VALUE CHAIN ANALYSIS IN PRO-POOR TOURISM: TOWARDS A CRITICAL UNDERSTANDING OF THE CONTRIBUTION OF TOURISM TO POVERTY REDUCTION

JONATHAN MITCHELL

A thesis submitted in partial fulfilment of the requirements of the University of Brighton for the degree of Doctor of Philosophy

April 2019
Abstract

Each year over half a billion tourists cross an international border and visit a developing country. Can this huge movement of some of the richest people visiting some of the most economically fragile countries have a positive impact on the lives of low-income people living there?

Addressing this question has been an enduring aim of the ‘tourism and development’ field over the past thirty years. This PhD by publication is based upon the author’s research applying value chain analysis in pro-poor tourism and the resonance of this work with academics, donors, industry and Southern governments.

The author’s contribution was the conceptual, methodological and empirical approaches to pro-poor tourism.

Conceptually, this involved introducing market development approaches to the ‘tourism and development’ discourse together with a more nuanced understanding of pro-poor growth in the context of private sector development.

Methodologically, the author advanced the value chain framework – an established approach in agricultural and industrial sectors – to be applied systematically in the tourist sector for the first time. The value chain framework itself was also developed to more explicitly take account of developmental concerns. Significant effort was made to use this framework to move beyond an analysis of the current tourism value chain to provide an analytical basis to propose pro-poor change – and train others in the application of this approach.

The author then employed this new approach to collect and analyse empirical data from diverse destinations in ten developing countries. From this analysis, some preliminary answers to the question above begun to emerge, and these findings were used to advocate for change in tourism policy and practice in economically fragile countries.

Making full use of open source platforms to disseminate findings to a wide range of stakeholders, the author used the empirical data generated to contribute to tourism and development debates. Evidence is presented that the authors work resonated amongst diverse stakeholders, from development agencies to Southern Governments, tourism corporates and also academic researchers.

This thesis provides an overview of my conceptual contribution to pro-poor tourism and questions the theoretical basis of critics of this approach. The methodology for measuring the impact of tourism is explained and the rationale for using tourism value chains is outlined. The question of research uptake – did any of this work have any discernible impact over the past decade – is then critically analysed.
Contents

Abstract iii
Contents iv
Author’s declaration of originality v
Acknowledgements vi
Publications included in the submission vii

Introduction: the Paradox of Tourism 1

Part 1: Theoretical issues 6
   1.1 Assessing the conceptual critique of PPT 6
   1.2 What were the conceptual advances in PPT after 2005? 11

Part 2: Methodological issues 14
   2.1 Methodological advances 14
   2.2 Methodological challenges 18

Part 3: Evidence of research uptake and impact 22
   3.1 Development sector and Southern governments 22
   3.2 Corporate sector 23
   3.3 Academia 24

Part 4: Commentary on the publications submitted 27

Conclusion: An ivory tower is a fine place – as long as the door is open 33

Bibliography 36

Appendixes

Appendix A: Alternative research methods that can inform pro-poor tourism 43
Appendix B: The funding of pro-poor tourism 44
Appendix C: Different geographical scales at which PPT has been assessed 46
Appendix D: Citation by publication 47
Appendix E: Supporting publications 48
Author’s declaration of originality

I declare that the research contained in this thesis, unless otherwise indicated formally in the text, is the original work of the author. The thesis has not been previously submitted to this or any other University for a degree, and does not incorporate any material already submitted for a degree.

Signed:

Date: 5\textsuperscript{th} April 2019
Acknowledgements

There is something truly liberating about looking back on a period of exhilarating activity, from which one has moved on, and ask ‘did it amount to much?’ In this thesis, I explain how my conceptual, methodological and empirical ideas and data emerged and are reflected in my publications. I also investigate the demand side of my research to ask whether anyone has engaged with these outputs and done anything differently as a result.

I became interested in the development impact of tourism when I was the Development Economist for the South African Province containing the Kruger Park and other tourist assets in the euphoric post-Apartheid period 1996-2000. After this, I managed a number of tourism projects under the local economic development portfolio of the European Commission in Pretoria 2001 to 2005.

In late 2005, on arrival at the Overseas Development Institute (ODI), a London based development policy ‘think tank, as the Head of the Tourism Programme, it was immediately obvious that three important things were lacking: projects, staff and any funding. However, the programme had something much more valuable, a great idea – pro-poor tourism (PPT). My work rests on the shoulders of the three initiators of the concept: Caroline Ashley, Harold Goodwin and Dilys Roe. From 1999 to 2005, they had initiated the concept; started to gain traction within the development community; and had just completed a series of PPT case studies in South Africa.

My seven years at ODI were a gift. I was given the freedom to develop the programme as I wanted, while developing a ‘product’ to sell to the development sector. I wrote my more recent articles after Prof. Xavier Font persuaded me in 2012 that my work would benefit from greater academic rigour and exposure. I applied to the University of Brighton for this PhD because Prof. Marina Novelli, an ex-colleague at ODI, offered to be my supervisor. So, this PhD is not the inevitable outcome of some inexorable masterplan, it is the outcome of a series of happy accidents.

I am forever indebted to my family. As a child, I was given the curiosity to head for the horizon and the ethical compass to help make sense of what I found when I got there. As an adult, my good fortune has been to find people and a job which allows me to do what I love.
Publications included in this submission

**Academically peer-reviewed publications**

2007: Article: co-authored 60% contribution.

2012: Article: single authored.

2015: Article: co-authored 90% contribution.

2016: Article: co-authored 90% contribution.

2017: Article: co-authored 90% contribution.

**Overseas Development Institute peer reviewed publications**

2007: Opinion: co-authored 60% contribution

2009: Briefing Paper: co-authored 60% contribution

**Books**

2010: Book, co-authored 60% contribution

2011: Book, co-edited 70% contribution to the introduction
Introduction: the paradox of tourism

Tourism is simultaneously ephemeral and transient yet hugely significant economically. The most reliable figures available – from the World Bank World Development Indicators - show that in 2016, 1.3 billion tourists crossed an international border and 40% of these international tourists had a developing country destination (World Bank 2018). So, the question that has driven much of my research is: can this huge movement of humanity visiting developing countries have a positive impact on the lives of low-income people living there? What is intriguing about this question is how difficult it has been to find a satisfactory answer.

Working in the ‘laboratory’ of progressive development policy in post-apartheid South Africa for a decade, the answer from policy makers and rural communities was an emphatic ‘yes’ (Rogerson and Visser 2011). Tourism, particularly schemes involving innovative partnerships between low-income communities and the private sector (Poultney and Spenceley 2001), were seen as the panacea to overturn a century of colonial and apartheid misrule. In Southern Africa, my role was often that of the ‘tourism cynic’, challenging the naivety and commercial viability of community activists’ plans (Mitchell and Ashley 2010). Commercially viable tourist demand is not created by pressing social need or dreams. As Goodwin (2008 p871) sagely notes ‘for the poor to benefit from tourism, there need to be tourists’.

Returning to Europe in late 2005 to replace Caroline Ashley as the head of the tourism programme at ODI, I was immediately immersed in the world of pro-poor tourism (PPT). PPT emerged from a DFID (UK Government Department for International Development) research study into the role of tourism in reducing poverty, as part of the preparations for the launch of the Millennium Development Goals in 2000.

From inception therefore, PPT was centrally focused upon the link between tourism and low-income people in developing country destinations. Importantly, two of the three key proponents of PPT, Caroline Ashley at ODI and Dilys Roe at another development ‘think tank’ in London had, like me, spent several years working in the ‘laboratory’ of community based tourism projects in Southern Africa. Having spent a decade in this environment, I do not believe it is a coincidence that PPT, as an idea, was conceived working at this very specific moment in history in Southern Africa.
**Box 1: What is pro-poor tourism?**

<table>
<thead>
<tr>
<th>Pro-poor tourism is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>o tourism that results in increased net benefits (benefits are greater than costs) for poor people</td>
</tr>
<tr>
<td>o not a specific tourism product or niche sector – any type of tourism can be pro-poor</td>
</tr>
<tr>
<td>o an approach to tourism development and management which can increase pro-poor impacts, whatever the starting point, through deliberate interventions</td>
</tr>
</tbody>
</table>

Source: Ashley (2002)

PPT is a generally accessible idea, but not always correctly interpreted or understood in the literature (Briedenhann 2011). Harrison (2008) has suggested that it is sometimes easier to discuss what PPT is not, rather than what it is. The text in Box 1 is deceptively simple. PPT does not contend that tourism is inherently or wholly either ‘good’ or ‘bad’. Reflecting its genesis in the African context, the focus is on the immediate tangible aspects of economic empowerment for historically disadvantaged communities—so, jobs and incomes, rather than broader cultural or environmental issues. It was also recognised that tourism, like any private sector activity, generates losers (costs) as well as winners (benefits) – hence the reference to net benefits.

The proposition that any type of tourism could be pro-poor was a direct consequence of the practical experiences linking African communities with private sector tourism corporates. Often although communities had access to the land for tourism schemes – after land restitution and redistribution interventions - they often lacked the capital, skills and access to the tourist flows that are essential for a viable tourism product. As a consequence of this, PPT proponents developed innovative community-private sector projects, which often worked. Conversely, we all worked with ‘alternative’ tourism projects, which excluded the private sector and were generally an unmitigated disaster. As a result, we did not carry a presumption that the interests of the corporate sector and low income groups were necessarily antithetical. The linkage to the mainstream tourism industry was the ‘radicalism’ of PPT (Saarinen and Rogerson, 2015).

Underlying the third proposition of PPT, is the focus on improving development impacts - a pragmatic and developmental focus which is widely-held in the practitioner community and is less ubiquitous elsewhere. For practitioners, the challenge is not just to ‘prove’ development impact – but also to ‘improve’ it.
As I began working at ODI in late 2005, two strategic issues emerged - and it is around these that the research questions guiding this overview are formulated. First, notwithstanding the success in establishing a high profile for PPT in a few short years (Scheyvens 2008), this popularity needed to be anchored upon firmer theoretical and empirical foundations. If PPT was to progress beyond advocacy, I felt it was necessary to elucidate a clearer conceptual and methodological framework with which to generate credible data – in order to gain any serious traction with key public and private sector decision-makers (Mitchell 2012).

Second, the academic view in the ‘tourism and development’ community - about the ability of tourism to benefit low-income people - appeared to me as implacably hostile. Critics suggested that PPT had been co-opted by a defensive tourism industry in the face of the anti-capitalist, globalisation movement (Higgins-Desbiolles 2008 and Chok and Macbeth 2007). It was pointed out that PPT should be critically appraised to ensure it is not ‘another neoliberal agenda, a publicity campaign for agencies wishing to promote continued growth of tourism, or a half-hearted attempt by aid agencies to reframe existing development programmes under a poverty alleviation agenda’ (Scheyvens 2009, p.191).

What I took from this initial contact with ‘tourism and development’ academics was that engagement with the academic world was unlikely to be productive. This early tension between PPT and ‘tourism and development’ academics does not imply that PPT was not rooted in contemporary development debates. Ironically, the reverse was probably true. PPT practitioners emerged from postgraduate development economics courses in the late 1980s and a decade thereafter working with leading development agencies involving sustained experience working in developing countries with on-the-ground tourism development projects. We then moved into respected development policy ‘think tanks’. To put it bluntly, PPT emerged from the epicentre of contemporary development policy debates and the critique of PPT often did not.

To illustrate the point, Telfer and Sharples’s sequencing of the seven broad evolution of tourism and development thinking is helpful. Development debates since the 1960s have progressed through the following broad categories: modernisation, dependency, economic neoliberalism, alternative development, post-development, human development and global development (2014).
Early PPT had its roots within the sustainable rural livelihoods paradigm (Chambers and Conway 1992: Holden and Novelli 2011), which lies at the interface of ‘human’ and ‘global’ development theories and is where DFID was conceptually in the late 1990s at the inception of PPT. The authors’ development of value chains within a market development conceptual framework for PPT from 2005 represented the transition into the final, ‘global development’, paradigm. An important challenge facing PPT in the period immediately after 2005 was that, having adopted a robust and contemporary development approach, PPT was engaging with others using very different theories of development.

Many in the tourist industry implicitly followed the 1960s ‘modernisation’ school of development thinking (more tourism = development). As we will see in Part 1, several prominent academics in the ‘tourism and development’ field that were advocates of the 1970s ‘dependency’ approach (more tourism = under-development). Receiving robust critique from this island of dependency thinking frankly nonplussed PPT practitioners, like myself. This approach was considered anachronistic and reactionary in mainstream development economics when I studied it twenty years earlier. In addition, my practical work in developing countries in the 15 years since graduating, reinforced my view that dependency theory was not only archaic and a poor way to understand how the world actually worked, but was also a damaging basis for formulating sound development policy.

What was striking in 2005 was not only that PPT and ‘tourism and development’ academics used entirely different theories of development, drawn from different centuries, but also that there was a dearth of empirical knowledge about the contribution of tourism to poverty reduction. Rather than entering a protracted conceptual discussion about development models on issue which had been resolved decades earlier in mainstream development economics, the author saw a more promising route forward being to side-step the conceptual minefield and instead take an empirical focus to address the question, ‘can tourism benefit the poor?’

This is the reason I decided to focus PPT on the empirical domain. To achieve this required a robust methodological approach, which was the motivation for adapting value chain analysis to the study of tourism. This was then applied to collect empirical data across ten countries and three continents with the aim of building up a body of evidence about whether, and how, tourism can benefit low-income people in destinations from 2005 to 2012.
It was only with the benefit of hindsight, when I began reflecting on this empirical work after 2010, that I realised this evidence offered me a platform to circle back to some of the conceptual issues that I had side-stepped earlier. This is why my thesis considers the conceptual, as well as methodological and empirical, contribution of my work in PPT.

This overview acknowledges the above as framing two research questions (Box2).

**Box 2: Research Questions**

- To what extent did PPT make any conceptual, methodological and/or empirical contribution to an understanding of the impact of tourism policy and practice on low-income people in developing countries?
- How has PPT practitioner work influenced the broader academic literature and development policy and practice?

This PhD overview is divided into four sections.

Part 1 provides an overview of my conceptual contribution to pro-poor tourism and questions the theoretical basis of critics of this approach.

Part 2 focuses on issues of methodology and explains why tourism value chains were adopted as the framework. I also highlight some of the, still unresolved, difficulties of measuring the impact of private sector development on vulnerable communities.

Part 3 addresses the question of research uptake and impact.

Part 4 is a commentary on the publications submitted and highlights the critique of dependency-influenced ‘tourism and development’ underlying much of the author’s work.
Part 1: Theoretical issues

1.1 Assessing the conceptual critique of PPT

Early PPT lacked an explicit theoretical basis. It has been described as an approach, a model or framework rather than a theory (Harrison 2008, Truong 2014 and Skrbic et al 2014). Sharpley and Naidoo (2010) reflect on the irony that PPT managed - in the eyes of others - to simultaneously fail to align with a theory of development and also to be robustly critiqued for advocating neo-liberalism. Early PPT reflected the practitioner stable from which it was conceived. As Meyer (2009 p197) puts it, practitioners and donors are ‘less interested in revolutionizing the global system but more focused on what happens on the ground in the destination at a particular location’.

Can tourism benefit the poor in the South?

Implicit in the early PPT pilots was a sustainable livelihoods approach (Scheyvens 2008, Shen et al 2008). This reflected the origins of PPT - emerging from small-scale, often rural community-based, nature tourism projects in Southern Africa (Poultney and Spenceley 2001).

This conceptual starting point immediately put PPT at odds with ‘tourism and development’ academics, who largely remained wedded to the dependency model of development (Meyer 2009). The dependency school emerged in the 1960s and 1970s as, at the time, a much-needed critique of the prevailing modernisation approach (Frank 1967 and Cardoso 1977). At its heart was the notion of the world as a developed ‘core’ and ‘periphery’ with the latter trapped in a cycle of underdevelopment due to unequal and exploitative relations with the ‘core’ (Britton 1982). The policy remedy for developing countries was to either shelter behind high protective tariffs or to ‘de-link’ from the unequal global capitalist system (Black 2018). This conceptual point is critical because, viewed from the perspective of dependency, international tourism can be seen as inherently an exploitative activity. By adopting this conceptual approach, ‘tourism and development’ academics were effectively ruling out the possibility that tourism could lead to development.
The problem is that dependency theory has been an empirical and conceptual cul-de-sac since the early 1980s. Over the past 30 years the most striking feature of the global economy has been the economic advance of the ‘periphery’ over the ‘core’ countries (Rachmann 2016). In 1950, the ‘core’ countries of the US, Russia, Germany, UK and France controlled 80% of global GDP – by 2018 this had fallen to 40% (IMF 2018). What makes this overtaking of the ‘core’ by the ‘periphery’ countries even more undermining of the dependency thesis is that it has been achieved by developing countries opening up to global markets - not de-linking as dependency theories advocate.

Not only is dependency theory discredited empirically, but also conceptually. Many Marxists reject the use of the nation (‘core’ or ‘periphery’) – rather than class - as the basic unit of analysis (Roxborough 1979). Even more dangerous is the implication of structural theories, like dependency, that there is little autonomy available for ‘peripheral’ countries to choose their own development path. One of the striking results of conducting field-level analysis in developing countries is that, to use Giddens’ (1984) nomenclature, the ‘agency’ of local actors to take decisions to shape their future is as apparent as the overarching ‘structure’, which constrains these choices. In other words, an open ‘peripheral’ economy is not powerless and on a trajectory inexorably determined by the ‘core’. Within constraints, which vary in different contexts, decision-makers in the South do have the space and power to make meaningful policy choices.

Rogerson and Visser (2011 p.254) highlight the reluctance of academics in the ‘Anglo-American heartland’ to engage with vibrant African PPT policy debates. Ironically, Eurocentrism is a logical consequence of a conceptual framework which contends that what happens in the ‘periphery’ is of marginal significance (Gulalp 1998). It is no coincidence that PPT emerged from practitioners, who had been educated in post-1970s development thinking and had worked on the ground in post-Apartheid Southern Africa with communities, entrepreneurs and policy-makers for whom the tenets of dependency thesis seemed alien and anachronistic.

In my research, I have found it is impossible to understand the trajectory of ‘peripheral’ countries such as Vietnam, Cape Verde or Ethiopia without recognizing that the deliberate actions of indigenous actors have profoundly transformed their national development path.
It is refreshing to see how recent analyses by others are explicitly exploring the ‘agency’ of local actors within ideas of structuration and political economy. Underpinning this recent research is an implicit rejection of dependency theory (see Knight 2018; Erskine and Meyer 2012; Nelson 2012; Trau 2012 and Espiner et al 2017).

In summary, the long-overdue adherence of ‘tourism and development’ academics to dependency theory has been deeply damaging. Applying a conceptual approach, which was rejected by its own authors a generation ago (see Howe 1981, Petras 1981 and Gulalp 1998) is a serious barrier to engagement with mainstream development debates (Brown and Hall 2008 and Croes and Rivera 2017). Goodwin (2008) notes wryly that, under the welter of theorising from ‘tourism in development’ academics, there has been little progress since de Kadt’s seminal work in 1979. It was into this vacuum that I targeted the conceptual, methodological and empirical advances in PPT post-2005. I did not fully appreciate the implications of what I was doing at the time, but the net effect has been to nudge ‘tourism and development’ a little further from the grasp of dependency fundamentalism.

**Was PPT neo-liberal?**

PPT has been accused of: being neo-liberal (Schilcher 2008); supportive of the neo-liberal poverty reduction agenda (Schyvens 2008); and needing to make a stronger ethical argument (Chok and Macbeth 2007). The analysis above indicates that PPT was initially based implicitly upon a sustainable livelihoods approach and influenced by pro-poor growth debates (Ravallion 2004 and Kakwani and Pernia 2000). Subsequently this was enriched with market systems thinking (Springfield 2008). Not only are these approaches not neo-liberal, they all explicitly reject the belief that free market competition is the best way to organise economies. They propose deliberate intervention to change the distributional outcome that a laissez-faire approach would generate.

In Truong’s (2014) systematic review of 122 PPT articles, only 4 were considered by her to have adopted a neo-liberal framework. Putting definitional niceties to one side, this illustrates that there is little evidence of PPT being a neo-liberal undertaking. In his response to Scheyvens critique of PPT, Harrison (2009) suggests that the neo-liberal charge leveled at PPT is without justification.
It ‘… is an unworthy attempt by Scheyvens to besmirch PPT by associating it with what (for some) is an unacceptable political and economic ideology. There is no evidence PPT advocates were or are committed to neoliberalism’ (Harrison 2009, p.201). Meyer (2009) was even more damning. She suggested that the attempt by critics of PPT to conflate engaging with the private sector with supporting unfettered market forces revealed a failure to understand PPT itself.

**How pro-poor is PPT?**

Notwithstanding the weakness of the neo-liberalism charge levelled at PPT, highly-respected academics such as Regina Scheyvens instigated this critique, their concern about PPT being reactionary is not dismissed flippantly. Attempting to understand what motivated the charge highlights three important critical reflections.

1. How can the absolute definition of ‘pro-poor’ growth adopted by PPT be considered as pro-poor (Schilcher 2007 and 2008, Scheyvens 2009)?
2. Why should the ‘poorest of the poor’ be excluded as beneficiaries of tourism development (Schilcher 2007)? and
3. How realistic is it to expect business to adopt changes that benefit the poor (Scheyvens 2009)?

Within mainstream private sector development thinking, people have moved beyond these questions. Meyer (2008) questions whether rich people benefiting as well as low-income people is a reason not to pursue PPT strategies. This is the logical implication of moving from an absolute definition of pro-poor growth - held by PPT and most private sector development specialists where pro-poor growth requires the incomes of poor people to increase - to the, much more restrictive, relative definition held by many of the critics of PPT, where growth is only pro-poor if it reduces inequality. The likely consequence of adopting the latter stance is that virtually no private sector development, in any sector, can be regarded as ‘pro-poor’. Many of the poverty reduction ‘champion’ countries had a starting point of very low average incomes that were distributed remarkably equally, as they emerged from various forms of socialism. In this context, the implications of following the advice of the critics of PPT by prioritizing equity over growth may have resulted in not reducing poverty at all - to keep everyone equally poor.
At the early stage of a country’s development trajectory, it is also very difficult to accelerate growth without increasing inequality (Raza and Shah 2017 and Alvaredo 2017). Therefore, the absolute definition of ‘pro-poor’, which PPT adopted, is still pro-poor and provides the standard benchmark for assessing private sector markets. By focusing on growth to the economy as well as the flow of benefits to the poor, this approach tends to generate tourism development strategies which can engender support from across the income range. This is often necessary to make strategies practically, and also politically, implementable.

When assessing the extent to which PPT can, or should, target the ‘poorest of the poor’, it is important to be clear on definitions. The ‘poor’ only appear as an undifferentiated mass when viewed from afar. When applying international benchmarks (i.e. 2018 World Bank poverty threshold is US$1.90 per person per day) in low-income countries, it is not unusual for well over half the population to be living in ‘extreme poverty’. In addition to subsistence farmers and the destitute, the ‘poor’ often includes much of the middle-class. People living in income poverty therefore demonstrate very different capabilities to engage with a commercial markets (Dornwood et al 2009, Espiner et al 2017, Thomas 2013).

To suggest that the destitute can meaningfully add value to a sophisticated international service sector, like tourism, is often unrealistic and in the interests neither of the tourism product owners nor the supposed beneficiaries themselves (Stoian 2012). I have spent too much time reviewing failing ‘alternative’ tourism aid projects that are staffed by people who have poor foreign language skills, low levels of training and no conception of what it is to be a tourist. Needless to say, the jobs created by projects such as these are rarely sustained.

Critics of PPT question why businesses should have an interest in serving the poor, as this is not their core business (Scheyvens 2009). Others hold the naïve view that the ethical predilections of tourist entrepreneurs is what determines the developmental outcome of their operations (Chok et al 2007). In specific circumstances, a tourist entrepreneur may have broad welfare concerns. For instance, my work with TUI in Turkey was based on the need of the large hotel to improve local economic impact in order to enhance its social license to operate (Mitchell et al 2015). However, PPT is not premised upon tourist entrepreneurs being aid workers in disguise.
The challenge of PPT is structuring interventions that maximise both commercial and developmental returns, so that, even if the product owner has no interest in improving the lives of low-income groups, the commercial benefits will provide sufficient incentive to pursue the intervention. Tourist businesses do not have to be ‘nice’ to achieve positive outcomes. Harrison and Schipani (2007) found in Laos that mainstream private sector tourism had a greater poverty reducing impact than neighboring donor-funded tourism projects.

In summary, the critique of PPT was a useful reminder of the importance of inequality, but not to the exclusion of growth, in the development debate. The dangers of PPT not adopting an explicit conceptual framework are also revealed in this analysis. However, many of the critiques of PPT were based upon a lack of understanding about how private sector development operates and what it reasonably can, and cannot, achieve. The key constraint on the quality of some of the early academic critique of PPT was that the ‘tourism and development’ field had allowed itself to be isolated from the mainstream of development thinking from the early 1980s (Shen et al 2008). As a consequence of this, academics initially had limited useful conceptual insights or empirical evidence with which to engage PPT in meaningful debate.

1.2 What were the conceptual advances in PPT after 2005?

By 2005, the Sustainable Rural Livelihoods conceptual framework, implicitly embedded in PPT, was deemed not appropriate for any further development of the PPT approach. At ODI, the author wanted to advance the use of PPT to:

- work at a larger scale: moving from the micro of the household or small community linked to a specific tourism ‘project’, to the broader economic development of a destination or country, to reduce poverty at scale (Spenceley and Goodwin 2007);
- work in urban, as well as rural, areas;
- retain the original market focus and engage the corporate sector to operationalise our ambition to work with, and reform, mainstream tourism markets (Goodwin 2009); and
- re-join the mainstream of development policy debates (and funding opportunities) through adopting conceptual frameworks that were recognizable to other sectors and avoid ‘tourism-centric parochialism’ (Shen et al 2008).
These were the pressures which prompted the evolution of my conceptual approach from sustainable livelihoods to market development approaches and from a fairly eclectic range of research techniques to a methodological focus on value chain analysis (Mitchell 2012). Figure 1 illustrates the elaboration of the types of linkage that PPT encompasses. An important development of the PPT approach was to clearly outline the different pathways through which tourism activity could impact upon low-income people. The source of disagreements between researchers regarding the scale of benefit flows to vulnerable groups was often caused by different researchers not focusing on the same ‘pathway’ in their analyses (Mitchell and Ashley 2010).

**Figure 1: Three pathways how tourism impacts on low-income people**

![Diagram](image)

Source: Mitchell & Ashley (2010)

Note: Original in colour

The key conceptual advance made by the author in PPT after 2005, was the incorporation of emerging thinking around market systems development and Local Economic Development. This had conceptual antecedents in the work of Michael Porter (1990), new institutional economics, evolutionary economics and complexity analysis (Maestre and Thorpe 2017 and Rogerson 2006). The contribution of the Markets for the Poor (referred to as M4P) approach was to recognize that the poor are dependent upon market systems for their livelihoods and, therefore, changing these market systems to work better for poor people will improve their livelihoods and consequently reduce poverty on a sustainable basis (Springfield Centre 2008).
M4P thinking has transformed the approach to private sector development for several European bilateral and multilateral agencies and INGOs because it offers a conceptually coherent route to large-scale and sustainable development impact (Jochnick 2012 and Springfield Centre 2015). As a consequence of working with early M4P projects in South Africa from 2001, this conceptual approach was familiar to the author and informed PPT thinking from 2005. This allowed me to adopt a conceptual approach which was supportive of my aspirations for PPT. It also tempered the perception of ‘tourist exceptionalism’ and allowed some bridge building between tourism and the development mainstream (Rogerson 2006). It encouraged a focus on the scale and sustainability of the poverty reduction. Market development also provided a clear conceptual approach into which methodological frameworks, like value chain analysis, comfortably align.

Conceptually, value chains do not exist in the sense of having a tangible reality, they are simply a framework for trying to understand how the world works. A value chain describes the full range of activities required to bring a product or service (i.e. a holiday package) from conception, through the different phases of production and delivery to final consumers (i.e. a tourist) and final disposal after use (Kaplinsky and Morris 2001). Value chains are a way of understanding the interaction of people and firms with markets and are particularly helpful to understand the complicated supply chains for activities, like international tourism.

Value chains are, paradoxically, relatively value-free as a framework and have been applied in a range of non-developmental contexts. Initially by francophone colonists to extract tropical commodities from Africa more efficiently and later by management scientists from the 1970s during the globalisation of production (Altenburg 2007). It was not until the mid-1990s that development economists coined the term ‘global value chains’ (Gereffi 1994) - realising that this tool, previously been used to maximise commercial returns in the North, could be subverted and used to inform the maximisation of development returns in the South.

My primary contribution to the field of ‘tourism and development’ was to adapt the value chain approach to the tourist sector, taking an explicitly pro-poor, market development approach. This framework was applied to generate credible empirical data about whether, and how much, tourism was benefiting low income people in tourist destinations and, critically, how this contribution could be increased. It is now to the application of these conceptual ideas that we turn in Part 2.
Part 2: Methodological issues

In this section, I critically reflect upon a range of methodological advances and examine the issues that confront research analysing the effect of tourism on low-income people. These are addressed by also answering a set of additional questions, which include:

- Definition - what is poverty and how is it measured?
- Scope – to what extent does PPT take account of the environmental impact of tourism? and
- Geography – at what scale and where can PPT be applied?

2.1: Methodological advances

When I joined the ODI tourism programme in 2005, PPT had already developed a profile and a body of empirical work (see Ashley 2002), but much of this work had a descriptive and almost anecdotal approach (Meyer 2009). What was urgently needed was a credible analytical framework to build a plausible empirical evidence base to support the development impact of our tourism work. I therefore chose tourism value chains as core analytical framework for PPT for three reasons.

First, value chains are an obvious framework to analyse and present the findings for ‘polyglot’ and ‘slippery’ tourism, which is really an amalgam of sectors rather than a single industry (Gibson 2009). It was also recognised as a credible and familiar framework by our two major audiences, funders and policy makers - the development sector and the tourism industry itself.

Second, the ‘follow the tourist dollar’ approach that I developed to analyse and upgrade tourism value chains combined the need for a robust methodology with the practical imperative to be able to generate policy-relevant findings and entry points for PPT interventions with limited time and secondary data (Adiyia et al 2014; Ndivo and Cantoni 2015; Anderson 2018; Pratt and Tokach 2018). I generally worked with groups of researchers in the field and found value chains to be a useful framework around which to organise participatory research teams.
Third, at the same time as developing the PPT programme, I was also leading a six year action research programme with the International Development Research Centre (IDRC) focused on integrating the rural poor into agricultural value chains in Africa and Asia (Mitchell, Shepherd and Keane 2011). This research required us to strengthen the coherence of the narrow vertical supply chain or filiere to allow the framework to respond to pressing development concerns such as market access for low income producers, creating an appropriate enabling environment for pro-poor and gender sensitive agriculture and the mitigation of environmental impacts (Raikes et al 2000). Developing an innovative and practical framework for agricultural value chains enriched my tourism work - a good example of the cross-pollination of ideas possible when disciplinary silos are transcended. In short, we adopted the tourism value chain approach as a response to the need for a coherent and practical methodological framework for PPT (Mitchell 2012).

My research philosophy has been characterised largely by an epistemological pragmatism for reasons of need as well as preference (Wilson 2014). Addressing the research question has required the use of mixed methods that have included detailed quantitative analysis of firm-level data and local economies as well as in-depth key informant interviews and focus group discussions with key policy makers, hotel managers and farmers. I am today very familiar and trained in the practice of ethical research, in 2005 this research infrastructure was much more rudimentary. My belief is that, in terms of how I conduct research, little has changed.

We published the ‘follow the tourist dollar’ methodological framework in an International Trade Centre document - and I used this as a resource to train practitioners on the approach in Albania, Germany, New Zealand, Uganda, the UK and Vietnam (Ashley, Mitchell and Spenceley 2011). My aim was to de-mystify our approach to applying PPT in a practical context and develop a cadre of complement practitioners who would be able to implement rigorous PPT analysis.

Figure 2 illustates how many recent PPT studies are a truncated version of the full PPT process. Most case studies in the PPT literature analyse the operation of an existing tourism value chain and simply conclude whether tourism is, or is not, pro-poor. This is necessary but not sufficient and only covers steps 1-5 of the eleven step of the PPT process.
What is almost always missing in the plethora of recent PPT case studies is any analysis to identify and appraise opportunities (steps 6-9) and programme proposed interventions into an implementable format (steps 10 and 11). These later steps are critical if PPT is to progress beyond being able to describe the effect of current tourism activity on the vulnerable and, instead, move towards the more developmentally challenging task of recommending how to improve the distributional impact.

**Figure 2: PPT research systematised as a training course: the ‘what’ and ‘why’ of pro-poor value chain analysis**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Step</th>
<th>What to do?</th>
<th>Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1: Diagnosis</strong></td>
<td>Step 1</td>
<td>Preparation</td>
<td>To define the destination, target group of poor, and the project team</td>
</tr>
<tr>
<td></td>
<td>Step 2</td>
<td>Map the big picture: enterprises and other actors in the tourism sector, links between them, demand and supply data, and the pertinent context</td>
<td>To organize a chaotic reality, understand the overall value chain</td>
</tr>
<tr>
<td></td>
<td>Step 3</td>
<td>Map where the poor do and do not participate</td>
<td>To avoid erroneous assumptions about poor actors and take account of the less visible suppliers</td>
</tr>
<tr>
<td></td>
<td>Step 4</td>
<td>Conduct fieldwork interviews in each node of the chain, with tourists and service providers including current and potential participants</td>
<td>To provide data and insights for Steps 5 to 8</td>
</tr>
<tr>
<td></td>
<td>Step 5</td>
<td>Track revenue flows and pro-poor income and estimate how expenditure flows through the chain and how much accrues to the poor; Consider their returns and factors that enable or inhibit earnings</td>
<td>To follow the dollar through the chain down to the poor, and assess how returns can be increased</td>
</tr>
<tr>
<td><strong>Phase 2: Identify and appraise opportunities</strong></td>
<td>Step 6</td>
<td>Identify where in the tourism value chain to seek change: which node or nodes?</td>
<td>To use Steps 1 to 5 to select areas ripe for change to ensure Steps 6 to 9 are focused on priority areas</td>
</tr>
<tr>
<td></td>
<td>Step 7</td>
<td>Analysis of strategies; undertake a SWOT analysis to analyse internal and external factors influencing project outcomes</td>
<td>To think rationally of what has to be done, as well as opportunities and risks</td>
</tr>
<tr>
<td></td>
<td>Step 8</td>
<td>Analyse blockages, options, and partners in the nodes selected, to generate a long list of possible interventions</td>
<td>To think laterally and rationally in generating the range of possible projects</td>
</tr>
<tr>
<td></td>
<td>Step 9</td>
<td>Prioritise projects on the basis of their impact and feasibility</td>
<td>To generate a project shortlist, comprising projects most likely to deliver impact</td>
</tr>
<tr>
<td><strong>Phase 3: Programming</strong></td>
<td>Step 10</td>
<td>Project idea: To give a clear and logical statement of the project set-up including a tentative budget and time frame</td>
<td>To structure the presented facts</td>
</tr>
<tr>
<td></td>
<td>Step 11</td>
<td>Project programming</td>
<td>How to package selected projects for funders</td>
</tr>
</tbody>
</table>

*Note: these steps have to be iterative and cannot be entirely sequential. For example, some initial thinking from Step 6 (where to focus) will probably inform where you go into most detail in Step 5. Some thinking on partners’ activity will inform Step 6, but be more detailed in Step 8.*

Source: Ashley, Mitchell and Spenceley (2011)
Value chains do not have a monopoly as a methodological framework for PPT. A range of research approaches have demonstrated their value to understand different facets of the linkages between tourism and low-income communities (see Appendix A). One of the revelations of writing *Tourism and Poverty Reduction: pathways to prosperity* was taking a helicopter view to highlight ‘islands’ of excellent scholarship (Mitchell and Ashley 2010) and I am happy to concede that my jaundiced view of the value of engagement between academics and practitioners in the field of PPT was taken too hastily.

