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***Mainstream Tourism Development in the Least  
Developed Countries: Coherence & Complimentarity of  
Policy Instruments***

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# Executive Summary

Tourism is a significant contributor to GDP, employment and to the international appreciation of a country and its culture – regardless of its level of development. This policy analysis assists the LDCs in harnessing their development opportunities by providing a comprehensive overview of the existing international development instruments, i.e., Trade Integration Diagnostic Study (DTIS) and its Action Matrix, Poverty Reduction Strategy Paper (PRSP), and their alignment with the national tourism development strategy, investment policy and tourism trade arrangements. The findings of this analysis can be used by all actors and stakeholders who are engaged in trade facilitation activities in the LDCs. By reviewing these key development policy documents, The authors hope that this in-depth review will enable LDCs to manage the international policy advice provided to them by a multitude of international development partners and to achieve greater results through their trade in tourism services, It is also hoped that this analytic report will enhance coherence and complementarity of tourism development advise proposed by the international community by pointing out the policy gaps and implementation vacuum which exists along the tourism supply and value chain.

## Context

Tourism has emerged as one of the most dynamic and fastest growing industries worldwide representing about 6% of international trade in goods and service and accounting for 30% of the world's export of commercial services. Globally, tourism also ranks fourth as an export category, after fuels, chemicals and automotive products.<sup>i</sup> It is projected that the contribution of Travel & Tourism to GDP globally will rise from 9.2% (US \$5,751 billion) in 2010 to 9.6% (US \$11,151 billion) by 2020. The contribution of the Travel & Tourism Economy to employment is also expected to rise from 8.1%, or 235,758,000 jobs across the world in 2010, to 9.2%, or 303,019,000 jobs, by 2020.<sup>ii</sup>

LDCs are endowed with natural tourism assets and distinctive cultural and historical sites. Some are designated UNESCO World Heritage Sites. Sound tourism development strategies and well coordinated implementation plans can enable the LDCs to achieve greater value creation without compromising national tourism assets. LDCs need to develop and more fully exploit their tourism resources in a sustainable manner to achieve their midterm poverty reduction objectives.

Tourism is a people driven industry. Effective tourism strategies can create sustainable income generating opportunities and provide employment needed to absorb large numbers of semi-skilled or unskilled workers. Such strategies require investment in the tourism industry itself, i.e., hotels, transportation, catering and restaurants, but also entails investments to strengthen forward linkages to value chains and backward linkages to supply chains.<sup>iii</sup> The absence of such integrated development approaches, project investments such as hotels or game parks, will prevent the higher rates of return that are otherwise possible.

Recent reports from different agencies have highlighted the importance of tourism for Least Developed Countries (LDCs). A flourishing tourism sector can contribute to LDCs' development through its linkages with other economic sectors and through the inclusion of local communities, as well as through job reaction and reduction of poverty.

The main constraints that the tourism sector in Africa is facing have to do with political instability, wars and terrorist attacks, leakages and limited linkages to the local economy. Hence the challenge for sustainable tourism development is to "overcome these risk factors; ensure effective market place value, quality of service products and meaningful community-private-public partnerships,

supported by policies that influence flows to the poor.”<sup>iv</sup>

This comparative analysis on policy coherence and complementarity was conducted to establish a baseline for assessing successful tourism development policies in the LDCs. Initial findings of this comparative study were presented at a second Roundtable at the WTO on 26 April 2011 for discussion and for validation of the analytic framework to be applied for an indepth analysis of key international policy instruments that have direct impact on LDCs exports of tourism services and sector performance.

## Methodology

A quantitative method was used to create a set of policyscapes in order to analyse the coherence and complementarity of policy choices made at the tourism sector level of specific countries. The tourism sector was selected as the domain area of these policyscapes for the reasons cited above. Future research using the same methodology could be applied to other services sectors of LDCs economies.

A group of fourteen LDCs was selected for this policy analysis who represent different geographic features and challenges of development of a sustained tourism sector. Thirteen of these selected countries are from Africa while one is from Asia. They are: Benin, Burkina Faso, Burundi, Ethiopia, Lesotho, Madagascar, Malawi, Mali, Nepal, Rwanda, Sierra Leone, Tanzania, Uganda and Zambia. Conclusions from these comparative analyses are applicable for the rest of the LDCs and relevant for other development countries particularly the low-income developing country group.

Country tourism “policyscapes” were created in order to draw attention to the policy convergence and divergence at the international level. The study was also expected to create unique visions needed to deliver national tourism development in the selected LDCs. These country tourism policyscapes have been drawn up in accordance to the Tourism Development Index designed and developed by

CSEND in order to capture both namely site specific conditions, such as tourism assets and national strategy, and trajectory set by international policy instruments, such as DTIS, PRSP and IPR. Regional trade arrangements as well as global trade commitments were analysed which were all used to develop the complex policy landscape which are mediated by the national policy leaders and development actors representing donor, beneficiary and development agencies. Through this multi-levelled analysis, it becomes possible to identify the intersection and interdependence between national policy and the respective international assistance framework and to determine whether coherence and complementarity have been attained.

