and the wider region, is a general lack of knowledge among Indian Ocean inbound tour operators about their neighbors' tourism offerings. This was one of the key findings of an EU-sponsored series of workshops held in 2011⁵⁸ in order to foster Indian Ocean regional tourism cooperation⁵⁹.

5.4 Marketing

60. Marketing is the area in which the Indian Ocean countries have the most experience collaborating with one another. Mauritius has jointly organized a number of press trips and tour operator familiarization trips with Réunion and Madagascar in the past several years. In 2011, all four countries organized a regional tourism road show in China through EU support. Another example is promotion through high-profile events. Réunion, Mauritius, and Madagascar all participated in the 2013 Carnival celebration hosted by Seychelles. Through the VIO, many more joint marketing and public relations initiatives should come to fruition.

PRINCIPAL CHALLENGES

Limited Visibility of Region, Especially in emerging Markets

61. The Indian Ocean islands are still relatively unknown in many key source markets. Many tourism stakeholders feel much can be done to enhance the region's positioning within the global marketplace. The Caribbean is often held as a model for its efforts to develop a strong brand for its cluster of island destinations. There is also a sense among tourism stakeholders that, in light of the economic downturn in key European source markets, the region must make a stronger effort to position itself within key emerging markets such as Russia, Brazil, India, Australia, and China.

Uneven and Inconsistent Statistics Collection Hinders Market Intelligence Efforts

62. Effective marketing must be based on timely and accurate statistics. Therefore, any regional marketing efforts need to have reliable statistics from across the region. However, tourism statistics collection is uneven among the four countries. The 2013 WEF TTCI rankings (see Table 1) shed some light on this issue. With regards to "Timeliness of T&T Data", Mauritius and Seychelles fare well, with rankings of 7 and 17, respectively. Madagascar ranks 93 while Comoros, if included in the index, would almost certainly have a lower ranking⁶⁰. Further, with relation to "Comprehensiveness of T&T Data", rankings indicate that all have room for improvement (Mauritius and Seychelles are tied at 72 with Madagascar ranked 95 out of a total of 131).

63. Several of the four countries face significant problems capturing reliable international tourism arrivals data, perhaps the most fundamental of tourism statistics. Also, the four conduct visitor surveys at

⁵⁸ Between March and May 2011, four workshops were organized for members of the public and private sectors from Comoros, Mauritius, Seychelles, and Madagascar. One objective of the workshops was capacity building. Based on requests from participants, the following themes were covered: sustainable tourism, marketing strategy, air access policy, and training issues. Another important objective was to expand upon participants' knowledge of the other islands so as to promote partnerships or joint projects.

⁵⁹ Hermes Conseils (2011) *Tourism Industry Competitiveness in the Indian Ocean*, Summary Report of Workshops Commissioned through the EU Pro-Invest Programme, August 2011.

⁶⁰ Comoros' 2011 arrival figures were reported with nearly two years of delay.

very different frequencies and use different methodologies, thereby minimizing the ability to make reliable comparisons. Another good example of data gaps across the four countries relates to cruise tourism, an area that all countries want to better promote. None of the countries includes cruise data among their regularly published tourism statistics⁶¹.

SECTION 6

Recommendations

TABLE 8: SHORT, MEDIUM AND LONG-TERM RECOMMENDATIONS

Policy Area	Short-Term	Medium-Term	Long-Term
Air Connectivity	<ul style="list-style-type: none"> Reinvigorate “Air Pass” program 	<ul style="list-style-type: none"> Re-evaluate some BASAs 	<ul style="list-style-type: none"> Explore possibility of facilitating entry of a Low Cost Carrier (LCC)
Capacity Building and Employment	<ul style="list-style-type: none"> Create database of qualified tourism trainers in region 	<ul style="list-style-type: none"> Create more partnerships among TTIs in region Create a regional quality label 	<ul style="list-style-type: none"> Jointly develop e-learning training
Regional Product Packaging	<ul style="list-style-type: none"> Develop a regional cruise tourism strategy 	<ul style="list-style-type: none"> Conduct familiarization trips for Indian Ocean tour operators Country specific cruise strategy implementation 	
Marketing	<ul style="list-style-type: none"> Work through VIO to Raise profile of region, especially in emerging markets Collect and publish regional tourism statistics 	<ul style="list-style-type: none"> Broader market representation Intra-regional technical assistance 	<ul style="list-style-type: none"> Aligned statistics collection and reporting

64. Recommendations are divided into three categories: short term, medium term, and long term. Short term initiatives are those where implementation should begin within the next year. Medium term initiatives are those where implementation should begin between one and two years from the current date. Long term initiatives are those that would likely commence after two years, although earlier implementation should not be precluded. While many of the recommendations are to be led initially by the public sectors of the respective countries, it is critical to ensure buy-in of relevant private sector players as the latter will be instrumental in pursuing business opportunities arising from these early initiatives. To ensure policy actions that are relevant to the private sector, public-private dialogue towards some level of consensus of the way forward must continue to be pursued, both at a country level as well as at a regional level.

65. In the immediate and short-term, there will inadvertently be some winners and losers within the region. Given the inherent tourism attributes of the four countries covered in this study, collaborating in tourism will allow each country to grow in the regional tourism pie over the longer-term. Ultimately, the

⁶¹ Furthermore, only one of the countries had the data available upon request.

goal is to make them each more competitive in the global arena. Crystalizing and keeping sight of the longer-term benefits will thus be critical in obtaining buy-in from all the member countries on the merits of regional tourism integration.

6.1 Air Connectivity

SHORT-TERM

Reinvigorate “Air Pass” Program

66. Making intra-regional flights less costly by revamping the largely dormant Indian Ocean “Air Pass” program would open a significant bottleneck. When the program launched nearly a decade ago, the regional airlines agreed to offer international tourists one-way flights between countries at rates of roughly half the cost of a round-trip ticket. Currently it is hard to find such rates. To the extent that they are available, they are rarely advertised and often cannot be booked by travel agents through global distribution systems (GDSs). Revisiting the program policies and practices to ensure such fares are widely available could benefit airline operations in the region. Airlines could then disseminate the promotional prices within the market⁶² and ensure they are incorporated into GDSs.

MEDIUM-TERM

Re-evaluate Some BASAs

67. Seychelles and Madagascar need to revise the 1979 BASA, with a view towards allowing more frequent flights, perhaps even daily. While the route may not be deemed commercially viable at present, post-election stability in Madagascar over an extended period would likely cause a strong surge in demand for travel to Madagascar. Without such flights, key twinning opportunities could be lost. In another case, Mauritius could re-evaluate the possibility of altering its BASA with Seychelles to allow for increased flight frequencies. Since Air Mauritius is not flying this route, the downside of increased frequencies is not apparent. However, the existing BASA allows for equal frequency of flights between the two carriers, supporting a move by Air Mauritius to re-establish its flight schedules to be competitive.

