

### **Sheet No. 3: Tourism and Poverty Reduction – Making the Links**

Tourism is an increasing phenomenon in developing countries (see Sheets No 4–7). As such, it affects the livelihoods of many of the world's 'poor'. However, to date, its potential for poverty reduction has been insufficiently recognised and exploited by developing country governments and development assistance agencies. In most cases, tourism has generally been viewed as an engine for economic growth rather than as a mechanism for delivering on poverty reduction (see Sheet No 8).

Many argue that because tourism is often driven by foreign, private sector interests, it is not well placed to contribute much to poverty elimination. Indeed, tourism can disadvantage the poor causing displacement, increased local costs, loss of access to resources and social and cultural disruption. Furthermore, the juxtaposition of rich holidaymakers alongside poor people is one that evokes a knee-jerk reaction amongst many development professionals that tourism is a frivolous industry and not to be taken seriously.

Tourism is not a panacea for economic development and decisions about whether or not tourism (domestic or international) presents viable opportunities for local economic development need to be made locally in the context of the other opportunities that exist for local pro-poor development. Development through tourism faces many of the generic constraints confronting other economic sectors - tax, regulatory obstacles, FDI confidence etc. However, work on Pro-Poor Tourism has identified several reasons why tourism seems to be particularly relevant to poverty reduction and to achieving the Millennium Development Goals (summarized in Figure 1) including:

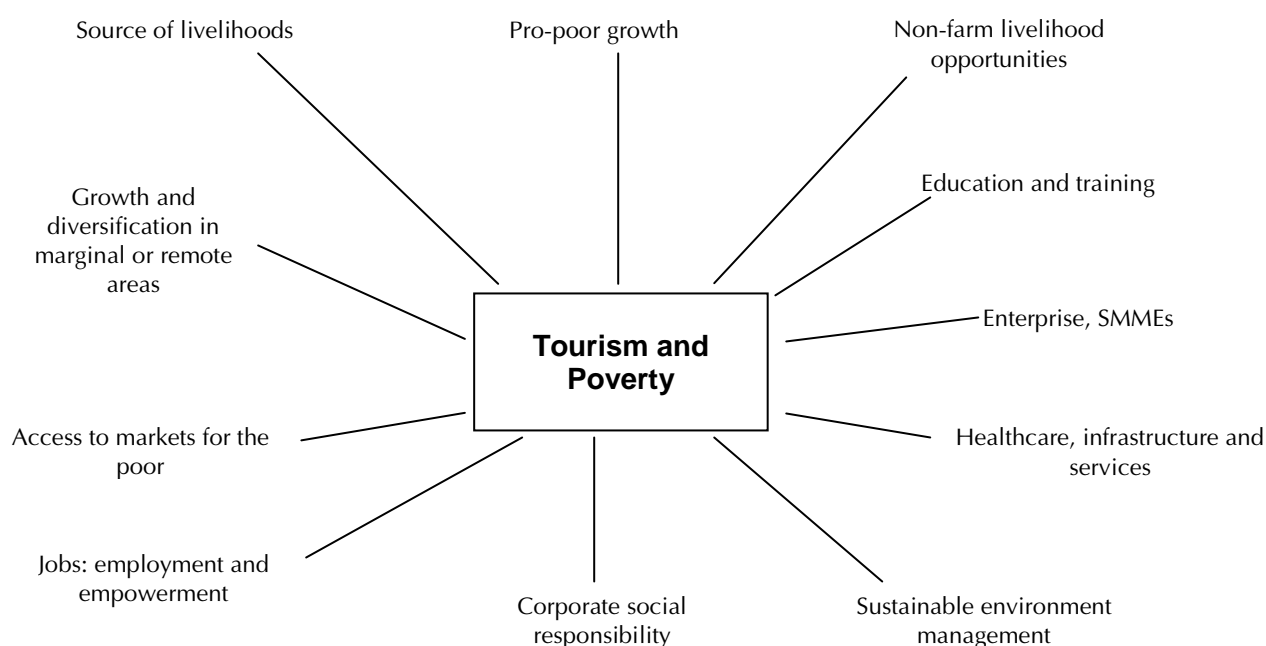
- Many of the countries in which tourism is an important economic sector are among the poorest and least developed in the world. Tourism is significant for the vast majority of these countries with the highest numbers of people living below the international poverty line of US\$ 1 per day. In 2000, tourism ranked third among the major merchandise export sectors of developing countries – including the Least Developed Countries (WTO 2002).
- Tourism can be one of the only viable sources of growth or export earnings in some countries or regions with few other development options. Tourists are often attracted to remote areas because of their comparative advantage in terms of high cultural, wildlife and landscape values. As these may have few other development options, the poverty-reduction value of these tourism opportunities is high.
- The nature of the tourism product means that it often draws on assets of the poor (cultural knowledge, natural resources, rural space), employs and trains a high proportion of vulnerable groups: women, youth, un-skilled workers, and rural residents, and can include a wide cross-section of enterprises including SMMEs and the informal sector.
- The infrastructure required for tourism development – transport, communications, healthcare, water and sewage, energy supply – is also of utmost important to poor residents and can uplift an area for the benefit of both.

