



## World Bank – ABCDE Conference- Europe

### SUSTAINABLE TOURISM AND POVERTY ALLEVIATION

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#### Trends in Tourism

Total international tourist arrivals have grown from a mere 25 million in 1950 to 718 million in 2002. This represents an average annual growth rate close to 7% over this period. The receipts generated by these arrivals have reached 474 billion US dollars in 2002, and the average annual growth rate has been even higher than that of arrivals.

Perhaps more important than this growth has been the diversification of destinations that has taken place during the last 30 years or so. While in 1950 fifteen countries, all of them from Europe plus USA and Canada, accounted for over 90% of total international tourist arrivals, in 2002, their share of the market had fallen to around 60%. In parallel, many developing countries saw their tourist arrivals increase significantly.

#### World's Top Tourism Destinations by International Tourist Arrivals

Rank	1950	World Share	1970	World Share	1990	World Share	2002	World Share
1	United States		Italy		France		France	
2	Canada		Canada		United States		Spain	
3	Italy	71%	France	43%	Spain	38%	United States	35%
4	France		Spain		Italy		Italy	
5	Switzerland		United States		Hungary		China	
6	Ireland		Austria		Austria		United Kingdom	
7	Austria		Germany		United Kingdom		Canada	
8	Spain	17%	Switzerland	22%	Mexico	19%	Mexico	14%
9	Germany		Yugoslavia		Germany		Austria	
10	United Kingdom		United Kingdom		Canada		Germany	
11	Norway		Hungary		Switzerland		Hong Kong (China)	
12	Argentina		Czechoslovakia		Greece		Hungary	
13	Mexico	9%	Belgium	10%	Portugal	10%	Greece	11%
14	Netherlands		Bulgaria		Malaysia		Poland	
15	Denmark		Romania		Croatia		Malaysia	
	Others	3%	Others	25%	Others	33%	Others	40%
<b>Total</b>	<b>25 million</b>		<b>166 million</b>		<b>456 million</b>		<b>703 million</b>	

## Why is tourism important for poverty?

Looking at the location of poverty in the world, and then at tourism flows, two key points emerge.

First, tourism often plays a major part in the economy of poor countries. In 2001, international tourism receipts accruing to developing countries amounted to US\$ 142,306 million. Tourism is the principal export in a third of all developing countries and, amongst the 49 Least Developed Countries (LDCs), it is the primary source of foreign exchange earnings. In some countries it plays a major part in their sustainable development strategy. For example, it was tourism that enabled Botswana to cease to be an LDC back in 1994.

International tourism receipts, \$millions

	1990	2001	% change 1990-2001
Low income countries	10,970	16,709	52.3
Lower middle income countries	22,403	71,418	218.8
Upper middle income countries	21,710	54,168	149.5
High income countries	212,121	319,585	50.7
World Total	265,316	457,890	72.6

World Tourism Organization; World Development Report 2003 (World Bank)

Secondly, tourism is growing much faster in developing countries than in developed countries. The graph below shows the relative growth in recent years between low- and high-income countries in terms of international tourist arrivals.



Source: World Tourism Organization

In line with this, predicted growth rates of between 5% and 6% per annum for Africa and South Asia, which are home to most of the world's poorest people, are considerably greater than for the world as a whole.

However, it is not just a question of market growth. Some other reasons serve to explain why tourism is particularly well placed to meet the needs of the poor. These include:

- The fact that tourism is one of the few industries in which many developing countries actually have a comparative advantage over developed countries in terms of cultural heritage, natural wildlife, climate etc.
- The attractiveness for tourism of some remote rural areas – which is particularly important, since three quarters of people in extreme poverty live in rural areas.
- The opportunity to support traditional activities such as agriculture and handicrafts through tourism.
- The fact that tourism is a labour intensive industry, which can provide jobs for women and young people.
- It is also an industry where entry barriers to establishing new small businesses can be quite low.
- And leaving aside economics, it can bring non-material benefits such as pride in local culture and a valorisation of the surrounding natural environment in the eyes of local communities.
- Having revisited the advantages of tourism and having looked at the international policy context, we identify a short set of overarching principles that should be borne in mind when seeking to address poverty through tourism. These are:
  - **Mainstreaming:** Ensuring that sustainable tourism development is included in general poverty elimination programmes. And, conversely, including poverty elimination measures within overall strategies for the sustainable development of tourism.
  - **Partnership:** Developing partnerships between public and private sector bodies, with a common aim of poverty alleviation.
  - **Integration:** Adopting an integrated approach with other sectors and avoiding over-dependence on tourism.
  - **Equitable distribution:** Ensuring that tourism development strategies focus on achieving a more equitable distribution of wealth and services – growth alone is not enough.
  - **Acting locally:** Focusing action at a local destination level, within the context of supportive national policies.

