

Tourism Development in Least Developed Countries: Challenges and Opportunities

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ABSTRACT

Effective tourism strategies of a developing country can create revenue generating opportunities (tax revenues) and provide sustainable employment for semi-skilled or unskilled workers. Such tourism development strategies require systemic thinking and comprehensive investment portfolio strategies regarding the tourism industry as a whole, i.e. going beyond investing in hotels, but also including transportation infrastructure, catering, restaurants, safe water, financial system etc. In other words, the destination countries need to review their tourism value & supply chains and identify structural impediments to the full utilization of their tourism assets and facilities. This chapter shows how Least Developed Countries (LDCs) can define their tourism sector development and suggests a framework which can be used by a LDC to assess its tourism development potential. It can also be used by potential investors interested in investing in an LDC's tourism sector who need to understand the broader context of doing business in LDCs.

Key Words: *tourism development, Least Developed Countries, business strategy, investment, value & supply chain, backward and forward linkages, leakage, coherence, inter-ministerial coordination, partnerships*

KEY TERMS AND DEFINITIONS

Tourism development: planning and implementation of strategies with the objective to develop the tourism sector.

Least Developed Countries: Countries that, according to the United Nations, exhibit the lowest indicators of socioeconomic development, with the lowest Human Development Index ratings of all countries in the world.

Business strategy: Means by which it sets out to achieve its desired objectives). It can simply be described as a long-term business planning.

Investment: Action or process of investing money for profit.

Value Chain: Process or activities by which a company adds value to an article, including production, marketing, and the provision of after-sales services

Supply chain: Sequence of processes involved in the production and distribution of a commodity.

Tourism backward and forward linkages: intersectional forward and backward relationships between tourism sector and the non- tourism industries.

Leakage: negative economic impacts of tourism in the local economy

Inter-ministerial coordination: co-ordination and co-operation among ministries and numerous policy actors. It is crucial to ensure coherence and complementarity in trade policy making and implementation.

INTRODUCTION

Effective pro-business tourism strategies can create income generating business opportunities for the tourism industry while, at the same time, provide employment needed to absorb large numbers of semi-skilled or unskilled workers in developing and in Least Development Countries (LDCs). A government's coherent cross-sector tourism strategy offers investment incentives to foreign tour operators and provides local service providers ample opportunities to link up to with the supply and value chains and to develop possibilities to integrate with the global tourism industry.

Tourism development strategies require investments in the tourism infrastructure itself, i.e. good road and transportation conditions, access to safe water, control of law and order, provision of trained and motivated work force, availability of efficient banking facilities etc. All these physical and social infrastructure factors, as well as a sustainability approaches to business, should be part of a holistic tourism development strategy of a developing country.

The objective of this chapter is twofold. On one hand, this chapter aims to help an LDC country answer the question: How to put in place a proper policy framework that attracts investments by foreign tourism operators while, at the same time ensures that benefits of these foreign direct investments have a positive sustainable impact on its population development? On the other hand, this chapter intends to help tourism operators from developed countries understand the concerns, needs and strategic objectives that an LDC host country has which by definition are not the same as the strategies of a private sector tourism operator from a developed country. Finally, this chapter provides guidance for both private sector tourism operators and LDC governments to achieve mutually beneficial agreement when negotiating an in-bound investment deal.

GLOBAL HOSPITALITY AND TOURISM BUSINESS LANDSCAPE

Main message: Tourism is an important contributor to GDP, employment and international appreciation of a country and its culture – regardless of its level of development. Tourism can also serve as driver for increased demands for other products and services in the countries and trigger quality improvement and upgrading of their supply chain and related value creation. Tourism creates opportunities for both, the

destination country, especially the LDCs and private sector tourism operators/investors of developed countries.

Impact of global hospitality and tourism industry

Services account for an increasing share in global trade, in particular if measured in value added terms. In particular, hospitality and tourism 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 (United Nations World Tourism Organization, 2010).

Travel & Tourism's direct contribution to world GDP and employment in 2012 was US\$ 2.1 trillion (2012 prices) and 101 million jobs (World Travel and Tourism Council, 2013). Taking account of its combined direct, indirect and induced impacts, the total economic contribution in 2012 was US\$ 6.6 trillion in GDP (2012 prices). This represented 260 million jobs, US\$ 760 billion in investment (2012 prices) and US\$ 1.2 trillion in exports (2012 prices). This total contribution represents 9% of total economy GDP in 2012, 1 in 11 jobs, 5% of total economy investment and 5% of world exports.

Overall, global travel & tourism direct contribution to GDP grew by a 3.2% in 2012, faster than growth of the world economy as whole, which was 2.3% for this period. In terms of employment, including those working in the industry's supply chain and supported by the spending of their employees, the industry increased by 4.0 million jobs in 2012.

It is worthwhile noting that while travel & tourism GDP growth slowed throughout 2012 and was weaker than forecast one year ago, visitor exports exceeded expectations, rising 4.7% year on year. Asia, Latin America and Sub-Saharan Africa were, in percentage growth terms, amongst the fastest growing destination markets in 2012.

Besides its important economic impact, the tourism industry has strong untapped potential. According to the World Travel and Tourism Council, 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 (World Travel and Tourism Council, 2010). By 2023, the industry's total economic contribution is forecast to rise to US\$ 10.5 trillion in GDP (2012 prices), almost 340 million in jobs, over US\$ 1.3 trillion in investment (2012 prices) and almost US\$ 2.0 trillion in exports (2012 prices).

The growing importance of the industry in the global economy means that by 2023, the total contribution will account for 10.0% of GDP and 1 in 10 jobs globally. Similarly, employment is forecasted to increase by over 70 million jobs over the next decade, with two-thirds of the additional jobs in Asia. If LDC governments are able to design and implement effective tourism development strategies and successfully attract investments by tour operators, they will be able to materialize this potential.

Opportunity for LDCs

Recent reports from different agencies have highlighted the importance of tourism for 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 Istanbul Programme of Action called to “(s)upport the Least Developed Countries’ efforts to develop a sustainable tourism sector, in particular through infrastructure and human capital development, increased access to finance and enhanced access to global tourism networks and distribution channels...” (United Nations, 2011, p.12)

Sustainable tourism development has been identified by the New Partnership for Africa's Development (NEPAD) as an important vehicle to address the current development challenges facing Africa. Finally, the United Nations Economic Commission for Africa (UNECA) Report on “*Sustainable Development Report on Africa*” highlights the approval of a Tourism Action Plan in 2004. Its main objective is to “provide an engine for growth and integration, and to contribute to poverty eradication. Most African governments have included tourism in their national development strategies. Countries have also started adopting policies that unlock opportunities for the poor to gain employment through tourism development. Additionally, countries have adopted the Global Code of Ethics for Tourism and have reported on implementation progress.” (United Nations Economic Commission for Africa, 2008, p.17)

Countries across Africa specifically cite travel and tourism as a key pillar for economic growth and have allocated government funds to promote tourism. From a government perspective point of view, the main constraints that the tourism sector in Africa faces have to do with 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.” (United Nations Economic Commission for Africa, 2008, p.18)

Furthermore, UNECA noted that the tourism industry “is still very fragmented, and coordination is required, particularly for small and micro tourism firms. Traditionally, the focus of national governments has been at macro level (international promotion, attracting investors for major hotel and resort developments, national and regional master planning). Regulations, economic incentives, fiscal measures, resources and institutions to promote and disseminate good practices and in general, the policy space for tourism to respond to sustainability issues is inadequate, if not lacking in most cases.” (United Nations Economic Commission for Africa, 2008, p. 60)