**The contribution of tourism value chains to the development of PPT?**

The methodological advance represented by tourism value chains was important to get PPT onto a firmer empirical footing in the mid-2000s.

Adopting a credible methodological framework made the PPT work-stream fundable. This was important at ODI because, as an independent ‘think tank’, had no core funding and so all resources had to be raised competitively from external funders. My PPT activities were funded (approximating £0.6m fee income over the period 2005-2012) from a diverse range of donors. Apart from the Commonwealth Secretariat, none of this funding was sourced from the UK public sector (see Appendix B). However, development sector investment in PPT always felt tentative to me. Whilst it was demonstrably possible to mobilise funding for credible individual PPT projects, this never felt like an institutional recognition of the value of research in the tourist sector from any funder. The entire PPT work-stream during my seven years at ODI received less than half the volume of support from my single largest agricultural project.

Using a uniform and coherent approach with tourism value chains enabled cross-country comparison between different destinations (notwithstanding complexities such as different definitions of poverty). In retrospect, I think this has allowed PPT to start the transition from a series of isolated case studies towards becoming an emerging body of knowledge.
2.2: Methodological challenges

What is poverty and how is it measured?
There are three main facets of poverty to be considered here: PPT terminology; our understanding of the meaning of poverty; and, how poverty – and poverty reduction - is measured.

PPT has been criticised for using ‘negative and paternalistic terminology’ (Butler et al 2013). This is a valid critique and there is a very real danger that using vocabulary such as ‘poor’ is value-laden and can stigmatise the vulnerable and alienate other stakeholders (Bakker and Messerli 2017 and Suntikul et al 2009). Personally I found the vocabulary of PPT increasingly uncomfortable to use and occasionally a barrier to communication. The terminology needs to change. ‘Low income’ is more neutral than ‘poor’. The challenge is that, having taken the past 20 years gaining brand recognition and understanding around the term ‘pro-poor tourism’, there is a cost to a significant change in this nomenclature.

PPT has been criticised for adopting an income-based financial definition of poverty. This is also a valid critique. It is entirely obvious to anyone who spends time with low-income communities that deprivation is a multifaceted phenomenon and includes poverty of money, but also about a lack of access, power and dignity (Tucker 2011; Suntikul et al 2009; Truong 2014; Sen 1999).

The difficulty is, having accepted this point in principle, how to apply it in practice? At ODI, a typical PPT assignment would be ten working days for data collection in a large destination with often minimal reliable secondary socio-economic information available. Our approach was pragmatic, we would agree with the funder what was the relevant threshold for poverty for each study – and this threshold always tended to gravitate back to income level because this is an easier variable to measure than ‘dignity’ or ‘power’. Others wrestle with the same conundrum (see Sharpley and Naidoo 2010 and Llorca-Rodriguez 2017).

However, even restricting ourselves to quantitative measures of income poverty, there are different choices that can be made for indicators – the poverty gap and poverty severity as well as the poverty headcount ratio (based on the poverty threshold line).
These choices are important because, as Njoya and Neelu (2018) found in Kenya, tourism was more effective at supporting very poor people to get closer to the poverty threshold than it was at getting people over the line. In other words, tourism was more effective at alleviating, than reducing, poverty and an analysis just focusing on poverty reduction would miss this important pro-poor effect.

This discussion is not just theoretical. Choices made on how to measure poverty - income or consumption and, if income, whether to use a local or international poverty line, have a dramatic influence on the results obtained. Using different poverty criteria, the proportion of tourism workers coming from ‘poor’ backgrounds in Dogon Country in Mali vary from 1.9% to 79.8 % and, in Laos, from 12.5% to 94.9% (Thomas 2013). This underlines the importance of choosing an appropriate poverty threshold in order to make meaningful judgements about the poverty reducing performance of the tourist sector. There is a trade-off between the need for comparability of results between different places – which suggests using the US$1.90 poverty threshold across the board adjusted for purchasing power parity in different countries to reflect difference in the cost of living– and using different measures of poverty that are relevant to the local context but not comparable internationally (Thomas 2013).

For some, the absolute level of poverty is less important than a relative measure against others (Sharpley and Naidoo 2010). This chimes with the earlier debate about the absolute and relative definitions of pro-poor growth (Ravallion 2004 and Kakwani and Pernia 2000). Two interesting recent articles introduce a longitudinal aspect to the analysis of poverty. In Gascon’s (2015) work on an island in Peru from 1990 to 1999, he demonstrated that tourism was associated with an increasing social and economic differentiation within the community. A different longitudinal perspective is provided by Raza and Shah (2017), who find empirical confirmation of the operation of the Kuznets curve. Income inequality increases initially with tourism growth but then reduces after an income per head threshold has been reached.

In summary, there is a strong case for changing the vocabulary around PPT and a reasonably strong argument for using a more holistic definition of poverty, but the practicality of this is questioned. The choice of poverty thresholds for specific projects will be an on-going tension between the need for local relevance and cross country comparison.
The environmental impact of tourism

An important critique of the PPT approach is that it is anthropocentric and overlooks negative environmental impact and climate change (Peeters 2009; Sharpley and Naidoo 2010; Butler et al 2013). Peeters (2009) suggests that the environmental effects of North-South tourism are sufficiently serious to make this form of tourism incompatible with sustainable development. As a critique, the charge of anthropocentricism in PPT is valid. The aim of PPT was to address the gap that emerged in the assessment of the economic impact of tourism, particularly on low income groups, and so environmental impacts were considered beyond the scope of the analysis.

This was a plausible position in the early and mid-2000s, but has become increasingly tenuous with advances in environmental economics (Stern 2006). At ODI, I contributed to work examining the viability of long-haul tourism at various carbon costs and found that the benefits of international tourism still far outweighed the costs. However, it was not until 2016 that Scott et al (2016) published an analysis of the costs of tourism engaging with the decarbonisation agenda. Their findings, that a ‘climate compatible transformation of the tourist sector could be financed through a partial reallocation of cumulate fees and taxes already imposed on travellers by companies and governments’ (Scott et al 2016 p.68) confirmed the findings our ODI internal analysis. The tourist sector is indeed responsible for an increasing share of global carbon emissions but, as a high value international service and one that is already heavily taxed, the sector is well-placed to align with the decarbonisation agenda. With advances in environmental economics – and particularly in the shadow pricing of carbon – it is now relatively straightforward to price in the cost of climate change into PPT analyses.

At a more local level, tourism can generate finance for environmental goods. In Nepal, tourism generates a revenue stream for local people that improves their capacity to mitigate the dangers and risks of marginal agricultural production in an era of climate change (Korstanje 2011). Tourism can also result in positive environmental impacts, such as conservation, but these environmental gains can impose costs on local communities such as crop damage from wildlife conflicts. Richardson et al (2012) has examined the trade-offs between increased cash income from tourism and crop damage in the Zambian Game Management Area.
At what scale and where has PPT been applied?

Within the burgeoning pro-poor tourism literature based upon empirical case studies, the range in scale of unit of analysis is considerable (see Appendix C) - from a single project to a longitudinal econometric analysis on a panel of the 43 countries with large tourist inflows. Perhaps unsurprisingly, most empirical analyses reviewed were based at the scale of the nation state.

In Truong’s (2014) systematic review of PPT from 1999 to 2013, she highlights the strong focus on African countries, with 59% of the 122 articles having this geographical focus. There is also a concentration of articles published by Anglophone researchers in the UK, South Africa and Australasia. Much of this reflects the legacy from where PPT emerged and how PPT research has been funded. However, the approach can be applied anywhere and there are early encouraging signs of PPT diversifying from its, somewhat limited, origins.

First, it is gratifying to see PPT being applied in middle-income and advanced economies. The application of PPT principles in Glasgow is the first example of an application in the UK (Butler et al 2013). Elsewhere in Europe, Dediec (2015) explains that the pro-poor tourism strategy in Serbia is being informed by international experience from Africa, South Asia and Latin America. This is an excellent, and still rare, example of knowledge transfer from the South to Europe.

Second, the increase in recent articles focusing on Latin America and Asia is striking and supports the case for a trajectory where PPT has stepped out of the confines of the Anglosphere and countries with a UK colonial history and legacy.
Part 3: Evidence of research uptake and impact

In 2008, Harrison (2008) was probably correct to describe PPT as marginal to both the business world and academia. By 2012, my practitioner work had demonstrable impact in the development sector, governments and within the tourist industry. In addition, there is evidence that, despite the inauspicious start and acknowledged criticism, PPT has clearly influenced the academic literature and the business world through providing one of the more robust conceptualisations of tourism and poverty alleviation in recent decades.

3.1: Development Sector and Southern Governments

PPT had a significant impact in the ‘tourism and development’ field. Rogerson (2007) suggested that PPT had radically reshaped policy debates around tourism and development by asking the question of how tourism could be aligned to become more pro-poor. PPT was ‘remarkably effective at getting message across and increasing focus on poverty’ (Harrison 2008 p. 865). This success was attributed to a focus on very a simple and incontrovertibly moral idea (net benefits of tourism to the poor) and, by cutting through much of the development debate, PPT appealed to many NGOs and INGOs and international aid agencies.

A DFID-funded project provided the foundations of PPT and facilitated the UK to put ‘tourism and poverty’ onto the international aid agenda. In the mid-2000s, PPT was taken up by the UN World Tourism Organisation and misconstrued in the Sustainable Tourism – Eliminating Poverty Programme. PPT was also later supported by the World Bank (Mann 2008); SNV (Hummel and Duim 2012) and the German bilateral aid programme, now GIZ. In addition, PPT was taken up to some extent by a range of other tourism agencies, such as the World Travel and Tourism Organisation, the Pacific Area Travel Association, and development organisations like the Asian Development Bank and the International Union for the Conservation of Nature (Scheyvens 2007, Dorin-Paul 2012). By the late 2000s, PPT had become a development ‘fad’ (Scheyvens 2009 p. 193). The early success of PPT in the development sector reflected the fact that it was an innovative idea promulgated from a credible organisation and disseminated using an open source format.
All ODI publications are subject to rigorous, although not anonymous, peer review and very extensive review and comment in the public domain. This is the rationale for including two of these resources as supporting material in this PhD by publication.

Development agency staff rarely read academic journals and the effective dissemination of short and professionally-produced PPT material on the prominent ODI website and open source library, which achieved 3 million ‘hits’ in 2010, was instrumental in achieving impact (Goodwin 2008). During the period 2005-2012 almost all of my PPT studies across ten different countries were funded by development organisations.

However, the impact of PPT on the development sector can be over-stated. Despite demands from developing country governments, Hawkins and Mann (2006 p. 359) highlight within the World Bank the inadequate ‘institutional foothold required to leverage the considerable intellectual and financial resources of the agency’. Hummel and Duim (2012) explain the demise of the tourism work-stream within SNV and attribute it to the inability to demonstrate rapid results in projects. Having funded the initial PPT studies, DFID showed no appetite for further work in tourism after 2005.

The tourism policy statements for Ethiopia (World Bank and Ministry of Culture and Tourism 2012) and Cape Verde (World Bank 2013), which were both based on the author’s analysis are, however, evidence of different levels of impact at the policy level. This is underlined by the fact that these two policy documents led to World Bank tourism projects to Ethiopia and Cape Verde, both signed in 2016, of $35m and $5m respectively. There are pockets of tourism work going on in development agencies but the initial interest of the development sector has only been maintained as a consequence of lobbying by developing country governments. It is difficult to underestimate the short attention span of the development sector.

3.2: Corporate sector

Within the corporate sector, while PPT engaged with the hotel sector in relation to ‘grey water’ recycling (Scheyvens 2007), I worked on PPT issues related to child labour, wage rates and procurement of supplies from the local economy.
My involvement in a TUI/Travel Foundation-funded projects contributed to improving hotel local economic development impacts in Turkey (Mitchell et al 2015). This was featured prominently in the TUI Travel PLC (the World’s largest tour operator) 2010 sustainable Development Report (TUI Travel PLC 2010) and subsequently expanded into a work-stream TUI flag-ship resorts in Greece and Tunisia which was undertaken by colleagues at ODI.

Recognising that the adoption of PPT by the corporate sector required more than research alone, from 2005 to 2011 I was a trustee of the Travel Foundation, an organisation set up by the UK outbound travel industry to improve their destination impacts. The aim was to complement my research efforts with support for organisational change within the industry. This included activities such as participation in Federation of Tour Operator roadshows in Egypt and Turkey to promote their certification Travelife scheme, which required assessing the sustainability performance of contracted hotels across the whole range (including labour) of the hotels’ supply network.

3.3: Academia

The citation analysis in Appendix D suggests that my published work has informed academic literature. At ODI, we tracked the number of web ‘hits’ and downloads for all the outputs on the website carefully. 100 downloads of each output every quarter for the first year after publication was the norm. Unfortunately ODI replaced its website recently – so the quantitative evidence of this download profile is no longer available. However, compared with the high level of downloads on the website at ODI, receiving 67 citations for my most cited academic paper, published over a decade ago, is somewhat subdued.

My non-journal outputs proved better at reaching the very much larger audience of tourism stakeholders in the tourist and development sector. The citation analysis shows they are also a more effective way of reaching out to the academic community. Of the nine outputs represented in the Appendix D, there are 2 books (410 and 66 citations), 5 academic articles (average citation 30), a one-page Opinion (32 citations); and a Briefing paper (47 citations) – I wrote PPT Opinion pieces with four times this level of citation but believe the Opinion presented has more relevant content. This analysis suggests that the critique of PPT, for not engaging with academics by focusing on ‘grey’ literature rather than academic journals, would benefit from some nuance.
In Truong’s (2014) systematic review of PPT, she identifies the accelerating rate of academic articles being published from the mid-2000s – based upon a key word internet search. Truong’s analysis covered the three 5 year periods from 1999 to 2013 (inclusive). To illustrate the more recent increase in the rate of publications, I ran the same key word search as Truong for the period 2014-2018 and found 315 articles with at least one citation (the requirement for a citation was not part of Truong’s analysis but was added to inject some caution into my extension of her work). This rapid rate of increase in publications does follow an exponential trend-line and coincides with my entry into the field in 2005. Clearly association does not suggest causation. However, Truong’s finding of the sharp decline in the use of dependency thesis as a conceptual approach and uptake in use of the kind of mixed methods which I advocated, may suggest some influence on the field qualitatively (conceptual and methodological approach) as well as quantitatively (number of articles).

**Figure 2: Number of academic articles published on PPT**

![Graph showing the number of academic articles published on PPT from 1999-2018](source: Truong 2014)

Qualitatively, there has also been a significant change in the nature of the articles and who is writing them. The *Current Issues in Tourism* special feature on PPT in 2007 was comprised largely of ideological polemics with limited empirical evidence, largely generated by Antipodean and European authors.
The more recent literature is dominated by empirical case studies using a rich methodological diversity of research methods from a diverse range of researchers. Although it would be egotistical to attribute this trend to my development of a clear and practical approach to conducting PPT research in developing countries a decade ago, and training practitioners’ in-country, my work may have played some role in this change.

Notwithstanding the impact of PPT in the academic literature, the larger goal - of tourism being recognised in the mainstream of development - remains a work-in-progress. Most of the papers reviewed here were published in a fairly narrow range of tourism journals. Only a small number of papers reviewed were written in geographical, environmental and public policy journals (Rogerson and Visser 2011 and Kinyodo and Pelizzo 2015; Gibson 2009; Rogerson 2006; Muchapondwa and Stage 2013). Only one paper reviewed was published in World Development, which is a credible mainstream development journal (Richardson et al 2012). Notwithstanding the conceptual and methodological advances of the past decade, it appears that tourism is still struggling to be accepted by mainstream development (Holden and Novelli 2011).
Part 4: Commentary on the publications submitted

*Development Southern Africa* 24 (3) pp445-464

This article was based upon the first application of my emerging approach to tourism value chains in the Gambia in 2006. Gambia offered the opportunity to field test my approach in the type of tourist destinations where it was most likely to fail. It is one of Africa’s smallest and poorest countries, with a fragile capacity to provide viable linkages to a sophisticated international service sector, like tourism. The tourist product was fairly low-end, low volume package beach tourism dominated by UK outbound tour operators, which conventional wisdom suggests is likely to be characterised by high leakages and the exploitation of the destination. The main preoccupation of tourism academics in this destination was anthropological studies of sex tourism between European women and young Gambian men and the incongruity of rich European tourists travelling to Africa for leisure. We could not find any research assessing whether tourism was benefiting the Gambia economically.

What we found from the research was that it is possible to estimate a fairly robust global value chain for tourism. We developed survey instruments for hoteliers, SME suppliers to the tourist sector and tourists themselves. A rather detailed survey of tourist expenditure had taken place recently as an input to a master planning exercise – which allowed us to triangulate our ‘action research’ findings with those from a more quantitative exercise. We also found that tourism was benefiting the Gambia (about half the global value chain), and low-income groups in the destination (about 14% of in-country spend) and that it was perfectly feasible to propose practical steps to improve the developmental impact of tourism.

Mitchell J (2012) Value chain approaches to assessing the impact of tourism on low-income households in developing Countries *Journal of Sustainable Tourism* 20 (3) pp457-475

This article was written towards the end of my seven years’ working at the ODI and is a retrospective on the emergence of PPT as an idea and an explanation of how we developed an approach to measuring the economic impacts of tourism on low-income communities.
I outline the conceptual and methodological origins of value chains and explain how they can be adapted to the tourist sector and to an action research methodology that can identify practical opportunities to improve the developmental impact of tourism.

I conclude that, notwithstanding the definitional difficulties, that value chain analysis provides a useful research method to assess destination impacts in the tourist sector and with an explicit pro-poor focus. I also presented empirical evidence from 12 studies across Africa and Asia in an attempt to generalise about what factors influence the extent to which tourism is – or can be – an effective tool for development. The findings are structured around testing, empirically, the three propositions that form the basis of PPT (see Box 1).


This paper is based upon research we undertook for TUI (the largest outbound tour operator in the world) and the Travel Foundation (an NGO established by the UK travel industry to improve destination impacts). The research focused upon a single 1,000 room all-inclusive resort in Southern Turkey and the aim was to assess who was benefitting from the resort and how to improve the impacts on the local economy.

This research differed from most of our studies because it was funded by the tour operator who purchased almost all of the bedrooms at the hotel. As a result, we had ‘open book’ access to financial information all along the value chain, from the outbound tour operators and ground handler to the hotel operations, which is unusual. The research also demonstrated the value chain approach could be applied to a single hotel, albeit a very large one, more usually the unit of analysis was a tourist destination or the tourist sector of an entire country. Also the target group for this initiative, local residents living near the resort, were defined more by geography rather than by their standard of living.

The analysis confirmed that the value chain approach is able to quantify the economic impact of a single hotel. The assessment of the geographical impact of all-inclusive package hotel resorts showed that, whilst about 50% of the €46 million tourism value chain accrues to Turkey.
This finding is unsurprising for such a large, diversified and protected national economy – however only 2% of the value chain accrued to the immediate local area around the resort.

This is important because the residents living near the huge hotel have a legitimate expectation to benefit from the resort and can impinge on the resorts social license to operate, if aggrieved. We developed a series of practical ‘win-win’ proposals that would improve local impact without compromising on the financial viability of tourist operations. Unusually, we were able to undertake an evaluation six months after the reform measures were implemented and validate that they had almost all been implemented and had generated the local economic development impact forecasted during the analysis.

*Development Southern Africa* 34 (1) pp121-136

This paper was based upon a large World Bank-financed project to develop a tourist policy for Ethiopia in 2008/9. A value chain analysis was undertaken to capture the scale, nature and distributional impacts of conference/business tourism in the capital, Addis Ababa as well as the much smaller leisure tourist flows around the northern and southern circuits in Ethiopia. Despite the almost complete lack of any reliable secondary data about tourism in Ethiopia, our team generated a credible value chain for the different segments of the tourist sector and identified a series of practical policy measures that would improve the development impact of tourism on this remarkable destination.

There has been almost no policy traction from this research on the subsequent two rounds of tourism policy in Ethiopia and the paper interrogates, why was there a failure to take-up the available evidence? Answering this question requires an analysis of the complexity of the policy-making process in Ethiopia and also the complex political economy underlying relationships between the World Bank and the Government of Ethiopia. From a dependency perspective one might anticipate that a powerful Western development finance institution with an in-country spend of $3bn in 2018 would have a significant influence on the policy-making of one of the poorest countries in Africa, however this case study suggests the reverse in reality. The paper is also self-reflective and outlines how the researchers could have designed the policy research process in a less naïve way to improve the likelihood that the evidence generated by this project would be taken up by policy makers.
Much of my work implicitly questions the tenets of the dependency thesis from an empirical, rather than a conceptual, basis. I worked in Cape Verde on a UNDP project in 2008 and on a large World Bank policy exercise in 2011-2012. This paper explains how, as a result of internal popular pressure, the country transformed its political system from a one Party state to a multiparty democracy and its economy from a state socialist model to a liberal mixed economy with a non-aligned foreign policy.

Cape Verde is about as ‘peripheral’ a country as it is possible to conceive – 0.5m people living on an archipelago of nine small islands in the middle of the Atlantic Ocean that has been exporting people in search of a better life for so long that the diaspora population today is larger than the resident population. Yet Cape Verde it has successfully made the transition from almost ubiquitous poverty to Middle Income status in two decades, largely as a result of tourist development. This has been achieved despite the sector being led by a large, foreign-owned, all-inclusive package beach tourism model.

The research on which the paper is based is unusually data rich. Our standard value chain analysis was augmented with very robust secondary data, including access to bespoke cross-tabulations from the household survey and census as well as unusually accurate tourism statistics. This clearly demonstrates the direct relationship between the expansion of the tourist sector over time and the reduction in income poverty, from the household to the island and up to the national scale. In contrast with Ethiopia, this research was welcomed by policymakers and discussed with the Cape Verde national Cabinet during a two day workshop and has directly informed development policy on the archipelago. It is concluded that, even one of the smallest and most vulnerable Small Island Developing States can, with good governance and a coherent strategy, fundamentally transform its development trajectory.
Mitchell, J and C Ashley (2007) **Leakage claims: muddled thinking and bad for policy?**  
ODI Opinion 81

At ODI our one-page Opinion pieces were widely-disseminated and downloaded and often provoked strong reactions (including the threat of legal action in one case). This Opinion piece emerged directly from our research on tourism value chains and exposed the muddled thinking and poor basic arithmetic often used ‘tourism pessimists’ to make exaggerated claims about the level of ‘leakages’ from tourist developments. To the extent that tourist researchers influenced by the dependency school used empirical evidence at all to support their claims about the failure of tourism to benefit the destination, this often involves claims of very high levels of ‘leakage’. In this short paper, we explain how these claims do not bear serious scrutiny and provide a poor basis for the development of public policy.

Mitchell, J and C Ashley (2009) **Value chain analysis and poverty reduction at scale: evidence from tourism is shifting mind-sets**  
ODI Briefing Paper 49

Our 4 page Briefing Papers at ODI were a useful vehicle to disseminate research findings to a broad audience spanning practitioners, the tourist industry, donors and academics. This document illustrates how we summarised our conceptual ideas about market based approaches and methodological advances in tourism value chains and some of our findings to stimulate change and interest from elsewhere in the sector. These publications were a highly effective means of stimulating and informing discussions around policy issues from a broad coalitions of stakeholders and would often form the basis of public meetings hosted by the Institute in London (and, unusually in 2005, were all available online).

This paper uses the empirical findings from a number of studies to develop a synthesis to inform the policy discussion. There is a strong focus on moving from analytical description to policy prescription – from ‘proving’ whether and how tourism benefits low-income groups to ‘improving’ the pro-poor performance of tourism. In this paper we cite some of the evidence that PPT can generate large and significant tangible impacts. For example, within a year of completing a value chain study in Da Nang in Central Vietnam in 2007, which identified a surmountable regulatory barrier to tourist development, 5,000 upmarket hotel rooms were under construction.
Since 2008, tourism in Da Nang has expanded from $42m to $856m a year - a compound annual growth rate of 30% over the past decade (Albernaty 2013). In 2015, Bloomberg recognised the city as ‘Vietnam’s Singapore’. This demonstrates that PPT can deliver large-scale and sustainable impact on-the-ground.

Mitchell J and Ashley C (2010) *Tourism and poverty reduction: pathways to prosperity* 
Earthscan, London and Virginia

This book started life as a literature review for the World Bank in 2008. It was during this time that I realised that I had been too hasty in dismissing academic research in the ‘tourism and development’ field. Over the next two years, we found pockets of great scholarship and robust research methods and the aim of our book was to highlight this work and attempt a synthesis to bring these isolated pieces of work together into a more coherent body of knowledge.

This is the most thorough elaboration of our conceptual and methodological approach to PPT. The transition from a sustainable livelihoods to a market development approach was explained and justified with the use of empirical examples. I launched the book at the World Bank in Washington in 2010


This book was the output from a six year action research study into agricultural value chains from 2005 to 2011. Although this was focused upon agricultural value chains, this project provided the platform from where I was able to integrate poverty, environment and gender concerns into the traditional business-orientated value chain framework. This action research project also allowed me to bridge the gap between the narrow value chain – focusing on the transactions within the vertical chain to the exclusion of the broader enabling environment within which chains operate - and the market development approach, which focuses on the support functions and rules which are external to the core transaction but shape its nature and distributional impact. This parallel agricultural workstream significantly informed my development and refinement of tourism value chains.
Conclusion – An ivory tower is a fine place – as long as the door is open

PPT in 2005 had an implicit conceptual framework and used a fairly eclectic range of research methods. I recognised the need to strengthen the conceptual and methodological approach to PPT and generate credible empirical evidence – and acted upon this. Through adopting a market development approach and developing the tourism value chain framework, I contributed to one of the more significant advances in conceptual and methodological approaches to assessing the impact of tourism on low-income people in recent decades.

The impact of my research was increased through ODI’s well-used and easily accessed open-source website, which facilitated the rapid dissemination of my work. This included not only conceptual, methodological and empirical analysis, but also training material on tourism value chain analysis specifically designed to transfer knowledge to researchers about ‘how to’ conduct this kind of analysis themselves. This was a valuable mechanism to increase impact.

One of the joys of my more recent research has been my own subtle, but important, transition from practitioner to academic. This has allowed me to engage more explicitly with the conceptual basis of PPT and those of the critics of this approach. Discussing these conceptual issues explicitly is an important prerequisite to building bridges between ‘tourism and development’ and mainstream development thinking (Sharpley and Telfer 2014).

Applying these approaches and methods to ten different developing countries in Africa (Gambia, Ethiopia, Cape Verde, Rwanda, Tanzania and Ghana), Asia (Vietnam, Cambodia) and elsewhere (Turkey and Brazil), I generated a significant body of empirical work. This on-the-ground research allowed me to ‘stress-test’ my conceptual and methodological ideas across a wide range of geographical settings. It also provided an evidence base to challenge some of the widely-held, but deeply flawed conceptual and empirical mythology, which retained currency in the ‘tourism and development’ field in 2005. My research resonated with the development and business sectors and also provided fertile ground for later academic elaborations by me and others. This claim is evidenced by the research output which I produced over this period (summarised in Part 4 and outlined in full in Appendix E), and I present five academic articles, two examples of ‘grey’ literature and two books. In this thesis, I have presented evidence of the demand for this contribution.
This came from development agencies, who contracted some £0.6m of research from the author in 2005-2012 and who have developed their own tourism work-streams and programmes. Practitioners engaged with PPT actively through downloading material from the ODI website at scale, attending training courses and implementing their own PPT initiatives. The travel industry itself, whilst initially reluctant, engaged through my work with the World’s largest tour operator in Turkey, the Travel Foundation and Travelife certification roadshows in Egypt and Turkey. PPT failed to resonate with some destination governments but with some this was much more successful, notably in Cape Verde (where my work with the National Cabinet and the World Bank has changed national tourism policy) and in Central Vietnam (appears to have transformed the development trajectory of Da Nang City).

Academics have engaged with PPT in divergent ways. My work has been cited fairly extensively and has generated an upsurge in PPT case studies from a diverse set of geographies and fields of enquiry. There has been robust academic critique. More recently, there is evidence that academics are taking a more evidence-based and less ideologically-driven approach to assessing how tourism impacts upon vulnerable people. The dependency thesis is, at last, in retreat.

Methodological challenges for PPT remain. Overcoming issues of nomenclature and anthropocentrism are surmountable. Defining ‘poverty’ in a practical way for case studies that is both universal and respects the complexity of the local context remains a challenge.

This overview has allowed me to reflect on the efficacy (or lack thereof) of traditional academic model to ensure reliable scientific evidence and the development of professional consensus. I think my work had traction partly because I was an ‘outsider’. I was able to communicate effectively with – and mediate between - corporate interests, developing country governments, development agencies and even latterly with academics, precisely because I worked for a respected, independent, open-source, ‘think tank’ - a different type of organisation. It is positive that some of the sternest critics of PPT have undertaken empirical field-level analysis and concluded that reality is altogether more complicated and interesting than polemics drafted from an Ivory Tower may suggest (see Scheyvens and Russe1 2014). I am happy to accept that my initial rejection of academia was premature and that practitioners should have a role in supporting and shaping the academic discourse.
My sense is that the need to better understand and measure tourism’s development role will not diminish in the future. As the tourist sector expands in developing countries, development agencies – often responding to demands from destination governments – will increasingly recognise the potential of the sector to transform their economies. I do not see this issue falling off the agenda, and the pressure to better demonstrate that tourism interventions can generate positive development impact for the vulnerable will (and should) intensify. Whether the ‘PPT’ label should necessarily be affixed to this work? About this, I am less sure.

If the conceptual, methodological and empirical advance, which I believe PPT represented, is fully absorbed into the ‘tourism and development’ field, the distinctiveness of PPT – and therefore the need to use the label – should melt away. PPT will have been ‘mainstreamed’. For me the key issue is to build bridges between credible tourism research and mainstream development, the branding of the tourist research is very much a secondary issue.

The need for credible tourism research remains an aspiration. There is a significant volume of research in the ‘tourist and development’ literature which does not meet the quality thresholds required. Even within recent PPT research, improvement is needed in at least two key areas.

First, whilst it is encouraging to see a rich diversity of individual case studies using more credible research methods, it is important to recognise the need to synthesise this material into developing a body of knowledge. In this way, each case study will contribute to an accumulation of understanding. Researchers should distinguish findings which can be generalised from the specificities of the individual case study. Other social sciences, such as geography, made the transition from exceptionalism to synthesis thirty years ago. It is time PPT followed this path.

Second, and returning to a theme stressed throughout this overview, PPT was conceived as a tool not just to measure the world, but also to change it. Even when every PPT case study is conceptually coherent, methodologically rigorous and empirically sound, this will remain an endeavour half complete unless concrete and practical proposals to improve the lives of low-income people in the destination are at the heart of the analysis.
Bibliography


Alternaty (2013) *Vietnam hotel and resort newsletter* August


Akyeampong OA (2011) Propoor tourism: residents’ expectations, experiences and perceptions in the Kakum National Park Areas of Ghana *Journal of Sustainable Tourism* 19 (2) 197-213


Bakker M and Messerli H (2017) Inclusive growth versus pro-poor growth: implications for *tourism development Tourism and Hospitality Research* 17(4) pp384-391


Briedenhann J (2011) The potential of small tourism operators in the promotion of pro-poor tourism *Journal of Hospitality Marketing & Management* 20 pp484-500


Croes R and Rivera M (2017) Tourism’s potential to benefit the poor: A social accounting matrix model applied to Ecuador Tourism Economics 23 (1) pp29-43


Dornwood, A; Anderson S, Bernal Y, Sanchez Vera E, Rushton J, Patterson J, Paz R (2009) Hanging in, stepping up and stepping out: Livelihood aspirations and strategies of the poor Development in Practice 19 (2) pp240-247


Fukuyama F (1992) The end of history and the last man Free Press


Gibson C (2009) Geographies of tourism: critical research on capitalism and local livelihoods Progress in Human Geography 33 (4) pp527-534


Harrison D (2009) Pro-poor tourism: is there value beyond ‘whose’ rhetoric? Tourism Recreation Research 34 (2) 200-202


Hummel J and Duim R vd (2012) – Tourism and development at work: 15 years of tourism and poverty reduction within the SNV Netherlands Development Organisation *Journal of Sustainable Tourism* 20 (3) pp319-338


King R and Dinkoksung S (2014) Economies of tourism destinations: Ban Pa-Ao, pro-poor tourism and uneven development *Tourism Geographies* 16 (4) pp 687-703


Mitchell, J and C Ashley (2007) Assessing how tourism revenues reach the poor: findings from the application of innovative diagnostic tools offer new ways to understand and boost revenues from tourism for the poor *ODI Briefing Paper 21*

Nilsson, Måns; Griggs, Dave; Visbeck, Martin. (2016) Map the interactions between the Sustainable Development Goals Nature 534 (7607) pp 320-322


Roxborough I (1979) Theories of underdevelopment Macmillan


Scheyvens R (2009) Pro-poor tourism: is there value beyond the rhetoric? Tourism Recreation Research 34 (2) pp191-196

Scheyvens R and Russell M (2012) Tourism and poverty alleviation in Fiji: comparing the impacts of small and large-scale tourism enterprises Journal of Sustainable Tourism 20 (3) pp417-436


Singh (2001) Can there be pro-poor tourism? *Tourism recreation research* 26(3) 1-2
Snyman S (2012) The role of tourism employment in poverty reduction and community perceptions of conservation and tourism in southern Africa *Journal of Sustainable Tourism* 20 (3) pp395-416
Suardana IW and Dewi GAS (2015) Dampak Pariwisata Terhadap mata pencaharian Masyarakat Pesisir Karangasem: Pendekatan Pro Poor Tourism *PIRAMIDA* 11 (2) 76-87
Tucker H (2011) review of Scheyvens Tourism and Poverty in *Asia Pacific Viewpoint*
Trau AM (2012) Beyond pro-poor tourism: (re) Interpreting tourism-based approaches to poverty alleviation in Vanuatu *Tourism Planning and Development* 9 (2) pp149-164
Truong VD (2014) Pro-poor tourism: looking backwards as we move forwards Tourism Planning and Development 11 (2) pp228-242
Williams, C and J Mitchell (2012) Investing in hotels and demonstrating development impact ODI/IFC case study
Appendix A: Alternative research methods than can inform PPT

Examples of the different frameworks to model the impact of tourism on low income groups, include:

- **Computable General Equilibrium (CGE) models** (Blake et al 2008) examined the economic impact and distributional impacts of tourism in Brazil through three channels (prices, earnings and government revenue). It was found that the poorest households benefit from tourism but less than the non-poor. Njoya (2018) used a dynamic computable general equilibrium analysis in Kenya to conclude that tourism is pro-poor. A 5% increase in arrivals in Kenya will enable 1.8% of population to cross poverty line (small effect) but poverty gap reduced by 3%. A dynamic model is important because poverty effect occurs from year three after arrivals increase.

