

id21 insights

communicating international development research

How pro-poor is tourism?

New practices can reduce poverty

Pro-poor tourism should increase the benefits of the tourism industry for poor people. It is a term increasingly used by several development agencies, but what does it mean in practice? This issue of *id21 insights* looks at how pro-poor tourism has developed and explores some myths and misconceptions that have arisen around this term.

Most development professionals agree that poverty reduction requires economic growth. But there is a growing recognition that growth alone is not enough. What is needed is economic growth that specifically benefits poor people. Pro-poor growth is possible if it increases the flow of income from poor people's assets or increases the number or value of their assets. Pro-poor tourism has emerged in parallel with thinking on pro-poor growth.

In many developing countries, tourism boosts economic development through contributions to Gross Domestic Product,

export earnings, tax revenues and service charges. Most approaches to tourism development focus on increasing the number of arrivals, assuming that the benefits will eventually 'trickle down' to poor people.

Pro-poor tourism takes a different perspective: it focuses on changing the nature of tourism developments so that they increase the flow of income to poor people, or increase their assets or participation. Tourism is labour intensive, providing many job and enterprise opportunities, as well as direct access

to 'rich' tourists who are often keen to buy local goods and services. However, without active intervention, the opportunities for poor people to benefit from tourists in their neighbourhood are often missed.

Making tourism more pro-poor

The term 'pro-poor tourism' was first used in a review of the links between sustainable tourism and poverty reduction, commissioned by the UK Department for International Development in 1999. The Pro-Poor Tourism Partnership defines it as 'tourism that results in increased net benefits for poor people'. This focus on net benefits is important: many forms of tourism are costly for poor people (reduced access to land,

A local man making gifts and souvenirs to sell to tourists in the Gambia.
Source: The Travel Foundation

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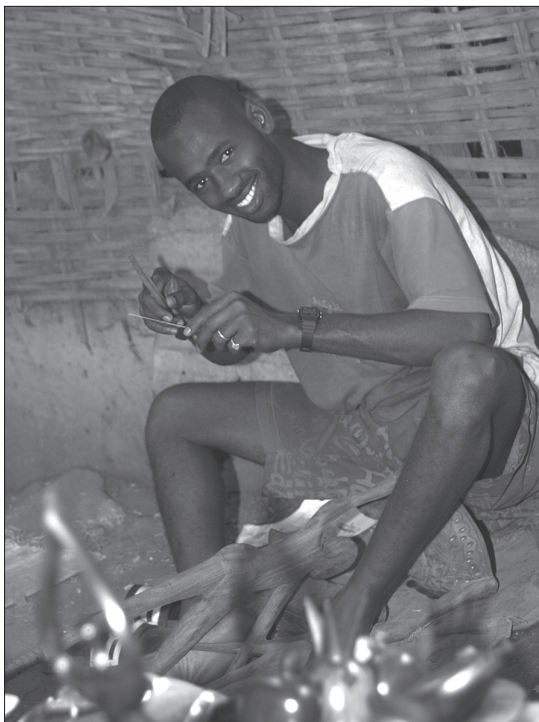
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coastal areas and other valuable resources, for example). If the costs outweigh the benefits, tourism can exacerbate rather than reduce poverty. The principles of pro-poor tourism (see box overleaf) show what this means in practice – what it is, and equally importantly, what it isn't.

Tackling myths and misconceptions

Many people assume that pro-poor tourism is the same as community-based tourism and that community tourism is inherently 'good' for poor communities. They are wrong on both counts. In this issue of *id21 insights*, **Harold Goodwin** explores why many well-meaning initiatives fail and identifies a lack of commercial activity as a common problem.

Just as community-based tourism is often thought to be 'good', mass tourism – particularly all-inclusive resorts – is often assumed to be 'bad'. **Suzy Karamel** and **Klaus Lengefeld** refute this and describe how some all-inclusive resorts in the Caribbean are creating jobs for poor people and developing crucial linkages with the agricultural sector. **Jonathan Mitchell** and **Sheila Page** explore this issue of economic linkages further, dispelling some of the myths concerning one of the main criticisms of tourism – the 'leakage' of tourism earnings out of the destination economy. **Caroline Ashley** and **Jane Ashton** argue that tour operators and hoteliers can make pro-poor tourism an integral part of normal business operations.



► What can governments do?