Tourism is an economic sector offering key comparative advantages for countries in Africa due to its natural endowments, low cost labour and abundance of land. Governments need to find ways to transform these potentials into practices. Productivity improvement and better connections to and among markets are the basis for reaping the benefits of recent trends of tourism uptake. As mentioned by the World Economic Forum, “key ingredients to this success are governance and infrastructure, and the deployment of a combined strategy of spatial and economic development called growth poles.” (World Economic Forum, 2013, pp. 104-105)

In this global context of expansion and potential of the hospitality and tourism, the industry experiences sub-optimal performance and business constraints in LDC countries. In most of these countries, the tourism sector has not lived up to its full potential. The tourism industry grew from a mere US\$ 6.8 billion in international tourist receipts beginning in the 1960s to US \$ 941 billion by 2008 before falling to US \$ 852 billion in 2009. The geographical distribution of tourist receipts for 2009 reflects that of the indicated total: 48.5% went to Europe, 23.9% to Asia and the Pacific, 19.4% to the Americas, 4.8% to the Middle East and only 3.4% to Africa (United Nations World Tourism Organization, 2010). Africa’s share of tourist receipts has since grown as well albeit slowly.

Africa, however, is emerging as a key target market for international hotel investors and operators, particularly, the sub-Saharan Africa. According to a recent study published by Ernst & Young (2014), “approximately 30 sizable hotel groups operate in Africa, representing more than 60 brands. From a

geographic standpoint, approximately 47% of existing hotel rooms are in sub-Saharan Africa... In 2013, the development pipeline in sub-Saharan Africa increased 23% over the previous year, with about 80 hotels in various stages of development.” (pp. 20-21)

In particular, two LDCs are currently seen as hot spots for hotel investment and development. On the one hand, travel to Ghana increased due to extensive public investments in the country’s infrastructure, notably in the Kotoka International Airport). On the other side of the African continent, coastal Tanzania is drawing international attention, relying on leisure tourists, offering guests pristine beach resorts and extensive nature reserves for safaris. As in the case of Ghana, Tanzania’s government has recently increased its efforts to promote domestic and international tourism to the country, particularly China, India and Russia. (Ernst & Young, 2014)

Tourism is an economic sector offering key comparative advantages for countries in Africa. Governments need to find ways to develop this industry in a competitive way. In order to do so, they need to improve productivity and connections to and among markets and reap the benefits of recent trends toward regional integration. As mentioned by the World Economic Forum, *“key ingredients to this success are governance and infrastructure, and the deployment of a combined strategy of spatial and economic development called growth poles.”* (World Economic Forum, 2013, pp. 104-105)

If LDCs manage to overcome these constraints, they could offer new products for the hospitality and tourism industry, generating benefits for both parties. Greater tourist receipts could be generated, if the domestic business environment and international trading potentials could be better aligned and harnessed. Sound tourism development strategies and well coordinated implementation plans could 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 A KEY ECONOMIC SECTOR IN LDCS

Main message: Tourism is an industry with great potential and has strong links with economic growth and development. Local people living in LDCs could benefit in multifaceted manner from tourism investments. Tourism also provides LDCs opportunities for economic diversification and skills upgrading. Finally, tourism can support protection of environmental and cultural assets. LDCs have many unexploited tourism assets which could be offered as a very different tourism experience, rarely found in more commercialized destinations.

Great development potential and strong links with economic growth and development

According to empirical studies by the World Bank, there is a causal relationship between tourism development and economic growth. Furthermore, the IMF found that an increase of one standard deviation in the share of tourism exports leads to about 0.5 percentage point in additional annual growth, everything else being constant (Arezki, Cherif & Piotrowski, 2009). Hence, investing in its tourism industry represents an opportunity for LDC governments to stimulate growth over the long term and to enabling the poor to share in economic gains.

Livelihood. As put by the World Bank (2011), tourism is an industry *“where the ‘good’ or ‘service’ is consumed at the site of production.”* Local people are both at an advantage for benefiting from it, but also at

risk from exclusion (or even suffering the negative impacts that it can generate, e.g. mass tourism). This is the main reason why governments need to implement a strategic approach to tourism to create attractive investment conditions while at the same time ensuring long term benefits of their tourism potential. Following the World Bank, “[a] well planned, regulated and responsible tourism can be an excellent mechanism of channeling resources from rich to poor - even at the large scale. Commercial tourism activities provide an opportunity for local people to participate in direct employment, in providing goods and services to tourism businesses through the supply chain, but also in direct interaction with the tourist (for example: crafts, excursions, food and beverage). The generation of earnings amongst those local people directly involved with the industry in turn stimulates indirect spend (of wages) in the local economy.” (World Bank, 2011 October 27)

Opportunities for economic diversification and skills upgrading. LDCs could use tourism to support local business in developing new products for exports. In this sense, the tourism industry could provide a means for the local business to experiment with new products and test them in their home country before exporting them. While quality standards can be difficult to reach in the short-term, fully established quality standards lead to growth and improvement over time.

Potential for sustainable protection of environmental and cultural assets. LDCs often own a variety of natural and cultural tourism assets which need to be preserved in order to ensure the sustainable benefits of tourism products. LDC governments do not have the financial resources to ensure the preservation of natural areas. The revenue generated from tourism could be one solution to this problem, provided tourism is regulated and managed in a responsible manner and taxes are being collected from tour operators.

Alternative market opportunities for the tourism industry. LDCs are endowed with natural tourism assets and distinctive cultural heritage and historical sites. Some are designated UNESCO World Heritage Sites, representing a variety of unexploited tourism assets which can be turned into tourism products. LDCs could offer a very different tourism experience, rarely found in more commercialized tourism destinations such as natural beauty, rich flora and fauna, and prehistoric and cultural heritage. Likewise, mountains, valleys, and rivers provide memorable scenery for tourists, if international standards of tourism services and infrastructure are implemented.

For instance, tourism holds great potential for Lesotho because of its natural beauty and cultural heritage. A number of strategic objectives were implemented by the government to unleash this potential and increase the sector’s contribution to growth and development. The government seeks to develop new tourism products and circuits while, at the same time, protecting, conserving and managing cultural heritage resources. In order to do so, the government of Lesotho aims at improving the quality and standards of services by implementing accommodation star grading system and facilitating the provision of appropriate training to improve the skills of services providers. In addition, a different branding is envisaged to improve its marketability and visibility as a tourist destination (Central Bank of Lesotho, 2012).

Sub-optimal performance and business constraints in LDC countries

In most of LDCs, the tourism sector has not lived up to its full potential. The tourism industry grew from a mere US\$ 6.8 billion in international tourist receipts beginning in the 1960s to US \$ 941 billion by 2008 before falling to US \$ 852 billion in 2009. The geographical distribution of tourist receipts for 2009 reflects that of the indicated total: 48.5% went to Europe, 23.9% to Asia and the Pacific, 19.4% to the Americas, 4.8% to the Middle East and only 3.4% to Africa (United Nations World Tourism Organization, 2010). Africa’s share of tourist receipts has since grown as well albeit slowly.

