Tourism in Africa

Governments in Africa are showing increasing interest in tourism as a source of growth and diversification. Recent work indicates that tourism in Africa can, in the right circumstances, contribute effectively to economic development because:

- barriers to entry into the international market are lower than for most external trade sectors;
- tourism expenditures can provide a significant stimulus to other production and service sectors;
- properly managed, tourism has the potential to alleviate poverty, preserve cultural heritage and protect natural resources; and
- international tourism is a relatively high-growth industry.

Tourism’s global reach

Visitor arrivals worldwide reached 698 million in 2000 (+7.4 percent over 1999) and expenditures were US$476 billion (+4.5 percent) according to the World Tourism Organization. The World Travel and Tourism Council (WTTC) calculates that tourism generates 8 percent of total exports and of all jobs worldwide. WTTC also estimates that tourism and travel contributed about 10 percent of GDP in Sub-Saharan Africa (growing at over 5 percent annually in real terms) in 2000. Although starting from a lower base of visitor arrivals, the African continent is enjoying higher growth rates (7.2 percent) than most other regions. Of the Sub-Saharan countries, only South Africa is listed in the top forty tourism destinations worldwide (26th in 1997). Some thirty countries in Sub-Saharan Africa have incipient or flourishing tourism industries, defined by minimum contribution of 2 percent to GDP and of 5 percent to exports. A recent study by the Department for International Development (UK) notes that, using the same criteria, most of the lowest and lower income countries in the world have significant tourism sectors.

The competitive challenge for Africa

African countries (for the rest of this article, Africa refers to Sub-Saharan African countries) are competing for a bigger share of world tourism in a consolidating tourism industry, whichields considerable marketing power. The global industry is highly competitive, with very small margins (1-2 percent of sales) on packaged holidays. In addition, tour operators, responsible for tourists’ health and
welfare under EU legislation, are risk-averse and seek “safe” destinations. However, African tourism largely comprises customized tours catering to higher-income tourists, where margins are higher—as they are for business travel.

As tourists at all price levels become more sophisticated in the global market, value, in addition to price, becomes a critical element in the decision to visit one destination rather than another. Essentially, the tourist package must display the distinctive characteristics of the destination that contrast with all others the tourist might have chosen, as well as being competitive in price. Consequently, cultural and natural assets, and a receptive local population, can be the principal elements in creating value in a competitive tourism product.

Tourism successes

The tourism industry throughout Africa often operates below international competitive standards, but several products already meet international standards of excellence. For example, thirteen hotels in four Sub-Saharan countries obtained the prestigious label of “Leading Hotel of the World”. At least one of these hotels is wholly locally owned and substantially locally staffed and others have local or regional capital and management. Mauritius has been successful in expanding its resort-based tourism in the ultra-competitive luxury market. Some countries have been successful in marketing to niche markets aggressively. Botswana, for example, in the Okavango Delta has developing quality activities at the top end of the market. Much of African tourism is based on nature and wildlife, as in Kenya, South Africa, Tanzania, Zambia and Zimbabwe, which requires high environmental management standards. In 1995, West Africa introduced the Slave Route to boost cultural tourism from the North American market.

The sustainability of tourism

Government’s role is to create the policy framework that will encourage for-profit investments, but also formulate the incentives and regulatory frameworks that will ensure economic, environmental and cultural sustainability, poverty alleviation and social inclusion.

Economic issues

Linkages. Visitor expenditures outside the hotel can range from half to nearly double in-hotel expenditures. These expenditures can have a catalytic effect on production and employment across the economy. Initially, tourism creates jobs in the construction sector, after which accommodation investments generate demand locally for furniture and furnishings, and even for capital equipment. Tourism also requires transport, telecommunications and financial services and creates linkages to agriculture, fisheries, food processing and light manufacturing. Tourism should incorporate the informal sector but such links do not happen spontaneously and generally require targeted interventions.

Leakage. The “leakage factor” in tourism, i.e., that part of the tourist dollar that leaves the country to pay for the imports consumed by the tourism sector, is often cited. Leakage is calculated for tourism, but less frequently for other sectors, such as mining manufacturing. Yet, because leakage is related to a country’s development level, economic diversification and the openness of trade arrangements, leakage across sectors should be similar the same region or country. Different factors cause leakage and variations between countries. In diversified economies, where tourism facilities are constructed, equipped a supplied largely from local sources, leakage will be lower. A net foreign exchange earnings can be in excess of 85 percent of gross revenues. In small countries a islands, imports can reduce foreign exchange earnings to percent. Preliminary data from Kenya suggest that leakage is the order of only 23-25 percent.

Leakages may actually identify the potential for new linkages the formal and informal sectors. Mozambique is focusing on developing tourism and handicrafts parallel. Many safari lodges, with considerable community input and locally produced vegetables and meat, are able to command high prices, such as lodges in the Luangwa Valley in Zambia. However, “plugging the leaks” may always be indicated — while high-volume resort tourism may not require imported goods, luxury tourism, which does, may have large impacts on the natural resource base, a higher employee per room ratio, and bring in greater levels of net foreign exchange per visitor.