This study however does not focus on the regulatory framework that defines the tourism business environment, such as land use, foreign exchange rules, border controls and mobility of people. However, an indirect link is provided in the section focusing on the inter-regional trade agreements that countries have made which address some of the regulatory business issues.

## Analytic Tool: Tourism Development Index (TDI):

The objective of the TDI Index was to assess the coherence and complementarity among different policy instruments and related trade commitments concerning the development of the tourism sector in LDCs. This forms the basis of a country’s policyscape on tourism.

Eight parameters were used to assess policy coherence for sustainable tourism development in the LDCs selected for this in-depth study:

1. *To what extent has the country identified national assets able to provide differing tourism products?*
2. *To what extent do DTIS, AM and PRSPs refer to tourism?*
3. *To what extent do DTIS, AM and PRSPs offer coherent advice to LDCs on developing their*

*tourism sectors from a value chain orientation (e.g., transport, hotel & facilities, health and hygiene, quality standards, investment, training)?*

4. *To what extent have LDCs made GATS commitments in the tourism sector?*
5. *To what extent have LDCs signed RTAs/FTAs with the potential to benefit from trade preferences?*
6. *To what extent is the tourism sector of the country supported by domestic institutions (Inter-ministerial policy coordination mechanism, government to industry policy consultation mechanism, tourism industry organisations)?*
7. *To what extent have LDCs articulated national tourism strategies, developed tourism promotion websites and engaged regional strategies supporting tourism?*
8. *To what extent do DTIS, AM and PRSPs address the sustainability of tourism development?*

## **Overall Comparative Policyscapes**

Table 1 sets out the comparative TDI ranking across all fourteen countries. It offers an overall picture of all eight dimensions assessed in this study. A few general observations will be made first before launching into specific cross country comparisons according to each of the TDI dimensions.

Firstly of all, it is worthy to note that all four policy documents, DTIS, AM, PRSP and IPR made references to the tourism sector in each of the fourteen countries reviewed (TDI dimension 2). However, quantitative and qualitative differences exist in the national treatment as stipulated in these policy documents. Seven countries (50%) addressed tourism in one the four respective policy instruments with at least one complete chapter on tourism, while four other countries (29%) have at least a subsection

on tourism in one of their documents. This is an important finding in terms of giving priority to the tourism sector and in regard to providing financial resources. However, policy intent needs to be realised by actual actions taken by the government from a fiscal point of view and by the entrepreneurs working in this sector. Comparing the Action Matrix with the main body of DTIS tends to yield incoherent findings.

For the LDCs faced with resource constrains and limited factor conditions in terms of infrastructure, human capital and other comparative advantages, it is necessary to highlight the significance of policy coherence across these instruments. This also includes close alignment with the national tourism development strategy in order to make concerted national and international efforts of developing and enriching national tourism performance. International assistance programmes, if well used, could have a catalyst role in strengthening the national capacity in delivering superior tourism services and generating greater results.

A related issue for the better use and conservation of national tourism assets is sustainability (TDI dimension 8). Sustainability stands out as the least developed dimension (TDI value at 0.5 level) in all policy instruments reviewed within this study. This issue is hardly referred to when it comes to tourism related concerns. 50% of the countries did not address the sustainability question in the four policy instruments reviewed while the other 50% made very few references to this mounting challenge. This oversight in today's context of climate change and environmental vulnerability could mean accelerated deterioration of these countries' natural environment, a key element of these countries tourism assets. From a socio-economic perspective, environmental vulnerability also diminishes the country's policy potential in achieving greater job creation and improved standard of living.

**Table 1: Comparative Countryscapes based on Tourism Development Index**

	Benin	Burkina Faso	Burundi	Ethiopia	Lesotho	Madagascar	Malawi	Mali	Nepal	Rwanda	Sierra Leone	Tanzania	Uganda	Zambia	AVERAGE
1-Assets	2	2	2	3	2	3	3	2	4	2	2	2	2	3	2.43
2-References	4	2	2	3	4	3	2	3	4	4	4	4	4	3	3.29
3- Coherence	3	2	3	3	3	4	4	4	3	4	3	4	4	4	3.43
4-GATS	1	2	3	0	3	0	4	1	2	1	4	1	2	4	2.00
5-RTAs/FTAs	3	2	2	1	4	2	2	2	4	2	1	3	2	3	2.36
6-Governance	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2.00
7-Tourism Strategy	4	4	4	4	4	4	4	4	4	4	3	4	4	4	3.93
8-Sustainability	0	1	0	1	0	0	1	1	0	1	0	0	1	1	0.50
AVERAGE	2.38	2.13	2.25	2.13	2.75	2.25	2.75	2.38	2.88	2.50	2.38	2.50	2.63	3.00	