LONG-TERM

Explore Possibility of Facilitating Entry of a Low Cost Carrier (LCC)

68. A number of regional tourism stakeholders, including the COI, have advocated for the creation of a regional low cost carrier (LCC). Such an initiative would give a strong boost to multi-country visits within the region. However, the feasibility of an LCC, both in terms of potential demand as well as political will, is still to be determined. The 2011 Indian Ocean air access study found that it would be difficult for an LCC to succeed without the creation of a “cabotage area”, which would allow free competition within the region⁶³.

⁶² They may want to restrict these promotional prices during high season months.

⁶³ In addition to the operation within a “cabotage area”, the 2011 Indian Ocean Air Access Study identified several other elements that are common among successful global LCCs: privately run, led by a charismatic individual, and having strong financial backing.

CASE STUDY 3: LOW-COST CARRIERS IN SOUTHEAST ASIA

AirAsia, started in Malaysia in 2002, is considered to be the trailblazer among LCCs in Southeast Asia. With continued lobbying and business tenacity, AirAsia has managed to expand to become one of the largest regional carriers in Southeast Asia. It currently operates scheduled domestic and international flights to 78 destinations in 25 countries.

This is despite the fact that the Association of South-east Asian Nations (ASEAN) is still working towards the implementation of the ASEAN Open Skies agreement in 2015, and the airlines in these countries continue to operate on BASAs that vary in levels of liberalization. In particular, Indonesia continues to keep tight control on its air regime, which impacts on the whole region due to “seventh freedom” prohibitions. Air Asia has creatively circumvented some of these restrictions by incorporating local subsidiaries in countries such as Indonesia, Thailand, and the Philippines.

The success of AirAsia has forced countries such as Singapore to adopt the LCC model. Singapore has traditionally not been very supportive of LCCs due to the perceived threat to its established main carrier, Singapore Airlines. Singapore now hosts three LCCs. Two of them, Tiger Airways and Scoot, are partially or fully owned by Singapore Airlines. The third, Jetstar Asia, is partially owned by Qantas. Indonesia also has a relatively established and rapidly expanding LCC, Lion Air, which was founded in 2000. It currently operates 92 aircraft and has ordered 464 new aircraft in 2012 and 2013.

Sources: The Straits Times (2013), BBC (2013)

6.2 Capacity Building and Employment

SHORT-TERM

[Create Database of Qualified Tourism Trainers in Region](#)

69. At a 2011 workshop sponsored by the EU ProInvest Programme probing capacity building opportunities, a number of participants recommended the creation of a database of regional tourism trainers. The trainers, both independent and those affiliated with TTIs, could then be called upon by TTIs, tourism associations, or even individual businesses to provide training in areas where they have strong expertise. This would be particularly useful when specific knowledge or skill gaps cannot be addressed by in-country trainers. It could also help eliminate the need for trainers from outside the Indian Ocean, who may be more expensive and have less understanding of the regional context.

MEDIUM-TERM

[Create More Partnerships among TTIs in Region](#)

70. There is a strong precedent for bilateral TTI partnerships within the region. Some have ended including the case of Madagascar, where partnerships were interrupted by the 2009 political crisis. Consideration towards reinitiating and strengthening appropriate partnerships should be given as there is much that TTIs can learn from each other – each has its own set of strengths and weaknesses.

71. The partnership exchanges provide a number of important benefits to participants. They help build TTI capacity, enabling them to produce local graduates that fit the needs of the industry. This could promote fewer value chain leakages related to the hiring of foreign labor. Second, exchanges can help familiarize instructors and students with other Indian Ocean countries, which can contribute to increased multi-country packaging and other forms of regional collaboration. Third, exchanges provide students with critical exposure to tourism industries in other countries. In the future, this could contribute to improved employment and sector-specific, regional worker flows that address gaps not filled locally.

While this is a politically sensitive issue that will not likely be resolved in the short term, the approach over the long-term could offer a preferred regional solution to hiring workers from further afield. As countries' tourism expansion creates critical labor shortages, governments and businesses could see benefits to importing qualified labor from neighboring countries in the Indian Ocean. Staff from neighboring countries would not only likely be less expensive to hire, but can also be especially effective given the overlapping of cultures and languages.

Create a Regional Quality Label

72. None of the four countries have established comprehensive classification systems that regularly monitor the quality of accommodations establishments. Yet it is important to provide strong incentives and specific mechanisms for business owners to continually improve service quality. Madagascar had a very positive experience with the short-lived "Welcome to Madagascar" quality label, which was adapted from a similar system used by Réunion in 2004. Supported through a grant from the German government and with fees paid by participating businesses, the program utilized anonymous evaluators that scored tourism establishments according to their level of customer service, cleanliness, and food quality. Of the 80 participants, 30 passed and were able to use the quality label in their marketing materials. Besides that benefit, participants were given highly useful reviews indicating training needs and other areas for improvement.

73. A number of Indian Ocean tourism stakeholders are enthusiastic about the idea of creating such a program at the regional level. This could potentially be implemented by a regional organization such as VIO or COI in partnership with private hotel associations in participating countries. This would give the program wider recognition and provide greater value to participants. Encouraging is the fact that a quality label program has been successfully implemented across seven Caribbean countries⁶⁴.

CASE STUDY 4: CARIBBEAN QUALITY ASSURED PROGRAM

The Caribbean Tourism Organization (CTO) sensed there was a strong need to "promote a culture of quality, service excellence, and continuous improvement" among tourism enterprises in the region. In 2010, with around 900,000 Euros of support from the EU's ProInvest program, it partnered with the UK Institute of Hospitality to adapt the internationally-recognized Hospitality Assured (HA) program to the Caribbean context.

HA is a process-based quality label that examines measures taken by enterprises in areas such as personnel training, customer research, operational planning, and service delivery monitoring. Companies interested in participating must first fill out a self-assessment. If below the 60% threshold, they are instructed on how to improve and can even contract HA-certified business advisors. Once above the threshold, an official assessor performs an on-site evaluation.

All who are evaluated receive detailed feedback and are benchmarked against other businesses within their sector. Those that pass are certified for a period of two years. They are able to use the HA logo and appear in CTO promotional materials. Other reported advantages include enhanced customer loyalty, improved staff morale, and reduced turnover. To date, 45 tourism businesses have been certified across the seven participating Caribbean countries.

Source: Caribbean Tourism Organization (2013a)

⁶⁴ Caribbean Tourism Organization (2013a) *About Hospitality Ensured*
<http://hospitalityassuredcaribbean.com/about-us/>

LONG-TERM

[Jointly Develop E-learning Training](#)

74. In 2012 STA, in partnership with the Virtual University of Small States of the Commonwealth (VUSSC), launched an online sustainable tourism course. As part of the partnership, an STA instructor was trained in online learning management systems. The course's initial use by STA students is expected to be broadened to those already in the Seychelles work force for a modest tuition fee. Meanwhile, Madagascar's INTH is now working on an e-learning platform that will help it deliver training to students based in regions far from Antananarivo. This is an attempt to extend their reach to areas of the country with major tourism training needs given limited funds.