Unfortunately, long-standing business risks and barriers persist in Africa. The most important limitation to the expansion of tourism is the poor transportation infrastructure, restricting the connectivity of the sub-Saharan region. Air travel is also limited and is generally expensive compared to other developing markets, such as the Middle East, mostly due to costly and unreliable supply of utilities. The road infrastructure is fragmented requiring official documentation (e.g., licenses, customs) result often in construction delays (Ernst & Young 2014). In spite of these constraints, the undersupply of hotel rooms in sub-Saharan Africa gained the attention of investors. At the end of 2013, “a major hotel brand announced its intention to acquire one of Africa’s leading hotel groups, whose assets encompass a portfolio of nearly 120 hotels with more than 10,000 rooms. This acquisition would not only double the brand’s footprint in Africa, it would further circumvent market entry barriers and result in gaining a significant competitive advantage on the continent.” (Ernst & Young, 2014, p. 21)

The lack of infrastructure also hampers greater productivity of the tourism sector in LDCs. In many cases, the scale of investment needed to improve the existing infrastructure often exceeds the potential of LDCs.

Tourism is a people driven industry. In countries such as LDCs, where most of the people work in the informal economy, the chance of escaping poverty trap is slim. Advanced and productive tourism services would offer opportunities to many people to be engaged in gainful employment. Other enabling conditions which address managerial skill shortage and/or capital scarcity would make sense. Effective tourism strategies can create sustainable income generating opportunities and provide employment needed to absorb large numbers of semi-skilled or unskilled workers. However, little progress has been made concerning the free movement of persons and the right of commercial presence which is raising real costs for the tourism sector (United Nations Economic Commission for Africa, 2008, p. 39).

REQUISITES FOR TOURISM BECOMING KEY DRIVER FOR SUSTAINABLE DEVELOPMENT IN THE LDCS

Main message: LDCs need to attract investments while at the same time promoting the public interest. This approach requires a general macro framework for economic development covering a wide range of issues such as economic growth & regional development; poverty, inequality & polarization; unemployment, health & education; environment & climate change; infrastructure; quality standards; and business environment. Based on these general objectives, an LDC government can design sector-specific development plans for selected industries, such as tourism in order to establish the right conditions for the industry to operate efficiently. This requires in turn interaction between different areas, namely: infrastructure, education, health, agriculture, etc.

Pillars for sustainable development

In order to attract tourism investment, LDC governments need to establish a sector-specific strategy which should be aligned with the country’s general strategic framework for development. Any general strategic framework for development conceives, at least, four major macro intervention pillars: political, economic, social and environmental. These pillars are very relevant for the tourism industry because they provide the basics for the implementation of the enabling conditions and for the establishment of clear regulatory frameworks.

The figure below shows the different pillars of a national economic development strategy and their link to sustainability.

Figure 1: Pillars of a national economic development strategy (Authors own elaboration)

[INSERT FIGURE 1 ABOUT HERE]

The *political pillar* aims at stabilizing the political process in the LDC as well as ensuring peace and security. The economic pillar focuses on the country's integration into the global/regional markets, the economic reforms needed to accelerate structural transformation and on the diversification of the economy. The social pillar strengthens the social sectors of education and employment and promotes poverty reduction efforts and promotes the reduction of regional inequalities. Lastly, the environmental pillar includes the "green dimension" in different actions and promotes sustainable development. Each intervention pillar requires clear result-based framework which identifies strategic objectives, strategic challenges, and problems impeding the achievement of strategic objectives, and expected long-term outcomes.

National development strategies encompass the activities of different sectors such as agriculture, education, housing, tourism and provide a general framework for the country's development. Within a national development strategy, the tourism sectors specific strategy and objectives should, as identified by the International Union for Conservation of Nature (IUCN) "*define a general methodological framework, the macro-economic parameters within which tourism will develop, sectoral policy guidelines, and goals that public investment must attain in this sector. The overall development plan of a country should recognize that tourism can play an important role in national development, especially at the regional (sub-country) level, due to its ability to generate employment and foreign exchange, and on account of the opportunities it provides for the recreation and education of the domestic population.*" (International Union for Conservation of Nature website)

Planning tourism at all levels is essential for achieving successful tourism development and for preventing of suffering from environmental and social problems resulting in marketing difficulties and decreasing economic benefits.

LDC governments need to establish a development strategy linked to the overall economic development of the country. They include a set of national strategic objectives as well as priority areas (such as tourism) where it envisages an opportunity for national development. These objectives are included in a national strategy which establishes the actions required to accomplish these objectives. Normally, these are cross-sectoral issues that require coordination among different government agencies and consultations with civil society and the private sector. For instance, the following are general objectives that an LDC government has:ⁱ

- *“Employment creating economic growth*
- *Promotion of peace, democracy, good governance and effective institutions*
- *Development of infrastructure (minimum infrastructure platform)*
- *Transformation of skills development institutions and improvement of skills and innovation base*
- *Reversal of environmental degradation and adaptation to climate change*
- *Improve health, combat HIV and AIDS and reduce social vulnerability”*

Overall, a general macro framework for economic development covers a wide range of issues. Some of the most important objectives are briefly discussed below.ⁱⁱ

Conditions for Economic growth & regional development in LDCs

The main objective of an LDC government is to create conditions for accelerated growth and job creation to ensure regional balance and inclusive development. In doing so, the government needs to ensure the creation of (higher value added) jobs and on the reduction of regional disparities. Persistent dependence of the economy on low-cost production and export sectors with low value added make it uncompetitive and vulnerable. LDC governments focus both on enhancing the business climate and improving public service delivery and access to employment in disadvantaged regions. In particular, regional trade agreements enabled LDCs to reach important milestones regarding liberalization and integration.

Poverty, inequality & polarization. The government needs to reduce socio-economic disparities as a way to cope with social challenges. In doing so, it must focus on poverty alleviation and food security. Social policies based on direct and indirect transfers (food and energy subsidies) aim at promoting inclusive growth-driven development. Likewise, economic growth is needed to reduce poverty in rural and urban areas and improving health and education indicators.

Unemployment, health & education. Structural unemployment as well as informal employment are key objectives for the economic development of LDCs. The government needs to implement the right policies to address a quantitative (between higher education and private sector needs) and qualitative (graduates lacking the required skills to enter the labor market) mismatch. Health risks are a major challenge for LDC governments.

Environment & climate change. Management of environmental issues is for LDC governments a key way to preserve their natural assets. In many cases, the environmental degradation is related to the difficulties encountered by the government in applying the law

Infrastructure. This is a crucial element for both the government as well as for the private sector tourism operators. Infrastructure development support requires the formulation and/or implementation of (public and private) investment programmes and strategies to improve the business environment at the national level and in the regions and to back the sophistication of the economy. Continuous infrastructure development is required for economic transformation.

Quality standards. High quality services standards need to be in place in the LDCs in order to attract investments in tourism. LDC governments focus on improving standards through different actions such as formulation of manpower training policies, establishing national curriculums and train-the-trainer programmes and organizing modalities for management training.

Business environment. Whether sectors are open or not to foreign investment, and requests for prior authorization are limiting factors of tourism development. LDC governments must overcome the main challenges for private sector tourism development such as insecurity, corruption, human resources, infrastructure, administrative procedures and systems, etc.

Once these general objectives have been reached, the government should design sector-specific development plans for selected industries, such as tourism.ⁱⁱⁱ The establishment of the right conditions for the tourism industry to operate efficiently requires the interaction between different areas such as infrastructure, education, health, agriculture, etc. For example, LDC governments need to ensure the occurrence of the following factors for the hospitality and tourism industry: sustainable waste management; local supply of food and other inputs; roads to get to tourism assets; hotel infrastructure; tourism specific skills training; energy provision.