Legend: 0 = None; 1 = Few; 2 = Some; 3 = Several; 4 = Many references in documents

Other weak areas found in this cross-country TDI comparison are related to a) governance, b) GATS (TDI dimension 4), c) RTAs and FTAs (TDI dimension 5), and d) Tourism Assets (TDI dimension 1). Short of paying attention to the comprehensive policy environment, countries could experience difficulties in developing relevant and responsive tourism sector policies which could foster appropriate and/or favourable trading conditions for exporting tourism services.

Few domestic governance infrastructure policies (TDI dimension 6) seem to exist in all fourteen countries for effective policy making in this sector. Data collected from the available public sources denote that inter-ministerial coordination and private sector consultations have not been sufficiently formalised with clear guidelines and monitoring mechanisms. There seems no clear designation of policy leadership in regard to tourism development where inter-sectoral cooperation is necessary and unavoidable. Since tourism development requires cross-cutting planning and investment strategy, formalising of these governance mechanisms and processes could be vital to successfully exploit or develop the endowed

tourism assets and existing capabilities and investments. More importantly, better coordinated and consulted policies with cross-sector commitment and engagement of the private sector would also ensure better returns of investment directly or indirectly concerned with tourism development.

GATS commitment (TDI dimension 4) is another under-developed area creating a more conducive environment for exporting of tourism related services. With the exception of Malawi, Sierra Leone and Zambia which have liberalised to a great extent this sector, 50% of the countries studied have neither liberalised the tourism sector or only partially liberalised one in four of the tourism subsectors, i.e., hotels and restaurants, travel agencies and tour operators services, tourist guides services and other.

Looking at the policy instruments included in this study from a coherence and complementarity prospective, the countries studied did relatively well. Taking the four policy instruments together, various backward and forward linkages were found in support of tourism economy (TDI dimension 3), such

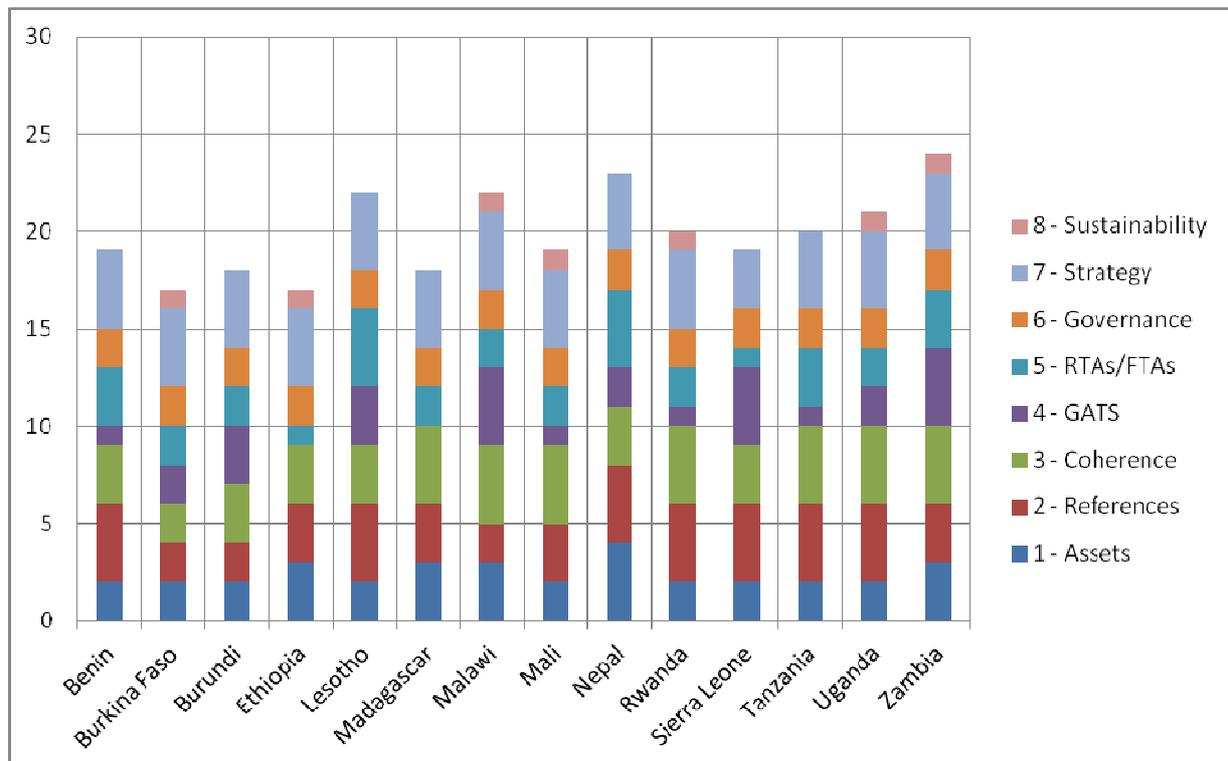
as transport, hotel & facilities, health and hygiene, quality standards, investment and training. Burkina Faso is this regard faired worst among the fourteen countries studied.