Making tourism more pro-poor is not just the responsibility of the private sector. Governments set the frameworks and policies for tourism and influence how destinations develop. **Steven Schipani** and **Thavipheth Oula** describe how the government in Lao People's Democratic Republic has included pro-poor tourism in the recent Lao National Tourism Strategy and Action Plan and the National Ecotourism Strategy.

In South Africa, tourism has been identified as a key development sector and is incorporated into many of the country's social and economic policies. The Black Economic Empowerment policy, for example, provides incentives for supporting local employment, local procurement and small enterprises which are important for pro-poor tourism, as **Kate Rivett Carnac** describes.

Pro-poor tourism focuses on changing the nature of tourism developments so that they increase the flow of income to poor people, or increase their assets or participation

Poverty reduction

Many countries have made links between tourism and poverty, focusing mostly on macroeconomic growth – on jobs, gross national product contributions, foreign exchange earnings and private sector

What is pro-poor tourism?

- Pro-poor tourism should change the distribution of tourism benefits in favour of poor people.
- It is not a specific product: any kind of tourism can be made pro-poor and at any level (an enterprise, a destination or a country).
- It is not a niche market like ecotourism or community-based tourism nor is it limited to these sectors.
- Pro-poor tourism will contribute little to poverty eradication unless it is mainstreamed. A focus on reducing poverty must be part of a government's master planning process.
- Pro-poor tourism involves doing business differently to benefit poor people. Tourism businesses and private sector companies need to maximise local economic development and work with poor people who produce goods and services.
- A tourism initiative is only pro-poor when it creates a net benefit for particular individuals or groups. These beneficiaries must be targeted in advance to demonstrate

clear improvements (there may sometimes be initially unidentified livelihood benefits).

- The target beneficiaries of pro-poor tourism are always poor and marginalised, lacking opportunities and services such as health and education. However, they are not necessarily the poorest people in a region.
- Pro-poor tourism should minimise costs to poor people and maximise benefits.
- Pro-poor tourism should empower poor people and actively engage them in the management of tourism destinations.
- Poor people's cultural and natural heritage is often a tourism asset. Mainstream tourism companies should not try to secure access to these assets under the guise of pro-poor tourism if this creates unfair returns to the 'owners'.
- Poor producers often lack access to tourism markets – the whole industry and tourists. Pro-poor tourism initiatives must increase market access, otherwise they will fail.

Source: Pro-Poor Tourism Partnership
www.propoortourism.org.uk

investment. This issue of *id21 insights*, however, shows that some countries and businesses are beginning to achieve more direct benefits from pro-poor tourism.

Given international pressure to achieve the Millennium Development Goals by 2015, policymakers cannot ignore the important role that tourism could play ■

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Glossary

There are many terms used when discussing tourism. Although few have universal definitions, this glossary offers an explanation of the terms used in this issue of *id21 insights*.

All-inclusive tourism: the travel industry uses this term to describe self-contained resorts and/or package tours where all expenses and amenities are included in the initial price. A common criticism is that a high percentage of the cost stays with the tour operator, rather than reaching local communities.

Community-based tourism: these initiatives aim to increase local people's involvement in tourism. They are mainly small-scale (campsites, guesthouses, craft-markets, local excursions) although can include partnerships with the private sector. Many suffer from being too isolated from the tourism market and are unsustainable without external support.

Ecotourism: described by the International Ecotourism Society as 'responsible travel to natural areas that conserves the environment and improves the well-being of local people'. The term is often used interchangeably with 'nature tourism', which is tourism that is all – or partly – based on nature, but this misses the socio-cultural dimension of ecotourism.

Mass tourism: this usually refers to traditional, large scale forms of leisure tourism pioneered in the 1960s and 1970s. It can be important for economic development in a country, but there are often negative social and environmental impacts.

Pro-Poor Tourism: this is defined by the Pro-Poor Tourism Partnership as tourism that generates increased net benefits for poor people.

Responsible Tourism: this is tourism practised by tourists who make responsible choices when choosing their holidays, such as minimising their environmental and social impacts and ensuring their activities benefit local people.

Sustainable Tourism: the World Tourism Organisation defines this as 'leading to the management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems'. However, some commentators argue that there is no such thing as sustainable tourism, given the environmental impacts of air travel.

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Future issues

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Can the private sector mainstream pro-poor tourism?

Businesses run tourism, from micro-enterprises to multinational companies. How companies conduct their business influences how far poor people benefit from tourism.