The main goal for an LDC to promote tourism development is to increase the number of tourist arrivals and spending in the country. Many LDCs identified tourism as one of the key sectors to drive growth and employment because of it is labor-intensive and it has a potential to raise income in rural areas. For this

specific objective, LDC governments need to find ways to develop tourism industry and encourage further private sector participation.^{iv}

As mentioned before, infrastructure remains the biggest challenge for tourism development in LDCs. A key specific objective for the LDC governments should be to ensure that existing accommodation facilities and attractions are linked and that the basic infrastructure is in place on sites that have been identified for tourism investment. In some cases LDC governments, such as Lesotho, design a national tourism marketing strategy that identifies the country's unique selling-point and creates a distinctive brand to attract tourists in a number of niche areas (for instance, exploring traditional culture, pony-trekking, off-road biking, etc.).

LDC governments also need to protect their cultural assets. Limited protection of the rich cultural heritage from destruction threatens their existence for future generations. Efforts in packaging cultural products also limit the use of the product for viable tourism exploitation.

In closing, LDC governments have the objective of developing tourism products to their full potential while, at the same time, they have to protect their cultural heritages, improve quality and service standard, improve the marketability and visibility of the country as a destination of choice and, most importantly, improve the institutional framework and regulations. Strategic components to improve LDC's competitiveness need to be put in place by the government. As highlighted by Tanzania's Tourism Master Plan, these include:^v

- *“knowledge and ‘know-how’ strategy – improving range and quality of information on customers, distribution channels, suppliers, etc.*
- *investment strategy – attracting direct foreign and local investment*
- *product strategy – expanding and improving the tourism product*
- *infrastructure strategy – improving roads, utilities, etc.*
- *access strategy – improving air and ground access transport*
- *human resource development – improving skills and service standards*
- *marketing and communications strategy – creating greater awareness in marketplace*
- *capacity building strategy – strengthening tourism institutions*
- *security awareness strategy”*

LDC governments can also reach their tourism specific objectives by making commitments in the framework of the General Agreement on Trade and Services (GATS). Such commitments could establish the conditions for foreign tour operators to invest and operate in the LDC market. GATS commitments can be an important part of improving the business climate, by increasing regulatory transparency and predictability.

Tourism is one of the sectors where many LDCs have taken commitments in the context of the GATS and several countries within then group have included tourism as a priority sector under their poverty reduction strategic plans and programmes. According to Honeck, *“LDCs often lack internationally credible mechanisms for making commitments, which contributes to their evident difficulty in attracting the more employment-generating types of investment that could bring greater opportunities for poverty alleviation. Considering that most LDCs, under domestic laws, have already opened a wide range of services sectors to foreign direct investment (FDI), there may be an opportunity to enhance the international consistency and credibility of LDC investment promotion efforts by making GATS commitments, while preserving substantial “policy space” with regard to the actual status quo.”* (2011, p. 2)

In this sense, GATS commitments, can be used by LDC governments to establish investment priorities in services (such as attracting new businesses, encouraging joint ventures and technology transfer, etc.), and make them legally binding internationally.

For example, as depicted in the WTO website, Mali' GATS schedule of commitments establishes that "Hotel and restaurant services" are liberalized, with no limitations in GATS modes 2, 3 and 4 (consumption abroad; commercial presence; and presence of natural persons). Hence, foreign services suppliers in this sector face no limitations to: -offer their services to Mali citizens who travel to foreign countries concerned (mode 2); - establish a "commercial presence" in Mali by which the service is supplied by setting up a business or professional establishment, such as a subsidiary corporation or a branch or representative office (mode 3); and -allow natural persons to enter to Mali's national territory to deliver services (mode 4) (e.g. ICT experts specialized in sophisticated booking and administrative software).

Finally, some LDCs are members of major regional trade agreements (RTAs).^{vi} These agreements contain provisions on different subjects which are very relevant for the tourism industry ranging from common standards, to joint marketing, to establishing training institutions.^{vii} All such agreed initiatives should be implemented with immediacy to foster greater regional integration in both supply and value chains in accordance with respective comparative advantages of each member country of a RTA. Active use of RTAs could enhance tourism sector competitiveness and the attractiveness of its products.

Reducing revenue leakages through government measures and strategy

"Leakage" refers to the negative economic impacts of tourism in the local economy. For instance, LDC governments are not able to reap the benefits of tourism due to large-scale transfer of tourism revenues out of the host country and due to the exclusion of local businesses and tourism products.

According to the United Nations Environment Programme (UNEP) website, "[i]n most all-inclusive package tours, about 80% of travelers' expenditures go to the airlines, hotels and other international companies (who often have their headquarters in the travelers' home countries), and not to local businesses or workers. In addition, significant amounts of income actually retained at destination level can leave again through leakage... Of each US\$ 100 spent on a vacation tour by a tourist from a developed country, only around US\$ 5 actually stays in a developing-country destination's economy." The figure below shows how leakages occur.

Figure 2: Tourism leakages (United Nations Environment Programme website)

[INSERT FIGURE 2 ABOUT HERE]

Two main forms of leakages are identified. The "import leakage" occurs when "tourists demand standards of equipment, food, and other products that the host country cannot supply. Especially in less-developed countries, food and drinks must often be imported, since local products are not up to the hotel's (i.e. tourist's) standards or the country simply doesn't have a supplying industry. Much of the income from tourism expenditures leaves the country again to pay for these imports. The average import-related leakage for most developing countries today is between 40% and 50% of gross tourism earnings for small economies and between 10% and 20% for most advanced and diversified economies." (United Nations Environment Programme website)

On the other hand, the "export leakage" relates to multinational corporations and large foreign businesses having a substantial share in the import leakage. Often, especially in LDCs, the foreign tourism operators are the only ones that possess the necessary capital to invest in the construction of tourism infrastructure and facilities. As a consequence, an export leakage occurs when overseas investors who finance the resorts and hotels repatriate their profits back to their country of origin.

Finally, there are other negative economic impacts of tourism that LDC governments must prevent. These negative impacts can result in tensions between LDC governments and foreign tourism investors. One has to do with the high costs of tourism development infrastructure for local governments and local taxpayers. As put by UNEP, *“developers may want the government to improve the airport, roads and other infrastructure, and possibly to provide tax breaks and other financial advantages, which are costly activities for the government. Public resources spent on subsidized infrastructure or tax breaks may reduce government investment in other critical areas such as education and health.”* (United Nations Environment Programme website)

Tourism development often results in a rise in real estate demand which can dramatically increase building costs and land values. This makes it more difficult for local people to meet their basic daily needs, especially in LDCs. But it can also result in a dominance by outsiders in land markets and in-migration that erodes economic opportunities for the locals, eventually disempowering residents. As identified by UNEP, long-term *“tourists living in second homes, and the so-called amenity migrants (wealthy or retired people and liberal professionals moving to attractive destinations in order to enjoy the atmosphere and peaceful rhythms of life) cause price hikes in their new homes if their numbers attain a certain critical mass.”* (United Nations Environment Programme website)

LDC governments need to keep a balance between tourism development and their overall economic diversification strategy. An extreme economic dependence of the local community on tourism can put major stress upon this industry as well as the people involved to perform well. *According to UNEP, the “[o]ver-reliance on tourism, especially mass tourism, carries significant risks to tourism-dependent economies. Economic recession and the impacts of natural disasters such as tropical storms and cyclones as well as changing tourism patterns can have a devastating effect on the local tourism sector.”* (United Nations Environment Programme website)

And last but not least, the seasonal character of jobs created by tourism development can create economic problems. These problems include: *“job (and therefore income) insecurity, usually with no guarantee of employment from one season to the next, difficulties in getting training, employment-related medical benefits, and recognition of their experience, and unsatisfactory housing and working conditions.”* (United Nations Environment Programme website)

LDC governments need to ensure a positive and sustainable impact of the tourism industry on the local economy. Partnerships are certainly an option to do so and can cover a variety of issues such as *“waste management, water use, energy supplies, development of local craft markets, local guiding services, improvement of local enterprises and services, seafront development, creation of pedestrian streets and local restaurants and cafes, management of attractions and development of new ones, management of begging, traffic control, control of sex tourism and policing of crime, as well as festivals for local people and tourists to enjoy together.”* (United Nations Environment Programme website)

Partnerships between tourism operators and local communities can help enrich an LDC’s destination by offering the opportunity to local entrepreneurs to sell their products and services to tourists and by benefitting from enhancement of public spaces, parks, gardens, promenades and pedestrian streets. Effective local partnerships between government, hoteliers and local communities could also help to reduce hassle of tourists and feelings of risk to health or safety.