- **Social Accounting Matrix (SAM) models** (Muchapondwa and Stage 2013) used a SAM to compare economic impact of international tourism in Botswana, Namibia and South Africa. The concluded that taxing tourist projects and redistributing this revenue may be simplest channel for poor to benefit from tourism. Croes and Rivera (2017) applied a SAM model to Ecuador and showed tourism benefits low income households more than higher income households.

- **Econometric models** Kuznet’s curve (Raza and Shah 2017) examined relationship between tourism and income inequality for top 43 tourist arrival countries 1995-2015. This showed tourism growth is associated with reducing income inequality over time. Kinyodo and Pelizzo (2015) discern the Kuznets curve effect from data in Tanzania. Richardson (2012) uses econometric techniques to isolate income and welfare effect of Game Management Area in Zambia. He found a positive effect but this was distributed unequally and undermined by human-wildlife conflicts;

- **Panel data** – examining total and extreme poverty in Peru’s departments 2001-2013 (Llorca-Rodrizuez 2017).

- **Behavioral sciences** – Hadi et al (2013) examining how indigenous communities in Malaysia can participate in PPT; and

- **Anthropological** – Truong 2018 regards street vendors of Hanoi as source of knowledge in order to effectively address poverty. The need to listen to the views of local participants in the tourism value chain is emphasised.
Appendix B: The funding of Pro-Poor Tourism

The author received funding for PPT in the following descending order of magnitude:

### Sources of external funding for the authors’ PPT research outputs 2005-2012

<table>
<thead>
<tr>
<th>Funder</th>
<th>Research activities</th>
<th>Research outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Ghana conference tourism in Accra in 2009</strong></td>
<td><strong>International Trade Centre</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Opportunity Study Guidelines in 2009</strong></td>
<td><strong>GIZ</strong></td>
</tr>
</tbody>
</table>
**ODI internally-funded publications**

**Subject to internal ODI peer review**


**TUI Europe / Travel Foundation**

**Turkey measuring and improving hotel impact 2011**


**UNDP**

**Cape Verde tourism policy in 2008**


**PROPARCO**

**Cross-country analysis**


Note: all web links operational as at 29 July 2018
Appendix C: Different geographic scales at which PPT has been applied

- individual **project** (Hill et al 2006);
- one ethnic or occupational **group** (Hadi et al 2013; Torres et al 2011; Trunong 2018)
- one **village** (Gascon 2015; King and Dinkoksung 2014; Zeng et al (2015);
- one **city** (Butler 2013); Soliman (2015); Suntikul et al 2009;
- one **sub-national region** (Akyeampong (2015; Suardana and Dewi; Zeng et al 2015; Dediec 2015; Adiyia et al 2014;
- **national** level (Espiner et al 2017; Thomas (2013); Anderson (2018); Richardson et al (2012); Sharpley and Naidoo (2010); Llorca-Rodriguez (2017); Bowden 2005; Truong 2013; Croes and Rivera 2017; Blake et al 2008; Njoya 2018; Kinyodo and Pelizzo 2015)
- **multi-national region**: (Muchapondwa and Stage 2013; Theerapappisit 2009; and
- **global** (Raza and Shah 2017)
Appendix D: Citations of publications

Google Scholar Citations (as at March 2019)

<table>
<thead>
<tr>
<th>Research outputs</th>
<th>Citations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitchell J (2012) <em>Value chain approaches to assessing the impact of tourism on low-income households in developing Countries</em> <em>Journal of Sustainable Tourism</em> 20 (3) pp457-475</td>
<td>68</td>
</tr>
<tr>
<td>Mitchell, J and C Ashley (2009) <em>Value chain analysis and poverty reduction at scale: evidence from tourism is shifting mind-sets</em> <em>ODI Briefing Paper</em></td>
<td>47</td>
</tr>
</tbody>
</table>
Appendix E: Publications included in this submission

Academically peer-reviewed publications

Document 1: 2007: Article

Document 2: 2012: Article

Document 3: 2015: Article

Document 4: 2016: Article

Document 5: 2017: Article

Overseas Development Institute peer reviewed publications


Document 7: 2009: Briefing Paper
Document 1:

Development Southern Africa 24 (3) pp445-464
Holiday package tourism and the poor in the Gambia

Jonathan Mitchell & Jojoh Faal

To cite this article: Jonathan Mitchell & Jojoh Faal (2007) Holiday package tourism and the poor in the Gambia, Development Southern Africa, 24:3, 445-464, DOI: 10.1080/03768350701445541

To link to this article: https://doi.org/10.1080/03768350701445541

Published online: 29 Aug 2007.

Submit your article to this journal

Article views: 311

Citing articles: 22 View citing articles
Holiday package tourism and the poor in the Gambia

Jonathan Mitchell & Jojoh Faal

This paper analyses the tourism value chain in order to understand and encourage pro-poor growth of the tourist sector in The Gambia. The central finding is that about 14 per cent of the Gambian part of the chain flows directly into the hands of poor people – a much larger pro-poor outcome than the authors expected. This is due to well-developed local linkages in the destination country that allow poor people to access tourist discretionary expenditure – supported by concerted action from civil society and donor organisations. Pathways from tourism to the poor are, in descending order of importance, craft markets, the food supply chain, non-managerial staff in hotels, excursion guides, and taxis. To increase the benefits from tourism to the poor, the paper recommends increasing both the size of the slice that accrues to them and the size of the tourist cake itself.

1. INTRODUCTION

The potential for tourism to accelerate economic growth and reduce poverty in poor countries is beginning to be acknowledged by a small group of development practitioners and a larger group of policy makers in developing countries. Like most economic activities, international tourism is concentrated in rich countries. However, about one-third of international tourists arrive in a developing country. In the developing world, middle income countries capture the lion’s share of this market. Though small in terms of global market share, international tourism has a disproportionate economic impact on very poor countries (Roe et al., 2004).

The notion that mainstream tourism can enhance well-being amongst the poor in developing countries is rejected out of hand by most of the Western academic tourist studies community. It is asserted that potential benefits of tourism ‘leak’ out of the local economy because large foreign tourist companies control the sector and are offered incentives by governments to the detriment of their tax base and the welfare of tourism workers (Brohman, 1996). These assertions have generally been made vociferously, but without an adequate empirical basis.

This paper examines the distributional impacts of tourism and is based on research carried out in The Gambia (Mitchell & Faal, 2006). This West African country looks, on the face of it, a rather unlikely case study for pro-poor tourism. It is the smallest country in Africa and one of the poorest. Its tourist activity is focused on 20 large hotels in an enclave along a 10 km strip of the Atlantic coast (see Figure 1). The industry is dominated by European tour operators serving relatively low-end European mainstream holiday package tourists.

1 Respectively, Research Fellow, Tourism Programme, Rural Policy and Governance Group, ODI (Overseas Development Institute), London; and Research Assistant, Rural Policy and Governance Group, ODI, London. The research on which this paper is based was financed by the Commonwealth Secretariat.
The paper opens with a quick look at definitions and concepts, before providing a brief overview of The Gambia and its tourism sector. Value chain analysis is then applied to gain an understanding of the distributional consequences of The Gambia’s tourist sector. In conclusion it considers recommendations on how to enhance the pro-poor impact of tourism in The Gambia.

1.1 Definitions and concepts

An absolute definition of *pro-poor tourism* is used in this research – namely, that tourism is pro-poor if it benefits poor people.

Using a local economic development approach reflects the concern to combine growth with redistribution. *Leakages* are payments made outside the tourist destination economy – or the proportion of total holiday price that does not reach or remain in the destination country (Mitchell & Page, 2006). Local economic linkages may reduce leakages and increase multipliers. *Linkage* is shorthand for the way a tourist business can build links with others in the local economy. As will be demonstrated in this study, these linkages can be within the tourism sector (e.g. excursions) or intra-sectoral (e.g. hoteliers buying food from the agricultural sector and beverages from manufacturers).

Local economic linkages have the potential to reduce leakages by circulating money around the local economy (through induced spending of wages earned in tourism or through tourist expenditure) in a way that creates multiplier effects. The term *multiplier* – normally used in the expressions output, income or job multipliers – means the total effect on the economy as a whole of creating a new job or economic activity, arrived at by tracing all its induced and indirect effects (see Figure 2).

*Value chain analysis* is a tool that enables the identification of stakeholders along a chain of transactions, from production to consumption. It helps researchers structure their ideas.

![Figure 1: The Gambia: location and main tourist hotels](image-url)
according to the identified key processes and agents working in and outside the chain and recipients of the benefits. The application of value chain analysis to the tourism sector is fairly new. In this paper it is used to help describe tourism as it currently operates in The Gambia and to explain how tourism can be improved for the benefit of the industry as a whole and for the country and its poor.

1.2 Methodology
This study benefited from high quality publicly available research that is unusually solid for a tourist destination, including the EMG Deloitte *The Gambia Tourism Development Master Plan* (2005), which includes the results of two 2000-respondent tourist expenditure and attitude surveys at hotels and in the airport departure lounge. The pioneering work of Adama Bah and Harold Goodwin (2003) in support of the Association of Small-Scale Enterprises in Tourism (ASSET) yielded important data about the informal sector and strategies to successfully access the tourism value chain. A thesis by two Dutch students on the net economic added value of tourism was also a rich vein of existing information (Pubben & Verstappen, 2005).

In addition, the authors were based in the offices of the Gambia Tourism Authority (GTA) during the research and made extensive use of the GTA officials’ data and experience. This secondary data was supplemented with 44 interviews. These included detailed discussions with major tour operators, managerial staff at 17 hotels that supply in excess of two-thirds of the tourist beds in The Gambia, and a broad range of public officials and small business representatives.

1.3 Socio-economic overview
The Gambia is a small, poor and heavily indebted West African country. Its population of some 1.4 million people participate in an economy of US$400 million, equating to a

---

The World Bank is piloting value chain analyses in Ethiopia and Mozambique to examine competitiveness issues and, in the case of Ethiopia, measure what proportion of tourist expenditure accrues at different parts of the tourism value chain. In addition to The Gambia, the ODI has undertaken pro-poor tourism value chain work in Laos and Vietnam (Ashley, 2006a; Mitchell & Le Chi Phuc, 2007).

---

**Figure 2: Tourist expenditure and the distribution of benefits**
*Source: Adapted from Meyer, 2006*
The Gambia as a destination is small yet well established, with a total of 7000 beds and 3000 rooms (EMG Deloitte, 2005). The tourism industry is geographically concentrated along a 10 km strip of the Atlantic coast, constituting the Tourism Development Area (TDA). The degree of spatial concentration in one corner of the richest part of the country is striking and has implications for the pro-poor impact of tourism across the country. Almost 90 per cent of the tourist accommodation is located in 20 large hotels, with over half the national bed stock found in the seven largest of these. Most of the remaining beds can be found in a further ten hotels ranging in size from 20 to 90 beds and a plethora of smaller guest houses, camps, inns, lodges, motels, apartments and rest houses.

The hotel stock is of variable and quite modest quality, with over half of it being of three star or lower standard. At present there is no national classification system, so the tour operators run their own quality assessment. There is, therefore, no guarantee that the
quality standards for most of the Gambian hotels would match those of other destinations. There are a number of small deluxe establishments that are of a much higher standard and, although small, demonstrate that there is a market for high quality accommodation in The Gambia.

The Gambia has an abundant supply of relatively low quality accommodation. This has the effect of dampening occupancy rates and placing hotel owners in a weak position vis-à-vis international tour operators when negotiating room rates. While the Sheraton Hotel (which opened in early 2007) will double the number of five star quality beds in The Gambia, there is also a significant increase in modest accommodation in the supply pipeline. This underlines the need to diversify the tourism product away from predominantly low to mid-range accommodation to cater for a broader market.

There is widespread concern in The Gambia that the accommodation sector is marginal, and since occupancy levels are low and international tour operators negotiate low room rates it is claimed that insufficient returns are being made to maintain the bed stock – let alone improve the quality of accommodation. The hotel survey revealed an average low season room rate of about £9 and a high season room rate on a bed and breakfast basis of £19. While the rates at which tour operators are contracting hotel rooms may seem low, the figures do need to be seen in context. First, research in Tunisia has revealed contract rates very similar to those in The Gambia: £9 and £19 for three-star half-board hotel accommodation and £13 and £31 for five-star (Ashley, 2006b). Given that the Tunisian international tourism market is 50 times larger than The Gambia’s and the average Tunisian is eight times richer than the average Gambian, there is little factual basis for the keenly felt notion in The Gambia that its treatment by international tour operators in an African context is uniquely harsh (Ministry of Tourism & Culture, 1995).

Second, the results of the hotel manager interviews suggest that hotels in The Gambia are operating at healthy gross margins. Detailed financial data was provided for about half of the national bed stock. The average total cost of running a hotel room for a year in the Gambia is about £2070 – striking on the cost side are the low labour costs, high utility costs and absence of indebtedness amongst hoteliers. The average revenue generated by each room per year is about £5670 – a figure comprising almost two-thirds of room revenue, one-third food and beverage revenue and a small contribution from ‘other’ sources such as laundry. This implies gross margins of about 60 per cent for the hotel sector and explains clearly why there is so much upgrading of existing hotel accommodation and demand for new accommodation.

The fact that most hotels surveyed were debt-free may reflect their healthy viability – but it is also a reflection of the highly adverse local capital market, with annual interest rates at times exceeding 30 per cent. The lack of access to capital – clearly illustrated by wealthy individuals having to purchase hotels with cash – is obviously a constraint on development for the bulk of the population who have few financial assets. This is in marked contrast to the evidence from Tunisia, where hoteliers are often heavily indebted, to the point that viability is threatened by debt service costs (Ashley, 2000b).

1.5 Tourism demand

The Gambia is overwhelmingly a holiday destination, with 99 per cent of its tourists listing ‘holiday’ as their purpose of visit in the official statistics. A detailed survey of
2000 tourists at Banjul Airport in 2004, as part of the Master Plan process, confirmed the dominance of recreation as the purpose of visit – but suggested that about 5 per cent of guests were travelling for business or to visit friends or relations. The survey also indicated that 99 per cent used air transport to reach their destination, and that 84 per cent of all tourists were on package tours (EMG Deloitte, 2005). The access from the major source markets is through chartered aircraft.

Figure 3 shows that visitor numbers grew steadily, if unspectacularly, in the 1980s and 1990s. The statistics since 1999, when air charters reached almost 100 000, show a more erratic picture. This in part reflects the fact that for the first three years of the new millennium, long-haul international tourism faced the serious threats of terrorism, SARS (severe acute respiratory syndrome), avian flu scares and an increasing Islamophobia in the UK and the Netherlands – the two largest source markets for The Gambia.

International arrivals in The Gambia now appear to follow a steep upward trajectory since 2001, with air charter arrivals increasing from 57 231 in 2001 to 110 815 in 2005. Evidence from the Gambia Civil Aviation Authority suggests that in 2006 an estimated 173 000 aircraft seats will be flying into The Gambia – implying arrivals of about 157 000 on reasonable loading assumptions. The increase in flights for 2006/07 suggests that tour operators believe there is significant demand for holidays in The Gambia.

These arrival statistics are important because, when compared with the 7000 beds available (implying 2.55 million bed nights per year), they provide a broad-brush estimate of occupancy levels. The 110 815 arrivals in 2005, with an average length of stay of 11 nights, implies 1.22 million bed nights of accommodation – an aggregate bed occupancy figure for the year of just under 50 per cent. If arrivals for 2006/07 do reach 157 000, this could see aggregate occupancies rise to 67 per cent, which is high for a beach holiday destination. However, aggregate occupancy figures can be misleading in a seasonal destination where some hotels close for the low season.

Seasonality is an important feature of Gambian tourism and central to explaining the consistently low aggregate occupancy figures. ‘Winter sun’ destinations focus their activity on a peak season from November to April and often suffer a ‘summer hole’ in tourist demand. Hotel managers reported average occupancy levels of 71 per cent in the

![Figure 3: Tourism growth](image)

_Sources: World Bank, 1986; EMG Deloitte, 2005; GTA citing Mitchell & Faal, 2006._
high season and 25 per cent in the low season. This seasonal pattern does have an impact on the viability of fixed assets (such as hotels) trying to make a return during the low season, and places product owners and managers in a weak bargaining position vis-à-vis international tour operators when supply greatly exceeds demand. Seasonality also affects those whose livelihoods depend on tourism, particularly the poorest participants.

However, although seasonality is significant, a longer term perspective suggests that the ‘summer hole’ is diminishing somewhat. In the past the peaks were higher and the troughs were lower, proportionately, than they are now. The causes of this gradual filling in of the ‘summer hole’ of the Gambian tourist year is presumably due to the increasing trend for year-round flights and the emergence of new markets.

2. MAPPING THE TOURISM VALUE CHAIN AND BENEFITS TO THE POOR

As shown in Figure 4, over 90 per cent of the Gambian package tourist market is dominated by seven Europe-based tour operators. As intermediaries for over 100 000 tourists and 7000 hotel beds, these operators have significant economic power in the Gambian tourist market.

In this study value chain analysis was used to examine the share of tourism expenditure reaching the local economy. On the basis of the information collected from hotel managers, inbound and international tour operators and other sources, the ‘typical’ package value chains shown in Figures 5 and 6 were generated. These two figures show the flow of benefits from standard holiday packages for The Gambia purchased in the UK.

A number of striking points emerge. The positive impact on the local capture of benefits during periods of high demand is dramatic. During the peak season hoteliers can capture nearly one-third of the value of the more expensive peak season package – more than doubling the revenue that accrues per bed night in the low season. The attraction of winter sun holidays to European tour operators is that the peak season coincides with a relatively quiet period for European destinations. Thus premium prices can be charged to customers at a time when the largest cost component in the value chain (i.e. flights) is lower than during the low summer season.

A 5 per cent return is an aspiration for most large operators in the UK, many of whom are currently facing challenging trading conditions. The surpluses of 6 to 7

![Figure 4: Economic power of international tour operators](image-url)
per cent reported in this analysis reflect a composite between the larger operators (who trade huge volume on smaller margins) and the specialist operators (who generally make healthier margins on smaller turnovers). This analysis also indicates that tour operators can make reasonable returns during the low season – which is why international operators are increasingly looking to engage with The Gambia on a year-round basis.

Vertical integration of the value chain is a factor for a number of the international tour operators. For instance, most operators have in-house retail operations; several have their own dedicated aircraft and one owns a large hotel. This is how tour operators are able to extract value throughout the chain.

Value chain analysis has often been misunderstood by researchers in the past and led to some rather dramatic claims about the extent of ‘leakage’ of the benefits of tourism from developing countries. For instance, evidence from the low season value chain could be taken to suggest that over three-quarters of the benefits from package tourism do not even register at the destination – being absorbed by the international tour operators and airline companies. And of the less than one-quarter of the package that accrues to stakeholders at the destination, a portion may still be repatriated in the form of expatriate salaries, profits for foreign-owned hotels and imported food, beverages, fuel and revenues held in offshore accounts.

Figure 5: Low season package value chain (excluding tourist discretionary expenditure)

*Note: As seasonality is a strong feature of Gambian tourism, the effect of this seasonality is better explored through separate high season and low season value chains, rather than an aggregate*
However, reality suggests a different, and altogether more uplifting, picture. First, as Adama Bah has suggested, in the economic annex to the Master Plan, much of the debate about ‘leakage’ from tourist destinations is based on the erroneous assumption that somehow the destination country ‘owns’ the whole value chain (EMG Deloitte, 2005). Without international tour operators and airline companies, there would be no tourists and no value chain. It is rather far-fetched to assume that the benefit derived from selling a holiday package to a tourist in London or Amsterdam should in some way be transferred to the Gambia to avoid becoming a ‘leakage’.

Second, the oft-cited concern about the destination being tour operator driven is valid but neglects to ask the necessary supplementary question about what would be the health of Gambian tourism if there were no tour operators. Given the almost complete absence of any destination marketing by anyone other than tour operators and the lack of nationally based scheduled flights, tourism would cease overnight were the sector not driven by tour operators (as happened in the mid-1990s when most tour operators temporarily withdrew from The Gambia in response to a coup). It could be argued that, in the face of somewhat equivocal support from the government, it has been the tour operators who have kept tourism going. Indeed a comparative advantage of The Gambia is precisely that tour operators have extensive vertical integration, thus cannot easily disengage, and feel some responsibility towards the host population. Other destinations dominated by very large tour operators with a lack of financial or social investment in the destination (for example Tunisia, and Red Sea resorts) makes it relatively straightforward for them to be dropped from subsequent brochures (Ashley, 2006b).
However, the main problem with drawing negative conclusions about the distributional implications of the value chain is that it looks at only one side of the coin. It fails to recognise the important difference between tourism and other types of trade – namely that tourism involves people who interact directly with the market through out-of-pocket or discretionary expenditure. Through the Master Plan exercise, we have robust data on out-of-pocket expenditure which indicates that this averages GMD14603 (£26 per tourist per day, or £280 per tourist over the average length of stay). This is high both internationally and in comparison with the cost of the holiday package, to which it should be added.

Figure 7 integrates two elements of tourism expenditure, the package value chain (based on an annual average) and discretionary expenditure of package and non-package

---

3GMD = Gambian Dalasi.
tourists. While activities such as shopping, excursions and local travel are much smaller components of the value chain, they are extremely important in terms of pro-poor impact.

This analysis suggests that it is discretionary tourist expenditure that is critical to pro-poor tourism, rather than the two-thirds of resources spent on the ‘big ticket’ items in the holiday package (such as the flights, the accommodation and the tour operator). A large portion of several small expenditure items in the value chain, such as shopping, excursions and transport, is already highly pro-poor. The two elements of the value chain that have the potential for a much more significant pro-poor impact are the supply of food to the tourist sector and the employment of staff to work in hotels.

To conclude this analysis of the Gambian tourism value chain and flow of benefits to the poor, our findings underline the importance of tourism to some poor countries and the fact that some benefits may be accessed by the poor even in rather unlikely circumstances. First, the full tourism value chain in The Gambia, including discretionary as well as package spending, is extremely important to the macro-economy. Just over half of the £96 m tourism value chain takes place in The Gambia – the offshore activities relate to the international tour operators and airline companies.

Second, our analysis suggests that at least 7 per cent of the benefits from the total Gambian tourism value chain – and some 14 per cent from the Gambia-based part of the chain – flow directly into the hands of the poor. Local linkages seem to be particularly rich and well-developed in The Gambia, and especially so for the smaller items of the value chain, such as shopping and excursions. The challenge faced by suppliers of the larger elements of the tourism value chain, such as accommodation and food and beverages, is to increase the pro-poor share of spending on these items.

3. STRENGTHENING PRO-POOR IMPACTS OF TOURISM

In this section, the issue of how to strengthen the links between tourism and the poor is structured according to the main components of the Gambia-based tourism value chain: accommodation, food and beverages, shopping, excursions and local transport.

3.1 Accommodation

The most obvious link between tourist accommodation and the poor is through the employment of large numbers of non-managerial staff. Each hotel room generates a weighted average of 0.9 FTE (full-time equivalent) jobs (Mitchell & Faal, 2006). This suggests that a destination with 3000 hotel rooms will generate some 2700 FTE jobs – almost two-thirds of all direct tourism jobs in The Gambia. The average monthly wage for hotel workers is £46 (or GMD2600). This equates to about 7 per cent of the total estimated hotel turnover when managerial wages have been excluded. What this analysis misses, however, is tourist tipping of hotel staff – which managers estimated at up to 100 per cent of the wage for front-of-house staff. This represents another example of discretionary expenditure with direct pro-poor impact and may also explain why non-managerial hotel staff are willing to work for wages that are about half of that earned in the informal sector – itself an unusual pattern.

There are four key ways in which the linkage between the tourist accommodation sector and the poor could be improved: increasing the tax take from the accommodation sector,
reducing the seasonality of tourist demand, increasing wages for workers and ‘Gambianising’ the hotel management.

First, there is evidence of rather lax tax morality in the tourist accommodation sector in The Gambia. Our hotel survey estimated a gross annual surplus of about £10.8 m (GMD600 m) being generated by hotels, which should be generating an annual tax take for government of about £3.7 m (or GMD210 m). With a strongly redistributive Budget, these funds could have a significant effect on poverty in The Gambia. In reality, however, the Master Plan estimates the annual tax take from the tourist sector is only about £0.8 m (GMD50 m) – which implies only 20 per cent of tax owed is being paid.

Improving tax morality is a difficult and long-term task that needs to be achieved with a mixture of ‘carrots’ (e.g. amnesties on unpaid tax which is declared and reducing taxes as payment rates increase) and ‘sticks’ (more effective enforcement of tax legislation). In return, there is also a need to demonstrate to hoteliers some link between taxes paid and benefits received, by means of a drastic improvement in basic service delivery such as waste disposal.

Second, the seasonality of tourism demand in The Gambia has two very deleterious effects on the poor. One of these is that large numbers of tourist workers are made redundant during the low season. FTE employment figures fluctuate at \( \pm 13 \) per cent owing to seasonality, with low-skilled workers being the most affected by demand volatility. This means that filling the summer ‘hole’ would significantly improve the labour market and tourism’s poverty impact as well as provide better livelihood security in the tourist sector.

Third, increasing wage levels in the hotel sector would have a direct positive effect on the poor. With both managerial and non-managerial wages representing only 8.5 per cent of turnover (and 23 per cent of costs) in the hotel sector there can be little doubt that there is scope for a wage increase above the current monthly level of £46 (GMD2600) without damaging the overall viability of the accommodation sector. The encouragement and support of effective, functioning labour unions and better investment in human resources should bolster increasing returns to hotel labour.

Fourth, the need for the ‘Gambianisation’ of hotel management has been a consistent theme in tourism policy for many years. Whilst replacing an expatriate hotel manager with a Gambian professional will have no direct effect on poverty, it is reasonable to anticipate the indirect and induced effects to be more pro-poor for local staff. There is already an elaborate regulatory framework to discourage the employment of non-Gambian staff, from the Pay Roll Tax levied on employers who hire expatriate staff to the Expatriate Quota Authority that allocates employers’ quotas to hire foreign workers. Although non-Africans comprise only 0.7 per cent of the workforce, some estimates have put their share of total salaries and wages at over 15.5 per cent (Pubben & Verstappen, 2005). These figures suggest that little progress has been made with the localisation of hotel management, as the proportion of expatriate workers is exactly the same now as it was in 1986 (World Bank, 1986).

An unusual feature of the West African tourism sector is the high proportion of men employed by the sector. Anecdotal evidence suggests that the expenditure patterns of women’s earnings have a more developmental impact than those for men’s earnings. There is a developmental case, therefore, for the state focusing on training women and reducing barriers to their entry to the formal tourism labour market.
3.2 Agricultural supplies for food and beverages

The purchase of agricultural supplies by hotels and restaurants is an important element of a pro-poor tourism strategy in The Gambia for several reasons. First, generating demand for local agricultural produce is an important mechanism by which tourism can have an impact on the livelihoods of large numbers of poor people. In a country where 70 per cent of the workforce is said to be engaged in agriculture, boosting agricultural supplies to hotels and restaurants is more likely to be successful in improving livelihoods than, for instance, transferring labour from the agricultural sector to a limited tourism sector.

Second, there is some evidence that the agricultural sector in The Gambia is relatively good at supplying the tourism sector and that performance is improving. In 1986, it was estimated that 65 per cent of hotel foodstuffs was imported (World Bank, 1986). By 2006 it was estimated that 45 to 50 per cent of all fresh fruit and vegetables were locally supplied. Our hotel survey corroborated a 45 to 50 per cent figure for food and beverages and highlighted the variation in sourcing at different establishments – with some hotels procuring 90 per cent of their supplies locally and others procuring virtually none. This diversity of practice suggests scope for improving future aggregate performance.

Third, food and beverages expenditure is by far the largest component of expenditure by tourists – accounting for almost half of all out-of-pocket expenditure because packages tend to include only breakfast, rather than the more common half-board, full-board or all-inclusive arrangements common at many beach holiday destinations. Although the pro-poor impact is assessed to be 11 per cent, this impact is very significant financially (already amounting to £1.7 m a year) and has the potential to expand as the trend towards Gambian production for the tourist sector deepens.

Fourth, we suspect – but do not know – that the pro-poor impacts of tourism agricultural supply chains could have an impact on many more poor people than other elements of the tourism value chain. This assertion is based on the fact the some of the larger and more efficient horticultural producers in The Gambia do not supply the tourist sector because all their output is exported to reduce the rate of pilferage. This implies that the tourism supply chain will tend to be accessed by numerous small producers. In addition, evidence from the Gambia is Good (GiG) programme – which is strengthening links between the fruit and vegetable sector and tourist industry – demonstrates the distributional impact of extending the tourism supply chain into the agricultural hinterland. A recent survey of GiG beneficiary households indicates that the programme has raised the incomes of participating households significantly – by up to five times from around £81 to £458 per year. Income gains of this level suggest a profound poverty-reducing impact.

The analysis suggests that one of the biggest pro-poor benefits of tourism – in terms of the number of households affected – either is or could be through agricultural linkages. For instance, the £1.7 m of food purchased locally by the tourist sector is likely to translate into £1 m in sales at the farm gate. If the average farming household accessing the tourism agricultural supply chain benefits to the extent revealed by the GiG survey, this implies that with existing procurement patterns as many as 2600 farming households could benefit from supplying hotels and restaurants. As agricultural supplies can travel more extensively than tourists, the pro-poor benefits of agricultural supplies reach areas such as the impoverished North Bank District that at present derive little benefit from tourism.
‘Best practice’ experience is beginning to emerge, especially in the Caribbean, relating to aspects of market facilitation exercises in the agricultural supply chain – namely by working on both the supply and demand end of the supply chain to facilitate a viable market interface between poor rural farmers and large urban hotels and restaurants, and overcoming obstacles such as transport and storage.

3.3 Retail
The high proportion of retail sales in the cultural and informal sector in The Gambia may reflect the lack of alternative retail outlets, since shopping fails to rate highly in visitor surveys. More positively, though, the pro-poor impact of the retail sector reflects a great deal of effort that has gone into establishing regulated craft markets and helping traders to design and manage their stalls and products more professionally (Goodwin, 2002). The high proportion of locally produced craft is also a great achievement for a country surrounded by others with exceptionally strong traditions in cultural and heritage products – such as Mali and Senegal. Government support for the popular biennial Roots Festival celebrating African ancestry in the diaspora is a positive sign of official commitment to diversifying tourism products.

The scale of job creation in the informal sector in The Gambia is a significant achievement and credit to the activities of the Association of Small-Scale Enterprises in Tourism and the DfID-funded support of this organisation. Particularly striking is the evidence that wages and organisation in the informal sector are similar to those in the formal sector. This ‘formalisation’ of the informal sector is an unusual and positive feature in a developing country context.

The capture of half of the total retail expenditure by the informal sector highlights the largest single transfer of resources from the tourist sector to the poor. Realistically, it is unlikely that the informal sector will capture a much greater proportion of tourist retail expenditure and all efforts should be focused on defending this success. Sustainability depends on improved quality of the retail experience, product development, further support from the GTA and maintaining the self-regulatory mechanisms in ASSET.

Visitor surveys convey two clear, and contradictory, messages about tourist interaction with Gambian people. First, the friendliness of the Gambian people is consistently ranked as one of the key attractions of the destination. Second, harassment from beggars and touts, known as ‘bumsters’ in The Gambia, is considered a serious problem by about two-thirds of departing tourists. Regulations seeking to reduce this harassment are extremely tough: anyone with dreadlocks is treated harshly, and there are allegations of suspected ‘bumsters’ being held at army camps for up to 72 hours without being charged. Yet tourists still complain of harassment. This suggests that the existing regulations are either not being implemented or have proven ineffective. Either way, the danger of enacting increasingly rigorous anti-harassment legislation is that one of the unique selling features of Gambian tourism – the easy-going interaction and trade with local people – will be lost.

3.4 Excursions and local transport
Excursions are a potentially powerful mechanism for linking the tourism sector to the poor. Spending on excursions in The Gambia was about £4.5 m (GMD255 m) in
2005. Although this represents only one-twentieth of the total tourism economy it is important because it has direct and significant links with the poor – with an estimated 25 per cent of all excursion expenditure being within the informal sector (Bah & Goodwin, 2003).

There are two types of excursion available to tourists in The Gambia. The formal sector product is organised by the ground handlers and is generally purchased through commissioned holiday reps. These excursions will typically involve a 20 to 25 per cent commission to the international tour operator, with a lesser share (20 per cent) going to the local supplier, which allows the ground handler to absorb the remaining 55 to 60 per cent of the excursion cost for organisation, insurance and transport. This is obviously not a particularly pro-poor model and reflects the economic power of the four inbound tour operators compared with that of the excursion services suppliers. There are signs that some international tour operators are interested in developing more progressive excursions that may have a greater developmental impact than the conventional model.

The other type of excursion involves linking with the informal sector when a tourist directly commissions an official trained guide who is then likely to subcontract transport services to a tourist taxi – an almost entirely pro-poor tourism product, apart from the cost of petrol.

Local transport represents only about 1.5 per cent of the tourism economy, £1.3 m (GMD75 m). It comprises two elements, a small car hire component – which has little pro-poor impact – and taxis, where it is assumed that 50 per cent of the gross local transport revenue accrues to taxi drivers – some 43 per cent of total turnover for this activity.

Aside from the pro-poor impacts, two key regulatory issues emerge from this analysis. First, tourists are often not receiving value for money. This is because of the high entry barriers to being a tour operator and thus the lack of an effectively functioning market. This model also provides an opportunity for excursion piracy – the selling of uninsured ‘cut-price’ excursions. Second, there is a legitimate concern amongst tour operators that tourists will be injured while using poorly maintained taxis. There is a need to look at taxi licensing that would include minimum quality standards to ensure safer vehicles being used and a supply of taxis that matches the demand for them (EMG Deloitte, 2005).

In general, there is a need for tourists to be offered excursions that reward local suppliers with a more significant return and do not place the tourist in danger.

4. EXPANDING THE TOURISM SECTOR

Tourism in The Gambia generates significant direct and indirect benefits for the poor, and consequently it is in the interests of the poor for tourism to flourish and grow. Expanding the tourism sector will increase the demand for goods and services provided by everyone engaging directly or indirectly with the tourism value chain in The Gambia, including the poor, with targeted interventions significantly increasing the size of the slice going to the poor.