How hotels procure supplies and labour, how tour operators contract hotels, what kind of excursions they offer and what information they give to guests – all these actions influence how far tourism is pro-poor. The biggest challenge is to 'mainstream' pro-poor tourism so that it is a business approach across the industry, rather than a niche market (as ecotourism or community-based tourism are). How can tourism operators and businesses achieve this?

International tour operators

The idea that international tour operators should influence customers and organisations to help alleviate poverty in tourism destinations is relatively new. However, consumer expectations are changing. While customers are reluctant to compromise their holiday enjoyment, many now expect tour operators to manage pro-poor issues on their behalf. First Choice's research showed that 30 percent of overseas holidaymakers are 'concerned' about the impact of their stay on the destination.

Research by First Choice shows that 30 percent of overseas holidaymakers are 'concerned' about the impact of their stay on the destination

UK tour operators have paid more attention to sustainable tourism practices over the last five years. Although 'sustainability' is a broad term, recent initiatives include a specific focus on local economic impacts. Members of the Federation of Tour Operators signed a Sustainable Tourism commitment in 2004. Furthermore, they are finalising a Supplier Handbook on sustainability for their accommodation providers, encouraging the use of local supplies.

Some tour operators are also changing their working practices. For example, First Choice task destination managers to source excursions that specifically benefit local people and the environment. The popular Outback Safaris tour of rural areas in the Dominican Republic employs 55 local people. Other villagers benefit from fees for visits to their homes or fields, the sale of products, medical assistance from Outback Safaris and tourist donations to local charities.



Locally-recruited and highly-trained guides provide forest canopy tours at Stormsriver Adventures, South Africa.
Source: Fair Trade in Tourism South Africa



Tourists visit the people, villages and countryside in the Dominican Republic.
Source: Outback Safaris, South Africa

Hotels

Hotellers can benefit local employees through training, promotion and fair working conditions and benefits. Strengthening other linkages can support local economies further, including:

- more local procurement, such as laundry and security services, soft furnishings and food
- providing advice and support for local tourism enterprises including guides, dancers and artists
- encouraging guests to spend more locally by collaborating in neighbourhood upgrading projects and providing information on taxis, entertainment venues and local charities.

Organisations must become pro-poor in their daily operations, rather than providing occasional 'add-ons'. To be sustainable in the long term, initiatives should meet the commercial objectives of an organisation. Stormsriver Adventures in South Africa, for example, prioritises training for local tour guides and uses local food suppliers, creating high customer satisfaction and greater support for the business locally.

Organisations must become pro-poor in their daily operations, rather than providing occasional 'add-ons'

The benefits to local economic development from pro-poor private sector behaviour are considerable: a cash injection plus new markets, ideas, partnerships and multipliers. Certain policies can support this:

- Pro-poor business behaviour can generate long term commercial gain for companies, but often with short to medium term implementation costs. Governments can help carry the burden of these costs through local investment and facilitation.
- Boosting pro poor impact is about how to use the 'core competencies' of tourism business – their marketing and procurement power, and their influence on tourist behaviour – not just donations. This is an approach, even a mentality, that can be applied throughout the tourism chain ■

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See also

Pro-Poor Tourism Pilots in Southern Africa (2002-2005)
www.pptpilot.org.za

Black Economic Empowerment

The South African approach

Inequality and unemployment still largely occurs along racial lines in South Africa, despite the end of apartheid. The government is addressing this by promoting Black Economic Empowerment throughout the economy. Pro-poor tourism is part of this.

Black Economic Empowerment (BEE) is a strategy for transforming the economy through supporting black business development, black 'empowerment' (ownership) of white businesses and developing human resources. Since 1994, South Africa's democratic government has introduced several measures to advance BEE.

The Tourism BEE Charter and Scorecard

One such initiative is the Tourism BEE Charter and Scorecard, launched in May 2005 by the South African tourism industry. This aims to change the 'lily white' complexion of tourism and sets BEE status targets for tourism firms to achieve by 2009 and 2013. BEE status is scored according to

performance of firms in seven areas:

- the percentage of ownership of the firm by black people
- strategic representation: black representation at board level and senior directorships
- employment equity, including fair staffing and employment practices
- a firm's spending on goods and services from black businesses
- support to enterprise development
- investment in skills development
- investment in social development and other industry specific actions (such as community tourism).