VALUE & SUPPLY CHAIN: SYSTEM PERSPECTIVE FOR TOURISM DEVELOPMENT IN LEAST DEVELOPED COUNTRIES

Main message: LDC governments seek to attract tourism investments. In order to do so they put in place, sector-specific strategies that are embedded in the general macro framework strategy for development. One of the key components to facilitate the efficient operation of the tourism industry is the adoption of a value and supply chain approach.

LDC governments seek to attract tourism investments. In order to do so, they put in place, sector-specific strategies that are embedded in the general macro framework strategy for development. One of the key elements to facilitate the efficient operation of the tourism industry is the adoption of the value and supply chain system perspective.

A value chain describes *“the full range of activities that are required to bring a product or service from conception, through the intermediary phases of production (...), delivery to final consumers, and final disposal after use.”* (Kaplinsky, 2004, p. 76)

On the other hand, according to The Travel Foundation, the benefits for business from adopting a tourism supply chain management include *“retention of clients, as they increasingly expect responsible behavior even from those not willing to pay for it; increased revenue; reduced costs and improved operational efficiency, remaining competitive to assess and respond to risks and opportunities in the market; management of risks and staying ahead of legislative requirements; enhanced staff performance, achievement of better recruitment and staff retention, as satisfied staff are a key asset; protection of the core assets of the business (environment and culture); and enhanced brand value, reputation and market share, protecting image and status, particularly for companies publicly quoted on stock markets.”* (The Travel Foundation, 2002, p. 1)

It is worth mentioning that in regard to tourism supply chains, tourists travel to tourism destinations that have particularly high service component, involving a high proportion of people in the immediate production of tourism (The Travel Foundation, 2002, p. 3). Supply chain activities refer to activities, inputs and support services relevant to the tourism products to be offered. As mentioned before, supply side constraints are inadequate infrastructure, low productivity, untapped economies of scale, and lack of support services.

The value chain analysis complements the supply chain can result in diversification and industrial economic development. Activities that add value are the crucial first step in moving up the value chain. However, these capacities need to be augmented with appropriate quality standards and practices in order to gain access to important global markets and to satisfy consumers in an increasingly competitive marketplace. Along with appropriate infrastructure, the value addition process can be upgraded by the creation of environmentally sustainable production capacities, distribution systems, business linkages and investment regimes. This requires suitable national policies, adequate institutional support and extensive enterprise development involving the private sector.^{viii}

A value and supply chain perspective is useful to identify both the needs of the hospitality and tourism industry, and the strengths and weaknesses that an LDC has in terms of enabling conditions for business. It can also support greater value creation of the countries' tourism industry and economy.

A government's coherent cross-sector tourism strategy offers investment incentives to foreign tour operators and provides local service providers opportunities to better link up to with the supply and value chains and backward linkages of the global tourism industry. Effective tourism strategies require investment in the

tourism industry itself, i.e., hotels, transportation, catering and restaurants, but also entail investments to strengthen forward linkages to value chains and backward linkages to supply chains. The absence of integrated development approaches such as project investments ranging from infrastructures to game parks impedes the higher rates of return that would otherwise be possible.

A joint study prepared by the World Trade Organization, the United Nations World Tourism Organization and the Organization for Economic Cooperation and Development (2013, pp. 10-11) showed that the quality of the general business environment and adequate access to finance play an important role when it comes to allowing suppliers in LDCs to operate effectively and to connect to global value chains. One of the main elements for the success of local suppliers of services is adequate levels of labor skills. However, other inter-linkages are equally relevant such as sourcing food from the local economy, offering other leisure services or selling local products to travelers.

The figure below shows the complexity of a typical tourism value chain illustrating the activities that take place in the outbound country (i.e. the tourists' country of residence) and those taking place in the inbound country (i.e. the tourists' destination country). As it can be seen from this figure, there are activities that are a direct part of the tourism sector, while others that are indirectly linked. LDCs that manage to exploit these linkages in an optimal way will maximize the development potential of tourism.

Figure 3: Tourism value chain (World Trade Organization, United Nations World Tourism Organization & Organization for Economic Cooperation and Development, 2013, p. 23)

[INSERT FIGURE 3 ABOUT HERE]

Without such a systemic approach to tourism development for example, health and hygiene or transportation, international tourists might be deterred and going instead to countries with much higher level of tourism development and product sophistication. In turn, if investments made in hotels and other facilities show disappointing returns and if adequate attention is not been paid to the rest of the supply chain, such as guarantee sufficient supply of fresh foods, or convenience of access; or the value chain such as service quality, construction standard just to name a few. The above-mentioned phenomenon of “leakage” in the tourism sector has often been the consequence of these neglects.

Examples of backward and forward linkages of the tourism industry are: transport, hotel & facilities, health and hygiene, quality standard, investment, education & training services, and local agricultural inputs. For example, Zambia is an LDC that has adopted a value and supply chain system orientation and addressed fully these business linkages in the key development instruments such as the country's Diagnostic Trade Integration Study and Poverty Reduction Strategy Paper (CSEND, 2011, p. 46).

TOURISM DEVELOPMENT STRATEGY AND PARTNERSHIPS

Main message: Developing a strategic tourism framework requires a lot of inter-sectoral work among government ministers and agencies. Tourism is a cross-sectoral activity and, as such, it requires the interaction of different policy areas. While the Ministry of Tourism is a critical component for tourism development, other ministries are very relevant as well. In addition, government to industry consultation is critical for the design and implementation of an effective tourism development strategy.

A lack of policy coherence often leads to sub-optimal government responses and ineffective policy design. Inter-Ministerial Policy Coordination (IMC) is a must each time a country faces complex and interconnected cross-sector challenges like climate change, migration, financial instability, refugees, conflicts, unemployment, and job perspectives for the youth which affect trade policy directly and/or indirectly. Effective inter-ministerial policy co-ordination is based on achieving three targets namely eliminating redundancy of policy and projects; achieving policy coherence and reducing fragmentation resulting from cross-cutting issues; and integrating numerous tourism development initiatives in a coherent manner (Saner, 2010).

Different levels of intra-governmental coordination are identified in the figure below. This typology defines the different types of mechanism for government's coordination in terms of country's governance orientation (along the centralization / decentralization continuum). This typology provides a tool for LDC governments in determining the appropriate coordination structure for the design and implementation of tourism development strategies.

Figure 4: Levels of intra-governmental coordination (CSEND, 2010)

[INSERT FIGURE 4 ABOUT HERE]

Through improved IMC mechanisms, developing countries and LDCs could achieve more effective tourism development strategies. However, without broader policy consultation with economic and social partners, IMC alone cannot achieve national consensus on trade policy objectives. IMC and stakeholder consultation processes are complementary and need to be conducted in during all stages of policy making namely: 1) initiation; 2) formulation; 3) implementation; 4) evaluation; 5) monitoring.