This section outlines some of the main obstacles to the growth of tourism in The Gambia and makes some suggestions as to how they may be overcome.
4.1 Malaria
There is some evidence that public authorities, and some tour operators, are not taking full account of the risks malaria poses to tourists. This is particularly important in the mainstream tourist market because heavily discounted and late bookings carry a disproportionate risk of malaria. Tourists may not have time – or be inclined – to purchase the expensive malaria prophylactics. Also, as The Gambia successfully develops into a year-round destination, this will inevitably result in more tourists arriving during the higher malaria-risk summer rainy season.

The Government of The Gambia should work with tour operators to ensure that tourists know about the risks of malaria and how these may be reduced and, if necessary, how it can be treated.

4.2 Poor and unreliable infrastructure
The economic infrastructure for tourism is poor in The Gambia and impedes the expansion of tourism in two ways. First, the absence of some types of economic infrastructure effectively blocks tourism development. For instance, until recently most of the TDA (the entire coastal strip of The Gambia) was not serviced by tarred roads and so could not be developed.

Second, the absence of other types of infrastructure does not preclude tourism, but it makes achieving and maintaining service standards more difficult and expensive. The failure to provide adequate bulk services to the tourist sector is remarkable, even in the TDA and on the boundary of the existing urban area, placing a significant financial burden on the tourist sector. For instance, hotels have grid electricity for only about eight hours a day, so all hotels need their own generators and about one-quarter of total hotel operating costs is absorbed by utilities.

In policy statements, The Gambia has committed itself to a rapid increase in the numbers of visitors and up-market tourists – yet is apparently unable to provide, or operate, the infrastructure on which this increased demand depends. It is clear from the analysis of the supply pipeline for new hotels that the inability to expand the bulk supply network is effectively forcing almost all new investors to stay in the existing tourism coastal enclave (as shown in Figure 1), and undermining policy intended to spread benefits nation-wide.

A two-pronged solution to the problems of economic infrastructure provision should be considered in The Gambia. First, the functioning of the utility parastatal should be improved as a matter of urgency – it is understood that some form of concessioning process is under way. Second, the initial concept of the state-owned TDA was that part of the ‘betterment’ value (incremental increase in land values resulting in tourism development proposals being approved) should provide a source of funding for developing infrastructure. This potential source of funding has been eroded because the fees paid by developers for tourism land have not been increased since the creation of the TDA three decades ago.

4.3 Lack of choice of accommodation
Gambian tourism depends on a relatively uninspiring menu of modest quality accommodation and a ‘winter sun’ product. The policy goal of developing tourism activity away
from the coastal enclave (i.e. towards up-country regions) has featured in tourism policy for at least 20 years, as has the need to diversify the tourism product by incorporating different niche markets (bird watching, fishing, slavery ancestry, etc.).

Through existing development control, land ownership of the TDA and marketing powers, the government has many of the regulatory levers to encourage diversification of the tourism product. So far, poor use has been made of these potential mechanisms to generate diversity, and TDA activity has been exercised in a way that constrains rather than diversifies the current tourism product.

While it is likely that tourism in The Gambia would benefit from a more diverse product, many of the arguments supporting this proposal are based on assumptions that have a weak empirical base. For example, evidence from exhaustive tourism expenditure surveys in The Gambia and Luang Prabang, Vietnam, demonstrates that when it comes to out-of-pocket discretionary expenditure on all items other than accommodation, there is no significant difference between budget and upmarket tourists and package and independent tourists (EMG Deloitte, 2005; Ashley, 2006a). Targeting up-market and independent travellers successfully would be one way of reducing hotel dependence on tour operators, but would not guarantee an increase in pro-poor impact.

In addition, a strategy to encourage a more up-market tourist product – an important element of the Master Plan proposals – is likely to necessitate corresponding enhancements to the tourism infrastructure. Perhaps reflecting the modest standard of current Gambian tourism and hence the modest expectations of tourists themselves, there is evidence of widespread satisfaction with the current tourist infrastructure. Visitor surveys suggest that only transport and shopping in The Gambia fail to be rated highly by tourists. A danger inherent in focusing solely on an upgrading strategy is that, if it is successful, a widening gulf opens between what visitors expect in the way of service standards and the destination’s ability to meet and sustain these standards.

The same infrastructural issues arise when considering small, up-country tourist products that have been advocated as being more pro-poor than the current products. Simply because poverty rates are higher in eastern rather than western Gambia does not, in itself, justify a strategy to channel tourist development into the eastern area, without having the necessary accompanying infrastructure in place.

4.4 Lack of marketing support

Marketing The Gambia as a tourist destination is clearly critical to expanding tourism and has been recognised in tourism policy and strategy documents for the past 20 years. At present, effective marketing activities are firmly in the domain of international tour operators and word-of-mouth recommendations from returning tourists. The marketing activities pursued by the GTA have had little impact on the profile of the destination. A recent survey (Global Development Solutions, 2006) of specialist Africa tour operators in Europe indicated the low profile of The Gambia – and ranked the destination as having the 13th most prominent profile in Africa (between Rwanda in 12th place and Ethiopia in 14th place).

Visitor surveys indicate that over half of visitors had come to know about The Gambia through a travel or tour firm brochure and most of the rest through personnel recommendations by friends or family – most frequently on the basis of the friendliness of the people and the clemency of the weather.
So, why the failure to market the destination when this is clearly in the self-interest of The Gambia? The fact that it is one of the poorest countries in the world and is in the process of improving public finances could be the answer. However, even where funds are ring-fenced for marketing activities they tend not to be spent effectively. The GTA needs to operationalise its marketing mandate and channel funds into effective marketing strategies. Internet innovations such as the World Hotel Link exemplify the strategies that could inexpensively market The Gambia directly to the independent long-haul traveller, as could working in partnership with the small number of tour operators who dominate tourist flows in the country.

4.5 Seasonality of demand
From a destination perspective, a major constraint on tourism development is the seasonality of tourism demand. Strategies to reduce seasonality include better marketing and offering a more diverse tourism product along the lines suggested in the following sections.

4.6 Accessibility
Accessibility in this context relates to the almost complete control international tour operators have over the destination because access from the major source markets is through chartered aircraft. The Master Plan and previous tourism policy documents identify this external control over the supply of incoming seats as impeding the growth of tourism – a constraint that can be overcome with a scheduled service for The Gambia.

However, in 2006 a ‘scheduled’ service was opened between London and Banjul, under the Gambia Experience (‘scheduled’ because independent tourists were offered seats on a chartered air service). However the idea that tour operators are restricting air access to The Gambia is challenged by evidence from the Civil Aviation Authority suggesting that there are up to 173 000 inbound seats from the main European and American source markets scheduled for 2006/07 (Flight Schedule for Winter Season 2006/07 from the Statistics Unit, Department of Commerce, Gambia Civil Aviation Authority). On conventional load factor assumptions (95 per cent charter and 70 per cent scheduled) this proposed service equates to about 157 000 arrivals in 2006/07 – over 40 per cent higher than the actual tourist arrivals total for 2005 of 110 815.

This significant recent increase in incoming seats from charter operations, without any obvious increase in destination marketing effort, suggests that tour operators believe there is significant latent demand for tourism in The Gambia from traditional source markets and have mobilised supply to meet this higher level of demand. There is little empirical basis for the view that tour operators are restricting the supply of inbound seats to The Gambia and, in so doing, having a deleterious effect on tourism activity in the destination (Mitchell & Faal, 2006).

4.7 Lack of training
Improving HRD (Human Resource Development) in the tourism sector has been an urgent policy priority in The Gambia for many years and is normally framed as the transformation of the Hotel School into some form of training institute. The consequence of not being able to demonstrate progress in HRD is a continuation of developmentally
adverse trends in the tourism sector, including expatriate managers of the major hotels, poor wages for tourism workers and an under-representation of women in the workforce. The government should urgently seek to enhance HRD in the tourism sector in the quickest and most effective way possible.

4.8 Policy making and governance
Tourism policy in The Gambia is quite voluminous, generally useful and often bypassed when it comes to implementation. The quantity of tourism action plans generated over the last two decades from various sources is impressive. Several policy or strategy initiatives and action plan proposals over this period strongly echo each other, and yet have simply not been implemented, aside from the government divesting itself of hotel ownership, retaining equity in only one hotel.

5. CONCLUSIONS
The analysis in this paper indicates that mainstream holiday package tourism in The Gambia has important pro-poor benefit flows. About half the total tourism value chain is captured by the destination – in this case the smallest and one of the poorest countries in Africa (the remainder going to international tour operators and airline companies). This is a much higher degree of local benefit ‘capture’ than researchers were expecting.

The analysis also identifies how, and how much, the poor are benefiting from tourism in The Gambia. On aggregate about 14 per cent of the Gambian part of the tourism value chain flows to poor people – through retail markets, the agricultural supply chain, non-managerial hotel workers, guides and taxi drivers, in descending order of significance. Highlighted features of these pro-poor benefit flows are the importance of out-of-pocket expenditure and the large pro-poor impact of comparatively minor elements of the tourism value chain. In addition, the importance of the role of organisations such as ASSET in helping micro-enterprises access the tourism value chain appears to have been critical.

Practical improvements to the pro-poor impact of tourism are proposed for the further strengthening of linkages in the accommodation, agricultural supply, retail and excursions. The constraints that are holding back the growth of the Gambian tourism sector are well known and can be mitigated with relatively straightforward policy measures. The implementation of policy is now urgently required. Implementation should focus on creating an enabling environment, improving product quality and range, and marketing the destination.

REFERENCES


Mitchell J (2012) Value chain approaches to assessing the impact of tourism on low-income households in developing Countries *Journal of Sustainable Tourism* 20 (3) pp457-475
Value chain approaches to assessing the impact of tourism on low-income households in developing countries

Jonathan Mitchell

To cite this article: Jonathan Mitchell (2012) Value chain approaches to assessing the impact of tourism on low-income households in developing countries, Journal of Sustainable Tourism, 20:3, 457-475, DOI: 10.1080/09669582.2012.663378

To link to this article: https://doi.org/10.1080/09669582.2012.663378
Value chain approaches to assessing the impact of tourism on low-income households in developing countries

Jonathan Mitchell*

Overseas Development Institute, London, UK

(Received 26 August 2011; final version received 25 January 2012)

This paper examines two issues: the emergence of pro-poor tourism as an idea and how the impacts of tourism on local communities around developing world tourist destinations can be measured. Pro-poor tourism was initially conceived in the period 1999–2000 at the conceptual and policy level. More recently, the critical knowledge gap has been found to be that of having reliable evidence to support policy development and action. This paper describes and justifies an action research approach to value chain analysis which allows researchers to “trace the tourism dollar” in developing country tourist destinations. The approach also supports the identification of opportunities to enhance positive tourism impacts on the poor and explains how to develop a shortlist of feasible high impact interventions. Poverty is defined, and a conceptual framework for understanding the linkages between the tourist sector and the local economy is outlined. Value chain analysis is also defined and seven key reasons are given for its use. Field experience with this approach in 12 different developing country destinations is shown to be an empirical basis for suggesting that the methodology is conceptually robust and a practical way of alleviating poverty, allowing researchers and the industry to work together effectively.

Keywords: globalisation; package holidays; policy instruments; socio-economic impacts; tourism destinations; tourist expenditure

Introduction

Whilst the most popular international tourist destinations remain those in already-affluent countries, such as France and Spain, the market share of international tourism arrivals in developing countries is increasing rapidly. In 2008, just over 40% of international tourist trips had a developing country destination (World Bank, 2010). Countries such as China, Turkey, Mexico and Malaysia have a large and increasing share of global tourist flows. Figure 1 provides a visual comparison of the volume of global tourism flows in 2005. It is interesting to compare the significant tourism flows in the emerging southern destinations, with the powerhouses of the world economy, such as the United States, Japan and Germany.

Developing country tourism is not the exclusive preserve of middle-income countries. Although still a small share of global tourism activity (some 1.4% of international tourist arrivals), tourism is the leading export sector and source of foreign exchange for virtually all (non-oil) exporting of the least developed countries¹ – the poorest 49 countries in the world (Honeck, 2008).

*Email: jonathan.mitchell@odi.org.uk

ISSN 0966-9582 print / ISSN 1747-7646 online
© 2012 Taylor & Francis
http://dx.doi.org/10.1080/09669582.2012.663378
http://www.tandfonline.com
This paper examines two issues: the emergence of pro-poor tourism (PPT) as an idea, and how can the impact of tourism on local communities around tourist destinations be measured?

The emergence of pro-poor tourism as an idea
A small group of researchers around the time of the Millennium Development Summit in 1999 coined the term “pro-poor tourism” (or PPT). The intention of this early work for the UK’s Department of International Development was simple, to explore how tourism could contribute to poverty reduction (Ashley & Goodwin, 2007). PPT aimed to put “poverty at the heart of the tourism agenda” and the Pro-Poor Tourism Partnership was formed in 1999 to work on this agenda. It seems incongruous to suggest in a special issue on “Tourism and Poverty Reduction” of the *Journal of Sustainable Tourism* in 2012 but, these simple assertions were a revelation a decade ago.

At that time, many tourism researchers had negative perceptions of the ability of the tourist industry to benefit host countries. Although the size of the tourist sector in developing countries was recognised, “tourism pessimists” claimed that the great majority of the potential benefits “leaked” back to the countries of origin through the activities of international tour operators, foreign-owned hotels and the high import propensity of tourism in developing countries (cited in Bolwell & Weinz, 2008; Brohman, 1996; Jules, 2005). In addition, tourism employment was regarded as seasonal, low-paying and exploitative (Clancy, 2001; Slob & Wilde, 2006). Furthermore, poor people were seen as particularly vulnerable to the costs of tourist development – through lost access to, and depletion of, natural resources.

Many in the mainstream commercial tourist sector also tended to see poverty reduction in destinations as the responsibility of others. This viewpoint has coexisted with the assumption that tourism activity is generally benign for destinations. “Tourism-euphoric” commentators pointed to the jobs and economic activity created by the mainstream tourist...
Tourism-led growth is regarded by some as almost ubiquitous in its benign effects and international organisations, such as the UNWTO (United Nations World Tourism Organization) and World Travel and Tourism Council, have invested significant energy into asserting not only the importance of tourism as an economic sector, but also the benefit which tourism delivers to local communities around tourist destinations. If tourism is inherently good for development, the role of tourism policymakers in developing countries was little more than to deliver as many tourists to destinations as possible.

It was apparent to the early PPT practitioners that many of the rather strident claims – of both the “tourism pessimists” and “tourism-euphoric” commentators – were often based on remarkably weak foundations. There was no agreed method of measuring the impact of tourism activity on host destinations and a striking absence of rigorous analysis (Mitchell & Ashley, 2010). Partly due to this evidence gap, and also because researchers, the development sector and the tourist industry itself lacked the institutional framework to communicate with each other, the opportunity for informed debate between these sharply contrasting positions was largely missed.

Gradually an institutional architecture began to evolve. The Travel Foundation was created as an NGO (non-governmental organisation) to bring the outbound travel industry, government and non-governmental bodies together to focus on environmental and socio-economic impacts at tourist destinations. The International Centre for Responsible Tourism at Leeds Metropolitan University has successfully brought mainstream industry and researchers together. Most mainstream tour operators now have a sustainable development or corporate social responsibility department. The Overseas Development Institute (ODI) has spent a decade stimulating and working with development agencies to develop a more nuanced approach to tourist development. These are important, although early, steps. The institutional architecture in which debates about the destination impacts of tourism can take place is much more conducive in 2010 than it was at the turn of the Millennium.

However, other than isolated case studies of individual supply chains, we found ourselves in 2005 without the research tools to answer the most basic economic question: how does tourism affect the lives of poor people living around tourist destinations?

How can the economic impact of tourism on local communities around tourist destinations be measured?

Attempting to answer this question raises three important issues: definitional, conceptual and research methods. None are straightforward and, after several years of effort, we are not there yet. However, we have been trying to sharpen our performance in these areas and can provide some guidance.

Definitions

One of the most difficult issues facing PPT is how to define poverty. The most straight-forward approach is to adopt the “dollar a day” (per person at 1995 purchasing power parity level) measure of extreme poverty, recently amended to $1.25 by the World Bank. This definition of poverty has the advantage that it is universal and facilitates comparisons between destinations in different countries.

However, in many of the contexts in which PPT practitioners work – meaning low-income countries and often examining supply chains that extend deep into rural areas – “dollar a day” poverty lines are of limited relevance because almost the whole population falls below the poverty line. International poverty thresholds obscure the real differences
in wellbeing between households existing significantly below the poverty line and much better-off households that are on, or near, the international poverty line – who would often not be regarded as resource “poor”. For this reason, nationally defined poverty levels – which reflect how people perceive poverty – are often very much lower than “dollar a day” poverty thresholds.

The trade-off is between a universal definition of poverty, which may not be appropriate in specific contexts, and a more flexible definition of poverty which, whilst always lower than “dollar a day” thresholds, resonates locally. It is difficult to apply the former when research is being funded by local organisations – so the ODI has tended to adopt the more restrictive (i.e. lower) poverty line. As a consequence of this, findings about the pro-poor impact of tourist destinations in different countries have not been strictly comparable.

PPT draws from the concept of pro-poor growth. This emerged as a counter to the belief that the benefits of development would inevitably “trickle down” to poor households. The need to focus on the distributional consequences of growth was prompted by the empirical observation that in some countries – particularly in Latin America and Africa, rather rapid rates of economic growth were demonstrably not improving the livelihoods of low-income households. This mirrored the more general belief that the central focus of development should be to reduce poverty – in line with the Millennium Development Goal 1 (MDG1; see http://www.undp.org/mdg/goal1.shtml).

The broad definition of pro-poor growth (summarised in Ravallion, 2004) labels growth as pro-poor, as long as the poor benefit (i.e. absolute or relative poverty falls, even if inequality increases). Most episodes of growth would, therefore, fall under this so-called World Bank definition of pro-poor growth. Applied to the tourism sector, this would require that net benefits to the poor are positive. In practice, this would be difficult to assess, as positive flows tend to be financial and evident, whilst the negative effects of tourism are more often non-financial impacts on livelihoods (access to resources) or even more intangible assets such as culture. In terms of policy usage, this broad definition may lead a few to recognise the need to assess the negatives, but would probably lead many more to simply reassure themselves that tourism growth is inherently pro-poor.

The narrow definition of pro-poor growth (expounded by Kakwani & Son, 2003) requires that the poor benefit proportionately more than others, so that inequality is reduced along with poverty. In other words, tourism is only pro-poor if it reduces inequality as well as directing resources to poor people. Although the authors have found some examples of supply chains into the tourism value chain that may meet this restrictive definition of PPT, they are few and far between. In fact, much developing country government public expenditure fails to be redistributive in this sense. Tourism is a private-sector-driven activity and needs to generate returns to the owners of businesses in order to be sustainable. There can be few commercial activities that successfully meet this benchmark of pro-poor growth.

The policy implications of defining most tourism (indeed most private sector development) as anti-poor are questionable. This is a poor rationale for not developing the tourist industry if it can generate substantial net benefits for poor people that exceed their opportunity costs (what they would be doing if there was no tourism) – particularly if these net benefits can be increased via the type of deliberate interventions highlighted in this review. This thought is echoed in criticisms of both the narrow and wide definitions.

Osmani (2005) argues that “pro-poor growth demands a break with the past that makes growth more conducive to poverty reduction . . . from the point of view of the poor; there must be an improvement over business as usual” (p. 9). So, by this definition, “pro-poor” growth is simply growth that benefits the poor more than some previous benchmark. In practical terms, this moves us away from categorising whether a growth experience is or
is not pro-poor, and focuses minds on (1) enhancing poverty-reducing impacts and (2) comparing whether a particular set of policies is likely to be more pro-poor than another. This emphasis on boosting net benefits is embraced by the definition of PPT posted by the Pro-Poor Tourism Partnership. This need to shift emphasis from the conceptual to the practical level is also recognised by Ravallion (2004) who argues that “the real issue is not whether growth in pro-poor but how pro-poor it is” (p. 4).

The faddish “development industry” has now largely moved beyond the term pro-poor growth and is using terms such as “inclusive” or “shared” growth. These terms are compatible with Osmani’s pragmatic definition of a pattern of growth which creates more opportunities for low-income households than what preceded it.

The definition of tourism itself is not entirely straightforward. Tourism is “the activities of people travelling to and staying in places outside their unusual environment for no more than one year for leisure, business, and other purposes not related to an activity remunerated from the place visited”. This definition, from the UNWTO, seems clear but often is not applied by policymakers – who often equate “tourist” with “foreigner” or “leisure traveller”. In reality, tourism is much more characterised by domestic and business travellers than many recognise.

In addition, definitions of the “tourist sector” are problematic. According to the 1993 international standard System of National Accounts (SNA), the tourist sector is defined by the economic sub-sectors of hotels, restaurants and part of the transportation sub-sector. However, tourist spending drives demand for goods and services throughout the economy. Careful work on Tourism Satellite Accounts – which is a demand-based definition that examines where in the economy tourist spending takes place, rather than being driven by adding the activity in predetermined economic sub-sectors – leads to interesting results. Estimates vary in different countries, but typically the restrictive definition of tourism driven by SNA results is an estimate of the scale of tourism which is about half the level based upon an examination of tourist demand. This definitional issue is particularly important for PPT practitioners because generally the poorest households which receive income from tourist demand are the farmers, fishers and craft sellers who fall outside the SNA-defined “tourist sector”. For this reason, it is important to take the broader definition of tourism in order to avoid simply assuming away much of the pro-poor impact of tourism – as the conceptual framework below highlights.

The range of tourism products themselves has important methodological implications. Applying a global value approach to a standard package tourist product is relatively straightforward. This is particularly the case when the chain is vertically integrated, where the outbound tour operator controls the retailing of holidays and also the airline used, and often has a long-term relationship with the accommodation and excursion service provider in destination. In destinations characterised by independent travel, it is often much more challenging to obtain meaningful information about tourist spending beyond the destination itself (because tourists would have arrived at destination using a diverse variety of transport modes and routes from a rich variety of sources).

**Conceptual framework**

Our conceptual framework for understanding the linkages between the tourist sector and the local economy is outlined in Figure 2. The main value of this framework is to appreciate the scope of the several different pathways by which the tourist sector can transfer benefits (and dis-benefits) to local communities in and around tourist destinations. These can be summarised in three pathways: Pathway 1 are direct effects; Pathway 2 captures the indirect
and induced impacts; and Pathway 3 captures the longer-term, dynamic effects of tourist development.

The first pathway includes direct flows from the narrowly defined “tourist sector” to low-income groups in the local economy. These include the wages of workers from poor backgrounds in hotels, restaurants, guides and transport companies and any benefits for communities from Corporate Social Responsibility initiatives and community equity schemes. The first round impacts of direct effects are usually fairly local to the destination (i.e. local people working in the tourist sector or a local orphanage supported). However, direct effects may benefit communities distant from the destination through mechanisms such as the remittances of low-income workers who migrate to the destination for work, but send funds home to relatives.

The second pathway includes indirect flows where tourist expenditure stimulates activity outside the tourist sector – for instance hotel construction wages and supplies, food and beverages. Supply chains for goods and services beyond the tourist sector may be significantly longer than direct linkages. Often the food consumed by tourists is not grown in the local economy, and may benefit low-income groups far from the destination (and sometimes beyond the borders of the host country).

Induced effects are an important impact resulting from the spending of tourist workers’ wages in the local economy. Through induced impacts, the wages paid to non-poor workers can benefit low-income communities if they supply the goods and services on which workers spend their wages.

The third pathway includes the dynamic effects (both positive and negative) of tourist activity on the local economy. Direct, indirect and induced effects are all short-term impacts: a hotel is opened and workers are employed; food is purchased and wages are spent. Dynamic effects are the longer-term impact of a hotel on the local economy such as payment of tax to support services to the local population, the upgrading of skills in the local labour market resulting from the training of hotel staff, or the changed access of local communities to natural resources.

An increasingly critical point about this conceptual framework is not what it includes, but what it excludes. Our focus has been on “tracing the tourist dollar” and to a large extent on financial transactions. The inclusion of livelihood effects which do not involve a financial transaction (like access to natural resources) can only be integrated into this framework
with difficulty. At least as important, this framework is designed to examine the effects of tourism activity on low-income households. However, increasingly researchers are under pressure to take account of the environmental costs of tourist activity and demonstrate the trade-off with any socio-economic benefits. With recent advances in environmental economics, and specifically the explicit pricing of carbon, it is possible to explore this trade-off of environmental costs and socio-economic benefits using cost-benefit analysis techniques. However, the fact remains that this conceptual framework is focused upon answering questions about the impact of tourism on low-income households, not assessing the environmental impacts of tourism.

We now turn to the research methods which will generate the data required to populate this conceptual framework.

**Research methods**

In terms of ways of capturing these three pathways, ODI staff members have reviewed the available research methods. A sensible way of categorising this diverse literature is to group it in terms of what the researchers themselves are trying to achieve. The four categories of research methods in Table 1 address four quite distinct questions:

1. What are the economic effects of tourism on the rest of the economy?
2. How big is “tourism”?
3. In what ways does tourism affect poor people?
4. How can tourism be expanded?

Many researchers are looking at different parts of the conceptual framework in Figure 1 but few are examining all the possible effects of tourist development on the host population. In addition, we found that much of the effort invested by tourism researchers on Tourism Satellite Accounts and Master Plans, is not moving us significantly closer to our goal of understanding tourism destination impacts on low-income households (see Table 2).

In response to this analysis, the ODI narrowed down the choice of research tools which can answer the research question about how to assess the impacts of tourist development on low-income households at the destination to four areas: livelihood analysis, enterprise analysis, local economic mapping and pro-poor value chain analysis. As Table 2 indicates, the drawback of the first three approaches is that they have a clear focus on the rather

### Table 1. A categorisation of tourism research tools.

<table>
<thead>
<tr>
<th>Primary objective of analysis</th>
<th>Different research methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assess the economic effects (direct, indirect, static &amp; dynamic) of tourism activities on the (macro) economy</td>
<td>Regression analysis, social accounting matrices, computable generalised equilibrium models</td>
</tr>
<tr>
<td>Describe the size of the tourist sector</td>
<td>Tourism Satellite Accounts</td>
</tr>
<tr>
<td>Measure impacts of tourism on poor people or local economies at tourist destinations</td>
<td>Livelihoods analysis, enterprise analysis, local economic mapping and pro-poor value chain analyses</td>
</tr>
<tr>
<td>Develop and enhance the tourism sector, its growth and competitiveness.</td>
<td>Tourism Master Plans and conventional value chain analysis</td>
</tr>
</tbody>
</table>

Note: Our assessment revealed the volume and quality of existing analysis, but also the partial nature of individual tools. The field is characterised by pockets of excellent, but isolated, scholarship.
<table>
<thead>
<tr>
<th>Research methods</th>
<th>Input–output analysis</th>
<th>Tourism satellite accounts</th>
<th>Regression analysis</th>
<th>Computable Generalised Equilibrium Modelling (and SAM)</th>
<th>Micro enterprises/livelihoods analysis</th>
<th>Local economic mapping (pro-poor value-chain analysis)</th>
<th>Master planning</th>
<th>Conventional value chain analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research focus:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of tourism-related economy</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓</td>
<td>✓ ✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Competitiveness of tourism sector</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>Impact of tourism on macro-economy</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>Impact of tourism on poor people</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>Geographical scale</td>
<td>Regional/ national</td>
<td>National</td>
<td>National/ international</td>
<td>Regional/ national</td>
<td>Local</td>
<td>Destination</td>
<td>National</td>
<td>Tourist product</td>
</tr>
<tr>
<td>Policy relevance</td>
<td>✓ Widespread</td>
<td>✓ Growing considerably</td>
<td>✓ ✓ Widespread</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>Extent of application</td>
<td></td>
<td></td>
<td>Limited</td>
<td>Limited</td>
<td>Very limited</td>
<td>Ubiquitous</td>
<td>Very limited</td>
<td></td>
</tr>
<tr>
<td>Consideration of Non-financial issues</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>✓</td>
<td>Some</td>
<td>Few</td>
<td>No</td>
</tr>
<tr>
<td>Direct effects</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Secondary effects</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Dynamic effects</td>
<td>No</td>
<td>No</td>
<td>Some</td>
<td>Some</td>
<td>No</td>
<td>Some</td>
<td>Few</td>
<td>No</td>
</tr>
<tr>
<td>Cost</td>
<td>Modest</td>
<td>High</td>
<td>Modest</td>
<td>Reasonable</td>
<td>Modest</td>
<td>Researchers/practitioners</td>
<td>High</td>
<td>Reasonable</td>
</tr>
<tr>
<td>Implemented by</td>
<td>Academics</td>
<td>Public bodies and consultants</td>
<td>Academics</td>
<td>Academics</td>
<td>Researchers</td>
<td>Consultants</td>
<td>Consultants and academics</td>
<td></td>
</tr>
</tbody>
</table>

Notes: indicates no relevance, ✓; indicates some relevance, ✓ ✓; indicates high relevance, ✓ ✓ ✓.
Source: Mitchell & Ashley, 2010
local and direct and indirect impacts. Most are unable to either take into account dynamic
effects or to assess the competitiveness of the tourism product itself. Both of these are
important weaknesses because empirical evidence suggests that many of positive socio-
economic impacts of tourism are found in the dynamic pathway. Also, it is important to
understand the health of the tourist sector itself. Linking low-income households more
closely to an ailing economic sector is not developmentally progressive. It is also important
to understand that tourism does not exist primarily to benefit poor people. Tourism is a
private sector enterprise and, unless researchers understand the economics of tourism itself,
they are in a poor position to engage with the tourist sector and propose realistic changes
which will have a positive impact on low-income households.

It was for this reason that value chain analysis was selected as the chosen research tool,
and that the conventional value chain approach (which, as is discussed below, was originally
conceived as a business tool) itself has to be adapted to incorporate a pro-poor dimension.

What are value chains?
Value chains do not exist in the sense of their having a tangible reality: they are simply
a framework for trying to understand how the world works. The value chain describes the
full range of activities required to bring a product or service from conception, through the
different phases of production (involving a combination of physical transformation and
the input of various producer services), delivery to final consumers and final disposal after
use (Kaplinsky & Morris, 2001).

Value chains are frequently confused with other concepts, such as clusters. Clusters
analysis also shares many similarities with value chain analysis. A cluster is a sectoral and
geographical concentration of an enterprise within a region or even one specific urban area
(for example Bollywood films in Mumbai and tourism in Sharm-El-Sheik). The rationale for
focusing on clusters is that cooperation between firms in a cluster can improve the efficiency
of participating enterprises above the level that would be possible without cooperation
(through improved access to inputs, cost-sharing for research and development (R&D),
Improved marketing and advocacy, development of economies of scale and scope, etc.).
It is especially helpful in explaining the observed reality of clusters in many developing
economies, and in understanding why many of these clusters include small firms (Schmitz
& Nadvi, 2000).

Value chains, then, are a way of understanding the interaction of people and firms with
markets – whether domestic or global. In value chains, primary actors perform a selection of
(primary) functions. These typically include input supply, production, processing, storage,
wholesale (including export), retail and consumption. Actors who perform similar functions
are regarded as occupying the same functional “node”, for example the input supply node,
production node, retail node and so on. Secondary actors, or ancillary workers, perform
(secondary) service roles that support primary functions, such as transportation, brokerage
and service processing. As goods in value chains are exchanged and transformed, they
“flow downstream”, in a series of transactions that add value and costs.

The key point about value chains is that they recognise that the firms linking suppliers
to producers to processors and intermediaries to the customer at the end of the chain
are the critical determinants of trade, whether these are domestic, regional or global. All
stakeholders along a specific value chain need to cooperate and to coordinate their activities
to keep the end customer happy. Chain coordination allows “driving” agents to institute
measures which reduce costs and risks whilst increasing the speed and reliability of supply,
or which increase sales (Gibbon, 2001).
The concept of the value chain has risen to the fore in recent years to reflect major changes in market conditions (Kaplinsky & Morris, 2001). From the demand side, global markets have become increasingly demanding of variety and quality, and the resulting chains of production have become increasingly suffused with standards. Many of these standards require linked processes throughout the chain. For example, in Travelife certification, a “chain of custody”, involving environmental and social standards, has to be passed all the way from the outbound tour operator through the supply chain to individual suppliers (i.e. accommodation, excursions, animation, etc.) at the destination (see www.travelife.org).

From the supply side, firms have increasingly concentrated on their core competences and, although they have been reluctant to own their suppliers and customers, they have needed to ensure that these conform to chain standards in order that they can achieve systemic efficiency in global markets. These two factors have meant that chain coordination – referred to as “chain governance” (Gereffi, Sturgeon, & Humphrey, 2005) – is a necessary component of value chain competitiveness. Here, Gereffi has made the widely cited distinction between chain governance executed by key buyers (“buyer-led chains”) and that in which the governance role is played by a holder of core technology (“producer-driven chains”) (Gereffi, 1994). International tourism is a classic buyer-led chain where international tour operators have the economic power to demand that standards are met throughout the chain.

Where do value chains come from?

Value chains are relatively value free as a framework and therefore have been applied in some very different contexts (see the excellent discussion in Altenburg, 2007):

• The francophone filière approach of the 1960s, which was used to delineate the scope of analysis for agricultural commodity exports (cotton, rubber, cocoa and coffee), principally from France’s former colonies. This was essentially a technocratic exercise undertaken by agricultural scientists motivated by a desire to improve the efficiency of the value chains.

• The management science approach to supply chain management and outsourcing, to explore “make or buy” decisions based on the distinction between core and non-core competencies of corporations. Offshoring gathered momentum in the clothing industry in the 1970s as Northern companies moved their production functions to developing countries, which offered lower labour costs. Now, the great majority of consumer electronics, footwear, toys, bicycles, computers and clothes are produced outside Organisation for Economic Co-operation and Development (OECD) and middle-income countries. Increasingly, higher-value functions (such as call centres, R&D, etc.) are being outsourced to developing countries.

• Porter’s (1985) value chain concept, which is based on the observation that location-specific conditions (rather than the factor cost differentials of neoclassical theory) determine the competitive advantage of locations. Porter’s analysis emphasises the importance of local rivalry and specific demand conditions. This approach has had a large influence on local economic development and cluster thinking.

• Gereffi (1994) and several others coined the global value chain concept following empirical studies of globalised production across several sectors of the economy. This approach differed from the earlier filière school because the governance of value chains was identified as a central theme – based on sociological notions of economic
power allowing lead firms to impose the parameters of contracts and subcontracts in their supply chain and collect above average profits (or rents) as a consequence.

The evolution of global value chains, and increased competition amongst firms at different stages of the value chain, has resulted in new opportunities and challenges for new entrants. On the one hand, the global fragmentation of production in theory means that many low-income countries can plug into global value chains and therefore benefit from “catch-up” growth (through resultant technology transfer, learning by doing, etc.). On the other hand, some of the routes used in the past to achieve industrial development may not be as viable. Global value chain analysis focuses on the dynamics of inter-firm linkages within this system, and the way in which firms and countries are integrated globally. But it also goes beyond firm-specific linkages to reveal the dynamic flow of economic, organisational and coercive activities between producers within different sectors on a global scale (Kaplinsky & Morris, 2001).