75. Given the e-learning experience that is being developed in the region, the next step is to explore how to broaden the scope of such initiatives. STA, INTH, and organizations from Mauritius and Comoros could work jointly to develop online courses for other subjects for which there are knowledge gaps. Courses could be geared towards both students and current tourism workers. These courses would not represent a substitute for other training, especially in the area of hospitality, where hands-on training is indispensable. Such a mechanism could be particularly useful for women, who tend to benefit from initiatives that allow more time flexibility. Joint courses could be developed in French, which is spoken by virtually all tourism students in the region.

[6.3 Regional Product Packaging](#)

SHORT-TERM

[Develop Regional Cruise Tourism Strategy](#)

76. In order for the region to attract more cruise tourists in a sustainable manner, a much more coordinated approach will be necessary. An important first step will be the creation of an Indian Ocean Islands cruise tourism development strategy. Once the regional cruise strategy is complete, individual country strategies should be elaborated so as to address specific gaps cited within the regional strategy. A useful model for the regional cruise ship strategy is provided by SPTO profiled in Case Study 5. As most cruise ships would want to cover the wider Indian Ocean region, the strategy could also consider incorporating destinations such as Maldives, Sri Lanka, Zanzibar, and other South and East African mainland ports.

77. One critical area to address within the strategy is the identification of a possible homeport in the region. A homeport will need to have sufficient air and cruise infrastructure, and ideally a sizeable source market for cruise tourism. Another important element is the integration of local businesses into the cruise tourism value chain so that they can enjoy a significant proportion of the benefits from cruise tourism. It will also be critical to include an assessment of the potential environmental impacts arising from growth in cruise tourism, along with developing a targeted action plan to mitigate them.

CASE STUDY 5: SOUTH PACIFIC CRUISE TOURISM STRATEGY

Following in the footsteps of South Pacific Tourism Organization (SPTO), which developed a South Pacific Cruise Tourism Strategy, it would be advisable to create an Indian Ocean Cruise Tourism Development Strategy. SPTO's strategy paper contained the following elements:

- Review of global cruise tourism trends
- Overview of relevant infrastructure, facilities, and services among member countries
- Identification of key constraints for cruise ship development among member countries
- Review of Member States' relevant policies and regulations
- Potential economic, environmental, and social impacts
- Marketing strategy for regional cruise tourism
- Regional cruise tourism development action plan

Implementation of the study recommendations began in 2011. There has been significant engagement with the private sector, which has allowed SPTO to better understand what the cruise companies require when planning their cruise itineraries. SPTO will soon conduct a cruise training session for member countries to share these findings. SPTO has also successfully compiled information on all the ports in the South Pacific for cruise companies to reference, and is in the midst of developing a regional policy on berthing so that cruise companies know what to expect in all destinations.

Source: South Pacific Travel (2011)

78. It is recommended that the strategy explore options for facilitating visa and immigration services. Some cruise industry members estimate that up to 90% of global cruise passengers calling at a port need not carry their passports to formally clear immigration, drastically shortening the time for such procedures. This is achieved in two different ways. One involves flying immigration officers to the preceding port-of-call so that they can start checking passports onboard the ship while journeying to their country. This mechanism is often employed by Singapore, Malaysia and Thailand. Other countries, in particular those in the Caribbean, are relatively liberal (in part depending on where the cruise itineraries commence) and might not even require immigration checks when passengers disembark.

MEDIUM-TERM

[Conduct Familiarization Trips for Indian Ocean Tour Operators](#)

79. Another key impediment is the lack of knowledge of regional tourism products among Indian Ocean tour operators. This can be addressed through well-designed familiarization trips to each of the four countries, as recommended at the 2011 EU-sponsored workshops. Such trips can increase Indian Ocean tour operators' familiarity and comfort level with neighboring countries' products. They can also help to strengthen personal contacts and professional rapport which is critical to collaborative tourism business efforts. As a result, an increase in the promotion and selling of multi-country packages is enabled.

6.4 Marketing

SHORT-TERM

[Work through VIO to Raise Profile of Region, Especially in Emerging Markets](#)

80. All countries in the region would greatly benefit from more prominent positioning of the Indian Ocean in the global tourism market. VIO is now poised to play a strong role in this endeavor. Applying best practices from the Caribbean and South Pacific Islands, VIO should be able to help raise the profile of its members and increase the overall size of the region's global market share. While it had originally

planned to represent the region in all source markets, some members requested that it focus its efforts on emerging source markets such as China, Russia, Australia, and Brazil. This will allow all participating countries to be represented in markets that they may otherwise have difficulty reaching—particularly useful for those with smaller marketing budgets.

81. Marketing activities in these countries would likely include production of targeted promotional materials (print and electronic) in local languages, organization of familiarization trips for tour operators and press trips for media, and participation in relevant trade fairs. VIO may also want to consider establishing regional specialist program in these countries as was done in the Caribbean and South Pacific.

CASE STUDY 6: SPTO AND CTO REGIONAL SPECIALIST PROGRAMS

Both SPTO and CTO have developed “specialist” programs that help enhance travel agents’ knowledge of the region while providing them with special incentives to sell their products. In order to receive accreditation, travel agents must first take an online training course on the region’s products and then pass a web-based examination.

Accredited agents for each of the programs receive a number of benefits—in some cases depending upon how much they sell. They include prioritization for familiarization trips, free e-newsletters, listings in publications and websites, inclusion into incentive programs, and entry into sweepstakes for free trips. CTO also offers membership kits with branded goods (membership cards, pins, bags, luggage tags, etc.), discounts to conferences, and free webinars. SPTO’s unique offers include discounted rates at SPTO member resorts/lodges and invitations to free regional training workshops.

The SPTO program has numerous accredited specialists spread across North America, Europe, Africa, Australia, and India. In the case of CTO, specialist programs are linked to CTO’s chapters in UK, France, the Netherlands, Germany, and 10 distinct regions across the USA. Each chapter has a president and holds regular meetings to discuss opportunities to enhance sales to the region.

Sources: Caribbean Tourism Organization (2013d), South Pacific Tourism Organization (2013b)

[Collect and Publish Regional Tourism Statistics](#)

82. CTO and SPTO regularly collect tourism data from member countries and publish them in regional statistics reports. This provides members with important aggregate data as well as useful benchmarks. The Indian Ocean countries should also start jointly publishing their collective tourism data, which could then help to inform their tourism strategies moving forward. Such an effort can start almost immediately using available data in areas such as tourism arrivals and cruise ship calls. Once systems for sharing data are in place and confidence is built, more detailed data can be collected. In order to do so, however, statistics collection methodologies will need to be aligned. This is particularly critical for arrivals data collected at immigration posts as well as tourist profile and expenditure data gathered through visitor surveys. Additionally, it will be important that all countries are able to report information fairly rapidly, as data becomes less valuable the longer it takes to collect.

83. Given that the four countries have different levels of statistics’ collection capacities, it is fundamental to work together to derive a system that can be expediently implemented. To fill important gaps, technical assistance could be provided by those countries with more advanced statistics systems.