Improving on existing coordination and consultation practices requires a well designed and functioning monitoring system. LDCs need process monitoring systems to keep abreast of current practice which in turn provides them with the possibility to continuously improve institutional performance and organizational learning.

IMC and stakeholder consultation are key issues in the process of mainstreaming tourism development in a coherent manner with the LDCs general economic development strategies. The development of a strategic framework requires a lot of inter-sectoral coordination among different government agencies. Tourism is a cross-sectoral issue and, as such, it also involves the interaction between different issue areas in order to establish a sector specific strategy. High performance in the tourism sector requires a well coordinated development strategy to ensure quality inputs such as transportation, hotel accommodations, restaurants, sightseeing, sports and entertainment. Other business conditions are equally important in making a tourist feel comfortable and secure. This involves health and hygiene, variety of food choices, banking services, electricity and water supply just to name a few. Provision of the above requires cross-sector cooperation and setting investment priorities. Without proper governance mechanisms for policy making and implementation, it would not be easy to develop a well configured and diversified tourism product.

Coordination can be utilized to eliminate tourism development objectives that are redundant or are duplicating certain activities. Coordination is also a necessary element to manage tourism-related cross-cutting issues, when different client groups should be provided with services and programmes that are comprehensive and integrated. Furthermore, the effective functioning of coordination can ensure greater internal policy coherence in government as well as collaboration in implementation of tourism development strategies.

The Ministry of Tourism is an important component for tourism development but other ministries and public agencies are also equally relevant as well as tourism business associations and other industry stakeholders. In the case of LDCs, some ministries have mandates which include other issues than tourism: Burundi's government has a Ministry of Trade, Industry and Tourism (<http://www.commerceetindustrie.gov.bi/>) while Benin's government has a Ministry of Culture, Traditional Crafts, and Tourism (<http://www.cotonou-benin.com/mcat.html>).

The role and function of a Ministry of Tourism is to act as nodal agency for the formulation of national tourism policies and programmes and for the coordination of activities. The Ministry plays a crucial role in coordinating efforts with other policy areas. For example, Tanzania's Ministry of Natural Resources and Tourism is the ministry responsible for the sustainable conservation of natural and cultural resources and development of responsible tourism. The Tourism Division of the Ministry is responsible for the sectoral policy, planning, research, manpower, training, statistics, licensing and quality control of tourist agents. The Division is responsible for formulation and enhancement of sectoral policy and regulatory functions and its major objective is to ensure the implementation of the National Tourism Policy as well as regulatory functions. The main objective of National Tourism Policy is to promote the economy and livelihood of the people, essentially poverty alleviation by encouraging the development of sustainable and quality tourism that is culturally and socially acceptable, ecologically friendly, environmentally sustainable and economically viable.

The main functions of the Tourism Division are reproduced in the box below.

Box 1: Main functions of the Tourism Division of Tanzania's Ministry of Natural Resources and Tourism (<http://www.mnrt.go.tz/sectors/category/tourism>)

- Sectoral planning and budgeting
- Formulating and reviewing legislation
- Monitoring and evaluation of the sector
- Manpower planning and human resource development
- Researching, training and curriculum development
- Licensing and control of tourist agency business.
- International co-operation and collaboration
- Identification of tourist attractions and diversification of tourism activities.
- Undertaking impact assessment on cultural and social-economic activities
- Setting and reviewing license fees and monitoring their issuance
- Controlling quality of tourism facilities & services by carrying out inspection, classification and grading
- Taking legal actions
- Appraising investment proposals
- Undertaking resource mobilization
- Developing and promoting domestic tourism

In addition to the Ministry of Tourism, there are other government agencies which are very important for the design and implementation of a tourism development strategy. The presence of governance mechanisms pertaining to tourism development is crucial for the development of an effective strategy and for ensuring effective communication between government and industry. In this sense, LDCs domestic institutions such as an Inter-Ministerial Policy Coordination Mechanism, a Government to Industry Policy Consultation

Mechanism, and Tourism Industry Organizations, play a critical role in ensuring the enabling conditions for the tourism industry.

Many LDCs have a National Tourism Board for consultation with the business sector. Such Boards often do not have a clear mandate with cross-ministry coordination function and power. For example, the Madagascar National Tourism Board (<http://www.madagascar-tourisme.com/en/terms-and-conditions>) is an independent agency working to promote the destination and preserving the natural and cultural environment. It has the following functions: ensure the dialogue and consultation with the private sector; contribute to the development, coordination and implementation of tourism policy both nationally and internationally; perform actions contributing to the promotion of the “Madagascar” destination in foreign markets; represent the private tourism sector in relations with international donors; provide facilities and information for tourists; coordinate the activities of various private partners in tourism development in Madagascar; coordinate the organization of training identified; among other issues.

Another example is Lesotho’s Tourism Development Corporation which has the following functions:

- *“To promote and generate sustainable and profitable tourism projects which demonstrate a high absorptive capacity for labor.*
- Mobilization of requisite resources to meet the demand for financial and infrastructural requirement from the local and international donor/financial institutions and the private sector.*
- To market and promote Lesotho as a preferred destination for tourists (increased market share of global tourist traffic) in such a manner that will contribute to generation of additional foreign exchange, improved balance of payments and creation of employment.*
- To promote and increase the flow of domestic tourism by marketing internally the unique selling points of Lesotho with particular accent on appreciation of heritage, traditional and cultural endowments and responsible use of environment.”* (Lesotho Tourism Development Corporation website)

Finally, national tourism websites are often made available online by LDC governments promoting different tourist destinations and attractions in the country. These websites are useful for the tourism investors to identify the current and tourism products.

Based on information available from the Diagnostic Trade Integration Studies and Poverty Reduction Strategy Papers, it can be observed that the majority of LDC governments have not established formal IMC mechanisms linked to tourism policies. Furthermore, institutional reinforcement of Ministries of Tourism in terms of capacities and budget (mainly) is needed and hence has been proposed in several of these instruments. (CSEND, 2011, p. 21) Inter-ministerial coordination and private sector consultations have not been sufficiently formalized with clear guidelines and monitoring mechanisms. In many LDCs there seems to be no clear designation of policy leadership in regard to tourism development where inter-sectoral cooperation is necessary and unavoidable. Better coordinated and consulted tourism policies with cross-sector commitment and engagement by the private sector would also ensure better returns of investment directly or indirectly of tourism development.

CONVERGENT & DIVERGENT INTERESTS OF GOVERNMENT AND BUSINESS

Main message: There are convergent and divergent interests between LDC governments and tourism operators of developed countries. These are defined by the different roles played by each actor. The government needs to attract sustainable investment and the investors need to maximize their profits and, hence expect business friendly conditions from governments. Sustainability is the most important convergent

interest. Partnership and collaboration between LDC governments and private sector can leverage convergent interests.