This raises the question of how producers (firms, regions or countries) participate in the global economy, rather than whether or not they should do so. Its approach is therefore analogous to the new trade theory literature in that the results are ambiguous: trade openness is not always beneficial to an economy; if it is managed in the wrong way, trade may have long-term detrimental effects. As Kaplinsky & Morris (2001) put it, “if they [producers] get it wrong, they are likely to enter a ‘race to the bottom’, that is a path of immiserating growth in which they are locked into ever-greater competition and reducing incomes” (p. 26).

**How can value chains help?**

Value chain analysis can make an important contribution to pro-poor economic development for seven key reasons.

Firstly, value chains are particularly well suited to understanding how poor people can engage, or engage more beneficially, with domestic, regional or international trade. The contribution of the global value chain thinkers was a recognition of something very important to the resource poor in rural areas – their lack of power compared with the lead firms setting the “rules of the game” in the value chain. Trade is about productivity and factor costs, but also about the use of brute economic power to extract value from the chain.

Secondly, value chain analysis has economic viability and sustainability at its core because of its focus on markets and commercial viability (as well as development concerns). This is an important advance on more “traditional” enterprise development projects, which have often focused almost exclusively on producers (or the supply side), to the neglect of sources of demand. Ironically, “traditional” approaches to enterprise development (by both external donors and the state) have often paid insufficient attention to the existing market systems in which their interventions took place. Value chain analysis is therefore compatible with market development approaches to development. Value chain analysis provides a framework for engagement with both business and beneficiary groups. Successful value chain development projects, therefore, aim for win–win outcomes for all participants. This implies that there is nothing “anti-development” about generating incentives for the already rich to get richer, providing it is done in a way that includes, and benefits, groups of poor people.

Thirdly, value chains are a strong qualitative diagnostic tool, capable, if employed with skill, of identifying critical issues and blockages for specific target groups and then generating robust and effective policies and development strategies. The key point is that a sound value chain analysis does not simply provide a robust explanation for why the resource
poor are poor. It also provides a logical framework to formulate concrete intervention strategies to change the circumstances of the poor. In this sense, value chains are a normative, as well as a diagnostic, tool to understand what reality currently is – and how it can be changed for the better.

Fourthly, and related, value chain analysis identifies the core rents payable and barriers to entry that determine who in the chain benefits from production for diverse final markets. This helps to focus minds on how best to facilitate the participation of the poor in these chains. There may be little point in assisting producers to enter chain links characterised by excessive competition (i.e. where there are no barriers to entry). On the other hand, poor producers can also be assisted in creating their own barriers to entry through upgrading strategies, for example brands of estate coffee produced and sold into global markets by Central American coffee farmers. Figure 2 outlines five of the key triggers for value chain upgrading: the need to improve system efficiency, product quality, product differentiation, social and environmental standards, and the business environment.

Fifthly, value chain analysis is inherently scalable. This is important because, following the logic of the MDGs (and particularly MDG1), external donors are increasingly concerned with reducing poverty at scale. Developing value chains which, if successful, benefit only a few tens of beneficiaries is – quite rightly – becoming difficult to justify. Even if the initial focus of a value chain development exercise is on a single producer group or firm, there is no reason why the same logic cannot be applied to a cluster of firms or a region or country.

Sixthly, value chain analysis is relatively evidence-based and action-oriented. This form of analysis provides tangible recommendations for what specific firms in a specific value chain – and their governments – can do to increase their competitiveness and development impact.

Finally, value chains provide a clear way forward as a policy and restructuring tool. International evidence shows that achieving systemic competitiveness requires cooperation along the chain, as well as within links in the chain. After all, a chain is only as strong as its weakest link. So the establishment of a collation of interested parties involved in promoting participation by the poor, or the restructuring of value chains, is often a necessary process to ensure that appropriate global competitiveness is realised. Ideally, this includes both private sector parties concerned with endogenous rents and public sector participants concerned with exogenous rents for there is evidence of both market failure and state failure. Realising global competitiveness involves a joint journey of discovery.

It is for these reasons that value chain analysis has had a profound impact on development studies in recent years and, we believe, has much promise for both measuring and improving the impact of tourism in developing country destinations.

Applying value chain analysis to the tourist sector

The ODI has developed an approach, based upon value chain analysis, which “follows the tourist dollar” through the tourist value chain and associated supply chains. We understand that this approach is partial. It has a focus on economic transfers and on direct, indirect and induced impacts. The treatment of non-economic issues and longer-term dynamic effects is less systematic and, in an ideal world, a pro-poor value chain analysis would be complemented with equilibrium modelling and a livelihoods analysis.

Our methodology has been written up in detail elsewhere (see Ashley, Mitchell, & Spenceley, 2009). In essence, we examine the total expenditure of tourists (spending on the package as well as discretionary spending) and follow this expenditure flow to understand who benefits and how. “Pro-poor income” (PPI) – the wages and profits earned by
Figure 3. An example of a tourism supply chain. Source: Author. (F&B, Food and beverage)

resource-poor households from tourist spending – can then be compared with total tourism expenditure to assess how pro-poor is tourism at the destination. Tourist destinations differ in terms of their size and complexity. At one end of the spectrum is an all-inclusive hotel with an exclusivity agreement binding it to receiving guests from one overseas tour operator and limited discretionary spending by tourists in-country. At the other end of the spectrum is a large destination with many hotels serving different markets (different source markets, package arrangements, purpose of travel – each with a distinctive local economic footprint) and many independent travellers with large amounts of discretionary expenditure. In the latter example, it is only possible to sample hotels to build up a picture of the destination value chain as a whole.

Figure 3 illustrates a package tourism value chain for a single hotel and demonstrates the scope of analysis required to “trace the tourism dollar” effectively. It is immediately apparent that this kind of analysis requires tourists to work with a wide range of stakeholders within the value chain (tour operators; hotel managers; hotel staff; tourists; suppliers such as shop owners, guides, farmers, food wholesalers; as well as tourists themselves). The nature of supply chains has a significant impact on their economic footprint – is the fish supplied by the wholesaler imported frozen from Europe or caught locally by artisanal fishermen, for instance? It is important to follow these supply chains as far down as possible because this is often where the pro-poor impact either is or is not found.

There are also important decision-makers outside the value chain. These include the local tourist association, government tourist department, small business association, tourist training college and others in the external enabling environment – which often have a significant impact on how the tourist value chain operates. It is useful to locate potential participants in the value chain who are currently excluded, in order to understand the barriers to entry for the chain.
The approach is structured around three different phases. These phases may be undertaken concurrently but in some situations will be more easily done separately allowing some time for reflection in between:

- **Phase 1: Diagnosis of current situation and context:** This phase includes tools to map the tourism value chain (or economy of the destination), and the participation of the poor within it. The purpose here is to understand financial flows and how the tourism sector currently works. This phase also helps to understand the policy and regulatory context and the existing tourism market.

- **Phase 2: Project opportunities, prioritisation and feasibility:** This phase includes a systematic approach to develop a “long list” of project options. It then guides the move towards a “short list” of high priority interventions that should be implemented, by applying specific criteria that include the likely impact of the intervention on poverty.

- **Phase 3: Project planning:** This section is used to package proposed interventions into bankable projects that can be assessed by potential financiers. The section provides a structure for reports, and tools to assist in developing institutional arrangements, targets and indicators for monitoring, and also project budgets.

The basic elements of “what to do” in a pro-poor value chain assessment, and “why”, are outlined in Table 3, with a series of component steps.

Institutions vary enormously in the resources they dedicate to the project scoping and planning process. For example, the diagnostics of tourism value chains have been conducted in as little as 20 staff days per destination – although more resources are needed for more robust analysis.

What is notable about this approach is that it is possible, generally with a team of two specialist researchers – normally working with a team of local stakeholders – to complete the data collection for the diagnostic phase (Phase 1) and Steps 6 and 7 of Phase 2 within about two weeks. This is possible because the ODI has developed a series of standard tools to conduct the analysis (i.e. hotel manager surveys, inbound tour operator surveys, tourist surveys, retailer surveys, etc.). This approach is greatly enriched by involving local stakeholders in a participatory analysis and should including formal rounds of feedback to “ground truth” the analysis with a panel of experienced local stakeholders.

It is ideal to have a break in the fieldwork for analysing the data collected, writing up findings and organising further consultation, before moving into Step 8 (shortlisting and selecting) and then the planning of projects (Phase 3). This is because it is important to analyse and understand what the results of – typically about 100 – interviews are before proceeding to defining interventions to enhance the pro-poor impact of the destination. Whilst Phases 2 and 3 are less intensive in terms of data collection, they are nevertheless demanding in terms of both consultation and analysis.

The ODI has undertaken these analyses on destinations in about a dozen countries with funding from multilateral organisations (World Bank, International Trade Centre, United Nations Development Programme; Commonwealth Secretariat and European Commission), non-governmental organisations (SNV), and the private sector.

- **Africa:** Tanzania (safari and hiking on Kilimanjaro), Rwanda (gorilla viewing), Ethiopia (business tourism in Addis Ababa and historic/cultural tourism on the Northern and Southern circuits), The Gambia (package beach), Ghana (business tourism in Accra), Cape Verde (package beach), Tunisia (package beach), Libya (new tourist development);
Table 3. The what and why of pro-poor value chain analysis.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Step</th>
<th>What to do?</th>
<th>Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1: Diagnosis</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1 Preparation</td>
<td></td>
<td>To define the destination, target group and the project team and review panel</td>
<td></td>
</tr>
<tr>
<td>Step 2 Map the big picture:</td>
<td></td>
<td>To organise a chaotic reality, understand the overall system</td>
<td></td>
</tr>
<tr>
<td>enterprises and other actors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the tourism sector, links</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>between them, demand and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>supply data and the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>pertinent context</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 3 Map where the poor do,</td>
<td></td>
<td>To avoid erroneous assumptions about poor actors, to take account of the</td>
<td></td>
</tr>
<tr>
<td>and do not, participate</td>
<td></td>
<td>less visible suppliers</td>
<td></td>
</tr>
<tr>
<td>Step 4 Conduct fieldwork</td>
<td></td>
<td>To provide data and insights for Steps 5–8</td>
<td></td>
</tr>
<tr>
<td>interviews in each node of the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>chain with tourists and service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>providers, including current</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and potential low-income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>participants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 5 Track revenue flows</td>
<td></td>
<td>To follow the dollar through the chain down to the poor, and how to assess</td>
<td></td>
</tr>
<tr>
<td>and pro-poor income.</td>
<td></td>
<td>how returns can be increased</td>
<td></td>
</tr>
<tr>
<td>Phase 2: Scope and prioritise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>opportunities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 6 Identify where in the</td>
<td></td>
<td>To select areas ripe for change, draw upon Steps 1–5. To ensure Steps 6–8</td>
<td></td>
</tr>
<tr>
<td>tourism value chain to seek</td>
<td></td>
<td>are focused on priority areas</td>
<td></td>
</tr>
<tr>
<td>change. Which node or nodes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>have the greatest opportunity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(or rent) accessible for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>low-income groups</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 7 Analyse blockages,</td>
<td></td>
<td>To think laterally and rationally in generating the range of possible</td>
<td></td>
</tr>
<tr>
<td>options, &amp; partners in the</td>
<td></td>
<td>interventions</td>
<td></td>
</tr>
<tr>
<td>nodes selected, to generate a</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>long list of possible</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>interventions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 8 Prioritise projects on</td>
<td></td>
<td>To generate a project shortlist, comprising projects most likely to deliver</td>
<td></td>
</tr>
<tr>
<td>the basis of their impact and</td>
<td></td>
<td>impact</td>
<td></td>
</tr>
<tr>
<td>feasibility</td>
<td></td>
<td>Package selected interventions for funding and implementation</td>
<td></td>
</tr>
<tr>
<td>Phase 3: Planning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 9 Intervention feasibility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and planning</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: These steps have to be iterative and cannot be entirely sequential. For example, some initial thinking from Step 6 (where to focus) will probably inform Step 5. Some thinking on partners’ activity will inform Step 6, but be more detailed in Step 7.
Source: Mitchell and Ashley (2009)

- Asia: Lao People’s Democratic Republic (cultural in Luang Prabang), Vietnam (business tourism in Da Nang and cultural in Hoi An), Cambodia (business tourism in Phnom Penh and cultural in Siem Reap);
- Latin America: Brazil (beach resorts in Salvador area); and
- Europe: Turkey and Greece (all-inclusive resorts).
A robust empirical basis for understanding the destination economic impacts of tourism is beginning to emerge from this experience over the past five years. It is to these findings that we now turn.

How, and how much, does tourism affect the lives of poor people?

Firstly, in line with the first hypothesis of PPT, international tourism can, sometimes, be an effective way to transfer funds from rich tourists to resource poor people. There are destinations where for every $4 spent by a tourist in-country, $1 reaches the poor people. This is a highly progressive rate of conversion from aggregate trade receipts to pro-poor benefits and compares favourably with many agricultural value chains.

In the “better practice” examples cited in Figure 4, where over 20% of tourists’ expenditure at the destination accrues to low-income participants in the value chain, a pro-poor impact is generally the result of strong indirect (like hotel construction or agricultural supply chains to tourists) and dynamic linkages (like the taxation of tourists providing a large share of government redistributive spending). In middle-income countries, direct linkages (such as the wages paid to hotel workers) are often a major source of the benefit flow from tourists to low-income communities.

However, just because tourism can benefit the local community does not mean that this effect is inevitable. Figure 4 provides examples – cultural tourism in Cambodia and business tourism in Ghana – where less than one-tenth of tourist in-country spending reaches the resource-poor. In these instances, the enabling environment for tourism is poor, which allows for significant “elite capture” (both legal and informal) of the benefits from tourism.

The second hypothesis of PPT was that whatever the current level of pro-poor performance of a destination is, there is scope to increase the benefit flow to the poor. An important aspect of our approach is not just to measure and understand how tourism currently affects local communities, but also to make practical suggestions for how to increase this impact. In every destination in which we have worked, across Africa, Asia, Latin America and Europe, the ODI has made recommendations to significantly increase the pro-poor impact of tourism. These recommendations are prioritised in terms of the speed of implementation, resources required and the scale of the pro-poor impact.
Sometimes our recommendations involve changes to the regulatory and enabling environment or the operating practices of individual tour operators and hoteliers. When proposing change for the private sector, our goal is to develop a business case when pro-poor interventions can be implemented that are financially viable. The goal is to find interventions which have higher returns – both commercially and socially.

The third hypothesis of PPT, that any type of tourism can be pro-poor, has particular resonance. It is clear that the old prejudices about the impact of different kinds of tourist products are often not supported by the evidence. Business tourism is strongly pro-poor in Central Vietnam and much less so in Ethiopia. Cultural tourism is positive for local communities in Laos but not in Cambodia. Package tourism does not perform particularly well in The Gambia but performs better in nearby Cape Verde and is integral to the most pro-poor destination we have found anywhere – hiking on Mt. Kilimanjaro in Tanzania. There is as little empirical basis for suggesting mainstream tourism is inherently bad for development as for the view that community-based/ecotourism/cultural tourism is ubiquitously good for development.

Conclusions

We conclude that significant advances are being made towards the goal of assessing the impact of tourism development on low-income households in destination areas:

(1) This form of analysis is fraught with definitional difficulties regarding the fundamental building blocks of any analysis (Who is poor? What is pro-poor? What is tourism?) but these difficulties are inherent to the analysis of any economic sector which seeks to broaden the spread of benefits to low-income households.

(2) The conceptual model is a useful framework to guide the analysis of the impact of tourism on low-income groups. However, it is partial and – to remain relevant – will increasingly have to be applied together with the analysis of non-financial impacts of tourist development.

(3) Value chain analysis does provide a useful research method to assess destination impacts. The ODI’s work has shown that it can be adapted to have a specific “pro-poor” focus and is suitable for analysing the tourist sector. In addition, the approach has been refined to allow relatively quick and affordable analyses.

There are indications that this methodological advance is allowing research into the impacts of tourism to rejoin the mainstream of development economics and so become fundable by mainstream development agencies. In addition, the value chain approach aligns closely with how the private sector sees tourism supply chains, and so allows researchers to work directly with the industry whilst speaking the same language.

Notes

1. Least Developed Countries is a United Nations Category for the countries with the lowest indicators of human socio-economic development and is based on meeting low-income, human resource weakness and economic vulnerability criteria.

2. The Overseas Development Institute, based in London; the International Institute for Environment and Development, based in London and Edinburgh; and the International Centre for Responsible Tourism, now based in Leeds, with independent sister organizations in nine other countries.

Notes on contributor

Jonathan Mitchell, M.Phil, is Head of the Private Sector and Markets Programme at the Overseas Development Institute (ODI) in London. He has worked in Africa with the World Bank, DFID (Department For International Development) and European Commission on a broad range of economic development projects. Jonathan has worked at the ODI for the past six years and has focused on tourism, agriculture and value chain analysis.

References


Document 3:

What is the impact of hotels on local economic development? Applying value chain analysis to individual businesses

Jonathan Mitchell, Xavier Font & ShiNa Li

To cite this article: Jonathan Mitchell, Xavier Font & ShiNa Li (2015) What is the impact of hotels on local economic development? Applying value chain analysis to individual businesses, Anatolia, 26:3, 347-358, DOI: 10.1080/13032917.2014.947299

To link to this article: https://doi.org/10.1080/13032917.2014.947299

Published online: 26 Aug 2014.

Submit your article to this journal

Article views: 700

View related articles

View Crossmark data

Citing articles: 3 View citing articles
What is the impact of hotels on local economic development?
Applying value chain analysis to individual businesses

Jonathan Mitchell\textsuperscript{a}, Xavier Font\textsuperscript{b*} and ShiNa Li\textsuperscript{b}

\textsuperscript{a}Coffey, Economic Growth, The Malthouse, 1 Northfield Road, Reading RG1 8AH, UK;
\textsuperscript{b}International Centre for Research in Events Tourism and Hospitality, Leeds Metropolitan University, Headingley Campus, Leeds LS6 3QW, UK

(Received 25 April 2014; accepted 18 July 2014)

The impact of mainstream tourist hotels on destination economies is clearly an important question for public policy-makers wishing to develop robust tourism policy. We adapt the methodology of value chain analysis to measure the local economic impact of a large, single tourism enterprise, to show how to generate commercially realistic data using the example of an analysis of a 1000 room all-inclusive resort in southern Turkey in partnership with TUI UK and Ireland. The data break down package revenues according to their beneficiaries and identifies areas for improvement. We further report and reflect on a 6-month evaluation of a tour operator-hotel partnership to deliver on a set of positive recommendations arising from the date to improve future impact.

Keywords: economic development; value chain analysis; tourism impacts; all-inclusive tourism

Introduction

This paper assesses how a macro-economic framework, value chain analysis (VCA), can be applied at the smallest geographic scale to assess the impact of an individual firm on the local economy. This allows policy-makers, researchers and entrepreneurs to assess the local economic impact of a single hotel, using a standard and reliable analytical tool. Commercial research has tended to focus on demonstrating the economic prowess of the tourism industry through assessments of its contribution to the macro-economy. Business unit assessments of economic impact are infrequent and generally compliance-orientated.

A fundamental constraint facing policy-makers is the lack of rigorous analysis at the enterprise level upon which to base evidence-based tourism policy for the destination economy. The contribution of this paper is in outlining a conceptual approach which can be adapted to measure the local economic impact of a single enterprise and also in presenting the impact findings from a large, All-inclusive (AI) hotel in Southern Turkey in the public domain to inform the debate on the economic impact of mainstream tourism.

Tourism businesses themselves have taken part, individually and at the level of hotel chains and tour operator associations, in a number of benchmarking exercises. Sustainability certification has focused primarily on environmental issues due to its difficulties of calculating socio-economic impacts (Font & Harris, 2004). Hotel chains do not calculate the socio-economic impacts resulting from operations or supply chain management (de Grosbois, 2012; Font, Walmsley, Cogotti, McCombes, & Häusler, 2012).
This focus is not coincidental. Hotel managers see improving environmental performance in the form of saving water and energy as commercially advantageous, and regard improving the socio-economic performance with a degree of scepticism. Many measures to improve socio-economic impact (such as increasing hotel staff wages or purchasing local suppliers) increase risks and costs without any corresponding increase in revenue. When there is any consideration of social or economic factors at the hotel business unit level, this is generally on a compliance basis. The rationale for socio-economic audits of hotels is to avoid reputational ‘harm’ for the individual hotel, hotel group, or tour operator using the hotel — rather than measuring the extent of positive economic impacts from their operations. Therefore, assessments of the socio-economic impact of hotels by the business unit themselves rarely provide useful answers to our question regarding the impact on the local economy. Recent studies found that corporate social reports of socio-economic practices in the hospitality industry were less comprehensive, and the gap between the policies and actual practices was greater (de Grosbois, 2012; Font et al., 2012).

A strand of academic and practitioner literature has examined the impact of tourism linkages from individual establishments into the local economy in developing countries, based upon a livelihoods approach and focused around community-based tourism projects in the 1990s (Murphy & Halstead, 2003). These provide important insights into the impact of individual tourism lodges on the local community and, in southern Africa, of packaging concessions between commercial operators and local people living on communally owned land (Massyn & Koch, 2004). Earlier livelihoods analyses tended to focus upon non-economic impacts of tourist development (increased capacity and confidence of local people through training). Its importance is a rigorous economic focus on assessing the impact of the individual tourism enterprise through supply chains into the local economy. However, this work has generally been applied by the development sector (i.e. donors and NGOs) in developing countries. As such, the analysis tends to focus upon community-owned tourism assets such as campsites and very small game lodges. This type of analysis has not been applied to assessing the local economic impact of a large, mainstream tourism resort in a sophisticated economy.

One would have hoped that the academic literature on the impact of tourism would be more helpful, but this is possibly not surprising considering the many shortcomings of the different methods of estimating visitor expenditure currently in use (Frechtling, 2006). Trade statistics (in tourism, international arrivals and expenditure) have limited capacity to unpick where value added is, and therefore poor instruments for policy development. The tourism economics literature rarely focuses on the micro-economic level of the hotel and tends rather to seek insights into the impact of tourism activity on the economy as a whole, because most economic modelling approaches are macro-economic approaches, which are incapable of dealing with micro-economic evaluations (Jago & Dwyer, 2006; Li & Jago, 2013). Much of the anthropological literature focuses upon the results of the collision of cultures inherent to particularly long-haul international tourism. This research can provide insights into the cultural impact of tourism in the economy – but fails to answer the question about whether the economic activity which is generating these cultural impacts is positive for the local economy or not. Hence, the attempt of applying value chain analysis to the individual tourism business level.

The contribution from this paper is the adaption of a tool – global value chain analysis – to the context of a single hotel, to provide robust management data to improve the economic value of that hotel. The paper starts by contextualizing the usefulness of VCA amongst other economic measurement methods. It then moves on to explain how VCA can be adapted to study a single business unit. It then examines how VCA was applied to a
1000-bed mainstream tourism resort in Southern Turkey, providing a detailed account of the results, and finishing with a reflection on the ability of VCA to contribute to the debate of how to improve local economic impacts.

**Literature review**

A value chain describes the full range of activities required to being a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers and final disposal after use (Kaplinsky & Morris, 2001). For example, a tomato value chain would typically start with the input suppliers that provide seeds and fertilizers to farmers, who are the producers. When harvested, the tomatoes will generally be transported to wholesale markets and sold to traders. Traders will pack the tomatoes and distribute them to retailers who will, in turn, sell the fruit to the end consumer. A value chain maps out this series (or ‘chain’) of physical activities and details the transactions which take place from production to consumption. Value chains are a useful conceptual framework for trying to understand how goods and services are produced and moved to the consumer.

The relevance of value chains for the analysis of local impact is that they allow researchers to analyse a complex product consumed in a specific place (like a package holiday in a hotel) and then trace, using a structured approach, the rich variety of goods and service supply chains that are required to offer this product. Value chain analysis shows how there are high barriers of entry for the higher rent activities in the chain, particularly around market access and brand development, while local communities work on the commoditized aspects of the chain (Buhalis, 2001; Kaplinsky, 2000).

The concept of the value chain has risen to the fore in recent years to reflect major changes in market conditions (Gibbon, Bair, & Ponte, 2008; Kaplinsky & Morris, 2001). From the demand side, global markets have become increasingly demanding of variety and quality, and the resulting chains of production have become increasingly suffused with standards. Many of these standards require linked processes throughout the chain, hence logistics becoming an element of supply chain management that is key for quality control (Banfield, 1999). Environmental supply chain management was specifically developed to deal reducing costs and improving quality control through the reduction of environmental impacts (Van Hoek, 1999; Walton, Handfield, & Melnyk, 1998). Sustainable supply chain management has grown out of this background to incorporate additional sustainability aspects that were a risk to corporate reputation (Zadek, 2007). For example, in Travelife certification, a ‘chain of custody’, involving environmental and social standards, has to be passed all the way from the outbound tour operator through the supply chain to individual suppliers (i.e. accommodation, excursions, animation, etc.) at the destination.

From the supply side, firms have increasingly concentrated on their core competences and although they have been reluctant to own their suppliers and customers, they have the need to ensure that these conform to chain standards in order that they can achieve systemic efficiency in global markets. These two factors have meant that chain coordination – referred to as ‘chain governance’ (Gereffi, Humphrey, & Sturgeon, 2005) – is a necessary component of value chain competitiveness. Here, Gereffi made the widely cited distinction between chain governance executed by key buyers (‘buyer-led chains’) and that in which the governance role is played by a holder of core technology (‘producer-driven chains’) (Gereffi, 1994). This distinction is very relevant to our concerns because
international tourism is a classic buyer-led chain, where international tour operators have the economic power to set and demand standards throughout the chain (Medina-Muñoz, Medina-Muñoz, & Garcia-Falcón, 2003).

Public policy-makers have several reasons to be interested in the value chain framework (Kaplinsky, 2000; Schmitz, 2005). First, value chains are particularly well suited to understanding one of the key policy concerns for a local area in an emerging economy that is participating in a highly competitive global trade like international tourism – are local people engaging with this trade in a way that is beneficial to them? Second, value chains are a strong diagnostic tool to identify critical issues and blockages limiting the benefit – or rents – that specific target groups derive from trade. The framework provides a logical framework to formulate concrete intervention strategies to change the circumstances of particular vulnerable groups. In this sense, value chains are a normative as well as diagnostic tool. And third, value chains have been applied at a range of geographical scales. Initially applied to global agricultural commodity chains (i.e. cocoa from Cote d’Ivoire), the approach was adapted to the corporation level (i.e. the horticultural supply chain of a large European supermarket brand). Development practitioners have tended to apply value chains at specific sectoral and geographic levels (i.e. textiles in Bangladesh).

**VCA applied to tourism**

Since 2005, a team located mainly within the Overseas Development Institute (ODI) has developed an approach to tourism analysis based on VCA focused on increasing low-income groups within developing countries benefit from tourism. The approach has evolved through empirical analysis in some 14 countries worldwide. The approach is based upon ‘following the tourism dollar’ through the tourism value chain and associated supply chains. By definition, the approach is partial. It focuses on economic transactions and on direct, indirect, induced, and dynamic impacts. These three key pathways by which low-income groups or indeed any specific target group (i.e. local residents, women, etc.) may benefit from tourism are outlined below.

Direct effects include both labour income and other forms of earnings from the tourist industry (i.e. jobs in hotels and restaurants, taxi rides). It also includes direct effects from tourism on the poor even if they are non-financial livelihood changes (improved infrastructure or reduced access to the beach for local residents). Secondary effects include indirect earnings (and non-financial livelihood impacts) from non-tourism sectors that arise from tourist activity (crafters, construction workers, farmers, etc.). Also included are induced effects, the re-spending of earnings in the local economy from workers whose jobs are generated by tourism spending (in this study, we only traced the induced effects from workers in the tourist industry for the pragmatic reason that it was possible to identify these workers easily). Finally, the broad category of dynamic effects covers long-term changes in the economy and patterns of growth: whether experienced in the macro-economy, or limited to the local economy at the destination. Some environmental impacts such as the erosion of natural assets from tourist developments can be conceived as dynamic effects. The treatment of important non-economic issues is limited. The concepts of direct, indirect, and induced effects are the same in both input and output (I–O) modelling and VCA. I–O modelling takes a macro-economic approach, using secondary data (e.g. national accounts) (Fletcher, 1989). VCA applied in this study takes a bottom-up approach. It collects financial data of individual firms on the value chain, which enables to capture effects at the micro-level.
The approach is structured around three distinct phases (see Table 1). What is notable is that it is possible, with a team of one to three specialist researchers – working with a team of local stakeholders – to complete the data collection for the diagnostic phase (Phase 1) and Steps 6 and 7 of Phase 2 within about two weeks, because ODI have developed a series of standard tools to conduct the analysis (i.e. hotel manager surveys, inbound tour operator surveys, tourist surveys, retailer surveys, etc.). This approach is greatly enriched by involving local stakeholders in a participatory analysis and should include formal rounds of feedback to ‘ground truth’ the analysis with a panel of experienced local stakeholders. It is ideal to have a break in the fieldwork for analysing the data collected, writing up findings and organizing further consultation, before moving into Step 8 (short-listing and selecting) and then the planning of projects (Phase 3). This is because it is important to analyse and understand what the results of – typically about one hundred – interviews are before proceeding to defining interventions to enhance the pro-

<table>
<thead>
<tr>
<th>Phase</th>
<th>Step</th>
<th>What to do?</th>
<th>Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1: Diagnosis</td>
<td>Step 1</td>
<td>Preparation</td>
<td>To define the destination, target group, and the project team and review panel</td>
</tr>
<tr>
<td></td>
<td>Step 2</td>
<td>Map the big picture: enterprises and other actors in the tourism sector, links between them, demand and supply data, and the pertinent context</td>
<td>To organize a chaotic reality and understand the overall system</td>
</tr>
<tr>
<td></td>
<td>Step 3</td>
<td>Map where the target group, and does not, participates</td>
<td>To avoid erroneous assumptions about actors in the target group. To take account of the less visible suppliers</td>
</tr>
<tr>
<td></td>
<td>Step 4</td>
<td>Conduct fieldwork interviews in each node of the chain with tourists and service providers, including current and potential target participants</td>
<td>To provide data and insights for Steps 5–8</td>
</tr>
<tr>
<td></td>
<td>Step 5</td>
<td>Track expenditure flows through the chain and how much accrues to people in the target group. Consider their returns and factors that enable or inhibit earnings</td>
<td>To follow the dollar through the chain down to the target group, and how assess how returns can be increased</td>
</tr>
<tr>
<td>Phase 2: Scope and prioritize opportunities</td>
<td>Step 6</td>
<td>Identify where in the tourism value chain to seek change, and which node or nodes have the greatest opportunity (or rent) accessible for target groups</td>
<td>To select areas ripe for change, draw upon Steps 1–5. To ensure Steps 6–8 are focused on priority areas</td>
</tr>
<tr>
<td></td>
<td>Step 7</td>
<td>Analyse blockages, options, and partners in the nodes selected, to generate a long list of possible interventions</td>
<td>To think laterally and rationally in generating the range of possible interventions</td>
</tr>
<tr>
<td></td>
<td>Step 8</td>
<td>Prioritize projects on the basis of their impact and economic and social feasibility</td>
<td>To generate a project shortlist, comprising projects most likely to deliver impact</td>
</tr>
<tr>
<td>Phase 3: Planning</td>
<td>Step 9</td>
<td>Intervention feasibility and planning</td>
<td>Package selected interventions for funding and implementation</td>
</tr>
</tbody>
</table>

Source: Adapted from Mitchell and Ashley (2010).
poor impact of the destination. Whilst Phases 2 and 3 are less intensive in terms of data collection, they are nevertheless demanding in terms of both consultation and analysis.

**Methodology**

This study is innovative in applying VCA to measure the economic impact of a single business unit. The focus of this project is a very large, four-star All Inclusive (AI) hotel, Holiday Village Turkey (HVT), located in the village of Sarigerme on the south-west coast of Turkey. The hotel is used almost exclusively by TUI customers under the First Choice brand from the UK source market. The hotel management company was in the hands of TUI Thomson Hotels during this study, the in-house hotel management company within the TUI Group. The hotel was chosen in partnership with TUI UK and the Travel Foundation because it is representative of mainstream AI hotels in an advanced economy, in a country with availability of local supply and hence potential for increased economic linkages from the results.

The value chain approach adopted was applied to the detailed supply chain of the individual hotel. The approach is the same as an analysis of an entire tourist destination or national tourist industry, the key difference is one of scale. Rather than estimating the expenditure of all tourists in a country or destination, the innovation of this analysis is surveying in more depth the spending of tourists using the single hotel. Instead of examining the national or regional employment of tourist workers, this analysis examined the payroll of the hotel. Similarly, the supply chain of the individual hotel, rather than the tourist industry, was the unit of analysis.

An important difference between this analysis and work at a sub-national or national level is the degree to which the support of the hotel management was necessary. When undertaking studies at a national or destination level, it is not necessary for all participants in the hotel supply chain to be cooperative with researchers in order to achieve reasonably robust analyses. As there are large numbers of value chain actors in a national or regional study, it is only possible to interview a sample of hotel operators, and the robustness of the study is not undermined by a small proportion of stakeholders refusing to provide data. For a national study, it is also normally possible to triangulate survey results with other independent sources of data – such as official statistics of visitor numbers, spending patterns, length of stay, etc. – to test the representativity of the sample data. However, when studying a single supplier, a high level of cooperation from the management of the firm is a prerequisite.

In this study, the research team had open book access to all the information necessary to conduct the analysis and full cooperation from the hotel management and the tour operator. As a result, the value chain for activities within the hotel is largely based upon actual figures provided by hotel staff rather than estimates derived from samples. There is still a need for sample surveys to understand activities outside the hotel (such as hotel guest spending outside the hotel and the procurement patterns of suppliers to the hotel). However, for transactions undertaken by the hotel, the method of data collection in a firm-level value chain is different from a regional or national level study.

The background to this study is both the desire of TUI to understand how they can improve the economic impact on the local economy of an all inclusive hotel, and the concerns expressed by local retailers and local people that the hotel provides little benefit in the area surrounding the hotel. Expenditure information for the tourism VCA of the HVT was gathered from the tour operator (First Choice, a TUI UK & Ireland brand), the hotel management company, and from interviews with the hotel owner, tourists, hotel
staff, and local retailers and suppliers. An action-research approach was taken to this study combining complete data-sets from the hotel management or tour operator supported by indicative information based on small samples when it was necessary to drill down in more detail. For this study, ‘regional’ was defined as being within a 200 km radius of the hotel; expenditure accruing directly to Sarigerme was also estimated to understand the impact of the hotel on the immediate local area.

Results

We first present the package revenues, broken down into flights, food and beverage, staff, and utilities. We then move on to look at discretionary expenditure, primarily shopping and excursions.