Technical support may also be solicited from UNWTO, which is active globally in establishing best practices for tourism statistics systems.

SECTION 7

The Way Forward

84. In “The Experience of European Integration and the Potential for Integration in MERCOSUR”, Malamud and Schmitter provide a thoughtful review of the European Union regional integration experience—widely seen as the most significant and far-reaching among all attempts at regional integration.⁶⁵ Many of their suggestions for applying regional integration lessons to the emerging Common Market of the South (MERCOSUR) are also relevant to the Indian Ocean region.

CASE STUDY 7: APPLYING EUROPEAN UNION REGIONAL INTEGRATION TO LATIN AMERICA...AND BEYOND

1. **Regional integration is a process not a product.** The process of regional integration is uncertain and unpredictable. However, it must be peaceful, voluntary, and, most importantly, transformative. The process must change national states’ motives and calculations, enlarge the functional tasks they accomplish collectively, expand the authority and capacity of supranational institutions, and stimulate interest associations and social movements across member states.
2. **Regional integration has to begin somewhere and the best place to do so under contemporary conditions is with a functional area that is of relatively low political visibility, that can apparently be dealt with separately and that can generate significant benefits for all participants.** The distribution of benefits can be (and almost always is) disproportional at times, but it is critical to ensure a proportional or “fair” distribution over a longer period. Participating actors must be encouraged to think in terms of absolute rather than relative gains.
3. **Regional integration is driven by the convergence of interests, not by the formation of an identity.** It is also important that nation states join with convergent—but not identical—motives. They should “hit on” integration for different reasons and with different expectations. This provides the future potential for making ‘package deals’ that will include a variety of pay-offs across participants.
4. **Regional integration may be peaceful and voluntary, but it is neither linear nor exempt from conflict.** All the participants from the beginning must acknowledge the existence of conflicts. But this is not enough. They must also expect those conflicts to be resolved peacefully. Indeed, the existence of conflicts is inevitable and exploitable. Without conflicts, regional integration would not advance.

⁶⁵ Andrés Malamud and Schmitter, P. “The Experience of European Integration and the Potential for Integration in MERCOSUR”, paper prepared for delivery at the 2006 Joint Sessions of Workshops of the European Consortium for Political Research (ECPR), Nicosia, Cyprus, 25-30 April, 2006.

5. Regional integration inevitably involves national states of quite different size and power capability. The key interest cleavages in the process of integration tend to be based on relative size and level of development. These should be accommodated in institutional rules, e.g., by over representing small countries and inserting special programs for less developed members. The best imaginable outcome is “convergence” whereby the weakest members in economic and political performance find themselves growing faster and becoming more secure relative to those that are stronger. The thorny issue is how to ensure that the latter agree to such a re-distribution of income and power.

6. Regional integration, however, requires leadership, i.e. actors who are capable of taking initiatives and willing to pay a disproportionate share of the cost for them. This is obviously related to the preceding issue of size and development. In the fortunate European pattern, the two cleavages (size and development) do not coincide, but cut across each other. Some small countries are rich and some large ones are (relatively) poor.

7. Regional integration requires a secretariat with limited but potentially supranational powers. Key powers of the secretariat, in the case of EU, include: (1) control over initiation of new proposals; (2) control over distribution of positions within its quasi-cabinet (the European Commission); (3) budgetary discretion; (4) potential to take member states to European Court of Justice; (5) network position and possible information monopolies, especially with regard to sub-national actors (functional and territorial); (6) alliances with Euro-parliament; and (7) package-dealing and log-rolling potential.

8. Regional integration requires that member states be democratic. That member states are democratic provides insurance that members will not use force against each other, especially once integration has progressed and their respective civil societies have become intertwined.

9. Regional integration seems possible with members that are at different levels of development and per capita wealth. The European experience not only shows that regional integration is possible for member national states with different levels of development but also clearly demonstrates that upward convergence is possible for poorer and less developed countries. In other words, integration not only can cope with national disparities at the point of departure, but also diminish them over time.

10. Regional integration needs both formal agreements and informal arrangements, but as it proceeds rule-bound procedures based on publicly defensible principles should increasingly prevail over improvised settlements based on momentary distributions of power. The EU has taken from its member states a highly institutionalized system of government. Democratically accountable national leaders make regionally-binding decisions through formal (if very complex and often little understood) procedures, and professionalized national bureaucracies are supposed to implement these decisions in a predictable (and identical) fashion. However, such a model of government and administration took a long time to develop and an even longer time to spread more-or-less evenly across its member states. Transferring this model to a region composed of less developed polities is problematic, all the more so when there is great deal of variation in state capacity and rule of law among these units.

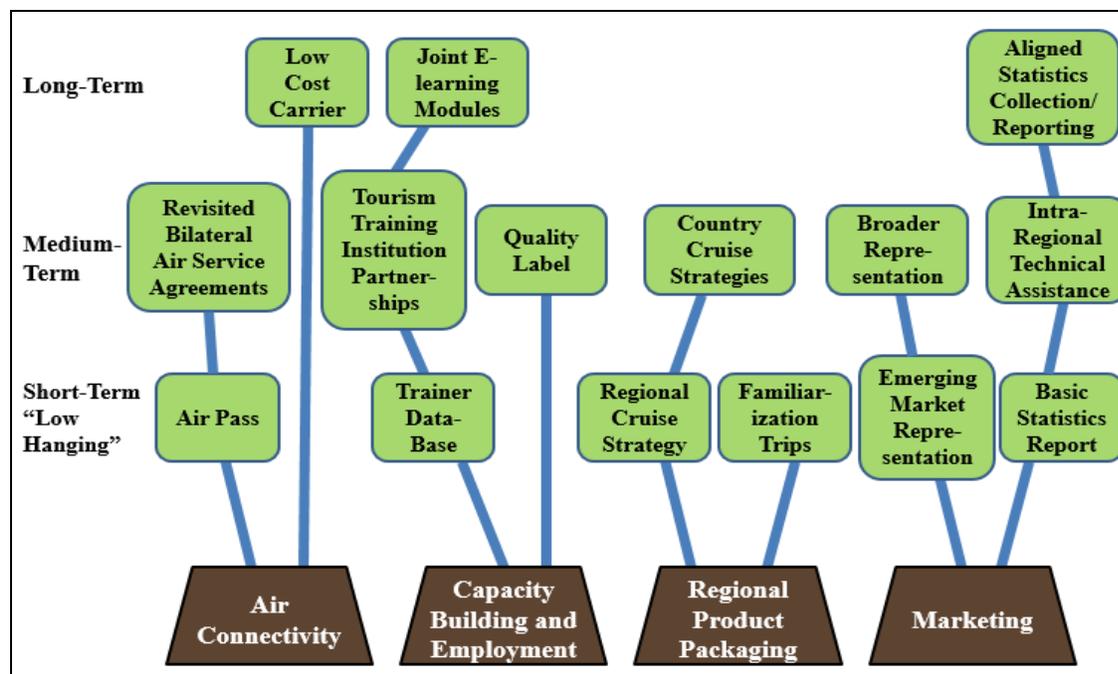
Source: Excerpted from Andrés Malamud and Schmitter, P. “The Experience of European Integration and the Potential for Integration in MERCOSUR”, paper prepared for delivery at the 2006 Joint Sessions of Workshops of the European Consortium for Political Research (ECPR), Nicosia, Cyprus, 25-30 April, 2006.