Tourism companies with good BEE ratings have a greater chance of receiving public sector business and contracts from major corporations. These corporations will want to improve their own BEE score and will therefore seek suppliers who are BEE compliant. This creates momentum throughout the tourism sector and establishes a business case for BEE.

Challenges facing BEE

Critics are concerned that, to date, some BEE deals have only benefited a small elite group of black people because of their emphasis on the ownership dimension, rather than the more developmental dimensions. This has prompted a shift

towards more pro-poor BEE, which targets poor employees, communities and small suppliers as beneficiaries.

The Tourism BEE Charter and Scorecard, aims to change the 'lily white' complexion of tourism in South Africa

BEE is a new policy direction for South Africa's tourism sector. There is not yet enough evidence to say whether it will achieve all of its objectives. However, the government's active role in increasing black involvement in tourism, without resorting to enforcement, is a creative response to the need to share benefits more equally. If successful, BEE will ensure that pro-poor development is entrenched throughout South Africa's tourism sector ■

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For more information on BEE see:

The Department of Trade and Industry
www.thedti.gov.za
The Department of Environmental Affairs and Tourism
www.environment.gov.za
Tourism Business Council of South Africa
www.tbcsa.org.za

Government support in Lao PDR

How effective is it?

Foreign exchange from tourism (over US\$ 146 million in 2005) significantly benefits the national economy in the Lao People's Democratic Republic (Lao PDR). This money stimulates local production and consumption in many sectors, including transport, agriculture and education, but does it benefit poor people?

After several successful community-based projects, the government is prioritising tourism to fight poverty and stimulate further economic growth. The government's role in pro-poor tourism is to create and enforce agreements that outline the roles and responsibilities of poor communities and ensure that they receive a reasonable share of tourism earnings.

Strategies for pro-poor tourism

The government's recent National Tourism Strategy and Action Plan (2006 – 2015) and the National Ecotourism Strategy both emphasise pro-poor tourism, particularly products and services that benefit poor rural communities. For example, culture and nature-based tourism are often pro-poor: villagers work as guides and site managers and provide accommodation and transport. Poor people benefit directly by selling food and drinks, traditional handicrafts and other local products to tourists.

The government can further support pro-poor tourism by:

- Raising awareness among local decision-makers about the potential of tourism to alleviate poverty.
- Improving human resources by offering

training course in languages, hospitality, site management and maintenance, and guiding.

- Mediating supply and employment contracts between poor people and large tourism enterprises.
- Investing in small-scale infrastructure, such as visitor information centres, community lodges, access roads, water systems and sanitation.
- Adapting regulations to enable poor people to provide tourism products and services: for example, recent legislation permits rural communities to set up small inbound tour agencies.
- Developing pro-poor tourism management and interpretation plans.

Large-scale tourism on ancestral lands is controversial. If poor people do not receive adequate compensation for the loss of land and access to natural resources, tourism may increase poverty

Local objections to tourism

Despite the potential and existing benefits, public support for pro-poor tourism is not always forthcoming. One controversial issue is large-scale tourism on ancestral lands.

If poor people do not receive adequate compensation for the loss of their land and access to natural resources, tourism may actually increase poverty. The Lao PDR government has largely avoided this so far. However, the development of a large casino and resort on the Lao PDR-China border threatens this trend. This new type of tourism, which is mainly funded by foreign investment, has yet to prove it will reduce poverty. It therefore requires careful monitoring and strong regulation to ensure that local people benefit.

The government must also decide whether to allow natural resource extraction and industrial development in areas with high tourism potential. But with thoughtful land-use planning strategies and zoning plans, it is possible to attract socially responsible investment, industrialise the national economy and protect the natural and cultural resources that support pro-poor tourism ■

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See also

www.ecotourismlaos.com
Lao PDR Biodiversity: Economic Assessment, IUCN: Vientiane, Lao PDR, by S. Bouttavong, L. Emerton, L. Kettavong, S. Manivong and S. Sivannavong, 2002
Ecotourism Laos Annual Statistics Report, Vientiane: Lao PDR, Lao National Tourism Administration, 2005

Linkages and leakages

Local supply and imports

Tourism is a major global industry, but is it good for developing countries? Since long-haul tourism to developing countries started in the late 1960s, many commentators have persistently claimed that tourism scarcely benefits the hosts. One suggested problem is the high level of leakages out of the destination country.