- **Retention:** Reducing leakages from the local economy and building linkages within it, focussing on the very long tourism supply chain.
- **Viability:** Maintaining sound financial discipline and assessing the viability of all actions taken.
- **Empowerment:** Creating conditions to empower and enable the poor to have access to information and to influence and take decisions.
- **Human rights:** Removing all forms of discrimination against people working, or seeking to work, in tourism and eliminating any exploitation, particularly against women and children.
- **Commitment:** Planning action and the application of resources for the long term.
- **Monitoring:** Developing simple indicators and systems to measure the impact of tourism on poverty.

In analysing a wide number of case studies in different developing countries, WTO has identified seven different ways of addressing poverty through tourism and these can be applied in almost every country, provided a number of issues are suitably addressed.

### **The 7 approaches for poverty reduction through tourism**

The first way is simply through **the employment of the poor in tourism enterprises**. This can occur in small as well as large enterprises and in rural and urban areas. A problem can be actually identifying the poor, but policies that encourage the employment of local people are more likely to open up opportunities for the poor. The advantage of addressing poverty through existing tourism enterprises is that it enables the poor to benefit from the entrepreneurial skills and market access of others, and can potentially reach quite large numbers of people. Many issues need to be addressed in order to secure potential advantages for the poor through tourism employment, such as:

- Having proper contracts and fair pay conditions
- Providing part time work, enabling poor people also to attend to other commitments, and also helping in this way to reach more people.
- Addressing the whole question of how and where job opportunities are promoted.
- Looking at seasonality issues and the need to provide more year round opportunities.
- The choice of location of new developments – making it accessible to poor communities who could supply a pool of labour.

The second way is through **the supply of goods and services to tourism enterprises by the poor**. This can happen at various points in the tourism supply chain, including the choice of products featured by tour operators as

well as goods and services provided to hotels, such as food, handicrafts, building services at the construction stage, and so on. The advantage in the supply-chain approach is that this can make use of existing skills in poor communities. The two main issues to address are:

- How to encourage and help enterprises to identify new sources of supply.
- Working with poor communities to enable them to provide an assurance of quality and reliability.

A practical approach is to take small steps, making a few carefully selected linkages, where success seems most likely, and then building on this.

The third way is through **direct sales of goods and services to visitors by the poor**. This is about the informal economy, and includes stalls selling food and handicrafts, portering, some forms of transport, and informal accommodation. The informal sector is hugely important in many developing countries and this can be one of the most direct ways of getting visitor spending into the hands of the poor. However it is characterised by chaotic trading conditions and over-supply. Issues here include:

- providing some order and quality control, which may include licensing,
- giving some reassurance to visitors as potential purchasers. However, it is important still to maintain the ease of access to such trading by poor people which is the main advantage of the informal economy

Fourthly, there is the process of supporting the **establishment of tourism enterprises by the poor**. These may be micro, small and medium sized enterprises (MSMEs), or community based enterprises. Compared with working in the informal economy, this is about helping poor communities develop something for the longer term, and about placing power and control in their hands. The challenges are many, including:

- access to capital,
- acquisition of skills, confidence and motivation,
- property rights and legal recognition, and especially
- securing access to tourism markets.

The fifth way in which tourism can address poverty is through a **tax or levy on tourism income or profits with proceeds benefiting poverty reduction programmes**. This has the advantage of enabling resources to be channelled to the most needy people and communities without requiring their involvement in tourism activity either directly or indirectly. The approach can be at a national level, or at a local level. There are a number of examples showing how this can work quite well at a local level – such as negotiating concessions with tourism enterprises involving a proportion of income per bed night being given to the local community. However, approaches involving taxes and charges have to be treated with caution in order not to deter investment and income flows in the long term.

The sixth way has some similarities with the previous one but here we are talking about **voluntary giving by tourism enterprises and tourists**. This may include payments into general charities and programmes, such as HIV/AIDS programmes, by tourists and tour operators, or more specific support for projects in destinations visited. Many tourism enterprises are

engaged in supporting social programmes in their neighbouring communities. Funds from tourists may be collected in the country of origin or in the destination, through voluntary supplements or invitations to donate. Although these approaches can generate worthwhile resources that can be directed to needy causes, it is important to be sensitive in promoting this type of activity and to avoid token gestures.