There are two principal cost centres: accommodation (47% of revenue) and flights (46% of revenue). The 7% of revenue spent on ‘Other’ costs is accounted for by agents’ fees and a range of ancillary payments such as transfers and resort entertainment. The aforementioned figures are based upon actual data taken from the corporate TUI accounts. Further revenues from in-resort operations (such as the Kids’ Klub) are largely offset by in-resort costs without a material net effect. In addition to the package revenue generated by the hotel (and paid prior to arrival), discretionary expenditure by tourists at the destination contributed an estimated €5.9 m to HVT value chain.

The rent is paid to the hotel owner on a passenger night basis for the 484,000 bed nights occupied during the six month season. In addition, TUI UK & Ireland also pays the Turkish government half the land rental. This expenditure accrues in Turkey but not in the local area, as the owner and central government are based in Ankara. The total operational expenditure incurred by the hotel management company in providing the all-inclusive product includes all the costs of running the hotel, except the rental payments to the owner and the in-resort entertainments and activities programme, provided by TUI UK Ltd. The primary components of this operational expenditure are illustrated in Figure 1.

Food and beverages represented the largest single element of the hotel’s operational cost structure (Figure 1). A high percentage was sourced from Turkey – 80–85% of total

Figure 1. Hotel management cost structure.
procurement by value. Turkey is largely self-sufficient in agricultural terms, with a well-developed agro-industrial base serving a large domestic market and substantial export sector. Also, Turkey maintains relatively high tariff rates and other barriers to imports across a range of agricultural and other products. Although the Turkish content within the hotel’s supply chain is high by both volume and value, the study found that the majority of these goods were produced and purchased outside of the local region.

Staffing is next in value, from employing local residents, the spending of non-local staff, and the accommodation of migrant staff. Using the data on expatriate salaries and staff expenditure surveys, €0.3 m benefits the local economy, with expatriate staff spending a high proportion of their salaries on food and beverages. All staff employed by the management company were Turkish citizens and more than two-thirds of the hotel’s workforce was drawn from the region. The average net wage for non-management staff was €325 per month (hotel payroll data), excluding accommodation, food and travel, and social insurance benefits provided by the management company, but remain low in comparison to the Turkish net living wage. Hotel staff was found to be working significant periods of unpaid overtime, and those unable to commute were housed in poor quality accommodation. Expenditure on 94 expatriate in-resort staff totaled €0.8 m. Expatriate staff are accommodated in an apartment block in Sarigerme owned by the hotel owner.

Discretionary expenditure is the term for out-of-pocket expenditure over and above the holiday package. Tourist surveys suggest an average of €12 per guest per day (tourist survey on shoulder season). This breakdown does not include visa payments or spending on resort services provided directly by TUI. Extrapolating the spending preferences, these data generate an estimate of about €5.9m as total customer discretionary spending per season.

The permanent shops within HTV were the largest beneficiary of customer discretionary expenditure (37%), yet most supplies and shop leasees were from outside the local area. Wages to locally-employed staff and local expenditure by national staff on accommodation and living expenses resulted in about one-quarter of expenditure benefiting the local economy, with the remainder accruing elsewhere in the Turkish economy. Figure 2 illustrates the ability of large AI hotels, located even a short distance from the local town, to capture a high share of discretionary tourist spending.

Figure 2. Tourist discretionary expenditure breakdown.
The failure of many of the permanent shops in the town of Sarigerme (49 occupied in shoulder season) to benefit directly from HVT guest discretionary expenditure, as evidenced by the estimated average guest spend in the village of just €11 per stay, was surprising. This is the basis for much of the local resentment against HVT and claims that the hotel does not benefit the local economy. Although hotel guests spend an estimated €2.6 m on shopping outside the permanent shops in HVT, approximately three-quarters of this total was spent at weekly markets held within HVT and in Sarigerme and other nearby towns. The permanent shops in Sarigerme captured only about €0.5 m or 8% of total discretionary expenditure. The majority of the shopkeepers were from the local area or employed members of staff from the local area and this, combined with the rent paid to local landlords, resulted in an estimated 46% of expenditure accruing to the regional economy, with the remainder benefiting the Turkish economy. In total, shopping expenditure contributed £2.7 m to the regional economy, and an additional £2.2 m to the rest of the Turkish economy.

Excursions is next (£0.5 m from <1 one excursion per guest per stay), a small market relative to the hotel size, provided by three companies, Tantour owned by TUI providing ‘official’ excursions (€0.4 m, local content 45%) and two independent providers in the village (€0.15 m, high local content). Excursions contributed £0.3 m to the local and £0.1 m to the Turkish economy. Although excursions are a small proportion of HVT value chain (1% of total value chain expenditure), they are an important linkage with the local area because they take place outside the resort, offering the opportunity to spread the benefits of discretionary expenditure more widely.

Other discretionary expenditure was estimated to contribute £0.4 m to the local economy. All of discretionary expenditure on transport benefitted the local economy, locally operated taxis, and a local cooperative minibus service.

In summary, our estimate of the global economic activity generated by HVT (including selling packages overseas, flights to and from Turkey, the hotel operation, rents, and tourist discretionary spending is over €46 m in one holiday season. Forty-five per cent relates to expenditure taking place outside Turkey – principally activities coordinated by the outbound tour operator, such as selling holiday packages to tourists and transporting tourists from their origin to Turkey. The remainder, approximately 55%, is spent within Turkey at the hotel and by tourists in the local economy. At a macro-economic level, Turkey benefited significantly (see Figure 3). Of the €26 m spent within Turkey, only €1.8 m is represented by imports. €5.0 m benefited the regional economy – > €3 m from discretionary spending, with most of the remainder from hotel staff and utilities. Only €1 m accrued in the village (2% of the total value chain).

We detailed and further evaluated interventions to increase the value of local economic linkages backed with a business case, demonstrating significant benefits to Turkey (with a focus on the locality around the hotel) and saving or being cost-neutral to the management company (full implementation equalled > €1 m saving in two years), allowing to better manage reputational risks and to substantially increase the positive economic impact. Implementing one-third of the recommendations within 6 months showed that accommodation costs for TUI were reduced significantly; hotel workforce labour conditions improved slightly; 23% of expatriate staff positions were localized increasing tourist satisfaction scores; and three simple changes to the supply chain (localization of expatriate jobs and local purchase of fresh fruit vegetables and laundry) increased the regional impact by €0.8 m a year.
Conclusion and implications

This paper is the first attempt to apply a VCA approach to estimate the economic impact of a single hotel. This paper contributes to the research literature in three separate ways.

First, it represents a methodological advance by showing how a VCA can be applied at the level of the individual tourism enterprise. This study benefited from the full cooperation of the hotel management in order to conduct the study. Obtaining the extent of management support required to conduct this type of analysis cannot be achieved easily and would be expected only from companies with a deep corporate social responsibility programme, and often for demonstration purposes only. If virtually ‘open book’ access to hotel accounts is achieved, the empirical base of the study findings is much more robust than is possible in a more typical VCA, where the researcher is external to the value chain and can only estimate the scale of economic impacts. It then becomes a powerful approach to inform sustainable supply chain management programmes, integral to meaningful corporate social responsibility plans. This is highly needed, for sustainability accounting data in relation to impacts on the local economy is weak (Font et al., 2012). VCA provides specific data to inform management action plans, targeting specific changes to achieve the greatest changes in local procurement relatively quickly and effectively.

Second, this analysis quantifies the geographical impact of an AI package holiday hotel. Sustainable development is unlikely without significant changes of priorities amongst those in power (Buhalis, 2000). The preference for large-scale developments has improved macro-economic outputs at the expense of marginalized local communities (Tosun, 2001) because most economic measurements focus on contribution to the national economy, not equitable distribution (Frechtling, 2006; Tosun, 2001). The AI model is contentious principally because the local economic impacts are small and destination countries do not benefit. About 55% of tourists to Turkey travel on all inclusive packages (Tosun, 2001) even though the customers who the AI model tries to attract make the lowest economic contribution (Anderson, 2010). At first sight, this case study confirms this belief – only 2% of the €46 m tourism value chain accrues in the immediate local area, yet 50% nationally. This empirical data contributes to a more nuanced debate about the impact

![Figure 3. Holiday Village Turkey value chain.](image-url)
of AI hotels on holiday destinations — and a discussion in destination countries about how the benefits of large hotels are distributed geographically.

This analysis confirms that the mainstream segment of the tourist industry operates at high volumes with tight margins, for both the tour and hotel operator (Bastakis, Buhalis, & Butler, 2004). In a large, diversified and protected economy, the analysis also demonstrates that the destination macro-economy can capture and retain a large proportion of in-country expenditure by the tour operator, hotel, and the tourists themselves. The ‘leakage’ is much higher for more open economies (i.e. European Union) or are less able to produce the goods and services required by the tourist industry (many small, low-, and middle-income developing countries). The analysis also confirms the critical role of specific linkages — hotel ownership, tourist discretionary spending, hotel workforce wages, food and beverage — in determining economic benefits.

Third, this analysis indicates a relevance for policy-makers and development practitioners seeking to improve reality by addressing income distribution inequities towards marginalized communities (Kaplinsky, 2000). The increased impact within 6 months illustrates that it is relatively easy to identify practical and implementable solutions which achieve ‘win–wins’. We acknowledge that evidence-based policy data are desirable but also not the norm. A better understanding of the governance of supply chains helps identify pockets to create value and who accuses it, and both the players with more power in supply chains have the responsibility of proactive governance to provide access to trade for disadvantaged players (Kaplinsky, 2000; Schwartz, Tapper, & Font, 2008). This change from legislative and judicial governance to executive governance depends on the willingness and ability of those in power to take responsibility for the impacts they cause (Kaplinsky, 2000). Further questions need asking on how individual companies determine their responsibility towards sustainable communities and destinations. Having the data to show where bottlenecks and opportunities exist is a necessary first step.

References


Murphy, C., & Halstead, L. (2003). *The person with the idea for the campsite is a hero: Institutional arrangement and livelihood change regarding community-owned tourism enterprises in Namibia*. Windhoek: Directorate of Environmental and Tourism.


Document 4:

Development Southern Africa 34 (1) pp121-136
Evidence-based policy in Ethiopia: A diagnosis of failure

Jonathan Mitchell & Xavier Font

To cite this article: Jonathan Mitchell & Xavier Font (2017) Evidence-based policy in Ethiopia: A diagnosis of failure, Development Southern Africa, 34:1, 121-136, DOI: 10.1080/0376835X.2016.1231056

To link to this article: https://doi.org/10.1080/0376835X.2016.1231056

Published online: 03 Jan 2017.
Evidence-based policy in Ethiopia: A diagnosis of failure

Jonathan Mitchell\textsuperscript{a} and Xavier Font\textsuperscript{b}

\textsuperscript{a}Oxford Policy Management, Oxford, UK; \textsuperscript{b}School of Hospitality and Tourism Management, University of Surrey, Surrey, UK

ABSTRACT

The need for sound, progressive policy is important, but the robust evidence upon which to base realistic policy, and the institutional capacity and political appetite to deliver it, are often lacking. This article reviews the link between evidence and policy, and highlights recent methodological advances in value chain analysis which allow researchers to efficiently collect relatively robust policy-relevant evidence in data-poor contexts. The article summarises the evidence generated from a World Bank study of tourism in Ethiopia that questioned important tenets of tourism policy and strategy, to assess the extent to which this evidence has been taken up into policy and to account for the apparent failure of evidence up-take. We conclude that the failure of evidence-based policy may have had as much to do with weaknesses in the research process as with the indigenous policy-making process.

KEYWORDS

Tourism; policy; data; evidence; Ethiopia; decision-making

1. Introduction

A rational, linear approach to policy-making would suggest it must be evidence based, yet the reality is rather different. Complexity theory suggests that a ‘knowledge-based model’ linear relationship between research and policy may be naïve and possibly not desirable. Policy-making is circumscribed by conflicting political and external influences. Researchers have a role to support policy-makers with appropriate evidence, yet the interface between research, policy-making and implementation is politically contested. This article reflects on the process of informing the government of Ethiopia on policy avenues that would increase the economic and developmental performance in the tourism sector, and provides some potential explanatory reasons for policy not being based on such evidence.

2. Literature review

2.1. The case for evidence-based policy

Although in the past tourism has operated in the absence of published policies, state intervention and policy advice are important for developing countries to exploit the country’s
resources to create wealth and distribute it to raise the well-being of its citizens and avoid elite capture (Baum, 1994; Brohman, 1996). The assumption that development practice is driven by policy has been questioned, because the things that make for ‘good policy’ – policy that legitimises and mobilises political support – in reality tend to make it unimplementable (Mosse, 2004). However, even when policy is not mechanically implemented, this does not make it unimportant.

The need for professional management of tourist destinations has been sharpened by four different pressures. First, an unquestioning ‘taking for granted’ of the benefits of tourism to the host community has been superseded by a desire to better appreciate the economic and social contributions from tourism to their economies (Crouch & Ritchie, 1999). Second, as tourism policy has moved from a focus of maximising international tourist arrivals to promoting destination competitiveness through the nuanced use of legal, economic and financial instruments, the demand for professionalising tourism management has increased (Fayos-Sola, 1996). Third, the presence of market imperfections in private-sector markets may require state action (Jenkins & Henry, 1982). Fourth, the strategic value of tourism in many developing countries and the fact that the public sector may own a significant proportion of tourism assets provide a strong justification for public action (Torres-Delgado & López Palomeque, 2012).

The question is how this policy is generated. Public decision-makers need robust evidence to assess the merits, or otherwise, of policy decisions (Eyben, 2005; Dixey, 2008). Trinder (2003:3) argues that for advocates of evidence-based policy management ‘… it is quite simply a self-evidently good idea … so obviously sensible and rational that it is difficult to resist’. Policy not informed by the best available evidence runs the risk of poor effectiveness and even of causing negative outcomes (Oakley, 2000; Judge & Bauld, 2001). Wagenaar refers to a deep-rooted sense of rationality ‘permeating the whole of our Western society’ in alignment with a rational decision-making model of the policy process (Nutley & Webb, 2000). It is important to recognise that the term ‘evidence-based’ policy or practice is, itself, not neutral. It can be seen as a rhetorical ploy to dismiss that which it excludes as irrational (Hammersley, 2013).

### 2.2. So why is policy not based on evidence in reality?

Few policies, however, are the outcome of thoroughly researched evidence. Reasons for this apparently incongruous result are varied. Explaining ‘the periodic irrelevance of social science’, much evidence-based policy is conducted within the confines of ‘institutional rationality’, a technical task of applying evidence to ‘what works’ to promote more effective policy. This perspective works poorly in an environment ‘in which the key challenge faced by policy makers is to deal with moral and factual ambiguity’ (Sanderson, 2006:127). Sanderson advocates a ‘practical rationality’ where the relevance of evidence to the normative worlds of policy-makers and their complex judgements on appropriate policy actions are all taken into account. In other words, the focus of evidence-based policy must be broadened from the ‘technical’ concerns of ‘what works’ to help in the practical task of identifying what are reasonable courses of action in policy terms with different stakeholder groups (Sanderson, 2002).

In addition, methods generally applied to public policy issues – systematic reviews – are often ill-suited to meet the needs of policy-makers (Pawson, 2002). Meta-analyses, where
social scientists examine the impact of implementing similar policy programmes in a variety of different places, generally end up with de-contextualised lessons. Falleti & Lynch (2009) focus on the role of context in producing the outcomes that interest us – and highlight the challenge this poses for researchers. The second form of systematic review – narrative reviews – have the opposite weakness, because they may result in over-contextualised recommendations which contain insufficient transferable lesson-learning from elsewhere (Pawson, 2002).

The impact of research on policy-making has therefore been constrained by the inability of social scientists to ask the right questions, in the right way at the right time – to generate useful evidence to inform the policy-making process. Researchers and policy-makers inhabit ‘parallel universes’ and if social scientists would only get out of the ivory tower and shape their research to the needs of policy-makers, the goal of evidence-based policy would be much more attainable (Stone, 2009). Whilst there is some merit in this recommendation, more recent work has challenged the very notion that policy can – or even should – be based on research evidence.

2.3. Why policy cannot (and should not) be just based on evidence

The notion that policy should be based upon research evidence rests upon a number of rather precarious assumptions. This knowledge-based model is typical of high-tech projects and is implicitly imbued with the ethos of scientific inevitability and expert-driven policy-making (Young et al., 2002). The complexity of developing public policy is different to that of a high-tech challenge. There is a risk that ‘evidence-based policy’ will become a means for a policy elite to increase their strategic control over what constitutes knowledge in a way that devalues the voices of ordinary citizens (Marston & Watts, 2003). The framework from Hummelbrunner & Jones (2013) is useful in this respect, because it distinguishes situations which are ‘simple’ where there is agreement on goals and ways of achieving them and also certainty about the outcome of a particular strategy. At the other extreme, a ‘complex’ situation is characterised by high levels of uncertainty and disagreement.

Public policy is generally fraught with a lack of agreement about goals, means of achieving them and certainty about the outcome – and therefore complexity. For example, Lai et al. (2006) and Wang & Ap (2013) highlight the divergence of views between practitioners, planners and interest groups about how to manage tourism destinations. This disagreement accounts for a large gap between planning goals and implementation reality. Marmot (2004) draws a distinction between what science shows and the policy implications arising. Scientific evidence is narrowly based, while governments also take into account analysis of costs and benefits, risks and public values. Depending upon one’s views on this essentially subjective value, the same evidence could justify a range of different policy positions.

In addition, the presence (or lack) of institutional capacity helps explain how even a ‘simple’ strategy can be undermined (Hummelbrunner & Jones, 2013). Donors, development specialists and advisers assume that they understand the context in which they are intervening – and are then surprised when strategies, based on international best practice, fail. As Ramalingam (2013) puts it, development is infected with ‘practicitis’, the
application of strategies which may appear to work in one context to another quite different milieu, because experts are subject to human frailties (Weiss et al., 2008).

Development strategies do not acknowledge the high levels of uncertainty and disagreement at a local level (Ramalingam, 2013). Development happens in a complex political and external environment, amongst which the evidence produced by a researcher is but one input (ODI, 2014). Public policy-making processes are undertaken by officials in organisations with politically accountable leadership. For research to impact upon the policy-making process, it is critical to understand the structures, processes and opportunities and room for manoeuvre of policy-makers. The stakeholders who provide the linkage between evidence and policy-makers are particularly important in supporting the adoption of evidence-based policy. Key policy decisions will rarely be made as a direct consequence of research, but rather when an influential stakeholder becomes aware of research that would further their own interests and uses this to lobby for change.

One way of conceptualising this is to replace the ‘knowledge-based model’ with the ‘problem-solving model’. In this, research follows policy; in other words, the policy issues shape research priorities – the expert is ‘on tap but not on top’ (Young et al., 2002). However, both models assume a simple linear relationship between research and policy decision, differing only in the posited direction of influence. Their limitations may result from uncertainties in the scientific evidence or its lack of correspondence with public knowledge and acceptability.

Hence Young et al. (2002) proposed three alternative conceptual models of the research–public policy processes. The ‘interactive model’ posits a more subtle and complex series of relationships in which policy and research are mutually influential (it is impossible to discern who influences whom). The agendas for both research and policy decisions are shaped within ‘policy communities’ which contain actors from a range of backgrounds. By contrast, the ‘political/tactical model’ sees policy as the outcome of a political process, whereby the agenda is politically driven, meaning that research is commissioned to support the policy position of the day (Lovering, 1999). Finally, the ‘enlightenment model’ portrays research as standing distant from the hothouse of immediate policy concerns. Rather than research servicing policy agendas in a direct fashion, the benefits are indirect – providing a framework for thinking about the context in which decisions are taken. There is significant evidence that the interface between research and public policy is closer to the ‘interactive’ and ‘political/tactical’ models than previously acknowledged. Stevenson et al. (2008) acknowledge that tourism policy-making is a social process, which involves interacting, negotiating and collaborating. The inability of researchers to understand the political dynamics and external influences on policy-making undermines the utility of their advice to policy-makers (Krutwaysho & Bramwell, 2010).

3. The political economy of policy change in Ethiopia

The Ethiopian tourism sector is characterised by uncertainty, little agreement and limited capacity – a highly complex policy environment (Mitchell & Coles, 2009). Ethiopia is a compelling example of the need for, but challenges facing, evidence-based policy research for four main reasons.
First, Ethiopia has an urgent need for broad-based development. It is one of the lowest income countries in the world (World Bank, 2014), its Human Development Index ranked 173rd out of 187 countries (UNDP, 2013). Ethiopia is moving up the international rankings, with a combination of rapid recent economic growth (just over 10% for the past decade), stability and the delivery of services to the population, achieved through the government successfully adopting an active ‘developmental state’ model. If this was supported with the vigorous participation of the private sector, the World Bank (2013) estimated that Ethiopia has a good prospect of becoming a middle-income country by 2025.

Second, Ethiopia has a relatively small tourist sector by African standards. Yet inbound tourism accounts for expenditure of US$758 million, equivalent to 33% of total exports in 2012 (World Bank, 2012), the largest export sector ahead of the high-profile successes in coffee, floraculture and leather. There are significant linkages between tourism and low-income communities, indicating a development impact that can align closely with Ethiopia’s middle-income aspirations.

Third, tourism is currently highly uncompetitive (World Economic Forum, 2013) which echoes an ambiguity towards the sector by government. This reflects the convergence of at least two different strands of thinking: that tourism is a low development priority; and that tourism development requires conceding territory from the state to the international private sector, which should only be countenanced with extreme caution. The international competitiveness rankings indicate that the government does not prioritise tourism in Ethiopia. At one level this is unsurprising. Tourism is a less important sector than, say, agriculture in a context where 75% of livelihoods in the labour market – and many of the poorest – are in agricultural markets (World Bank, 2013). However, the key economic challenge facing Ethiopia is how to transform the economy from an overwhelming dependence on subsistence agriculture to higher productivity sectors (like commercial agriculture, industry and tourism). There should be a disproportionate policy focus on the sectors which will support Ethiopia’s transformation.

After intense stakeholder lobbying, a brief section on tourism was included in the country’s first Poverty Reduction Strategy Paper, the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) of 2005/06–2010/11. The four pages dedicated to tourism were generic aspirations rather than substantive guidance. In 2009, the Government of Ethiopia (GoE) developed its first national tourism policy. The vision was aspirational, ‘To see Ethiopia’s tourism development led responsibly and sustainably and contributing its share to the development of the country by aligning itself with poverty elimination’ (Ministry of Culture and Tourism, 2009:49). This lofty policy objective – to grow the tourist sector and increase the benefits to local people – was not supported by any indication of how this could be achieved.

Fourth, tourism is a private-sector-driven activity and, to flourish, is predicated on rapid private-sector development. The Ethiopian government has achieved remarkable recent advances in human development and economic growth mainly as a result of ‘big push’ public investments. Ethiopia has the third highest public investment rate but only the sixth lowest private investment rate in the world (World Bank, 2013). This reflects the state-led model in Ethiopia where the private sector necessary to sustain this growth and development (World Bank, 2013) is regarded with suspicion and faces an adverse business regulatory environment (SIDA, 2004). The government economic liberalisation process, introduced after the defeat of Mengistu in 1991, has effectively stopped.
The Ease of Doing Business Index for Ethiopia, which assesses how easy or difficult it is to open and run a small to medium-sized business in compliance with relevant regulations, quantifies the scale of this problem: Ethiopia ranks 146th out of 189 countries (World Bank, 2016).

In the influential Africa Power and Politics programme, the Ethiopian state is categorised as being highly centralised in its organisation of rent utilisation with a long-time horizon on rent maximisation, an example of ‘developmental patrimonialism’. Whilst corrupt, centralised and authoritarian, this form of government probably offers Africa the best prospect of broad-based economic development, when compared with the alternatives available (Vaughan & Gebremichael, 2011). This indicates the political economy conundrum for tourism policy in Ethiopia. On the one hand, the government has made progress with state-led development. Yet to be sustained, this ‘developmental state’ should be complemented by private-sector development. However, government is reluctant to encourage the strengthening of non-state actors for fear that these could undermine the legitimacy and authority of, and rent-flow to, the state. There are few in Ethiopia who would benefit from a transition from the current ‘developmental patrimonialism’ to non-developmental kleptocracy.

4. Methods

The study that generated the evidence on which this paper is based was commissioned by the World Bank in 2008/09 from the Overseas Development Institute (ODI), to assess links between tourist activity and the poor in the local economy and to suggest interventions to improve the poverty reducing impact of tourism. A team located mainly within the ODI have developed an approach to tourism analysis based on value chain analysis, focused on whether low-income groups within developing countries currently benefit from tourism (see Mitchell & Ashley, 2010). The approach, based upon ‘following the tourism dollar’ through the tourism value chain and associated supply chains, has been found to be flexible and capable of application in a very broad range of geographical scales and types of tourism to address a wide range of policy concerns.

By definition, the approach is partial. It focuses on economic transactions and on direct, indirect and induced impacts. Direct effects include both labour income and other forms of earnings from the tourist sector (i.e. jobs in hotels, restaurants, taxis, etc.). They also include direct effects from tourism on the poor even if they are non-financial livelihood changes (improved infrastructure or reduced access to natural resources for local residents). Secondary effects include indirect earnings (and non-financial livelihood impacts) from non-tourism sectors that arise from tourist activity (crafters, construction workers, farmers, etc.). Induced effects refer to the re-spending of earnings in the local economy from workers whose jobs are generated by tourism spending (we only traced the induced effects from workers in the tourist sector for pragmatic reasons). Finally, the broad category of dynamic effects covers long-term changes in the economy and patterns of growth: whether experienced in the macro economy or limited to the local economy at the destination. Some environmental impacts, such as the erosion of natural assets from tourist developments, can be conceived as dynamic effects. The pathways between tourism and low-income communities are shown in Figure 1.
A team of four staff (team leader plus an enterprise specialist, a value chains specialist and a local researcher) undertook four destination-level assessments (Addis Ababa, the capital; Lalibella and Axum in the north; and Arba Minch in the south) during two field visits of 11 and 13 days, followed up with a third visit from an agricultural value chain specialist to augment our information base in early 2009. Our analysis demonstrated that the bulk of international tourism takes place in Addis Ababa. We found that international tourism outside Addis primarily takes the form of circuits. Having assessed a sample of destinations on these circuits, it was possible to assess the numbers of tourists and their itineraries, without having to conduct a detailed diagnosis of all the locations. As Table 1 illustrates, our intensive data collection included surveying all of the major tour operators working in Ethiopia. As a consequence, our team was able to obtain a clear and detailed snap-shot of tourism across the whole of Ethiopia.

This exercise allowed us to pilot our pro-poor value chain approach across a large African country with a virtual absence of reliable secondary tourism statistics and a complex pattern of tourist flows and products, with a small research team and two short trips. This approach yielded evidence strong enough to support a range of policy recommendations that were based on an understanding of: the scale and segments of current tourist flows; information on sector bottlenecks; and the quantification of existing and

![Figure 1. Pathways between tourism and low-income communities. Source: Mitchell & Ashley (2010).](image)

**Table 1. Tourist suppliers and others surveyed.**

<table>
<thead>
<tr>
<th></th>
<th>Lalibela</th>
<th>Axum</th>
<th>Arba Minch</th>
<th>Addis Ababa</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotels</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>14</td>
<td>43</td>
</tr>
<tr>
<td>Restaurants outside hotels</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Local guides</td>
<td>6</td>
<td>5</td>
<td>14</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>Construction sites</td>
<td>7</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>18</td>
</tr>
<tr>
<td>Crafters</td>
<td>7</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>22</td>
</tr>
<tr>
<td>Local transport</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>12</td>
</tr>
<tr>
<td>Farmers organisations</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>9</td>
<td>24</td>
</tr>
<tr>
<td>Tourist attractions</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Support organisations</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>30</td>
<td>47</td>
<td>47</td>
<td>163</td>
</tr>
</tbody>
</table>

Source: ODI survey.
potential pro-poor flows between the tourist industry and low-income groups. While imperfect, the evidence-gathering approach was ‘good enough’ for the stated purpose and allowed sufficiently practical and tangible recommendations to be made.

We believed that this research was likely to have a significant impact on tourism policy. There was some evidence that the GoE was taking an increased interest in tourism, and the research was presented to the Tourism Minister. The output focused on practical and realistic means by which the GoE could achieve their ambitious publicly stated policy goals. The assignment was supported by the World Bank, with some influence in development policy in Ethiopia and committed to providing future support to the tourism sector, shaped by the findings of the ODI analysis. The study also based its policy recommendations on the first detailed empirical diagnosis of the state of the tourism sector in Ethiopia – and therefore was the first example available of policy recommendations having a credible empirical base.

We chose to conduct this longitudinal analysis in order to better understand the effectiveness of our engagement with policy-makers. In 2015 we conducted a desk-based content analysis of tourism policies published in Ethiopia to assess the extent to which the data influenced subsequent policy decision-making. In recognition of the complex environment in which Ethiopian tourism policy operates and the limited policy-making capacity of the public authorities, we believed this time scale is appropriate to conduct an ex-post policy impact evaluation.

5. Results

5.1. Inaccurate basic tourism statistics

Poor tourist statistics provide a weak basis for policy-makers to make informed decisions. Government statistics indicated that 303,000 international tourists arrived in 2007, yet the World Travel and Tourism Council (WTTC) suggested 240,000 arrivals. The disparity reflects the fact that the government counts all passengers transiting through Addis Ababa Bole Airport as tourist arrivals, whether or not they spend at least one night in Ethiopia (the internationally accepted definition of tourism). This discrepancy persists to this day.

The ODI research revealed that the segmentation of the tourism market was also problematic. Government statistics indicated that leisure tourism was almost three times larger than our research suggested. Conversely, the government underestimated business tourism by about three-fold. The ODI analysis was based on the usage of tourist accommodation and convention centres and an analysis of tour operators. GoE and donors focused on niche leisure markets such as historic tourism, ethnographic tourism and ecotourism. Of the three main national policies that defined the legal framework for the development of tourism, the Cultural Policy of 1995 and the Wildlife Development Conservation and Utilisation Policy and Strategy of 2004 were entirely focused on cultural and ecotourism, and the Tourism Development Policy adopted by the Council of Ministers in August 2009 pointedly failed to mention conference or business tourism, which we found to be the backbone of the Ethiopian tourist economy.

This is important because conference tourism and business tourism account for the majority of visitors and spending (approximately US$129 per day) that accounts for
approximately 72% of total tourist bed-nights (excluding tourists visiting friends and relations), and over 55% of all touris expenditure in the country. Two further segments were overlooked – internal visiting friends and relations tourism and domestic tourism – both of which are significant in Ethiopia. Figure 2 summarises our estimates of the tourism flows. We concluded that the GoE had a distorted perception of the size and segmentation of their tourist sector and systematically exaggerated the leisure sector and understated the business/conference sector and domestic tourism.

5.2. Pro-poor tourist expenditure

We accounted for US$187.8 million of in-country spend in 2008. The official aggregate figure of US$790 million inbound tourism expenditure in 2007 included visas and US $614 million international receipts for Ethiopian Airways. Our research focused on in-country spending because this expenditure has the potential to reach resource-poor communities. Figure 3 shows the distribution of this expenditure, with 16% (US$30 million) accrued to low-income communities. This was a stronger pro-poor impact than expected, given the dominance of conference and business tourism in the national tourism sector – and the relatively weak linkages between these segments of the market and the local economy (Mitchell, 2010). This places Ethiopia in roughly a mid-point position between destinations with very low local linkages (like cultural tourism in Siem Reap, Cambodia, and business tourism in Accra, Ghana at 6% and 10% respectively) and the best linkages (like cultural tourism in Luang Prabang, Laos, and mountain climbing tourism in Mount Kilimanjaro, Tanzania at 27% and 28% respectively) (Mitchell & Ashley, 2010).

Of the US$30 million accruing to low-income communities, 35% is accounted for by expenditure on accommodation (see Figure 4). This pro-poor flow of 11% of tourist spending on accommodation is a typical ratio. Food typically contributes more, in this case 26%. The tourist sector in Ethiopia has a very low propensity to import food, and

**Figure 2.** Estimate of the main tourism flows in Ethiopia in 2007. Source: Mitchell & Coles (2009).
domestic agricultural supplies are mainly supplied by the small-holder sector. In addition, intermediaries between producers and the hotels and restaurants buying food are not capturing a disproportionate amount of value. The result of the interaction of these favourable factors is that 15% of tourist spending on food and beverages accrued to poor producers. In addition, whilst craft spending was low, over half of every US$1 spent by tourists benefited a poor producer or retailer.

5.3. Models of pro-poor tourism

Although Addis Ababa dominates the tourism economy, tourist flows outside the capital are important developmentally. Tourism takes place in some of the most rural and poorest parts of the country and is an effective tool of redistribution. The US$41.9 million spent by tourists outside Addis Ababa was more pro-poor than spending in the metropolitan area. As an example, Figure 5 indicates the livelihoods supported by the tourist sector in Lalibela, a town of 10 000 inhabitants in remote northern Ethiopia and the location of the iconic rock-hewn churches. While tourism directly provided a livelihood for 333 people working in hotels, restaurants and transport companies and as guides, 1827 people benefited from tourism as craft workers, farmers, hotel construction workers or priests (from church entrance fees). This excluded the induced effects created by the 2160 people who

Figure 3. Tourist expenditure and pro-poor impact in Ethiopia. Source: Mitchell & Coles (2009).

Figure 4. Breakdown of pro-poor tourist expenditure in Ethiopia. Source: Mitchell & Coles (2009).
directly and indirectly earn a livelihood from tourism, when they spend their income locally. Hence the benefits of a small number (estimated 21,000) of international tourists, staying an average of just over two days, can ripple across the entire local economy.

We also assessed the impact of a flagship community-based tourism project. Set up in 2004, Tourism in Ethiopia for Sustainable Future Alternatives (TESFA) aims to help communities to serve tourists to increase their incomes through a network of community-run tourist enterprises that allow tourists to trek through the Ethiopian highlands on the Meket Escarpment, near Lalibela. TESFA illustrates both the positive and negative aspects of community-based tourism. The project has engaged and trained poor communities and distributed modest tourist expenditure across a large number of households. This can have positive effects on community self-image and capabilities. The negative aspects are that it is not financially sustainable and so is dependent upon donor funds. In its fourth year, its revenue was US$19,800, and net income was US$12,800. As is often the case in community-based tourism (Dixey, 2008), the flow of tourists is very low (438 tourists in 2008). This financial (un)viability should be compared with the salaries of the eight development professionals working on the project.

An understanding of the tangible benefits being delivered to low-income communities from commercial tourism – and the normally small and unsustainable benefits accruing to their stated target group from community-based tourism – has convinced us to focus on mechanisms to link resource-poor communities with mainstream tourist markets, rather than attempting to create an ‘alternative’ to mainstream tourism. Although supported by several western donors, we do not believe that community-based tourism offers a compelling alternative economic model. The intuitive appeal of community-based development models – from tourism to natural resource management – sadly still trumps any evidence that they generate benefits for the target group in the corridors of capital cities and donor organisations (Blaikie, 2006).