Leakages are payments made outside the destination economy: in other words, the proportion of the total holiday price that does not reach or remain in the destination. Some leakage happens internally, where tourists spend money at the destination but this pays for imported goods and services. Other tourism leakages are external payments that never make it to the destination country, such as travel agent commissions, tour operator profits and foreign airlines.

Many experts claim that foreign-owned mainstream resorts with all inclusive packages have particularly high 'leakage' figures. For example, Tourism Concern frequently claims that up to 90 percent of the holiday cost leaves developing countries. If true, these figures undermine the case for tourism as a development tool.

Perceptions and myths

So, are these leakage figures plausible? We need better data before giving a definitive answer. However, a recent review of economic linkages, published by the Pro-Poor Tourism Partnership, offers some hope. This research shows:

- Even in the most 'leaky' scenarios (holidays using foreign airlines and foreign-owned accommodation, in destinations with small and fragile economies), the highest leakage rates are approximately 75 percent.
- Leakage figures are even lower

in countries with large and diversified domestic economies, such as Egypt. Researchers from the Overseas Development Institute, UK, found that a more representative figure was approximately half the total cost of a tourist package reaching the host economy. These figures suggest that significant benefits often remain at the destination. This is not surprising: careful analyses of tourism in developing countries demonstrate a positive impact on host economies.

How can leakages be reduced?

Economic linkages stop leakages. Buying supplies from people in the host country allows the benefits to remain. Many developing countries now encourage local farmers to supply fresh fruit and vegetables to hotels. Labour is often the most important linkage between a hotel and the local economy, through the payment of salaries and wages. Even a foreign owner will recruit locally to minimise costs. Hotels enhance economic linkages by working with informal tourism businesses (such as a local taxi company).

Governments and tourism companies in destination countries can support initiatives to reduce leakages further by:

- using locally-owned accommodation (this can be up to half of the total holiday cost)



Tourists go fishing with a local guide at Umgazi River Bungalows. This resort has pursued a successful policy of building strong local economic linkages in the impoverished Eastern Cape of South Africa. Source: Umgazi River Bungalows

- endorsing destinations that integrate tourists into the local economy, where they can purchase local products
- promoting resorts that employ local staff and pay reasonable salaries
- using airlines from the host country (for long-haul destinations this may constitute one-third of the total package cost) ■

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See also

Caribbean tourism, local sourcing and enterprise development: Review of the literature, PPT Working Paper No.18, by D. Meyer, January 2006

www.propoortourism.org.uk/18_domrep.pdf

Can tourism help reduce poverty in Africa? ODI Briefing Paper, by J. Mitchell, C. Ashley, L. Jarque, J. Elliot and D. Roe, March 2006

www.odi.org.uk/RPEG/research/pro-poor_tourism%5Cbpmarch06_tourism1.pdf

Can all-inclusive tourism be pro-poor?

A key aspect of pro-poor tourism is creating and – more importantly – maintaining employment opportunities for poor communities. All-inclusive tourism businesses and large hotels can provide jobs in developing countries. As such, they have a potentially important role in pro-poor tourism.

Research from the German Technical Cooperation (GTZ), Germany, examined the economic welfare of employees in all-inclusive resorts and large hotels in Jamaica, Nicaragua and the Dominican Republic. The research compared employees' current wages to their former wages and examined the wider socio-economic impacts of all-inclusive resorts.

Sandals resorts, Jamaica

Two resorts owned by Sandals in Negril, Jamaica, showed the most positive practices, including:

- Local employment: up to 99 percent of permanent employees are local (approximately 780 people).
- Secure income: half of the interviewees had worked for Sandals for between 3 to 12 years.
- Career options: foreign language courses abroad were the career advantage most often cited by interviewees.
- Staff development: each Sandals employee receives extensive training, including HIV prevention, customer service and environmental awareness.

Most interviewees stated that working at Sandals enabled them to

support not only their immediate family but also members of their extended family. Furthermore, the Sandals salary scheme includes health insurance, a pension scheme and life insurance. This is a significant improvement on former occupations in other hotels and the restaurant and entertainment sector.

Contributions to the local economy

The Sandals Small Farmers' Programme co-operatives in Jamaica and St. Lucia, which started in 1998, now purchase more than 50 percent of fruit and vegetables from local suppliers. Other large tourism businesses could follow Sandals' pro-poor policies by:

- developing a stronger focus on local linkages in business activities
- ensuring that their activities make a financial contribution to local communities and the local economy
- offer all employees a human resources policy that provides security, consistent training and career opportunities .