Foreign ownership and management. In many African countries investors perceive tourism to be more profitable than traditional sectors, particularly given real estate appreciation. In Mauritius the industry has been locally owned and managed from the outset.
al investors diversified out of gar and manufacturing into tourism. In Côte d'Ivoire, nation-
and citizens, the latter being dians of foreign extraction, minate the supply of tourism services. The perception of foreign-dominated management of hotels questionable today. Few hotels sufficiently profitable to afford foreign salaries. The chain options, in particular, provide ex-
tensive training programs. Foreign capital and management can, tugh, be a source of technology transfer and stimulate the entire sector to greater competitiveness.

Wolatility of demand. The average percent growth rate in visitor arrivals over the last decade for Af-
to a whole, masks wide swings between countries. Fluctuations in tourism are mainly due to country conditions rather than price. As a global industry, tourism faces the threat of terrorist attacks, which, to-
ther with civil unrest, natural disasters, crime and public health risks, can quickly terminate demand. Their resolution brings great benefits to civil society not just the tourism sector. Nonetheless, fluctuations in demand for tourism seem to be less severe than for the commodity exports on which many African countries depend and tourism also appears to be immune from competition from synthetic substitutes.

Taxation and rents. Taxes can either stimulate or stifle tourism growth. Policies must balance the requirement for profitability of private sector investments and for revenues for central and local governments to provide supporting social and physical infrastructure. Government policies must ensure that the state and/or local administrations capture the rents that arise from the commercialization of the country’s natural and cultural resources. Too often the tourist or service provider captures such rents. “Willingness to pay” studies show that tourists will pay entrance fees or environmental taxes to conserve a specific asset provided that the funds are earmarked rather than allocated to general budgetary revenues. Fiscal incentives intended to attract potential investors away from rival destinations can place a downward pressure on tax revenues. Investors, instead, will be attracted to countries with appropriate and stable policy, legislative and regulatory frameworks for tourism, combined with performing infrastructure, good public health systems and a crime-free environment.

Environmental and cultural sustainability
The dependence of tourism on natural and cultural resources makes any negative impacts more conspicuous. Water pollution, ecological disruption, land degradation, congestion and deteriorating built assets, typify negative environmental externalities associated with poorly planned tourism. But, pollution and degradation from non-tourism sources often have negative impacts on the sustainability of tourism investments. Improved coastal zone management, physical planning

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and zoning are essential tools, combined with appropriate macro-economic and sector policies and incentives, to protect natural and cultural resources. Environmental and Social Impact Assessments (EIAs) can be effective tools but often their quality and local review processes are inadequate. Tourism can only be sustainable if the natural and cultural assets on which it is based are protected from degradation. This is particularly true in Africa, which is variously marketed as a nature, wildlife, resort and cultural heritage destination.

**Poverty and social inclusion**

Donors and NGOs have initiated worldwide community-based projects, with stakeholder participation in decision-making, to establish linkages to traditional tourism. These links include: employment and sourcing of goods and services; establishing micro or small-scale enterprises to supply tourist needs; and training for specific activities, such as guides. Interdependence between the local community and the tourist facilities generally creates mutual benefits. Communities also host tourists directly and thus generate income from their natural or cultural assets. The U. N. Commission for Sustainable Development found that “The economic benefits of tourism have the potential to alleviate poverty in the developing world, but capacity building is needed at the local level to achieve these goals.”

**Recurring constraints**

Many of the current constraints to the competitiveness and expansion of the tourism sector in Africa have been discussed. In addition, appropriate financing for new construction and for expansion and refurbishment of hotels, particularly small and medium, is often not available from local banks. Infrastructure investments have not kept up with the expansion of tourism, with negative impacts on the natural resource base. As a matter of equity and social inclusion, such infrastructure should also be extended to communities in the immediate tourism area, probably with differential pricing. Management and administration of the sector must improve at the public and private sector levels. Human resource development and capacity building are priorities. The formulation of air policies that attract greater traffic is also critical. Promotion and marketing is inadequate.

**A framework for success**

Tourism is essentially a private sector activity but it is also a cross-sector activity with multiple impacts. Private sector-led growth can only occur if the government, private investors and operators, civil society, NGOs and local communities work together to forge progressive alliances and to formulate the macro-economic policies and sector policies that provide the foundation for sustainable growth.

The Ministry of Tourism usually has the mandate for policy formulation, but must work closely with other ministries that create policies for the sector, such as Finan and Environment. Sector review and master plans are critical technical inputs for the formulation a national strategy for tourism. Institutional arrangements tourism must be customized for each country based on the size and characteristics of the sector. Frequently, government and the private sector set up a statutory board with product development, marketing and promotion function particularly if large-scale tourism development is envisaged. In cases, the strength of the partnership between government and the private for-profit and non-profit sectors will determine the ability of the sector to respond dynamically to market changes and sustain growth.

*This article was written by Iain Christie and Doreen Elizabeth Crompton as a summary of the report; “Tourism in Africa”, Afr Working Paper Series, Number 7, World Bank. February 2001. The paper is available at: http://www.worldbank.org/afr/wpindex.htm. For more information please contact the authors: ichristie@worldbank.org and cromptonde@aol.com*