Host country's governments need to ensure a proper business landscape for the operation of the global hospitality and tourism industry. An effective tourism development strategy, from the perspective of a host LDC must create attractive investment conditions (and make effective use of development aid) while at the same time ensuring long term sovereign rights of their tourism potential. The United Nations World Tourism Organization has identified a set of LDC government's interests when ensuring the benefits of tourism for the poor:

- *“employment of the poor in tourism enterprises;*
- *supply of goods and services to tourism enterprises by the poor or by enterprises employing the poor;*
- *direct sales of goods and services to visitors by the poor (informal economy);*
- *establishment and running of tourism enterprises by the poor - e.g. micro, small and medium sized enterprises or community based enterprises (formal economy);*
- *tax or levy on tourism income or profits with proceeds benefiting the poor;*
- *voluntary giving/support by tourism enterprises and tourists; and*
- *investment in infrastructure stimulated by tourism also benefiting the poor in the locality, directly or through support to other sectors.” (United Nations World Tourism Organization website)*

The overall objective of government interventions in tourism development is to enhance the positive impacts that tourism can have on poor people by removing barriers that prevent poor people from entering the tourism industry; enhancing the terms on which they work; and improving the knock-on effects that tourism operations have on surrounding communities (Ashley Mitchell & Spenceley, 2008). It is a major responsibility for the LDC governments to minimize the adverse impact of tourism. This is a major political concern that governments have but companies do not necessarily have to have.

On the other hand, there are different elements required by global tourism operators without which they might not be willing to invest in an LDC. ^{ix} Travel and tourism industry's main interest is to be given top priority by the LDC government in the creation of a competitive business environment. The industry expects the tax burden to be reduced on air travel to boost tourism. Its main interest is to ensure that taxation of the sector does not hinder the development of travel and tourism.

The industry seeks to encourage greater freedom of travel overcoming political demands for strict immigration controls. Investing and cooperating in regional visa integration is envisaged as an initiative which can offer enormous economic returns. The industry hence often requests smarter visa procedures. Strategies for visa facilitation include investments in more streamlined processes, improved delivery of information, development of technological solutions (such as e-visa programmes), and cooperation and collaboration with neighbouring regions.

Tourism investors need to avoid human resources shortages, which could limit its ability to provide the necessary levels of services to travellers. A growing industry should also have the appropriate and sustainable physical infrastructure to support its growth (rail, airport and other facilities to enable the industry to grow).

Other issues demanded by the tourism industry are related to the question as to who implements the tourism development strategy. According to Ernst & Young, tourism enterprises *“today look for private sector leaders, such as senior executives with direct hospitality experience, rather than political appointees to*

carry out a destination’s marketing strategy. Tourism enterprises that seek top talent in the private sector often outperform their public counterparts, given their ability to function free of political interference and familiarity with an incentive- and goals-driven operating model.” (2014, pp. 18-19)

Global tour operators often have everything in place to start a new business but a destination is missing. This creates an opportunity for the LDCs. Table 1 below identifies different issues needed by the government and the business sector. If both parties are engaged, they have many things to offer for the benefit of the other.

Table 1: Business and Government needs and offers (Authors own elaboration)

	What are their needs?	What can they offer?
Tourism Operators	<ul style="list-style-type: none"> -A predicable investment environment with clear rules -Basic infrastructure (roads, etc.) -High quality standards -Low transaction costs -Revenues and profits 	<ul style="list-style-type: none"> -Jobs -Economic dynamism -Creation of local suppliers -Spillover effect on other economic sectors -Know how -Foreign investments -Tax revenues
Government	<ul style="list-style-type: none"> -Economic growth -Create sustainable jobs -Reduce poverty -Ensure that benefits from FDI are re-distributed -Ensure consumers’ access to goods and services 	<ul style="list-style-type: none"> -Tourism assets (new markets) -Competitive enabling environment for investment -Support for SMEs willing to link up the tourism value and supply chain -Provision of specific skills required by industry -Infrastructure for improving the movement of travelers from the airport to tourist attractions -stable and safe environment

LDC governments and tourism operators have convergent interests which can help them to reinforce the mutual partnership and collaboration. For example, both actors aim to transform national tourism assets (resources) into tourism “capital” to be offered as new destinations or experiences. Both LDC governments and industry share the objective of increasing of tourism receipts.

Sustainability is another convergent interest. It is an important aspect of an effective tourism development strategy (both for LDC governments and for the tourism investors) and for the better use and conservation of national tourism assets. Lack of oversight of sustainability in today’s context of climate change and environmental vulnerability could mean accelerated deterioration of a country natural environment, a key element of LDCs 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.

Sustainability is not only important for LDC governments. Many developed countries such as Italy have already started to implement measures to ensure the natural environmental sustainability of their tourism destinations. Indeed, a remarkable competitive sustainability advantage is available in natural environments without factories, with a local economy based on agriculture, with nuclear-free zones, only a few airports in the region. A recent study shows that the quality of the environment, its uniqueness and integrity are of

greatest satisfaction and are key to maintaining tourist satisfaction (Camillo, Minguzzi, Presenza & Holt in press).

Conversely, there are other issues where government and tourism industry are likely to have divergent interests. These divergent interests are a natural consequence of the logic with which the government and the industry operate: while the government must promote the public interest, the industry must focus on the maximization of benefits and return on tourism investments.

For instance, in terms of a more conducive investment environment, both actors have divergent views. Tourism investors normally ask governments to reduce market entry requirements while LDC governments might need to maintain them at a certain level in order to ensure that the benefits of those investments remain in the country (limitation of profit leakages).

A similar situation occurs when a country attempts to promote diversification of its tourism products. LDC governments might face certain difficulties with big global tour who request an exclusive market presence in the country. It is in the interest of the government to prevent tour operators from gaining monopolistic dominance which is also not useful for a foreign tour operator as it can slow down productivity improvements and more sustainable tourism practices.

Partnership and collaboration between LDC governments and private sector can leverage convergent interests. For example, tour operators can provide support to help LDC governments make better use of their tourism assets and potentials. Sometimes, government officials and experts from international organizations approach tourism development from a theoretical point of view and experience difficulties in regard to product specification and market development. What can very much be missing is a business development plan and tourism operational perspective seen from a tourism operator with regional commercial presence.

Partnership and collaboration also require competitors to work with each other, and different sectors to cooperate with each other. Economies of scale can be gained by businesses working together and transparent partnership approach can help engage all stakeholders with the support of government.

CONCLUSION AND RECOMMENDATIONS

Tourism is an opportunity for both LDC governments and for tourism operators. This is confirmed by the recent trends in tourism development showing the increase of tourists travelling around the world. As a sector with potential, tourism is an opportunity for LDC governments to create jobs, reduce poverty and foster economic growth. At the same time, the unexploited potential of tourism in non-traditional destinations can create opportunities for tourism operators searching for new markets and offering new tourism products.

Performance of the tourism industry depends on many different factors, ranging from infrastructure, local attractions, security, health conditions and the quality of services. To get all these factors right for the tourism industry, the role of government in setting the policy environment, investment conditions and market conditions in general is critical for the effective operation of tourism industry. Incoherence or fragmentation in regard to governmental vision, strategy, policies and actions can however become barriers which prevent LDCs from achieving sustained and successful tourism development. A minimum coherence among the various policy instruments and complementarity is needed to foster a more comprehensive development of the sector.

In order to improve the economic performance of the tourism industry in LDCs, greater efforts are needed to improve tourism infrastructure including physical (roads, transportation) as well as other soft and human factors (e.g. managerial competence, service quality, food security and hygiene). Equally important is the development of cultural and creative industries. Strengthening these different elements requires an overarching strategic plan, concerted investments and political leadership; otherwise countries risk an increase in fragmentation and ineffectiveness in their tourism plans.