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Community-based tourism Failing to deliver?

Community-based tourism was a popular intervention during the 'ecotourism' boom of the 1990s. It is now being suggested as a form of pro-poor tourism. However, few projects have generated sufficient benefits to either provide incentives for conservation – the objective of ecotourism – or contribute to local poverty reduction.

Conservationists and development professionals have tried to promote community-based tourism (CBT) since the 1970s. They identify tourism as an economic opportunity that can raise living standards, particularly in poor rural or marginal areas – for example beyond the Kathmandu valley in Nepal; in the north of Palawan, the Philippines' last frontier; in remote rural areas in Kunming province and Szechuan province, China. Most initiatives have failed, however.

Community-based tourism success stories?

This review has so far found few examples of community-based tourism benefiting conservation or providing development gains.

We would welcome examples of CBT projects that have provided significant benefits to local communities, including:

- location
- which tourists go there
- the economic activities which benefit local communities and poor people in particular
- details about the scale of these benefits
- contact information so that we can follow up the case.

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Useful web links

A Practical Guide to Good Practice: Managing Environmental and Social Issues in the Accommodation Sector (PDF)

www.toinitiative.org/about/documents/HotelBooklet.pdf

Case study of Lekgophung Tourism Lodge, South Africa

www.livelihoods.org/lessons/case_studies/lesson-lekgo2.htm

Facilitating Pro-Poor Tourism with the Private Sector: Lessons Learned from 'Pro-Poor Tourism Pilots in Southern Africa' (PDF)

www.propoortourism.org.uk/ppt_report2-0206.pdf

'How To...' series: practical PPT tips drawing from experiences of successes and failures

www.propoortourism.org.uk/howto.htm

Making Tourism Count for the Local Economy in the Caribbean: Guidelines for Good Practice

www.odi.org.uk/rpeg/research/pro-poor_tourism/travelfoundation.html

PPT Briefing Paper No. 2: Boosting Local Inputs into the Supply Chain

www.pptpilot.org.za/Briefing%20papers/paper2.pdf

PPT Briefing Paper No. 3: Tourism-Agricultural Linkages: Boosting Inputs from Local Farmers (PDF)

www.pptpilot.org.za/Briefing%20papers/paper3.pdf

ResponsibleTravel.com

www.responsibletravel.com

The International Centre for Responsible Tourism

www.icrtourism.org

Tourism Business and the Local Economy: Increasing Impact Through a Linkages Approach (PDF)

www.odi.org.uk/rpeg/research/pro-poor_tourism/bp_march06_tourism2.pdf

The Travel Foundation

www.thetravelfoundation.org.uk

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The Community-based Tourism Review

The International Centre for Responsible Tourism at the University of Greenwich, UK, is evaluating CBT projects around the world and reviewing published and 'grey' (unpublished) literature on CBT. Preliminary findings from this research suggest several reasons why CBT projects fail:

- Few projects understand the need for commercial activities: local people must sell crafts, food, accommodation and wildlife or cultural experiences to tourists. This is the only way to ensure a sustainable supply of local income or conservation funds.
- CBT projects must engage with the private sector, including travel agents, tour operators and hoteliers. The earlier this engagement takes place and the closer the partnership, the more likely it is to succeed.
- Location is critical: for poor people to benefit, tourists must stay in or near to these communities. Very few communities have tourism assets which are sufficiently strong to attract tourists – they rely on selling complementary goods and services. Tourists need to be close by for this to happen.
- CBT projects do not always provide appropriate tourism facilities for generating income. For example, too many CBT initiatives rely on building lodges, which are capital intensive and need considerable maintenance, or walking trails from which it can be difficult to secure revenue.
- Protected areas increasingly rely on money from tourists to pay for conservation initiatives. Local communities often have to compete with conservation projects for revenues.

Successful community-based tourism

CBT projects should provide:

- Collective benefits: for example providing funds for community assets such as grinding mills or school books.
- Individual benefits: paid employment (full – or part-time) and opportunities for micro-enterprise earnings (for example craft sales).

The review suggests that the best way to achieve this is for poor communities to engage with the private sector in locations with a significant numbers of tourists. This creates the commercial opportunities that are necessary for poor people to earn incomes from tourism ■

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See also

The International Centre for Responsible Tourism

www.icrtourism.org

The Responsible Tourism Partnership

www.responsibletourismpartnership.org

Pro-Poor Tourism

www.pptpartnership.org



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