85. The challenges to Indian Ocean regional tourism integration are undeniable. Its countries are at very different stages of tourism development. For the most part, their tourism offerings appeal to distinct segments. In cases where they are targeting similar markets, there is a strong sense of rivalry. Also, most of the countries are preoccupied with internal issues – the most dramatic example being the on-going political uncertainty in Madagascar. Past attempts at regional integration, in tourism and other sectors, have seen mixed results. Engagement of the tourism private sector is not automatic.

86. The economic and social differences between these countries, while providing a possible richness in tourism offerings, also add complexity to tourism sector integration. Cultural differences can affect the way tourism services are offered, the way the sector is managed and the way it can develop; product differences affect the image and positioning of each country and can be a force which works against integration; and differences in the stage of industry development, reflected in the scale tourism reaches in each country and in the institutional capacity to manage the sector, can impact the development of any meaningful and effective collaboration across the region. As noted, this is consistent with experience in other regions – in particular the Caribbean and the South Pacific. Even in these regions where tourism is a large component of economic activity, experience is that the effectiveness of using tourism as a catalyst for regional integration can be limited and requires significant political commitment over time. Pragmatism and gradualism are critical underpinning elements.

87. Despite all of these challenges, there are opportunities for progress in regional tourism integration. Within the Indian Ocean some promising developments signal that this could be an opportune time to reinitiate tourism integration efforts. The first is the impending launch of VIO, which has strong leadership and financial backing necessary to provide a solid platform for regional collaboration. COI is also poised to play an important role in the process. Both of these organizations’ regional tourism integration efforts have received financial support from donors such as the EU and AFD, which will likely continue to provide funding for such efforts. Furthermore, 2013 could see a major turning point in Madagascar. Stability in Madagascar, which provides a complementary add-on tourism offering to the other countries’ offerings, would no doubt provide a significant boost to regional tourism.

FIGURE 3: MAPPING OF REGIONAL TOURISM INEGRATION RECOMMENDATIONS



88. Within the context of the challenges and opportunities discussed, focusing initial efforts on fairly simple initiatives that will likely produce quick successes is recommended. This is particularly important

in building support among countries that are not fully convinced of the benefits of increased regional cooperation. Figure 4 maps key recommendations according to their implementation time-frame. Many of the short-term initiatives serve as a first step toward important medium and long-term initiatives.

89. In addition to focusing on quick successes, other recommendations for implementation of regional tourism integration are:

[Real Collaboration with the Private Sector](#)

90. As the private sector players are ultimately the ones who will pursue and see through business opportunities in regional integration, it will be critical to engage more deeply with and provide a greater role for them. The COI and VIO's efforts would likely gain broader support and legitimacy if they were to provide a more formalized role to the private sector. One option would be for the private sector to help form an associated body that would serve as a regional forum for Indian Ocean countries' tourism sector associations. Such a body, specifically the East Africa Tourism Platform (EATP), was created in June 2012 within the East African Community (EAC).

[Engage All Partners](#)

91. Some members of VIO have felt somewhat marginalized as larger regional tourism players take the lead on initiatives. It is important to maintain the spirit of regional cooperation and understand that each country has a role to play in the drive towards regional integration.

[Scope for Widening the Group](#)

92. Regional collaboration should not necessarily be limited to the four countries of this study or even the five VIO countries. In some cases, it is advisable to undertake initiatives that incorporate countries such as Maldives, Sri Lanka, and perhaps even countries on the African mainland that border the Indian Ocean. A good example is cruise tourism development, as many cruise companies would likely want to sail the larger region. At some point in the future, VIO may determine that its interests would be best served by expanding to include more members.

[Bilateral Initiatives Present Some Opportunities](#)

93. Nevertheless, it is important to recognize that not all initiatives will be appropriate for every VIO member. Initiatives should not be imposed across the group, especially when capacity levels or interests do not align. In some cases, programs may function best at a bilateral level. In fact there are cases when political frameworks dictate the need to work bilaterally. A good example is the BASA.

[Define the Roles of Implementing Structures](#)

94. Both VIO and COI have the ability to significantly impact regional tourism integration efforts. However, there may be some overlap in the roles they envision playing. Clear definition of roles would minimize this issue any overlapping concerns. Furthermore, close collaboration between the two organizations is necessary to ensure efficient outputs.

[Close Coordination among Donors is Critical](#)

95. Just as implementing organizations must be highly coordinated, so too should the donors that support them. This helps to eliminate overlap and ensure that efforts are highly complementary and sequenced to have greatest impact.

Adopt Technical-Level Best Practices from Other Regions

96. By studying other regions, such as the Caribbean and the South Pacific, that are more advanced in their regional tourism integration efforts, the Indian Ocean can learn from their experience. While it is recognized that a major difference between the Indian Ocean destinations vis-à-vis the Caribbean and the South Pacific is the former's distance from its key source markets, many of the regional integration challenges they have faced are similar to those with which the Indian Ocean is now confronted. It will be important to understand the mechanisms utilized by these regions to overcome challenges and to understand the degree to which they have been successful.

Mobilization of the Private Sector through PPPs

97. While government can create the enabling environment and needs to lead the development of tourism with specific investments in infrastructure, it is the private sector that ultimately invests in businesses that deliver tourism products and generate tourism incomes and jobs. Specific initiatives to mobilize the private sector, such as PPPs, can be effective in building both supply side and demand side opportunities. Possible PPPs include mobilizing the development of a quality branded hotel in Comoros, the introduction of new air services (perhaps through the sale/privatization of existing airlines), opportunities for private investment in the skills training sector, and the mobilization of marketing and market development initiatives which can be shared between the public and private sectors. In this context, the regional initiatives drawing the private and public sectors together could be emphasized.

98. Direct support to the PPD process at the country and regional level can be effective in bringing public and private sides of the development together. It can also form a platform for better regional cooperation in policy development, regional marketing and integration of processes which facilitate travel. With a growing momentum of support for initiatives at the regional level, it may be easier to mobilize this type of assistance quickly.