6. Discussion

The data outlined highlight four main policy challenges. First, tourism in Ethiopia is uncompetitive, which restricts growth. The policy recommendation was, through prioritising the tourism sector and working closely with the private sector, to improve the quality of the tourism product and then increase awareness of what Ethiopia has to offer – to accelerate growth. Second, conference tourism and business tourism in Addis Ababa has a very low discretionary spend, which constrains the potential to spread the

![Figure 5. Tourist expenditure and pro-poor impact outside Addis Ababa. Source: Mitchell & Coles (2009).](image-url)
benefits to low-income groups. This can be addressed with policies to improve the quality of goods and services offered through better craft outlets and quality city tours. There is scope to encourage business tourist flows ‘Out of Addis’ through improving the reliability of domestic airline services and packaging ‘mini breaks’ for conference attendees. Third, pro-poor opportunities outside Addis Ababa are being missed, requiring support for communities to link with private-sector operators and change corporate practice. For instance, many larger hotels outside Addis are state-owned and suffer from low occupancy and poor standards. Effective and responsible private-sector management of these assets is important to increase the tourist flows, raise standards and increase tourist expenditure.

Fourth, and impacting all of these challenges, policy-makers operate in a virtual information vacuum. They do not have access to reliable basic statistics on tourist arrivals, market segments, length of stay, itineraries, expenditure, attitudes or data on the quality, quantity and utilisation of tourism infrastructure. Our research showed that it is possible to estimate much of this information fairly rapidly – and the policy implications which spring from this empirical information are fairly obvious. However, without information, policy-makers have a distorted view of the sector and a weak basis for generating sound policy.

Yet this evidence has failed to influence tourism policy. One year after this analysis was presented to the Minister of Tourism, the Tourism Development Policy of 2009 was published. This was billed as a more thorough fleshing out of the PASDEP aspirations. However, the 2009 tourism policy contained virtually no reference to any empirical evidence at all and very few practical strategies to operationalise its bold policy goals to grow tourism rapidly and improve the impact on local communities. The Growth and Transformation Plan, covering the period 2010–15, confirmed tourism as something of a ‘Cinderella’ sector. The largest export earning sector in the country had less than one page of forward-looking strategy towards the end of the 127-page document. The six targets for the tourist sector were not quantified, time bound or in any way monitorable.

World Bank & Ethiopian Ministry of Culture and Tourism (2012) published ‘Ethiopia’s Tourism Sector: Strategic Paths to Competitiveness and Job Creation’, with a series of recommendations which closely reiterated those of the 2009 research undertaken by the ODI. The strategy states that ‘Ethiopia’s tourism competitiveness is hindered by a lack of comprehensive and timely tourism data; it is urgent to establish a well-functioning national tourism statistics system ... a well-functioning national tourism statistics system is an essential instrument for informed tourism policy planning and implementation’ (World Bank & Ethiopian Ministry of Culture and Tourism, 2012:13). In other words, despite several policy cycles since the ODI assignment, there is little evidence that this empirical work has had any noticeable impact. There has been no progress to improve the highly inaccurate official Ethiopian tourism arrival and market segment statistics over the six years since the ODI research was published. The government has no empirical basis to understand the nature of the contemporary Ethiopian tourist sector and, specifically, to question the focus of tourism policy on international leisure tourism, or to redirect efforts to domestic tourism growth.

There are a number of reasons why the findings of this research may have resonated so weakly in public policy-making in Ethiopia. Even if robust evidence is generated, it will only be adopted by policy-makers if they have ownership of the policy process and specific recommendations have the support of one or more powerful interest group (Lovering,
This ODI assignment was, implicitly, based upon a ‘knowledge driven’ approach to policy development (Young et al., 2002). In reality, we were operating in a complex environment and it was naïve to take insufficient account of the local context in terms of agreement about goals, means of achieving them and certainty about the outcome (Hummelbrunner & Jones, 2013).

The political economy dimensions of the assignment should have been recognised ex-ante. Recommending increasing the freedom of the private sector and diminishing the role of the state is not simply a technical issue in Ethiopia – it directly challenges the fundamental political economy of the post-1991 state. For example, central to the strategy to grow and develop tourism were recommendations for government to engage more actively with the private sector; for instance, the divestiture of publicly owned hotel stock to the private sector to raise service standards and utilisation. It was also proposed that the government should engage with the private-sector tourism service providers in a structured way through a revitalised National Tourism Council, a Tourism Board and private-sector partnerships. It was also proposed that domestic air travel in Ethiopia should be further liberalised to improve the accessibility of destinations in the ‘out of Addis’ strategy to business tourists. These proposals could be interpreted by the GoE as a challenge to the state-led model of development currently pursued. The fact that these recommendations were made by a London-based ‘think tank’ funded by the World Bank, with little effort to engage with policymakers, made it all the easier to ignore them.

This knowledge could have shaped the way the assignment was designed. We should have engaged with politicians from the outset to ground-truth goals and the realistic space for policy options (Sanderson, 2002). During the study, sharing of emerging recommendations would have helped find a politically acceptable lexicon and champions to become drivers of change. Moving away from ideal but unimplementable policy recommendations towards proposals that are more acceptable to policymakers is not capitulation. Particularly in Ethiopia, one of the very few genuinely developmental states in sub-Saharan Africa, it would not be impossible to find sufficient overlap between a western sector liberalisation agenda and proposals acceptable to the state.

It would have been incorrect, but easy, to regard these policy recommendations as a single instance of a standard neoliberal challenge to the Ethiopian state. For aid-dependent countries, this is not a rare occurrence (Mosse, 2004). This challenge was based upon a profound lack of understanding about the current nature of the state by the researchers, and therefore the feasible space for policy dialogue was myopic. However, if you accept the categorisation of the Ethiopian state as ‘developmental patrimonialism’, the actual outcome (an ignored policy report) was not the worst possible. If the ODI policy recommendations had been implemented in full, this could have started the process that eroded the ability of the Ethiopian state to retain its almost uniquely developmental nature, with potentially damaging implications for the future livelihoods of its residents.

7. Conclusions

Research is often based on a naïve implicit assumption that a detailed empirical study sponsored by a powerful western donor is likely to have an impact on public policy. This article demonstrates that while pro-poor value chains are a useful approach to generate analysis and policy recommendations, these should be accompanied by political
economy analysis and an engagement with local policy-makers. The analysis demonstrates that although tourism is generally driven by the private sector, public policy changes could significantly grow the sector in terms of scale and inclusivity. After six years and a series of policy cycles, this analysis suggests that the evidence generated has largely failed to elicit the recommended policy changes.

The hypotheses for the resistance of the GoE to adopt the recommendations of the ODI report are all speculative. On reflection, it was naïve of the researchers to present a technical report, including politically sensitive recommendations, without adequately considering the political economy of the policy-making environment. The report was based upon the implicit assumption that externally generated evidence and an elaboration of policy options was the only blockage to the development of appropriate tourism policy in Ethiopia. This ex-post analysis suggests that this assumption was incorrect. However robust and compelling a technical analysis is, researchers should be alive to the fact that they are operating in a politically contested space. Failing to take the political economy of policymaking into account, and allowing this knowledge to influence the shape of the research process itself, risks generating research and policy recommendations which will not resonate with local decision-makers and may have damaging implications if implemented. Even sound policy recommendations which fail to be adopted by local policy and decision-makers do not represent a significant advance from inadequate existing policy which is largely unimplementable.

Acknowledgements
The authors would like to thank Christopher Coles, former colleague at the ODI, and also Fenta Manfro Abate, Mekonnen Egziabihar, Hans Posthumus, Afework Johannes, Peniel Uliwa, Seifu Ali, Daniel Ademe and Mekonnen Aragaw for their support in gathering these original empirical data. The decision to revisit the project, and assess the impact that it had had on the policy-making process, was stimulated by discussions in 2014 with Hannah Messerli at the World Bank.

Disclosure statement
No potential conflict of interest was reported by the authors.

Funding
The original project, on which the empirical evidence in this article was based, was supported by the World Bank under the project ‘Enhancing Private Sector and Community Engagement in Tourism Services in Ethiopia’ in 2009.

References


Fayos-Sola, E, 1996. Tourism policy, a midsummer night’s dream? Tourism Management 17(6), 405–12.


Autonomy found: estimating the local benefit from tourism in SIDS – the case of Cape Verde

Jonathan Mitchell & ShiNa Li

To cite this article: Jonathan Mitchell & ShiNa Li (2017) Autonomy found: estimating the local benefit from tourism in SIDS – the case of Cape Verde, Journal of Policy Research in Tourism, Leisure and Events, 9:2, 182-200, DOI: 10.1080/19407963.2016.1261145

To link to this article: https://doi.org/10.1080/19407963.2016.1261145

Published online: 14 Dec 2016.

Submit your article to this journal

Article views: 109

View related articles

View Crossmark data

Citing articles: 1 View citing articles
Autonomy found: estimating the local benefit from tourism in SIDS – the case of Cape Verde

Jonathan Mitchell\textsuperscript{a} and ShiNa Li\textsuperscript{b}

\textsuperscript{a}Oxford Policy Management, Oxford, UK; \textsuperscript{b}International Centre for Research in Events, Tourism and Hospitality, Leeds Beckett University, UK

ABSTRACT

Tourism is an unusually important economic sector for the Small Island Development States (SIDS). Islands are the second most visited destinations after historic cities. The SIDS tourism is usually dependent on foreign investment and in the form of All-Inclusive (AI) system. Few studies have evaluated the economic impact of tourism on the economic development and/or poverty reduction of a SID using macro level data. And little research has used micro/firm-level data to investigate the impact of tourism on the local economy of SIDS. This paper aims to evaluate the local benefits made from the development of tourism in SIDS, in particular the contribution of AI accommodation using the case of Cape Verde. It makes two main contributions: it makes the first attempt to use microeconomic data at the company level to examine the contribution of tourism in SIDS; it uses empirical data to examine the impacts of AI accommodation on the local economy. A semi-structured hotel questionnaire was applied to 13 accommodation managers and hotel owners, from small guest-houses to large 500 room AI resorts in Sal, Boa Vista, Fogo and Santo Antão. The results indicate that for destinations at an early stage in their development, large-scale AIs may be the most effective way to achieve the growth of tourism to the point that a critical mass is achieved.

RESUMEN

El turismo es un sector económico excepcionalmente importante para los Estados de Islas Pequeñas en Desarrollo (Small Island Development States – SIDS). Las islas son el segundo destino más visitado tras las ciudades históricas. El turismo SIDS depende normalmente de la inversión extranjera y en la forma de sistema ‘todo incluido’. Pocos estudios han evaluado el impacto económico del turismo en el desarrollo económico o la reducción de la pobreza de un SID utilizando datos de nivel macro. Y poca investigación ha utilizado datos de nivel micro/empresa para investigar el impacto del turismo en la economía local de SIDS. Este trabajo busca evaluar los beneficios locales obtenidos a partir del desarrollo del turismo en SIDS, en particular la contribución del alojamiento todo incluido utilizando el caso de Cabo Verde. Se hacen dos contribuciones fundamentales: a) un primer intento de utilizar datos microeconómicos a nivel de compañía para examinar la aportación del turismo en SIDS, b) utiliza datos

CONTACT

ShiNa Li s.li@leedsbeckett.ac.uk

© 2016 Informa UK Limited, trading as Taylor & Francis Group
empíricos para examinar el impacto del alojamiento todo incluido en la economía local. Se aplicó un cuestionario semi-estructurado para hoteles a 13 propietarios y gestores de alojamientos, desde pequeños moteles a complejos turísticos todo incluido de 500 habitaciones en Sal, Boa Vista, Fogo y Santo Antão. Los resultados indican que para destinos en una etapa temprana de su desarrollo, los grandes sistemas todo incluido pueden ser la forma más efectiva de lograr el crecimiento del turismo hasta el punto en el que se alcance una masa crítica.

RÉSUMÉ
Le tourisme est un secteur économique exceptionnellement important pour les Petits États Insulaires en Développement (PEID). En effet, les îles viennent en deuxième position des destinations les plus visitées après les villes historiques. Le tourisme des PEID dépend généralement des investissements étrangers et le système des séjours tout compris (TC). Des études d'évaluation de l'impact économique du tourisme sur le développement économique et / ou la réduction de la pauvreté d'un PEID à l'aide de données macroéconomiques restent peu nombreux. En plus, très peu de recherches se sont penchées sur l'usage des microdonnées pour analyser l'impact du tourisme sur l'économie locale des PEID. Cet article vise à évaluer les avantages locaux grâce au développement du tourisme dans les PEID, en particulier la contribution des séjours TC en utilisant le Cap-Vert comme étude de cas. La contribution de cette étude est en deux principaux volets: elle constitue une première tentative d'utiliser des données microéconomiques au niveau de l'entreprise pour examiner la contribution du tourisme dans les PEID; elle utilise des données empiriques pour examiner les impacts de l'adaptation du TC sur l'économie locale. Un questionnaire d'hôtels semi-structuré a été rempli par 13 gestionnaires d'hébergement et propriétaires d'hôtels, de petites maisons d'accueil aux grands hôtels de 500 grandes chambres tout compris à Sal, Boa Vista, Fogo et Santo Antão. Les résultats indiquent que les TC de grande échelle peuvent être le moyen le plus efficace d'assurer la croissance du tourisme pour atteindre le niveau requis du nombre de personnes pour les destinations à l'état embryonnaire de leur développement.

摘要
旅游业是小岛屿发展中国家（SIDS）非常重要的经济产业。岛屿是次于历史名城第二大旅游目的地。小岛屿发展中国家的旅游通常依赖外国投资，并且是以全包（All-Inclusive）的形式。很少有研究使用宏观层面的数据评估旅游业对一个小岛屿发展中国家经济发展和（或）改善贫困产生的经济影响。而且，很少有研究利用微观（企业）层面的数据调查旅游业对小岛屿发展中国家地方经济的影响。本文的目的是评估小岛屿发展中国家从旅游业发展获取的地方利益，特别是以佛得角（Cape Verde）为例评估全包式住宿的贡献。本文有两个主要贡献：第一次尝试在公司层面上使用微观经济数据调查旅游业对小岛屿发展中国家的贡献；使用实证数据研究全包式住宿对当地经济的影响。从小宾馆到拥有500间房的全包式度假村，来自萨尔、博阿维什塔、福古和圣安唐的13位住宿管理人员和酒店业主接受了半结构式的问卷调查。结果表明，对于旅游目的地的早期发展阶段来说，大规模的全包可能是实现旅游业增长至一个临界值最有效的方式。
1. Introduction

Although no commonly agreed definition of Small Island Developing States (SIDS) exists, they are generally characterised by being remote, small in land area and with a population of less than about one million inhabitants. They have a narrow resource base, fragile land and marine ecosystems that are susceptible to natural disasters (López-Guzmán, Borges, Hernández-Merino, & Cerezo, 2013). As a result SIDS have several inherent characteristics that make broad-based economic development a challenge. Indeed, SIDS are often defined in terms of their dependency and vulnerability (Sharpley & Ussi, 2014).

Tourism is an unusually important economic sector for the SIDS. Islands are the second most visited destinations after historic cities. In the most reliable source of cross-country economic statistics available – the World Bank’s World Development Indicators (WDIs) – the dozen most tourism-dependent countries, measured in terms of tourism receipts as a percentage of total exports, are presented in Figure 1. For these countries, tourism generates a very large proportion of their total exports, from a ‘low’ of 48% in Jamaica to 82% in the Maldives (World Bank, 2015). Montenegro is the only non-SIDS in this series.

This data may even underrepresent the predominance of SIDS in the list of tourism-dependent countries. As with any cross-country data series, not all data are available for everywhere from the WDIs. Being both small (the smallest SIDS, Niue, had a population of 1500 in 2013) and generally low- and middle-income countries – the WDIs only presents tourism statistics for about half of the SIDS, so there are likely to be highly tourism-dependent SIDS that are not included in the WDI data series.

The SIDS tourism is usually dependent on foreign investment and in the form of the All-Inclusive (AI) system (Barrowclough, 2007). AI is the ‘application of a marketing and pricing system in which all services such as breakfast, lunch, dinner, room services, local and import drinks, sport activities are covered under a fixed price package’ (Ciftci, Duzakin, & Onal, 2007, p. 269). The academic literature regarding the impact of AI resorts is fairly contested. Definitional difficulties arise from the fact that all accommodation is inclusive to some extent. Many non-AI hotels will include breakfast and/or lunch and the use of hotel facilities as part of the standard package. It widely believes that AI causes large leakages and money flows into the destination economy can be less than the part stays in the origin countries (Anderson, 2013). For example, in most AI tours, only about 20% of total tourist spending goes to the local economy (Travelwatch, 2006).

![Figure 1](image_url). The 12 most tourism-dependent countries in 2013. Source: World Bank (2015).
Many studies on AI are conducted from the demand side, for example the satisfaction of tourists (see Master & Prideaux, 2000; Ozdemir, Çizel, & Bato Cizel, 2012) and reasons of the popularity of AI (see Wong & Kwong, 2004). However, the research on contribution of AI on the local economy is scarce. There are discussions on the limited benefits that AI resorts, in particular AI accommodation makes to the local economy due to leakages compared to smaller businesses, such as Bed & Breakfast (B&B) (see Ciftci et al., 2007; Travelwatch, 2006). These studies, however, are not rigidly conducted nor produce detailed data to reflect the impacts of AI on the local destination. Tourism accommodation plays an important part in the local economy in SIDS and also makes a good link with the other tourism products, such as food and beverage (Travelwatch, 2006). It is pointed out by Goodwin (2008) that empirical evidence is crucial in the studies of tourism and economic contribution.

This paper aims to evaluate the local benefits made from the development of tourism in SIDS, in particular the contribution of AI accommodation using the case of Cape Verde. It makes two main contributions. First, it uses microeconomic data at the tourist firm level to examine the contribution of tourism in SIDS, which can provide useful policy implications to tourism businesses. Second, this firm-level data are complemented with secondary evidence to examine the impacts of tourism on the island and national economy. This blend of micro- and macro-economic analysis generates a more comprehensive picture, which can help to thoroughly understand the role of tourism in the economic development of SIDS.

2. Literature review

2.1. Can tourism in the SIDS contribute to broad-based development?

It is no accident that many SIDS are often significant tourist destinations. The tourism industry is often the only means of creating much needed employment in such places (Shakeela, Ruhanen, & Breakly, 2011). Cross-country regressions suggest that tourism-dependent countries grow faster than other countries – even taking account of the factors that normally explain growth, such as level of prosperity or investment rates and openness to trade. Smallness is generally bad for growth, but the opposite is true when the smallness of the national economy is combined with a specialisation in tourism (Brau, Lanza, & Pigliaru, 2003). According to the estimation by the World Travel and Tourism Council (see Jackman, Lorde, Lowe, & Alleyne, 2011), tourism in a sample of 18 SIDS significantly contributed to the total employment and GDP and in particular, the proportion of the contribution was above 50% in Anguilla, Antigua and Barbuda, Aruba and Maldives.

Tourism exists in the SIDS, often at some scale, but is this a good thing? Many think not. There is a viewpoint that tourism, through bringing large volumes of foreign exchange into an economy, can damage the non-tourist economy. This effect has been observed after oil is discovered which, like tourism, can result in a sudden inflow of hard currency into the local economy – the so-called Dutch disease. The economic rationale is that, inflows of foreign exchange result in a strengthening local currency which makes exports of other goods and services uncompetitive. So a successful tourist sector may cause a decline of the agricultural sector (Lee, Hampton, & Jeyacheya, 2015). Others see the 'Dutch disease' phenomenon in more political economic terms and point to the
political patronage, authoritarianism, corruption and insecure work which, not infrequently, surrounds tourist development in low-income countries.

Shakeela et al. (2011) have analysed the Maldivian tourist sector to suggest that leakages undermine the benefits of tourism. Wages are low and the hiring of large numbers of expatriate labour (some 53% of the Maldivian workforce) prevents tourism from successfully reducing poverty. Beyond the tourist workforce, the economic domination of tourism by foreign-owned multinational corporations exacerbates foreign exchange ‘leakages’. Many import a large proportion of their goods and services and repatriate their profits (cited in Scheyvens and Momsen 2008a).

An important concern for economists is the relatively low levels of labour productivity that characterise tourism. To illustrate this, in Cyprus and Malta, Gross Value Added per employee for hotels and restaurants was low and flat from 1999 to 2009. Unit labour costs per unit of output have grown to 63–80% – so employers are unable to increase wages without reducing the competitiveness of the tourist sector (Camilleri & Falzon, 2013). This highlights the danger that a country which is over-reliant on tourism may successfully be able to move from low-income to lower middle-income status but then not have the potential for further transformative growth into higher levels of productivity and income (see Dercon et al., 2014). This also explains the relatively high use of (cheaper) migrant labour in many advanced country tourism industries.

There are concerns about the ability of governments to translate the economic potential of tourism into an inclusive development impetus, particularly with the political priority being placed on economic development and environmental sustainability. This requires a stronger regulatory role for governments to deliver a socially equitable outcome (Scheyvens and Momsen 2008a). In their analysis of the failure of the tourism in Zanzibar to capitalise on the opportunities of tourism to effect socio-economic development, Sharpley and Ussi (2014) highlight the impact of poor governance as a barrier to stimulating broad-based development, ‘... it is increasingly accepted that the nature of governance or the effectiveness of state intervention is a significant factor in the development process in developing countries in general and SIDS in particular’.

However, there are others who argue that tourism can provide a positive development impetus in SIDS. Álvarez-Albelo and Hernández-Martín (2009) have suggested that, on the basis of a theoretical model, that there will tend to be a strengthening in the terms of trade over time for a small tourist nation relative to a large, affluent source market. This is because of the higher income elasticity of demand for tourism, as a luxury good, compared with the more basic goods and services which the destination will import from the more affluent country. As a consequence, over time, the price of tourist services (sold by the small tourist nation) increases faster than the price of food and basic goods which are imported (into the small tourist nation) to be consumed by tourists and the host population. This suggests that integrating tourism into the development strategy of a SIDS could be a sustainable solution in the long-term.

Much of the work undertaken by the Overseas Development Institute was based upon applying an adapted value-chain analysis to ‘tracing the tourism dollar’ to quantify the benefits to low-income groups of tourist spending in developing country destinations (Mitchell & Ashley, 2010). Obviously, the context matters and the extent to which tourist spending impacts positively on low-income groups depend upon a range of factors from the nature of the tourist product to the ability of local people to participate.
in tourist-related activities and the role of the state in regulating developmental outcomes. However, across a very broad range of contexts, between 10% and 28% of tourist in-country spending accrues to low-income groups. In every case, relatively straightforward initiatives to strengthen linkages between the tourist sector and low-income groups could increase the pro-poor impact of tourism in developing countries.

Several studies have evaluated the economic impact of tourism on the economic development and/or poverty reduction of a SID using macro level data. Ridderstaat, Croes, and Nijkamp (2014) used an econometric methodology to investigate the relationship between tourism and long-run economic growth in Aruba. They found that not only tourism can lead to an economic development, but an economic growth can also bring further increase in tourism. Croes (2014) applied an error correction model to assess the impact of tourism on poverty reduction and the results revealed that a 1% of increase in tourism receipts would decrease 1.23 points of poverty index in Nicaragua. Pratt (2015) employed macro-economic modelling and found that tourism can generate economic opportunities which can benefit low-income groups but leakages are high in many SIDS. These studies have provided useful understanding to the SIDS on the role of tourism on the economic growth in SIDS. However, little research has used micro/firm level data to investigate the impact of tourism on the local economy of SIDS. This paper will fill in this gap, which will provide useful implications to the local tourism organisations in SIDS.

2.2. Do AI products have a role?

A widely held view in the tourism literature is that the role that AI tourism play on contributing to the local economy is limited due to large leakages generated. There are exceptions – e.g. the Sandals AI resorts in Jamaica and St Lucia owned by local business using supplies from local farmers generate large local benefits (Scheyvens & Momsen, 2008b). Another view is the pragmatic one, which regards AIs simply as a response to the organisational and regulatory needs of the tour operators (R. B. Çizel, B. Çizel, Sarvan, & Özdemir, 2013) or the demands of the tourist (Wong & Kwong, 2004). This does not, however, help us understand what are the destination impacts of AI resorts.

There is little research on the evaluation of economic contribution of AI on the destination. The following reviewed studies try to identify the contribution of AI on the local economy, but there are weaknesses in the approach and limitations in findings.

Anderson (2012) examined the impact of AI on the Balearic Island through collecting visitor-exit-survey questionnaires at the Airport of Mallorca in 2006. The findings show that in the AI system, the countries of origin and tourists are better off while the destination economies are not greatly benefited. Compared to the average tourism spending in 2004 in Majorca (€100.1), AI tourist spent 9.3% less at Majorca but 9.13% more at their origin countries (Anderson, 2012). This reduced expenditure creates a challenge for the destination, particularly for tourism-specialised SIDS economies. While this study shed some light on the evaluation of the effects of AI on the local economy, the results can only tell a partial story – it shows the comparison of average spending of tourists but the overall effects of AI sector on the economy remain unknown.

Ciftci et al. (2007) used three sets of questionnaires which applied to key stakeholders – tourism establishments, agencies and tourists, to capture the impacts of AI on the Turkish
tourism sector and economy. They found that all stakeholders agreed that AI positively affects Turkish tourism but negatively affects the country as a whole. However, their conclusion is suggestive only. It is based only on subjective responses to only one question – ‘what is your opinion on the effects of the all inclusive system on the Turkish Tourism’ (pp. 283–285). The responses to this question may, or may not, reflect the actual impacts of AI on the local economy.

Travelwatch (2006) investigated the economic benefits of tourism to the local economy through 10 interviews with tour operators and another 30 interviews with other key stakeholders from, e.g. tourist boards and the hospitality sector. The results suggest that while non-AI businesses generate a higher proportionate contribution to the local economy in terms of their total turnover and employment, AI hotels produce higher local spend in absolute value terms. For example, in different categories of spending by accommodation, 74% spent on rooms by AI hotels accrued to the local economy and this figure was 90% for guesthouses/B&B and 60% for self-catering accommodation. Although the different views of key stakeholders regarding the contribution of AI to the local economy are reported, the perception that AIs generate less local benefit was not supported by analytical data.

3. Background to economic and tourism development in Cape Verde

Cape Verde is a small archipelago of 10 islands (9 inhabited) located in the Atlantic Ocean off the west coast of Africa (see Figure 2). Independence was achieved from the Portuguese

Figure 2. Location of Cape Verde and the islands of the Archipelago.
in 1975 and the Government embarked on a socialist and Africanist policy agenda (Meyns, 2002). During this period, the economy was dependent upon development aid, remittances from migrant workers and some small-scale fishing and agriculture and unsustainable, heavily subsidised port industries. The only prospect for sustainable development and ending the departure of large numbers of migrant workers (more Cape Verdians live in the US and Europe than Cape Verde) was to develop the indigenous economy. Economic reforms were launched by the new democratic Government from the early 1990s, aimed at developing the private sector and attracting foreign investment to diversify the economy. Cape Verde has demonstrated and, to an extent, marketed its achievements in the area of good governance and a plural democracy (Baker, 2009 and). The Government have also maintained a robust non-aligned foreign policy for 25 years.

The population of Cape Verde are mainly on the islands of Santiago, Sao Vicente and Santo Antao. The main ‘tourist’ islands of Sal and Boa Vista were almost uninhabited prior to the tourism boom in the late 1990s. Until the mid-1990s, arrivals to Cape Verde did not exceed 30,000 per year and consisted mostly of members of the diaspora community visiting family and friends. Yet during the period from 1999 to 2014, international tourism arrivals grew at a cumulative annual rate of over 14% (from around 67,000 to 494,000¹). This is a very rapid growth rate that is over three times the global average during the same period (just over 4%). The country even experienced growth during the global economic crisis of 2008–2009 (see Figure 3).

Government decided to open up the Cape Verde economy to foreign investors in the 1990s and make a number of strategic investments – particularly in air transport infrastructure, energy and designating sites for private sector tourist investment. The focus was on large resorts on Sal and Boa Vista. Tourism growth in Cape Verde has been largely driven by outsiders. A small number of European tour operators are servicing a handful of very large AI resorts on two of the islands of the Archipelago and appear to be making a reasonable return. This, in itself, is an impressive story of economic growth in a SIDS. The relevant question for us, though, is what has been the development impact of this tourism growth?

Since the late 1990s, the size of economy has more than doubled and per capita incomes have risen 4.6% per year, reaching US$3270 in 2010. In a period of 15 years the Cape Verde economy made the transition from a dependency upon external transfers,
uncompetitive manufacturing and unproductive primary sector activities – to the service sector, with an emphasis on tourism. The direct contribution to the national economy of the primary sector (agriculture and fishing) and industry have both reduced from around 20% of the economy to just 5% over this period. The old staples of the national economy, aid and remittances have held constant in real terms – but have reduced as a proportion of the rapidly expanding economy. Over the same period, the direct contribution of tourism has increased to some 20% of the economy. The World Travel & Tourism Council (WTTC) estimates the tourism economy as a whole is about 40%, when taking account of the impact of sectors such as air transport and the construction of tourism facilities (WTTC, 2015) (Figure 4).

In 2010, Cape Verde graduated from UN Group of Least Developed Countries to Middle-Income Country status, only the second country ever to have made this transition (Botswana being the first). This reflected the spectacular increases in per-capita income since the late 1990s – and, as this analysis demonstrates, these were almost entirely attributable to the growth of tourism (López-Guzmán et al., 2013).

Cape Verde has been selected as the subject of this case study because the authors have access to unusually good primary and secondary data regarding the growth of tourism and the impact this has had on development – a consequence of a series of donor-funded research projects from 2007 to 2012. Cape Verde is one of the SIDS that, one might expect, would conform to the doomsayers’ stereotype. It has a small population, spread over an archipelago of nine islands off the coast of West Africa. It entered the 1990s with a very fragile economy and a 49% poverty rate and virtually no tourist sector. However, since then, tourism has grown rapidly on the basis of almost entirely foreign-owned, very large, AI resorts, which many would contend is the least conducive context for broad-based development. Therefore, with a combination of robust local data and a rather specific model of tourist development followed in Cape Verde, this case study is a good opportunity to assess whether tourism growth can be a viable tool for broader socio-economic development in a SIDS context. And, if it can, what may be learned from this experience? Poverty has dropped precipitously since the Cape Verdean economy was liberalised. In 1990, Cape Verde had a poverty rate of 49%. In 2000 this had dropped to 37% and to 27% by 2010 (see Figure 5). By 2015, the rate of poverty was estimated to be 24.5% (United Nations, 2010). This is a truly remarkable achievement for a West African SIDS. The islands with most tourist flows and the AI

resorts have had the fastest percentage reduction in poverty and currently have the lowest poverty incidence in Cape Verde. Sal’s poverty rate is 10% and Boa Vista’s is 11% in 2010. Since these two islands had virtually no economic base prior to the arrival of tourism and are almost totally dependent on AIs, this would suggest that the tourism sector, including the AI tourism development model, can successfully lift people out of poverty at scale.

What is intriguing about these data is that even islands with limited tourism flows, such as St Nicolaus, Maio and Brava, have also experienced rapid reductions in poverty. This suggests that, through mechanisms such as internal labour migration and taxation, the benefits of tourism development can diffuse even to places which rarely see a tourist. Interestingly, islands with a different model of tourism in Cape Verde, like Santiago (business tourism around Praia, the Capital) and eco-tourism in Sao Antao and Fogo have experienced slower rates of poverty reduction than most of the islands with very limited tourist flows.

We can further isolate tourism’s impact on poverty by analysing the 2007 household survey together with the 2010 census, which indicate poverty levels by sector of employment. The data show that households containing a person working in the tourism sector, have a low incidence of poverty. While the national poverty headcount in 2010 was 27%, poverty among households dependent on the tourism sector is a much lower figure of 12%. In these macro-economic statistics, we cannot differentiate between tourism workers in different types of tourist segments. However, we do know that the great majority of tourism workers in Cape Verde are linked to AI resorts. Our hotel interviews also revealed that tourist wages are significantly higher on the main tourist islands of Sal and Boa Vista, than elsewhere.

In marked contrast with households containing a tourist worker, households working in the agricultural and fisheries sectors are significantly worse-off than the national

---

**Figure 5.** Changes in poverty incidence from 2000 to 2010. Source: World Bank (2013).
average. Agriculture has a poverty incidence of 44% and fisheries 35%. This provides further compelling evidence that tourism growth, which is associated with a movement of workers out of the primary and manufacturing sectors and into the service and construction sectors, has been the primary driver of the reduction in poverty seen in Cape Verde since the 1990s.

Researchers have also carefully analysed a variable which is often overlooked, what local people think about tourism in Cape Verde (Canizares, Nunez Tabales, & Garcia, 2014; Riberio, Do Valle, & Silva, 2013). These results of these studies reveal the strong cultural differences between different islands in Cape Verde and their contrasting experiences of national tourist activity. Notwithstanding this, the positivity of local perceptions of tourism and its potential to benefit the development of the Archipelago are important findings from these studies.

4. Methodology

The approach of this study is developed based on authors’ previous research which was undertaken in Cape Verde in 2008 for the United Nations Development Programme (see Mitchell, 20082).

A semi-structured hotel questionnaire was applied to 13 accommodation managers and hotel owners, from small guest-houses to large 500 room AI resorts in Sal, Boa Vista, Fogo and Santo Antão (see Table 1). To derive useful comparisons, managers across the range of accommodation types (AIs and B&Bs) across different size categories and price points were surveyed.

The questionnaire is designed based on the World Bank study of 2012. It was applied to the manager of the hotel by an experienced researcher and typically takes about two hours to complete. The format of this questionnaire has been refined over the course of some 7

<table>
<thead>
<tr>
<th>Island</th>
<th>B&amp;B</th>
<th>AI</th>
<th>Condo</th>
<th>Other private sector</th>
<th>Public sector/parastatal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santiago</td>
<td>One hotel 121 rooms, 4 star</td>
<td></td>
<td></td>
<td></td>
<td>Ministries of: Planning &amp; Finance; Taxation; and Rural Development; Hotel school of Cape Verde; World Bank</td>
</tr>
<tr>
<td>Sal</td>
<td>Two hotels, 50 and 121 rooms, 3 and 4 star</td>
<td>4 large AI (total of 1396 rooms, 4 and 5 star)</td>
<td>Tecnic Villa Verde (1200 units)</td>
<td>Large F&amp;B and goods supplier to hotel sector; Hotel construction company; tour operator</td>
<td>ASA (Airport Authority); Agency for business development &amp; innovation; Sal Rei Local authority and Port Authority; SDTIBM (Boa Vista &amp; Maio Island Tourism Corporation)</td>
</tr>
<tr>
<td>Bua Vista</td>
<td>One hotel 28 rooms 3 star</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Santa Antao</td>
<td>One hotel 23 rooms, 2 star and 1 guest-house 4 rooms</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fogo</td>
<td>One hotel 39 rooms 4 star, and 1 guest-house 10 rooms</td>
<td></td>
<td></td>
<td>1 tour operator; 1 winery</td>
<td></td>
</tr>
</tbody>
</table>
years and studies across a dozen different developing countries. It was designed to collect information which allows researchers to model and validate hotel revenue and costs and physically performance (i.e. occupancy, local sourcing, etc.) from respondents who are often reluctant to share what is regarded as sensitive commercial information.