Furthermore, there seems to be more potential to influence the pro-poor nature of business development in tourism than in other sectors. This is because:

- business interest and engagement in sustainable/ethical/responsible tourism debates already exists;
- governments continue to have a strong role in planning, licensing, regulating, and marketing. Tourism is one of the few sectors that is still based on ‘master plans’, providing an invaluable entry point to influencing the sector at the national level.
- There already exists a significant body of ‘lessons learned’ and ‘good practice’ case studies.

While tourism will always be driven by the business imperative not by poverty targets, Figure 1 shows some of the many ways in which tourism can contribute to the development challenges involved in poverty reduction.

**Figure 1: Linking tourism and poverty reduction**



### **Pro-poor growth**

Perhaps the most significant factor linking tourism and poverty reduction is its potential to be a form of ‘pro-poor growth’. Pro-poor growth has been identified as the most important ingredient to achieve sustainable poverty reduction (e.g. UN 2000; World Bank 2000a; Ravallion 2001, World Bank 2000b). Pro-poor growth can be broadly defined as growth that enables the poor to actively participate in and significantly benefit from economic activity. This is to say: the proportional income growth of the poor (however defined – e.g. the poorest 20% or the people below a national poverty line) must exceed the national average income growth rate. If the average per capita growth in a country is, for example, 2%, pro-poor growth must mean that the per capita income growth rate of the poor must exceed that rate. This is a major departure from the “trickle-down” development concept, which assumes that the benefits of general economic growth will permeate to all sectors of society.

Table 1 first outlines some of the advantages and disadvantages of tourism as a potential for substantial growth in developing countries. It then summarises the particular features of tourism that enhance its potential contribution to pro-poor growth (drawing on Deloitte & Touche, IIED and ODI 1999, Ashley, Roe and Goodwin 2001, WTO 2002).

**Table 1: Tourism, growth, and pro-poor growth in developing countries**

<b>Tourism as a contributor to <i>growth</i></b>	
<i>Positive characteristics</i>	<i>Negative characteristics</i>
<ul style="list-style-type: none"> <li>▪ Growing industry: growth in Africa exceeds average global growth rates in tourism.</li> <li>▪ A source of foreign exchange earnings and GDP contributions</li> <li>▪ One of the few export/services sectors in which some poor countries have (or can develop) a clear comparative advantage: builds on their assets, can be competitive where transport costs are normally trade constraints</li> <li>▪ By necessity, it involves international linkages and expertise: i.e. technology transfer.</li> <li>▪ Potential for multipliers through the development of complementary product : the customer comes to the product (with wallet in pocket), instead of sending the product to the customer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Requires substantial up-front investment to take-off: particularly infrastructure</li> <li>▪ High degree of leakage: where there is a high degree of foreign ownership, import content of luxury tourism, and commercial structure.</li> <li>▪ Vulnerable to sudden downswing (as are other export industries)</li> <li>▪ Associated with low tax contribution (also related to vertical structure, and link between tourism investment and property deals)</li> </ul>
<b>Tourism as a contributor to <i>pro-poor growth</i></b>	
<i>Positive characteristics</i>	<i>Negative characteristics</i>
<ul style="list-style-type: none"> <li>▪ Labour intensive (on average, more labour intensive than manufacturing)</li> <li>▪ Employs a high percentage of women (relative to other industries in a given cultural context)</li> <li>▪ Can involve more intensive use of un-skilled and semi-skilled labour</li> <li>▪ Can build on assets of the poor: their land and culture (land tenure and control over cultural commercialisation are important).</li> <li>▪ Suited to some remote (i.e. poor) areas: contributes to spatially-dispersed growth.</li> <li>▪ Potential for involvement of a wide variety of enterprises, including SMMEs and informal sector. Because the customer comes to the product, local entrepreneurs gain opportunities for sale of other goods and services</li> <li>▪ Involvement of the poor can go beyond (migrant) employment in urban/industrial hubs: a variety of economic and decision-making roles are possible in dispersed locations</li> <li>▪ Non-commercial or indirectly commercial interests provide avenues for expanding PPT strategies. E.g. ethical tourism niche, moves to responsible tourism and sustainable tourism; lodge managers who have made 'lifestyle choices' with destination commitment, and role of government in policy and planning.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Disruption or expropriation of land, water, and other assets of the poor by tourism industry</li> <li>▪ Entry barriers to poor entrepreneurs: the industry is information/contact/marketing intensive</li> <li>▪ Local economic linkages are often less than hoped: high transaction costs can be involved</li> <li>▪ Cultural exploitation, unwelcome commercialisation of culture</li> </ul>

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