SECTION 8

Conclusions

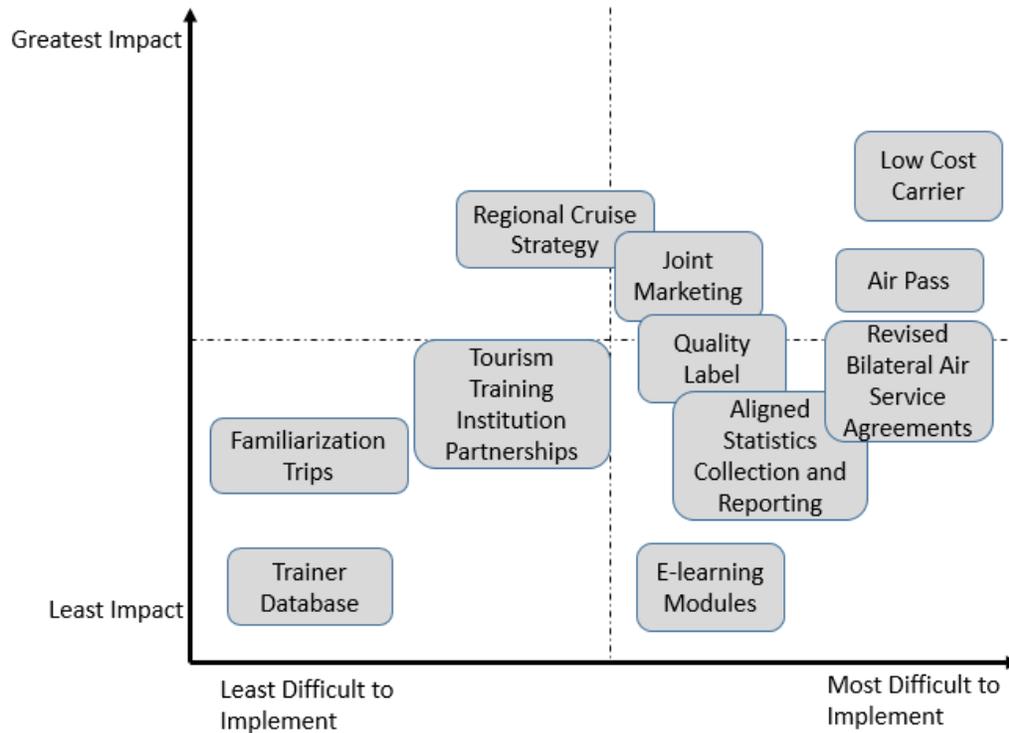
99. While there have been some encouraging development pointing towards increased tourism collaboration among the countries of the Indian Ocean, significant challenges remain. Focusing on fairly simple initiatives can yield quick successes and help build trust among the countries. Until there is a collective mindset shift on the overall gains to be reaped for all the countries, regional collaboration will continue to be opportunistic and on a smaller scale.

100. Experience in other regions, such as the Caribbean and South Pacific, highlight the difficulty of achieving lasting broad-based tourism collaboration across the region. While there have been successful initiatives in those regions, some of which having been highlighted in this report, there have also been a number of initiatives that have failed to meet expectations. As such, it is crucial to be highly strategic in determining which efforts to pursue and to plan for an adequate timeframe for initiatives to become not only implemented, but established, productive and sustainable. This is requisite to achieve lasting policy reform and positive impact.

101. In order to help guide this thinking, the various initiatives recommended in this report are charted according to ease of implementation and potential impact (Figure 4). While the creation of a low cost carrier could have a highly significant impact, it is viewed as very difficult to implement. On the other

extreme, creation of a trainer database is easy to implement, but would have limited impact. Development of the regional cruise strategy, determined to have a fairly high impact while not likely being very difficult to implement, is also noted. There are no initiatives that would have a very high impact but be very easy to implement.

FIGURE 4: IMPACT AND EASE OF IMPLEMENTATION ANALYSIS OF RECOMMENDATIONS



102. Finally, it is critical to note that efforts towards regional integration cannot negate the need for each of the countries to resolve its own destination-specific issues. Each of the Indian Ocean destinations face a different set of issues towards realizing their full tourism potential (as detailed in the subsequent country reviews) and it is only by resolving these issues that any regional tourism potential can be fully tapped.

Annex

Annex 1: REGIONAL INTEGRATION Challenges and Recommendations Summary

Constraints	Challenges	Recommendations
Air Connectivity	<ul style="list-style-type: none"> • Intra-regional flights very expensive • Limited intra-regional routes and frequencies 	<ul style="list-style-type: none"> • Reinvigorate “Air Pass” program • Reevaluate some BASAs • Explore possibility of facilitating entry of a Low Cost Carrier
Capacity Building and Employment	<ul style="list-style-type: none"> • Uneven level of TTIs in region • Low quality of service in many establishments 	<ul style="list-style-type: none"> • Create database of qualified tourism trainers in region • Create more partnerships among TTIs in region • Create regional Quality Label • Jointly develop e-learning training
Regional Product Packaging	<ul style="list-style-type: none"> • Gaps in cruise development efforts • Limited packaging of multi-country trips 	<ul style="list-style-type: none"> • Develop regional cruise tourism strategy • Conduct familiarization trips for Indian Ocean tour operators
Marketing	<ul style="list-style-type: none"> • Limited visibility of region, especially in emerging markets • Uneven and inconsistent statistics collection hinders regional market intelligence efforts 	<ul style="list-style-type: none"> • Work through VIO to raise profile of region, especially in emerging markets • Collect and publish regional tourism statistics

Annex 2: COMOROS Challenges and Recommendations Summary

Principal Challenges	Recommendations
Tourism Policy and Development Plan	
<ul style="list-style-type: none"> Lack of vision and visibility for tourism development Unclear investment climate Poor public infrastructures and services 	<p>High Priority</p> <ul style="list-style-type: none"> Definition of a clear tourism policy and development plan Improve tourism investment climate <p>Medium Priority</p> <ul style="list-style-type: none"> Define niche tourism products Review the regulatory and institutional framework Create Tourism Land Reserves to promote and facilitate investment
Institutional Capacity Building	
<ul style="list-style-type: none"> Weak institutional capacity in both public and private sectors Ineffective tourism monitoring and information system No leadership in the private sector 	<p>High Priority</p> <ul style="list-style-type: none"> Assistance and facilitation of Public Private and Inter Island dialogue Implement a tourism statistics system and conduct a visitor survey <p>Medium Priority</p> <ul style="list-style-type: none"> Support private sector through business associations
Product Development and Competitiveness	
<ul style="list-style-type: none"> Limited and expensive air access Ineffective management of natural and cultural resources Fragmented, unequal and expensive tourism products Lack of qualified tourism labor 	<p>High Priority</p> <ul style="list-style-type: none"> Conduct an air transport study Facilitation of Inter Island connectivity Implementation of a tourism training and coaching programme <p>Medium Priority</p> <ul style="list-style-type: none"> Public Private Partnership for effective management of Protected Areas and cultural heritage
Destination Marketing	
<ul style="list-style-type: none"> Negative image of the destination High dependence on French source market 	<p>Medium Priority</p> <ul style="list-style-type: none"> Assistance to the definition and implementation of DMO strategic plan Target niche markets and promote E-tourism activities