In order to depict a complete picture of the economic performance of the hotels, other relevant key stakeholders on the supply chain are also interviewed which include private sector operators whose activities impact on the tourist sector: suppliers, construction companies, in-bound tour operators and excursion destinations. While a private sector activity, tourism is also heavily dependent upon the activities of the public sector and we interviewed civil servants, politicians, donors from a range of departments and agencies within government. The format of these semi-structured interviews has also been refined over seven years of field tests. The findings of this survey were discussed during a two day workshop with the National Cabinet of Cape Verde in April 2012.

5. Results and analysis

Accommodation in Cape Verde is heavily focused on the islands of Sal and Boa Vista, a trend which has been increasing steadily since the early 2000s. As of 2011, there were 7901 rooms in 195 hotels spread across all nine of the inhabited islands, yet over three-quarters of these rooms were located on Sal and Boa Vista, with roughly equal numbers of rooms on each. Guest night figures from 2015 reveal that the two islands have an astounding 80% share of national tourist bed nights. The market share of national tourist bed nights accounted for by Sal and Boa Vista was 90% in 2011, which indicates that the process of geographic disbursal of tourism is already underway. However, it is likely that these two islands will continue to dominate Cape Verde’s hotel market for the foreseeable future.

Even within Sal and Boa Vista, tourist activity is heavily concentrated in a small number of very large AI resorts. The four largest hotels on each of these two islands have a combined total of 4157 rooms, or 53% of all hotel rooms in the country. In addition, because they have high double-room occupancy ratios and high room occupancy figures overall, these AIs accommodate an even larger share of the total tourist flow. We estimate that these eight hotels accommodated some 326,900 tourists in 2011, which represents around two-thirds of total international tourism arrivals to Cape Verde.

Of the eight AIs, three are owned by RIU Resorts. They have an average size of 901 rooms and represent about 34% of the national accommodations stock. This reflects the prominence of the TUI Group, a European outbound tour operator that owns a significant stake in RIU Resorts. We estimate that the TUI Group alone is responsible for nearly half of all tourist arrivals to Cape Verde.

The analysis in Figure 6 examines the local benefit generated by these different types of accommodation and presents the results as the scale of the local benefit per hotel room per day, represented as the area of the bubble. Local benefit is defined as the sum of local staff salaries, procurement of local Fresh Fruit and Vegetables and fish, and taxes.

In Figure 6, the local benefit bubbles are located in a graphic which illustrates two important hotel performance statistics. The first is the average daily rate (ADR), which is calculated as the average room rate per occupied room. The ADR is presented on the horizontal axis. This illustrates that many of the hotel rooms in Sal and Boa Vista have
an ADR which exceeds €100 a day. In the recent past, hotel investors were concerned that the huge supply of modest quality accommodation in the RIU resorts would undermine the market for high-quality accommodation on the tourist islands in Cape Verde. However, recent developments by The Resort Group (which in 2011 opened the 271 room Tortuga Melia in Sal as an up market AI resort and have two further properties under construction) and upgrading the management of other resorts has demonstrated that Cape Verde can still attract robust room rates. In Fogo and Santo Antão the graphic illustrates that ADRs are much lower, averaging about €50 per occupied room per day.

The vertical axis presents the second key hotel performance statistic, the average room revenue per available room per day (RevPAR). The RevPAR is essentially the ADR that also takes into account the level of room occupancy in the hotel. The distinction between the ADR and RevPAR is critical to understanding tourism in Cape Verde. In

![Figure 6. Hotel performance and local content (bubble areas represents local benefit per room per day in €).](image-url)
the ‘tourist islands’ of Sal and Boa Vista, not only are room rate figures healthy but room occupancy rates are also robust. At an average occupancy of about 70%, the RevPAR figure is only about one-third lower than the ADR figure for these hotels. However, outside the main tourist flows – on the islands of Fogo and Santo Antão where room occupancy rates are much lower and often below 50% – this generates a RevPAR figure much lower than the ADR figure. The consequence of the difference between ADR and and RevPAR is profound for the model of tourist development in Cape Verde.

The limitations to this analysis should be recognised. First, this definition of ‘local benefit’ is partial and limited to the data which are available. There would be merit in bringing additional criteria into the ‘local benefit’ calculation – for instance, the environmental impact, which is not part of the scope of this study. The second weakness of the analysis is that it focuses entirely upon the tourist establishment and does not consider spillover benefits beyond the hotel walls. The analysis therefore does not take full account of the local benefits of hotels which encourage their guests to spend time outside the hotel. Nonetheless, at present, the spillover of tourist spending outside hotels on the main tourist islands is very limited – amounting to about €5 per tourist per day on Sal and Boa Vista. This reflects both the limited supply of spending opportunities outside of hotels and also the limited demand for out-of-pocket expenditure from tourists on AI packages. Having now established a critical mass of viable tourist flow onto the tourist islands in Cape Verde, there is merit in encouraging the development of out-of-resort spending by tourists and encouraging tourist flows onto less-visited islands.

Several tourism strategy documents have criticised large hotels in Sal and Boa Vista as having limited linkages to the Cape Verdean economy. An alternative is advocated for smaller, non-AI establishments in other islands. Our analysis provides empirical evidence that this seemingly intuitive policy is not entirely based on robust evidence. First, it is clear that hotel rooms in Sal and Boa Vista – particularly B&B rooms, but also AI rooms – do generate significant local financial benefits for Cape Verde through wages for nationals, the procurement of local produce and taxation (Table 2). Wages in Sal and Boa Vista are much higher than on the other, more populous, islands, some food is produced locally at high prices and duties are paid on imports. Finally, as room rates are healthy and occupancy rates are buoyant, taxes on turnover – such as VAT – are significant. Upmarket establishments, whether B&B or AI, generate significantly greater local impact than more standard quality accommodation.

### Table 2. Share of local content of selected hotels.

<table>
<thead>
<tr>
<th>Island</th>
<th>Type of accommodation</th>
<th>Total local content per room per day (€)</th>
<th>Share of local content (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Non-Mgmt Staff</td>
<td>Food</td>
</tr>
<tr>
<td>Sal</td>
<td>Upmarket, Large AI</td>
<td>53</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Small B&amp;B Hotel</td>
<td>102</td>
<td>29</td>
</tr>
<tr>
<td>Boa Vista</td>
<td>Large AI</td>
<td>28</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Medium AI</td>
<td>64</td>
<td>25</td>
</tr>
<tr>
<td>Fogo</td>
<td>Small Hotel</td>
<td>14</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Upmarket B&amp;B</td>
<td>27</td>
<td>36</td>
</tr>
<tr>
<td>Santo Antão</td>
<td>Medium Hotel</td>
<td>9</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Small Hotel</td>
<td>10</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: World Bank (2013), based upon the authors primary research.
Conversely, while rooms in smaller, less inclusive hotels in Fogo and Santo Antão tend to be more strongly linked into the local economy in terms of the percentage of local content and supply chains, the absolute scale of local benefit is much less per hotel room per day. In Fogo and Santo Antão, the average local benefit is just under €14 per room per day and in Sal and Boa Vista the average local benefit is nearly five times higher at €67 per room per day. It should be highlighted that this is just on a relative scale based on per room per day figures.

When we look at absolute scale of local benefit, with AIs dwarfing most of the others in terms of the number of rooms, the difference in local economic impact is even starker with almost all of the local benefit to Cape Verde generated by the large, AI resorts on the tourist islands.

Overall, the hotels with the strongest local content are B&B hotels in the tourist islands. These establishments have the same characteristics as the large AIs (i.e. high room rates and occupancy and high staff wages and taxes) but, in addition, spend much more on food than AIs and procure more of their food supplies locally. To them, F&B is an important source of revenue (rather than simply a cost, as with an AI) as their restaurants attract additional customers. Yet the B&Bs are far smaller than the AIs, and therefore in most cases have less local economic impact overall. Within AIs, the more up-market and locally managed establishments have significantly higher local content.

The findings reveal that hotels on Sal and Boa Vista are spending about €15m on purchase of fish each year (typically frozen Hake and Cod purchased from the high-priced Spanish fish market) and transported at huge cost to Cape Verde. Meanwhile about 3000 artisanal fishers in Cape Verde are landing fresh, high-quality, line-caught Tuna, Wahoo and Grouper at much lower prices than the hotels are paying for imported fish and failing to find a market. Tourists are currently paying high prices for lower quality fish. The failure to link these two markets is largely due to hoteliers concerns with the hygiene standards for the locally caught fish. In discussion with hoteliers and fishers, a certified fish handling process could overcome this concern.

The results indicate that the employment of Cape Verdeans in hotels in Cape Verde is an important local economic linkage. Although the proportion of tourism jobs filled by local nationals is currently high at 87%, it should be raised and certainly must not be allowed to fall. Cape Verde has fallen into the common trap of overlooking human resource development when planning tourism (Liu & Wall, 2006). The two key constraints on hotels recruiting more local staff are the low level of basic hospitality service skills and the poor standard of housing for hotel workers, particularly in Boa Vista.

Having succeeded in creating a significant tourist flow in a new destination with limited local infrastructure through the development of AI resorts, the emphasis should now be on maximising the local benefit from the tourist flow. Four key recommendations are proposed:

At a sector level, local benefit can be maximised by marketing and governance initiatives to maintain and enhance the quality of the destination. Encouraging diversification of the tourist product into more B&B hotels and also onto the less-visited islands should be a priority. This process should allow space for Cape Verdeans, rather than overseas tour operators, to establish a ‘brand’ for Cape Verde (Santos & Campo, 2014).

At a hotel level, the following recommendations can be implemented relatively quickly and easily:
the supply of locally caught fish would be encouraged by implementing a certified fish handling process;
Vocational training in hospitality skills at secondary school level should take place; and
Government should use some of the revenue generated from hotel land sales to finance upgrading tourist worker housing on the islands of Sal and Boa Vista.

6. Conclusions

Much academic discussion about SIDS and tourism and development impact is not based on robust evidence. Our detailed study in Cape Verde indicates that – even a very small, fragile SIDS has significant autonomy to determine its development path. Cape Verdeans successfully and unilaterally changed their entire political system and economic development policy in the early 1990s. This is demonstrated by the democratic transition in 1991 and robust governance record thereafter, Cape Verde’s non-aligned status and the economic policy programme to encourage tourism Foreign Direct Investment from the 1990s.

It should be recognised that, for destinations at an early stage in their development, large-scale AIs may be the most effective way to achieve the rapid growth of tourism to the point that a critical mass is achieved and key infrastructure, like airports, can be justified. AIs can generate rapid economic growth which can significantly reduce poverty through employment, supplier networks and taxation – which benefits residents who do not even meet a tourist.

The intuitive appeal of smaller establishments with strong local supply linkages is valid where room rates and occupancy rates can be maintained at a high level. Given their smaller size, these establishments will have less impact on the macro-economy but more positive impact on the local economy on a per guest night basis. The lower room rates and occupancy rates of eco-tourism resorts on the non-tourist islands constrain their ability to achieve transformative change and reduce poverty at scale. So, they should not be seen as an alternative to volume, high-end tourism – but rather a complement to it. Generating local benefits for destinations from tourism appears to be as much about achieving fully utilised high-end tourism as it is about the choice of any particular type of package arrangement – be it AI or B&B or Community-Based Tourism.

Our analysis indicates the importance of supporting a high-end tourist offering in Cape Verde. Many of the key benefit-streams to the destination from tourism would be eroded if Cape Verde were put under pressure to squeeze room rates. Tourist staff wages could come under pressure and tax revenues would drop. It is therefore important for the country to protect and enhance the quality of its tourism offering. We suggest this aim can be encouraged through a package of measures: better management of the sector; improving the quality of hotel supplies; and, improving the diversity of the product offering. In addition and more directly, the Government can focus their generous range of fiscal incentives for tourism investors, to incentivise investment in the specific geographic areas and market niches where they wish to see future development.

We believe that this Cape Verde case study suggests a sensible sequence to the development of tourism destinations.

First, accepting that initially there is limited tourism infrastructure and limited tourist awareness of the destination, encouraging foreign investment in large AI resorts is a
pragmatic policy to encourage the rapid kick-start to the sector. Without viable tourist flows and the infrastructure that these require, there is a limit to the value of worrying about the model of tourism development. However, this initial growth phase should be relatively circumscribed because, whilst it is essential to get tourism flows up to a critical mass, it does place the sector largely in the hands of foreign interests.

Second, when significant tourist flows have become established, there is value in looking beyond just arrival numbers and tourist spend statistics to explore realistic opportunities to increase the linkages between the tourist sector and the local economy to maximise the local benefit from, and ownership of, tourism assets. Our analysis indicates that there is significant scope to encourage linkages which benefit the tourist experience, hoteliers viability and the domestic economy.

Third, a logical consequence of the activities that encourage local linkages and indigenous ownership of tourism activity can trigger the development of the non-tourist sector. With improved communications infrastructure, stronger domestic entrepreneurialism and exposure to the tastes of overseas market players (i.e. tourists and foreign suppliers), it becomes much easier for SIDS to develop viable non-tourist exports to overseas markets. Rather than being an end-state, tourism can become the stepping stone to improved global competitiveness.

In terms of future research, we hope that presenting this case study of Cape Verde demonstrates the value of discussing the development performance of categories of developing countries (like SIDS) and sectors (like tourism) that are based on robust evidence, rather than assumption or anecdote.

Notes

1. International tourism arrival statistics in Cape Verde are disputed because the estimates from the Air Service Authority (ASA) of Cape Verde are based upon international air traffic and include visitors who are in transit and who are migrant workers (i.e. people who arrive at airports in Cape Verde but are not tourists). It is for this reason that this study uses World Bank figures which exclude transit passengers and migrants from the tourism statistics.
3. TUI North East includes the UK and Nordic source markets and TUI Central Europe is principally the German market with some of the Austrian and Polish market.
4. ‘Specific programs will be developed to connect rural areas to the tourism sector through the value chain and to promote rural and ecological tourism’ Cape Verde 2016. See also IFC Programme to mobilise investment: tourism component Grant Thornton (2007), Strategic plan for tourism development.

Disclosure statement

No potential conflict of interest was reported by the authors.

Funding

This work was funded by three research grants, one from the United National Development Programme in 2008 and two from the World Bank in 2011 and 2012.
References


Document 6:

‘Leakage’ claims: Muddled thinking and bad for policy?

Tourism in poor countries is criticised on many counts – some valid, some debatable, and some rather silly. A valid criticism is that the collision of cultures in long-haul destinations can be deeply offensive and exploitative of people and the environment. This has led some to brand unregulated tourism as ‘the unacceptable face of western capitalism’. However, there is an emerging body of international best-practice in how to deal effectively with these issues, and reduce risks to cultures, people and biospheres.

In other instances, anti-tourism protagonists take another, more questionable, line of attack. Using startling statistics, they suggest that tour- ism leaves minimal economic benefit in host countries, with all the benefits accruing to international tour operators and their corrupt Third World local elites. Some respectable organisations have cited research that 75% of the benefits of tourism ‘escape’ the host country and ends up in the rich source countries, through what is termed ‘leakages’. Unfortunately for the poor in developing countries, these figures are generally based on flawed arithmetic, and can be unhelpful to policy makers trying to improve the impact of tourism on the poor.

Bad arithmetic

A major problem is how ‘leakage’ is measured. Payments for imported food or expatriate man- agers are a financial flow out of the destination economy. However, substantial payments in tourism are for services provided outside the destination country. Marketing, insurance, retailing, packaging, and long-haul flights are often 50% to 70% of total package cost and are normally provided by western tour opera- tors and airline companies. Regarding this as a ‘leakage’ is like suggesting that staff and accommodation costs for serving a cappuccino in a London café are ‘leakage’ from coffee plantations in Ethiopia!

The use of the term ‘leakage’ conveys the idea that the host economy is somehow enti- tled to 100% of the revenue of the global value chain between source and destination markets. In practice, of course, producers never capture the entire value chain, and a more reliable comparison is between tourism and other exports made by African countries. For example, if you compare African tourism with coffee, it performs well. Just over half of total holiday spending (package and out-of-pocket spending combined) from a package purchased at a European travel agent accrues to goods and service providers in The Gambia (from hoteliers to farmers and crafters). Furthermore, about 7% of total spending, and 14% of expenditure in The Gambia, accrues directly to the poor. In the case of coffee, it has been calculated that about 1.5% of the price of a cup of coffee bought in a café in Europe benefits the producer – rising to only about 7% for fair trade coffee. This suggests that package tourism in The Gambia is actually as effective a mechanism for trans- ferring resources from retail expenditure in Europe to poor African producer households as fair trade coffee, and much better than the conventional commodity.

Another major problem with ‘leakages’ has been the use of wrong denominators and numerators:

• The use of a package price, as opposed to the total holiday cost, for the denominator is inappropriate. Our research estimates that out-of-pocket spending, which is not included in the package price, can be around one-third of the total holiday cost and it is exactly this component that is most likely to stay local. It is pointless to assess what flows out of the economy without taking account of important inflows;

• The numerator should exclude payments
made for goods and services that are not provided by the destination – and should certainly not claim these as ‘leakages’.

Using recent tourism data from The Gambia, we can calculate the impact of muddled ‘leakage’ arithmetic and definitions. Using the ‘wrong’ arithmetic would generate a ‘leakage’ figure of about 90% (i.e. around 30% of the total package cost accrues to The Gambia, mainly to hoteliers. If only one-third of this share is used to pay for wages and locally-produced goods and services, with the rest being held offshore, then this equates to just 10% of total package costs reaching the host country). This would seem to confirm our worst nightmares: tourism in a small, poor, African country, dominated by European tour operators and budget packages, has little benefit for the host country. The only problem is that the answer is wrong.

By changing the definition of ‘leakage’ to apply to the half of the total global value chain which is accounted for by payment for services provided at the destination (package and out-of-pocket spending combined) we arrive at ‘leakage’ figure of 50% at most. This ‘leakage’ overseas takes place in the form of food and other imports, expatriate wages and the repatriation of profits. This estimate is based on the very pessimistic assumption that all financial flows that are not absorbed by expenditure which is demonstrably ‘local’ – such as non-management wages and locally grown food – is lost to the Gambia. So, our worst case scenario estimate of ‘leakage’ from The Gambia is 50% at most – not 90%, and not such a nightmare after all.

**Bad policy**

There are two real dangers with distorted ‘leakage’ figures. One is that ridiculously high ‘leakage’ figures may panic decision makers into thinking that tourism is a worse alternative than other, less good, options. Tourism is a major generator of employment, exports and substantial pro-poor flows, and appears to win a larger share of the value chain for the host country than coffee.

The second is that these figures lead tourism policy-makers to focus on plugging ‘leakages’ to external economies, instead of the more productive avenue of opening up linkages within their economy.

The common assumption that linkages and leakages are mathematical opposites is wrong. Linkages measure how tourism activity affects non-tourism sectors, and so how much the whole economy benefits from tourist growth, while ‘leakages’ refer to the flow of payments overseas from tourism expenditure. ‘Linkages’ and ‘leakages’ are associated ideas but are slightly different. As such, some countries have both high linkages and ‘leakages’. Tourism in Malaysia, for instance, stimulates considerable activity in other sectors of the economy – but the non-tourism economy has a high propensity to import. The combined effect of this is a tourist destination with both high linkages and ‘leakages’.

This is not to say that ‘leakages’ are irrelevant. Using correct definitions, it does matter that Rwanda imports tea bags and chicken pieces for hotel guests instead of using abundant local supplies, or that a large share of the hotel salary bill is paid to expatriate staff because local skills are lacking. It matters particularly to the poor, for whom supply chains to the tourism sector can be a significant source of livelihood.

But a simplistic approach to blocking leakages is not the policy solution. For one thing, imports can be essential to developing a thriving tourism economy. Efforts to stem the loss of tourists’ foreign exchange may reduce welfare of the host economy: how many small developing countries have sought to operate financially ruinous national airlines or levy extreme tourist taxes in counterproductive efforts to reduce ‘leakages’?

Another pragmatic reason for not over-emphasising ‘leakages’ is that there is not much policy makers can do about them. There is a narrow scope to reduce ‘leakages’ through policy interventions, because ‘leakages’ tend to be associated with long-term variables such as endowments of capital, labour and natural resources, institutional capacity, and level of development.

Conversely, there is much that can be done to boost linkages, and this is a more productive focus for policy. Two World Bank researchers recently analysed the policy variables that shape linkages and leakages, and found that – unlike ‘leakages’ – linkages are sensitive to a broad range of policy measures. A large cross-country regression analysis revealed a close association between strong linkages, a conducive business environment and a healthy educated population with high female economic participation, for all scales of tourism. With high levels of tourism, informal business associations are associated with strong linkages, as scale economies encourage clusters of entrepreneurs to co-operate around tourist destinations. A lack of security (violence or crime) undermines linkages by deterring producers from forming clusters as well as discouraging tourists from venturing beyond their hotel. Strengthening linkages is not necessarily easy, but there is a clear agenda for action for a progressive policy platform that focuses on improving the safety, health, education of the population and the business environment.

In summary then, ‘leakage’ pessimists do us a disservice. The analysis uses muddled thinking and poor arithmetic to generate the wrong answer to an inappropriate policy question. The exaggerated claims divert attention from an important challenge at hand – boosting the linkages between tourism and the rest of the local economy.
Many development interventions lack sustainable impact that can deliver at scale. One response is to use donor funds more effectively by harnessing the market to deliver pro-poor outcomes. Enable the poor to engage more productively in markets, the thinking goes, and poverty will be reduced through market engagement. ‘Making markets work for the poor’ emphasises the need to unblock access to profitable market opportunities.

The need – and opportunity – to harness markets for poverty reduction is evident in tourism. Developing countries are littered with well-intentioned community-based tourism projects, delivering small benefits to few people. Developed in isolation from commercial distribution channels, they lack the client volumes needed for commercial sustainability. In contrast, Ministries of Tourism and mainstream businesses often see increased arrival numbers as the barometer of success. Research by ODI suggests that neither approach is right, but tourism markets can – in some cases – be exploited for the benefit of the poor.

The ‘pro-poor value chain’ approach to tourism has been developed by ODI, the International Finance Corporation (IFC), and the Netherlands Development Organisation (SNV), as a way to shift thinking from projects to interventions that harness markets and deliver impact at scale. By ‘value chain’ we mean the full range of activities that are required to bring a tourist to a destination and provide all the necessary services (accommodation, catering, retail, excursions, etc.). The approach ‘follows the dollar’, focusing on key points along the chain where interventions could expand income opportunities for the poor, within a commercial service sector. ‘Pro poor income’ (PPI) is the wages and profits earned by poor households across all the inter-related strands of the value chain. The aim is to support market-based interventions by analysing how poor target groups currently engage, how their positions can be upgraded, and how changes in value chain performance would affect them.

From diagnosis to intervention

Differences between the pro-poor value chain approach and community tourism are marked. First, assumptions that some types of tourism (e.g. backpackers) or product (e.g. cultural tours) are inherently pro-poor are questioned. Analysis must replace assumption. Second, the

Key points

• Delivering poverty reduction at scale requires a shift in focus from isolated projects to market-based approaches
• Value chain analysis helps diagnose pro-poor impacts in supply chains and identify the best interventions
• A value chain approach in tourism has helped to explain why the poor receive a bigger share of tourism in some destinations than in others

Evidence from tourism is shifting mindsets

A porter on Kilimanjaro, Tanzania, where local people reap the benefits of mainstream tourism.
Figure 1: Steps involved in value chain diagnosis

<table>
<thead>
<tr>
<th>Phase</th>
<th>Step</th>
<th>What to do?</th>
<th>Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1: Diagnosis</td>
<td>Step 1</td>
<td>Preparation</td>
<td>To define the destination, type of potential target group, and assessment team/partners</td>
</tr>
<tr>
<td></td>
<td>Step 2</td>
<td>Map the big picture: enterprises and other actors in the tourism sector, links between them, demand and supply data, and the pertinent context</td>
<td>To organise a chaotic reality, understand the overall system</td>
</tr>
<tr>
<td></td>
<td>Step 3</td>
<td>Map where the poor do and do not participate</td>
<td>To avoid erroneous assumptions about poor actors. To take account of the less visible suppliers</td>
</tr>
<tr>
<td></td>
<td>Step 4</td>
<td>Conduct fieldwork interviews in each node of the chain, with tourists and service providers, including current/potential poor participants</td>
<td>To provide data and insights for Steps 5 to 8</td>
</tr>
<tr>
<td></td>
<td>Step 5</td>
<td>Track revenue flows and pro-poor income. Estimate how expenditure flows through the chain and how much accrues to the poor. Consider their returns and factors that enable or inhibit earnings</td>
<td>To follow the dollar through the chain down to the poor, and assess how returns can be increased</td>
</tr>
<tr>
<td>Phase 2: Scope and prioritise opportunities</td>
<td>Step 6</td>
<td>Identify where in the tourism value chain to seek change: which node or nodes?</td>
<td>To select areas ripe for change, drawing on Steps 1 to 5. To ensure Steps 6 to 8 are focused on priority areas</td>
</tr>
<tr>
<td></td>
<td>Step 7</td>
<td>Analyse blockages, options, and partners in the nodes selected, to generate a long list of possible interventions</td>
<td>To think laterally and rationally in generating the range of possible interventions</td>
</tr>
<tr>
<td></td>
<td>Step 8</td>
<td>Prioritise interventions on the basis of their impact and feasibility</td>
<td>To generate an intervention shortlist, comprising interventions most likely to deliver impact</td>
</tr>
<tr>
<td>Phase 3: Feasibility and planning</td>
<td>Step 9</td>
<td>Intervention feasibility and planning</td>
<td>Package selected interventions for funding and implementation</td>
</tr>
</tbody>
</table>

Note: These steps are iterative and cannot be entirely sequential, e.g. some initial thinking from Step 6 (where to focus) will help in focusing resources within Step 5.

Figure 2: Pro-poor income (PPI) as % of destination spending

<table>
<thead>
<tr>
<th>Destination: Type of tourism</th>
<th>Pro-poor income (PPI) as % of destination spending</th>
<th>Main source of PPI (as % of total PPI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Tanzania: mountain climbing</td>
<td>62% climbing staff income</td>
<td>62% climbing staff income</td>
</tr>
<tr>
<td>Ethiopia: cultural outside Addis</td>
<td>29% cultural excursions</td>
<td>29% cultural excursions</td>
</tr>
<tr>
<td>Luang Prabang, Laos: cultural</td>
<td>50% food supply</td>
<td>50% food supply</td>
</tr>
<tr>
<td>Central Vietnam: business tourism</td>
<td>30% crafts</td>
<td>30% crafts</td>
</tr>
<tr>
<td>South Africa: game viewing</td>
<td>60-70% unskilled staff income</td>
<td>60-70% unskilled staff income</td>
</tr>
<tr>
<td>Northern Tanzania: safari</td>
<td>50% driver/guide income</td>
<td>50% driver/guide income</td>
</tr>
<tr>
<td>Cape Verde: beach package</td>
<td>52% hotel/restaurant staff income</td>
<td>52% hotel/restaurant staff income</td>
</tr>
<tr>
<td>Namibia: protected areas</td>
<td>76% accommodation staff income</td>
<td>76% accommodation staff income</td>
</tr>
<tr>
<td>Ethiopia: business in Addis</td>
<td>48% food supply</td>
<td>48% food supply</td>
</tr>
<tr>
<td>The Gambia: beach package</td>
<td>34% crafts</td>
<td>34% crafts</td>
</tr>
<tr>
<td>Cambodia: cultural</td>
<td>46% hotel staff income</td>
<td>46% hotel staff income</td>
</tr>
</tbody>
</table>

Source: Adapted from Mitchell and Coles (2009). Indicative results: some differences are due to methodological variance.

How value chains work for the poor

Value chain diagnostics in a variety of destinations yield rich comparative findings. They show clearly that the impact of this sector on the poor varies considerably. It is, therefore, meaningless to use development funds to support tourism just because of its inherent characteristics (i.e. labour intensity, gender profile or growth potential). Sometimes international tourism is an effective way to transfer funds from...
rich tourists to poor people at destinations where, for every $4 spent by a tourist, $1 reaches the poor. Sometimes it is not (Figure 2).

A comparison of results tells us about the pro-poor relevance of different market segments, direct employment in the sector, and about inter-sectoral linkages.

Market segments: similar types of tourism perform differently in different contexts. In Laos, Vietnam and Cambodia, cultural tourism dominates. In Laos and Vietnam tourism is pro-poor, but in Cambodia, only 7% of tourist spending reaches poor households.

Direct employment in tourism: the pro-poor impact of people working in the tourist sector is often surprisingly muted, given that tourism is proportionately more labour intensive than other non-agricultural sectors, and many of those in tourism jobs are from poor backgrounds. As wages are generally low, wage income to non-managerial staff is often only 10% of hotel turnover, sometimes less. However, direct employment can be significant when the wages of tourist workers are relatively high (as in Cape Verde and South Africa) or the impact of low wages is counteracted by high labour intensity and generous tipping (e.g. climbing Mount Kilimanjaro in Tanzania, where four staff accompany each tourist).

Inter-sectoral links between tourism and the non-tourism economy: indirect effects through supply chains help to explain why some destinations transfer 25% of tourist spending to the poor and others less than 10%. Farmers, artisans and construction workers in the tourist supply chain are, in general, poorer and more numerous than those working in hotels and restaurants. Tourism in Cambodia is not very pro-poor because the links with the non-tourism economy are weak, leaving it reliant on direct effects to transfer resources from tourists to the poor. Other destinations demonstrate strong linkages via food or craft spending.

The food supply chain to the tourist sector may be an important source of pro-poor impact. Such potential is realised in countries like Ethiopia, with few imports and a diversified agricultural sector, dominated by small-holders who receive a high percentage of the prices hotels pay for food. As Figure 3 shows, over $7 million, or around 13%, of the $55 million spent by tourists on food and beverages reaches resource-poor food producers. This derives from hotel food purchases of $16 million, which come from around 6,300 domestic producers – estimated to support 25,000 farm jobs. In many other developing countries, food imports and purchases from commercial farms in the food supply chain result in a less effective transfer mechanism.

The craft chain is a major beneficiary of tourists’ out-of-pocket spending, which is generally more pro-poor than the large ticket items (such as hotels). Luang Prabang in Laos is a good example. Craft spending per tourist is high ($33 per visitor) because quality is high. Over 50% of this reaches the poor, because crafts are traditionally made by ethnic minority women, often sold by producers or small traders, and draw heavily on local raw materials (silk, cloth, paper, and silver). In contrast, craft spending in Siem Reap (Cambodia) is a less effective channel for PPI. Spending per tourist is lower and only 5% reaches the poor, because of imports, and kickbacks demanded by tour operators from retailers.

From description to prescription

Shifting from diagnostic analysis to prescription of interventions is an art, not a science, because opportunities cannot be generated mechanically. Solutions need to be realistic, but identifying what might work cannot always be deduced from simply looking at what is.

For instance, just because the craft supply chain in Luang Prabang is pro-poor does not mean that simply expanding craft sales is a viable strategy. Craft spending is high by international standards and may be near saturation level. The food supply chain in Cambodia is not pro-poor, but this does not imply opportunity. The agricultural potential of the country is weak and it is next door to competitive producers: Thailand and Vietnam.

Identifying interventions requires assessment of governance structures and markets within the destination, complemented by insights from elsewhere, and data that can be used to interrogate proposals. The value chain focus, on boosting direct impacts on poverty, needs to then be combined with other objectives, such as macro-economic goals.

There is a spectrum. At one end: destinations with already high linkages between tourism and the

<table>
<thead>
<tr>
<th>Figure 3: Tourist expenditure and pro-poor impact in Ethiopia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethiopian tourist value chain ($574.5 million p.a. tourist expenditure &amp; $54 million p.a. construction)</td>
</tr>
<tr>
<td>Accommodation</td>
</tr>
<tr>
<td>Food and beverages</td>
</tr>
<tr>
<td>Craft</td>
</tr>
<tr>
<td>Excursions</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>11% pro-poor</strong></td>
</tr>
<tr>
<td><strong>13% pro-poor</strong></td>
</tr>
<tr>
<td><strong>55% pro-poor</strong></td>
</tr>
<tr>
<td><strong>36% pro-poor</strong></td>
</tr>
<tr>
<td><strong>10% pro-poor</strong></td>
</tr>
<tr>
<td><strong>17% pro-poor</strong></td>
</tr>
</tbody>
</table>
Implications for practitioners

Work on tourism value chains so far has three clear implications for practitioners who aim to intervene to boost impacts on poverty in this sector.

First, detailed analysis helps to challenge the assumptions that often underpin development interventions. Assumptions like ‘tourism is inherently pro-poor’ or ‘direct effects are smaller than indirect effects’ or ‘craft and food supplies have great potential’ are true in some cases and not in others. Of course, detailed description alone does not provide answers, but it is an important first step.

Second, if interventions aim to reduce poverty, the scale of pro-poor income generation must be a key criterion in project selection, together with the likelihood of success and the sustainability of the impact on the poor. Using the framework above, it is possible to assess the impact of very different interventions, such as increasing craft expenditure by 10%, or marketing the destination more effectively to bring in 1,000 additional tourists. This is rarely done in the tourism sector. Imposing this rigour could help weed out interventions that have a plethora of desirable-sounding objectives, but end up focusing on small-scale, and often temporary, pro-poor benefits.

Third, benefitting the poor does not necessarily mean working directly with them. The lead firms in the tourism value chain are almost always well-established private sector organisations. The value chain approach highlights how engagement with them can deliver important change, while working with the poor in isolation from commercial networks is unlikely to do so. Furthermore, while tourism is mainly a private sector activity, the external governance of the value chain (the regulatory and enabling environment) that is the domain of the public sector often has a critical impact on pro-poor outcomes.

This value chain approach to tourism is part of a wider shift in thinking. It shares objectives for sustainable poverty reduction at scale with those who use other approaches, such as Making Markets Work for the Poor. It goes beyond conventional supply chain analysis (of a single firm and its relationships) by taking an entire sector as the unit of analysis, including external institutions and a diversity of firms and strands.

The approach has its gaps: social impacts on the poor; dynamic impacts and macro contributions to poverty reduction. And it poses challenges: international organisations adopting a value chain development approach in tourism find it requires a set of skills from number crunching, to lateral thinking on market-based solutions, which are not always found among traditional partners and consultants.

The value of the approach lies first in challenging assumptions and generating an empirical basis to assess options, particularly concerning scale of impact on the poor. Second, the approach generates benchmarks through comparable analysis in contrasting destinations. Explaining how and why a destination differs from others helps to explain the key factors differentiating tourism-poverty linkages. Third, combining a wide perspective of the multiple strands and actors in the chain with a specific focus on barriers to entry and terms of engagement of the poor target group, helps inform the design of market-based interventions. The diversity of recommended market interventions is a breakthrough, but this needs to be developed still further, drawing on the toolboxes used by other practitioners who share the objective of reducing poverty at scale.

By ODI Research Fellows Jonathan Mitchell (jonathan.mitchell@odi.org.uk) and Caroline Ashley (c.ashley@odi.org.uk).

Endnotes and references


Findings are sourced from a range of ODI reports on tourism value chains and destinations. See http://www.odi.org.uk/programmes/tourism/default.asp.

Photo credit: Flickr/John Spooner