Finally, poor communities can benefit from **investment in infrastructure stimulated by tourism**. This is about the provision of roads, energy supplies, sanitation, clean water and telecommunications, on the back of tourism investment. Careful planning in such situations is clearly very important and local communities should be involved from an early stage.

WTO has also identified a certain number of common themes that keep recurring across all these methods. These include:

- Understanding the nature of poverty in an area and how engagement in tourism will complement and support other livelihood options.
- The whole issue of capacity building
- Trying to introduce simple processes of quality control
- Raising consumer awareness – providing visitors with better information to direct their purchasing.
- Creative, realistic and viable product development and marketing, and
- Adopting an integrated approach to planning and management at a local destination level.

It is also important to provide a framework for action by the different stakeholders, and I will refer to them in the remaining of this presentation.

**International Development Agencies** should pay more attention to supporting tourism as a form of sustainable development. They have considerable influence and can require that specific measures are in place to address poverty. There is greater scope for them to work together and with WTO and they should look to support capacity building and marketing rather than just capital programmes.

**National governments** should pay more attention to tourism in their poverty reduction strategies and in trade negotiations, where they should ensure that sustainability and poverty issues are considered alongside export promotion. Governments are often in a position to influence the location and nature of new tourism development and should seek to benefit poor communities in so doing. Other relevant instruments include legislation affecting employment and credit. Governments can also support capacity building, appropriate marketing and undertake monitoring of the impact of tourism on poverty.

**Intra-regional bodies** can play an important role in supporting the development and marketing of appropriate tourism in developing countries, which may lack the scale or resources to make an impact on their own. They could encourage a joint approach to poverty issues across the region, including the sharing of good practice.

**NGOs** have a particularly valuable role to play in networking and forging relevant linkages, in representing and championing the poor, in capacity building and in identifying social programmes that can be supported through tourism income.

**Destination management organisations**, which may be local authorities, private public partnerships or possibly protected area bodies, have a critical role to play in issues such as developing local supply chains and improving the relationship between the informal economy and visitors. They are also very important in supporting appropriate product development and marketing.

**Tourism enterprises**, including international tour operators, incoming operators and tourism service providers, must be central to any strategy to tackle poverty through tourism. They should include concern for poverty as part of their commitment to corporate social responsibility. This should be reflected in employment policies, supply chain management and support for local communities. They also have a critical role to play in providing relevant information to their guests.

Looking back over these six types of organisation, it is very important that they should not feel that they have to take action in isolation. Joint action is needed. One suggestion is the establishment of joint committees for tourism and poverty at a destination level, which seek to engage all stakeholders.

In this context, at the World Summit on Sustainable Development (WSSD), WTO took a global lead in the field of poverty reduction through tourism, launching the concept of "Sustainable Tourism as an effective tool for Eliminating Poverty" (ST-EP), and began the process of putting in place an *ad hoc* programme. This initiative links the longstanding WTO pursuit of Sustainable Tourism with the United Nations leadership on Poverty Alleviation that was the focus of the WSSD in Johannesburg and the Millennium Development Goals. ST-EP may be seen as a response by the global tourism industry under the leadership of WTO to the United Nations goal to halve extreme poverty by 2015.

ST-EP does not mean a new form of tourism. It is not a new kind of tourism product. It is an approach to tourism development and management, in which the tourism cake is tilted so that benefits are specifically directed towards the poor.

After 18 months of consultations and lobbying with various possible partners for the ST-EP initiative, we are pleased to announce that it is likely that ST-EP can start operations by the end of this year. In March, the Korean government announced its intention to commit US\$ 5 million over the next 4 years to ST-EP, plus covering all the administrative costs of a ST-EP Foundation in Seoul. The French, Italian and German governments are also considering matching that amount, and the Dutch Cooperation Agency is already contributing in kind; our Secretary General is proposing to the next session of our Executive Council that our own organization makes a cash contribution too. We are currently fielding exploratory missions to a number of countries in order to identify ST-EP projects, so that when the Foundation and the funds are in place, we will have a ready project portfolio for immediate action.

So, and to conclude, this is a considerable challenge. It requires purposeful, well-directed action. Tourism will not address poverty automatically. It also requires commitment and political will, making poverty alleviation through tourism a primary objective of tourism policies and development plans. We are confident that this is a priority that we all share.

Thank you