Annex 3: MADAGASCAR Challenges and Recommendations Summary

Principal Challenges	Recommendations
Policy and Planning	
<ul style="list-style-type: none"> • TMP is outdated • Lack of coordination with other government bodies with role in tourism sector • Country still largely unprepared for cruise tourism • Slow and incomplete statistics collection hampering market intelligence 	<p>High Priority</p> <ul style="list-style-type: none"> • Review tourism master plan • Create cruise tourism development strategy • Establish inter-ministerial tourism committee <p>Medium Priority</p> <ul style="list-style-type: none"> • Upgrade tourism statistics collection system
Human Resource Development	
<ul style="list-style-type: none"> • Major gaps in TTI's programs • Low quality of service in many establishments 	<p>Medium Priority</p> <ul style="list-style-type: none"> • Create partnerships with international TTIs • Revive quality label in Madagascar, perhaps through regional initiative
Access	
<ul style="list-style-type: none"> • Domestic flights are very expensive, unreliable, and also deemed "unsafe" • International medium to long-haul routes are limited • Connectivity to Indian Ocean destinations limited by high prices • Poor road (and rail) network constrains circuit development 	<p>High Priority</p> <ul style="list-style-type: none"> • Explore options for restructuring Air Madagascar • Further liberalize air service • Pursue opportunities to improve intra-regional air connectivity <p>Medium Priority</p> <ul style="list-style-type: none"> • Create list of priority tourism roads (and rail lines) to be considered for future projects
Marketing	
<ul style="list-style-type: none"> • Poor diversification of source markets • Branding efforts have had limited effectiveness • Limited knowledge of Madagascar tourism options among Indian Ocean tour operators 	<p>High Priority</p> <ul style="list-style-type: none"> • Upgrade marketing efforts in English and German-speaking countries • Work through VIO to expand presence in key emerging markets <p>Medium Priority</p> <ul style="list-style-type: none"> • Engage in more comprehensive branding process • Conduct familiarization trips to acquaint Indian Ocean tour operators with Madagascar
Product Development	
<ul style="list-style-type: none"> • Hotel supply does not always match market demand • Community tourism has had little market penetration • National parks underperforming in terms of revenue generation and services offered 	<p>High Priority</p> <ul style="list-style-type: none"> • Reinitiate RFT plan with some market-based alterations • Launch concessions in national parks <p>Medium Priority</p> <ul style="list-style-type: none"> • Create national-level community tourism association • Conduct study to determine tourists' willingness to pay higher park fees • Provide tourism capacity building to MNP staff

Annex 4: SEYCHELLES Challenges and Recommendations Summary

Principal Challenges	Recommendations
Policy and Planning	
<ul style="list-style-type: none"> Lack of specific accommodations growth plan No internationally recognized classification system Absence of cruise tourism strategy 	<p>High Priority</p> <ul style="list-style-type: none"> Define and implement caps on amount and type of accommodations growth Create cruise ship tourism strategy <p>Medium Priority</p> <ul style="list-style-type: none"> Create national classification system, perhaps as part of regional initiative
Human Resource Development	
<ul style="list-style-type: none"> Businesses often unable to find sufficient number of qualified Seychellois employees Growing supply of hotels is creating more challenging conditions for businesses Low service quality levels among businesses that do not employ trained workers 	<p>Medium Priority</p> <ul style="list-style-type: none"> Provide training to those already working in the industry
Access	
<ul style="list-style-type: none"> Lack of direct connections with Europe Limited intra-regional air connectivity 	<p>High Priority</p> <ul style="list-style-type: none"> Pursue opportunities to improve intra-regional air connectivity <p>Medium Priority</p> <ul style="list-style-type: none"> Explore Opportunities for Direct Flight to Paris
Marketing	
<ul style="list-style-type: none"> Significant drop amongst traditionally strongest source markets Low percentage of repeat visitors 	<p>High Priority</p> <ul style="list-style-type: none"> Continue efforts to diversify source markets Undertake joint marketing of the region <p>Medium Priority</p> <ul style="list-style-type: none"> Create new initiatives to increase repeat visits
Product Development and Enhancement	
<ul style="list-style-type: none"> Limited products to encourage tourism expenditures and increase local impact Limited range and scale of products catering to cruise tourists 	<p>High Priority</p> <ul style="list-style-type: none"> Explore avenues to increase local participation in tourism industry Create opportunities and incentives for tourists to support local businesses

Annex 5: MAURITIUS Challenges and Recommendations Summary

Principal Challenges	Recommendations
Policy and Planning	
<ul style="list-style-type: none"> • TMP is outdated • Cruise tourism is underperforming • Lack of execution • Institutional coordination is low • Environmental awareness is still insufficient • Physical planning for tourism development has to be substantially strengthened 	<p>High Priority</p> <ul style="list-style-type: none"> • Develop a new national tourism strategy • Build commitment and enable improved communication and coordination between the public and private sectors • Prepare and implement a comprehensive and integrated physical and environmental plan <p>Medium Priority</p> <ul style="list-style-type: none"> • Create regional cruise ship tourism strategy
Human Resource Development	
<ul style="list-style-type: none"> • Worker migration has caused decrease in service level 	<p>Medium Priority</p> <ul style="list-style-type: none"> • Explore options to retain skilled workers • Increase support public funded TTI's
Access	
<ul style="list-style-type: none"> • Need for revised air strategy constrains circuit development 	<p>High Priority</p> <ul style="list-style-type: none"> • Develop revised air strategy and business model <p>Medium Priority</p> <ul style="list-style-type: none"> • Pursue opportunities to improve of intra-regional connectivity
Marketing	
<ul style="list-style-type: none"> • Significant drop amongst traditionally strong source markets • Increase in arrivals from emerging markets • Increased competition • New diversified product creates more need for promotion by MPTA 	<p>High Priority</p> <ul style="list-style-type: none"> • Conduct detailed market research on the current and potential source markets • Develop a marketing and promotion plan catered towards the selected markets and tourism products
Product Development	
<ul style="list-style-type: none"> • Lack of complementary tourism products 	<p>Medium Priority</p> <ul style="list-style-type: none"> • Explore additional tourism products

References

Air Austral (2013) *Our Destinations* <http://www.air-austral.com/en/where-we-fly.html>

Alter Ego Development (2011) *Tourism in Madagascar: Diagnosis and Recommendations*, Study prepared for JICA (Madagascar Office), November 2011.

BBC (2013) “Airbus wins record order for 234 planes from Indonesia's Lion”
<http://www.bbc.co.uk/news/uk-england-21833501>

Blamey, Ted (2011) *Overview on Demonstrating Cruise Value to Countries*, Presentation at Cruise Shipping Asia 2011, November 2011, Singapore

Butler, R.W. (1980) “The Concept of a Tourist Area Life Cycle of Evolutions: Implications for the Management of Resources”, *The Canadian Geographer*, vol. 24 (1): 5-12.