Connected to policy coherence and complimentarity, in almost all the countries studied there is a tourism development strategy in place as well as a tourism promotion site on the internet (TDI dimension 7). All countries studied have signed one or many regional or sub-regional agreements to leverage a more integrated market and ensuing potentials (TDI dimension 5). Regional strategies for joint tourism development in many of these regional trade agreements are also articulated in specific section of the treaty or in additional documents dealing with tourism development on a regional basis except in the case of Sierra Leone. Inferences could be made that these international policy instruments are

beginning to be aligned to the national development strategy.

These diverse findings are reflected in Figure 1, which depicts the level of tourism development dynamism per parameter or dimension. These results indicate that, although the policy development instruments analyzed in this report address tourism as a vector for development in LDCs, more work should be done to complement the sector development by making more well thought out GATS commitments, improving some governance mechanisms (like Inter-Ministerial Coordination for tourism policy) and fostering sustainability of the tourism sector. Bukina Faso together with Burundi, Ethiopia and Madagascar seem to be less competitive in their overall capacity to manage the international donors and in their attempt to utilise market mechanisms.

**Figure 1: Comparative Tourism Development Dynamism based on TDI**



## Conclusion

Policy solutions to foster sustainable tourism development in LDCs consist of four overlapping policy spheres namely: a) adequate trade rules (WTO, RTAs and FTAs); 2) appropriate GATS commitments under tourism with competition safeguards; 3) effective tourism sector development strategies & policy coherence (DTIS/AM and PRSP); 4) and sufficient mid-and long-term domestic investment & competition framework (UNCTAD IPR).

Integrated Framework is an international commitment in enhancing policy coherence in aiding the LDCs. However the actual practice remains patching when it comes to the designing of tourism development strategy within DTIS and AM. One strong point, however, is there exists a minimum coherence among the various policy instruments and complementarity to foster a more comprehensive development of the sector.

Findings of the CSEND study highlight the need for policy leadership and coordination for better utilization of investments in the tourism sector. However, national solutions should be enhanced by regional coordination and joint effort in creating synergistic business networks. The lack of regional integration prevents meaningful cooperation in terms of forward and backward linkages which represent missed opportunities for African LDCs,

consumers but also for its citizens in terms of employment and economic growth.

Well developed global trade governance framework could provide such opportunities which need to be well thought out and effectively negotiated in the WTO. Political leadership needs also to be better manifested when a LDC negotiates its country's implementation strategies with international organizations and donors on DTIS, AM and PRSP.

Tourism can generate growth, jobs and prosperity. Incoherence in regard to governmental vision, strategy, policies and actions are barriers which prevent LDCs from achieving sustained and successful tourism development. Recommendations made here are steps that enable LDCs to better realize their tourism development potential.

All in all, the analysis shows that there is a high degree of coherence and complementarity among the tourism policy instruments. However, more work should be done to strengthen governance (i.e. Inter-Ministerial Coordination in tourism policy) and sustainability in order to make better use of the available policy instruments and resources.

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<sup>i</sup> 2010 World Tourism Organization (UNWTO) Tourism Highlights. See

[http://www.unwto.org/facts/eng/pdf/highlights/UNWTO\\_Highlights10\\_en\\_HR.pdf](http://www.unwto.org/facts/eng/pdf/highlights/UNWTO_Highlights10_en_HR.pdf)

<sup>ii</sup> 2010 World Travel and Tourism Council (WTTC), Progress and Priorities Report. See

[http://www.wttc.org/bin/pdf/original\\_pdf\\_file/pandp\\_final2\\_low\\_res.pdf](http://www.wttc.org/bin/pdf/original_pdf_file/pandp_final2_low_res.pdf)

<sup>iii</sup> For an analysis on the value chain in LDCs, see the 2009 study "Commodity Development Strategies in the Integrated Framework" available from <http://csend.org/publications/development-a-int-rel/48-commodity-development-strategies-in-the-integrated-framework>

<sup>iv</sup> *Ibid.*, p. xviii.