Tourism strategies require intense coordination among ministries including those with mandates not directly related to tourism, but which nevertheless govern policies that impact the tourism industry.^x None of the countries assessed in the authors' recent study showed evidence of an institutionalized Inter-Ministerial Coordination (IMC) process (Saner, 2010)^{xi}, whether in terms of mechanisms, procedures and guidelines for institutional leadership. LDCs need process monitoring systems to keep abreast of current practice which in turn provides them with the possibility to continuously improve institutional performance and organizational learning.

In order to maximize the benefits of tourism investments, the LDC governments should design and implement sector specific strategies which define objectives to be met because governments need to provide the right conditions for business to operate efficiently while, at the same time, ensure that the benefits of the tourism investments reach a large part of their population. In other words, LDC governments need to provide enabling conditions for business, reduce profit leakage and externalities, and ensure that tourism investments create jobs and opportunities for the local communities. The role of the public sector in tourism development should encompass infrastructural investment; registration, grading and inspection; development planning; manpower planning and training; destination marketing; enterprise development; and security awareness.

When a company invests in an LDC, negotiations are not simple business-to-business negotiations but instead consist of business-to-government and government-to-business negotiations. Both parties need to obtain negotiated agreements that are mutually beneficial and sustainable. Information on decision making at the government level is crucial for tourism operators and investors. In many cases, in countries such as LDCs, it is not clear who the focal point is in the government administration nor which is the area or ministry with which a company needs to interact in order to channel its demands and ensure an effective access to the market.

Understanding an LDC government's tourism strategy is equally important for tourism operators and investors in order to reach better outcomes when negotiating with the government on the conditions to operate in the local tourism market. Regular monitoring can support gathering useful information needed to maintain factual reflections with an LDC government. Gathering information about an LDC national development strategy establishing the general framework and the sector-specific strategy highlighting the governments' objectives are of utmost importance for tourism operators. A well informed business investor can certainly increase the chances of getting a better outcome from the interactions and negotiations with the government.

Relationships between the public and private sectors need to be based on partnership and collaboration, especially when capital is involved to improve infrastructure. Partnership and collaboration between LDC governments and private sector can leverage convergent interests and help both actors to find mutual positions around divergent interests.

Recommendation for tourism operators and investors in tourism in LDCs

- Given the aforementioned challenges, hotel operators and investors entering the market need to effectively collaborate with strong local partners and advisors to mitigate risks. Yet such

collaboration needs to observe the established international norms and conventions such as the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. This is of particular importance as greater transparency and scrutiny by the public for “unethical” or “irresponsible” business conducts.

- Promote joint activities and knowledge exchanges such as workshops to help LDC governments to identify potential tourism assets for future development and to share information on the business requirement for making investment decisions.
- Partnering with other local and global competitors to support the creation of national chambers of commerce for tourism in order to identify common needs and advocating comprehensive tourism development strategy and soft and hard infrastructure investments. Furthermore, such chambers can also support the upgrading of skills, quality standards and deployment of best practices.
- Establishing proper business-to-government channels to ensure that the tour operators’ requests and needs are heard and considered by the government. On the other hand a two way communication and exchange could also facilitate innovation and new business models in developing this sector.

Recommendation for LDC governments

- Promoting partnership and collaboration with the local tourism industry and foreign tour operators. Inclusive collaboration needs to involve non-business stakeholders in the process in order to ensure the long term interests of the investor and local communities and small businesses will be addressed and sustainability achieved.
- Mobilizing alternative resources including domestic private investors to support the development of transport networks and physical connectivity essential to tourism flows. For the landlocked countries, transport networks with neighboring countries would be essential to increase the number of incoming tourists and the shares of revenue per tourist in the destination country. Reducing financial leakage and negotiating better conditions from foreign investments can also help finance some of the essential infrastructure investment. Private-Public Partnerships can also be considered if the government has the “maturity” to manage and regulate such modalities.
- Supporting a forum for the tourism sector to work more closely with other sectors vital to tourism industry. Consultation can improve the service or product provisions by the connected sectors which increase the value of tourism investment such as hotels, game parks and other tourist attractions.
- Implementing structural reforms to reduce bureaucracy and red tapes and to prevent corruptions and other self-destructive practices such as the conflicting requirements of different government offices. The latter is essential to achieve coherent public investment programmes to ensure sustainable development of the tourism industry.
- Strengthening linkages of the national tourism industry with other sectors of the national economy. Tourism creates demands in its own right for diverse products and service inputs. It also provides spin-off business opportunities for other secondary services, from health services, banking to training and other cultural and festive programmes and activities. Hence, strong links would facilitate greater dynamism of the sector and higher turnover and circulation of financial benefits.

- Improving the quality infrastructure of the country, including the provision of laboratory testing services for product safety and skill development, which is essential to safeguard health conditions, sanitation and food safety on the one hand, meeting performance standards on the other.

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ENDNOTES

ⁱ Adapted from Lesotho (Molapo, 2013).

ⁱⁱ Adapted from Tunisia's Country Strategy (African Development Bank, 2014).

ⁱⁱⁱ These sector-specific objectives were adapted, as an example, from Lesotho's National Strategic Development Plan 2012-2017. These objectives are similar to those of any other LDC government.

^{iv} Adapted from Lesotho's tourism specific objectives (Government of Lesotho, 2012).

^v Adapted from Tanzania's Tourism Master Plan. (Tanzania's Ministry of natural Resources and Tourism, 2012).

^{vi} East African Community (EAC), Commission de la Communauté Economique et Monétaire de l'Afrique Centrale (CEMAC), Economic Community Of West African States (ECOWAS) and Common Market for Eastern and Southern Africa (COMESA).

^{vii} Details of these RTAs containing specific elements to tourism include the following: integrate environmental management and conservation measures in all developmental activities; standardize hotel classifications, harmonize professional standards of agents in the tourism and travel industry within the community; coordination of marketing of quality tourism into and within the community, joint promotion of products portraying natural and socio cultural values of the region; facilitate movement of travelers; framework for tourism statistics; promote establishment of efficient tourism enterprises; and establish training institutions.

^{viii} For an analysis on the value chain in LDCs, see Saner, R., Yiu L. & Bhatia, A. (2009). *Commodity Development Strategies in the Integrated Framework*. UNDP Study, p11. Retrieved May 7, 2014, from

<http://www.undp.org/content/dam/aplaws/publication/en/publications/poverty-reduction/poverty-website/commodities/commodity-development-strategies-full/Commodities%20in%20the%20IF%20Study%20UNDP.pdf>

^{ix} Global The International Briefing website (2012), "Countries should understand the huge economic benefits of travel and tourism", <http://www.global-briefing.org/2012/10/countries-should-understand-the-huge-economic-benefits-of-travel-and-tourism/>

^x For concrete recommendations for LDC governments to develop the tourism industry, see the CSEND document adopted by the Sub-Committee on LDCs and Council for Trade in Services (WT/COMTD/LDC/18, S/C/W/328), available from http://docsonline.wto.org/GEN_viewerwindow.asp?http://docsonline.wto.org:80/DDFDocuments/t/WT/COMTD/LDC18.doc. For more information on IMC and tourism development see information and documents of two Round Tables organized by CSEND in

2010 and 2011 respectively, available from the following links: <http://www.csend.org/announcements/whats-new/256-round-table-at-wto-on-sustainable-tourism> and <http://www.csend.org/related-information/280-2nd-round-table-on-tourism>

^{xi} See also CSEND (2009). Inter-Ministerial Coordination in Trade Policy Making, November 2011, *Policy Brief no. 6*. Retrieved May 7, 2014, from http://www.csend.org/images/articles/files/20111130rev-Policy_Note_IMC-Tourism_UNCTAD_DOHA_2012_LSY_RS.pdf