Caribbean Tourism Organization (2013a) *About Hospitality Ensured*
<http://hospitalityassuredcaribbean.com/about-us/>

Caribbean Tourism Organization (2013b) *About Us*
<http://www.onecaribbean.org/aboutus/>

Caribbean Tourism Organization (2013c) *Latest 2012 Tourism Statistics*
<http://www.onecaribbean.org/statistics/2012statistics.aspx>

Caribbean Tourism Organization (2013d) *Marketing*
<http://www.onecaribbean.org/programs/marketing/>

CIA World Factbook (2013a) *Comoros* <https://www.cia.gov/library/publications/the-world-factbook/geos/cn.html>

CIA World Factbook (2013b) *Madagascar* <https://www.cia.gov/library/publications/the-world-factbook/geos/ma.html>

CIA World Factbook (2013c) *Mauritius* <https://www.cia.gov/library/publications/the-world-factbook/geos/mp.html>

CIA World Factbook (2013d) *Seychelles* <https://www.cia.gov/library/publications/the-world-factbook/geos/se.html>

Constellation Aviation Consulting (2011) *Air Services in the Indian Ocean Region: A Report to the Indian Ocean Commission*, October 2011.

GATO AG (2004), *Madagascar Tourism Master Plan*, Plan commissioned by the Madagascar Ministère du Tourisme, Antananarivo.

Hermes Conseils (2011) *Tourism Industry Competitiveness in the Indian Ocean*, Summary Report of Workshops Commissioned through the EU ProInvest Programme, August 2011.

Indian Ocean Observatory for Ports and Cities (2012) *New Solutions for Improving the Reception of*

Cruise Activities in the South-Western Indian Ocean: A Comparative Survey Covering Seven Port Cities, February 2012.

French National Institute of Statistics and Economic Studies (2013) *Le Tourisme à La Réunion en 2012*, http://www.insee.fr/fr/themes/document.asp?reg_id=24&ref_id=19768

Madagascar Ministry of Tourism (2012) *Statistiques Tourisme Madagascar 1999 à 2012*, Antananarivo.

Madagascar Ministry of Tourism (2013) *Statistiques du Tourisme 2012*, Antananarivo.

Maldives Ministry of Tourism, Arts, and Culture (2012) *Tourism Yearbook 2012*, Male.

Malamud, A. and Schmitter, P. “The Experience of European Integration and the Potential for Integration in MERCOSUR”, paper prepared for delivery at the 2006 Joint Sessions of Workshops of the European Consortium for Political Research (ECPR), Nicosia, Cyprus, 25-30 April, 2006.

ONTM (2012) *Réalisation des Enquêtes Visiteurs aux Frontières “Secteur Tourisme”*: Etude et Analyse des Résultats, Study conducted by FTHM Conseils and commissioned by the World Bank Integrated Growth Poles Project, August 2012.

Picard, D. and Rajeriarison, P. (2010) *Madagascar Tourism Report*. Report commissioned by UNEP for The Agulhas and Somali Current Large Marine Ecosystems (ASCLME) Project, November 2010.

Rajeriarison, P. (2012) *Note de Politique sur le Tourisme: Union des Comoros*, Policy Note commissioned by the World Bank’s Appui à la Bonne Gouvernance Economique (ABGE) Project, October 2012.

Republic of Madagascar (2007) *Madagascar Action Plan 2007-2012*, February 2007, Antananarivo.

Seychelles National Bureau of Statistics (2012a) *Seychelles 2012 Tourism Statistics*, Victoria.

Seychelles National Bureau of Statistics (2012b) *Statistical Bulletin: Hotel Statistics (Q2 2012)*, Victoria.

Seychelles Tourism Board (2011) *Seychelles 2012-2020 Tourism Master Plan*, Beau Vallon.

Singapore Tourism Board (2012) *Press Release for Opening of Marina Bay Cruise Centre Singapore*, May 2012, Singapore

South Pacific Tourism Organization (2013a) *About SPTO*, <http://spto.org/about>

South Pacific Tourism Organization (2013b) *Specialists*, <http://spto.org/specialists>

South Pacific Travel (2007), *South Pacific Cruise Shipping Development Strategy*, Plan commissioned by the European Union’s Pro-Invest Program, December 2007.

Statistics Mauritius (2013) *International Travel & Tourism – 2012*. Port Louis.

Sunalai, P. (2010) *ASEAN Tourism Strategic Plan 2011 – 2015*, Report prepared for Association for Southeast Asian Nations (ASEAN), <http://www.asean.org/resources/item/asean-tourism-strategic-plan-2011-2015-2>

The Economist (2013) “*What happened to Somalia’s pirates?*”

<http://www.economist.com/blogs/economist-explains/2013/05/economist-explains-11>

The Straits Times (2013), “*Clear take-off on ASEAN Open Skies*”

<http://www.asiaone.com/News/Latest%2BNews/Relax/Story/A1Story20130407-414114.html>

The World Bank (2003) *Republic of Madagascar: Tourism Sector Study*, June 2003, Washington, D.C.

The World Bank (2010) *Africa Region Tourism Strategy: Transformation through Tourism*, Unpublished Draft, World Bank, Washington, D.C.

The World Bank (2012a) *Indian Ocean Islands Tourism Sector Review: Mauritius and Comoros*, Unpublished report forming part of Regional Tourism Integration Study, August 2012.

The World Bank (2012b) *Sub-Saharan Africa Tourism Database*: <http://wbafricatourism.pointinspace.com>

The World Bank (2013a) *Indian Ocean Islands Tourism Sector Review: Madagascar*, Unpublished report forming part of Regional Tourism Integration Study, March 2013.

The World Bank (2013b) *Indian Ocean Islands Tourism Sector Review: Seychelles*, Unpublished report forming part of Regional Tourism Integration Study, February 2013.

The World Bank (2013c) *Open Skies for Africa: Implementing the Yamoussoukro Decision*

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTTRANSPORT/EXTAIRTRANSPORT/0,,contentMDK:22709045~pagePK:210058~piPK:210062~theSitePK:515181,00.html>

The World Bank (2013d) *The Pirates of Somalia: Ending the Threat, Rebuilding a Nation*

<http://www.worldbank.org/africa/piratesofsomalia>

Thome, W. (2013) “Air Seychelles Turns the Corner with a Million US Dollar Profit”, Blog posting, 3/9/2013, <http://wolfgangthome.wordpress.com/2013/03/09/air-seychelles-turns-the-corner-with-a-million-us-dollar-profit/>

Twining-Ward, L. (2009) *Sub Saharan Africa Tourism Industry Research*, Unpublished Report for AFTFP, The World Bank.

UNDP (2013) *2013 Human Development Report--“The Rise of the South: Human Progress in a Diverse World”*, March 2013, New York.

UNWTO (2011) *UNWTO World Tourism Barometer*, January 2013, UNWTO, Madrid.

WEF (2013) *Travel & Tourism Competitiveness Report 2013*, WEF, Geneva.

WTTC (2012a) *Travel & Tourism Economic Impact 2012: Comoros*, WTTC, London.

WTTC (2012b) *Travel & Tourism Economic Impact 2012: Madagascar*, WTTC, London.

WTTC (2012c) *Travel & Tourism Economic Impact 2012: Mauritius*, WTTC, London.

WTTC (2012d) *Travel & Tourism Economic Impact 2012: Seychelles*, WTTC, London.