



# Poverty alleviation through tourism

## Can tourism help to combat poverty?

*In discussions on tourism policy reference is frequently made to the allegedly important role of tourism in combating and alleviating poverty. In recent years, this argument has been propounded in particular in the context of global climate justice, true to the motto that long-distance flights admittedly remit greenhouse gas, but that western tourists leave lots of urgently needed foreign currency in the so-called developing countries. As a seemingly logical consequence global tourism creates lots of jobs and ensures better living conditions for hundreds of thousands of people in the developing countries ... But is this actually true?*

*This discussion is in parts highly polemic; the positions of “optimists” and “pessimists” appear to become increasingly entrenched. With the present dossier we should like to counteract this development and to analyse the pro-poor potential of tourism in a factually substantiated and generally comprehensible manner.*

### 1. What has spawned the idea that tourism

#### could help to alleviate poverty?

Tourism is among the few economic sectors that has been growing consistently worldwide. As a result the number of jobs that are directly or indirectly dependent on tourism – or are generated by tourism, to put it in more positive terms – has been increasing. According to the World Tourism Organisation UNWTO, the number of international arrivals currently runs into almost one billion. Since 1985 at the latest, vis-

itor numbers have been consistently increasing also in the so-called developing countries. Many millions of travellers from the industrialised countries and members of the urban elites of the newly industrialised countries are taking money to the so-called developing countries and to materially poor rural regions; much more money than the budget volumes of development cooperation – frequently referred to as “development aid” – amount to.

There are pertinent projections from prominent quarters: According to the Organisation for Economic Co-operation and Development, OECD, development aid funds to the tune of



about 97 billion euro were allocated worldwide in 2007; tourists took double that amount to the so-called developing countries. Hence, tourism is frequently referred to as the largest voluntary money transfer from rich to poor. According to UNWTO estimates, 416 million international visitors will tour Asia and 75 million will tour Africa in 2020 – in other words continents where poverty is still widespread in many countries and regions. In diverse national and international development strategies – and not least in those of the World Tourism Organisation UNWTO – tourism features as an economic, ecological and sociocultural “panacea”. In many newly industrialised and developing countries, however, tourism is informed by neo-liberal and decidedly growth-oriented policies. With this in mind, intergovernmental organisations and governments have initiated programmes of economic deregulation. According to the trickle-down theory, even the poorest are supposed to benefit from more tourism revenue and from overall economic growth.

## 2. What is the connotation of “poverty”

### in the given context?

Poverty is defined in many different ways. In principle the term refers to lack of access to goods and opportunities. The World Bank refers to persons that have to live on less than 1.25 US dollars a day as “extremely poor”. The concept of “relative poverty” refers to poverty that is socially defined and dependent on a person’s social context. Tourism experts are at variance when it comes to assessing the chances of genuine participation offered by tourism projects to “extremely poor” population groups, who frequently lack even basic school education and as a consequence have hardly any chance of finding jobs in tourism. At least in theory they might benefit from indirect and dynamic economic effects of tourism (see below); but this is very difficult to verify.

It is much more plausible that “relatively poor” people may benefit from tourism projects in their neighbourhoods, because, as a rule, their education and resources will permit them to find jobs in tourism or to “latch on” to tourism with their own services.

## 3. How is poverty alleviation by tourism

### supposed to work in practice?

In the eyes of the public at large the main point is job creation through tourism, true to the motto that tourism creates jobs and consequently reduces unemployment and thus poverty in the tourism regions. Naturally, it is not as simple as that, even if it may apply in some cases. Tourism may also help to reduce poverty by way of indirect and dynamic effects (more on that later on). On the other hand, thought is rarely given to the fact that more tourism may be a hindrance to other gainful activities – such as agriculture or fishery – in a given area, or it may render such activities less attractive or even impossible. In extreme cases, the displacement effects of more tourism may even cause more poverty in the region concerned. This argument is frequently raised by organisations that are critical of tourism, and it cannot be simply dismissed. Everything depends on the case in question and on where and especially how tourism is being planned.

There is a link between the general idea of what “development” amounts to and the way in which tourism is supposed to contribute to “development” and hence to poverty alleviation. Over the past decades, the big stakeholders and financial backers have repeatedly modified their concepts of “development” and hence their development promotion strategies.

Up to the early 1980s, “development” was largely put on a level with economic growth, also in the context of development cooperation. Opposing opinions were admittedly voiced as early as in the late 1960s, but the World Bank and other international sponsors financed huge hotel complexes; even entire coastal regions were built up in the name of “development” and “progress”. Examples are extant throughout the world, among others in Indonesia (Bali) or Morocco (Agadir Bay).

As of the late 1980s and early 1990s, the “sustainable development” policy met with a positive response from the tourism promotion stakeholders. Major projects were ever more frequently called in doubt and support was primarily given to “alternative” initiatives, such as eco-tourism or community-based tourism projects.



At the latest since 2000 and the publication of the United Nations millennium goals, combating and/or alleviating poverty have been at the top of the international development agenda; the idea of “Pro-Poor-Tourism” moved to the foreground. At a closer look it becomes obvious that the target group were the “extremely poor” as defined by the World Bank. As mentioned above, many tourism experts have serious doubts about the potential of tourism projects when it comes to providing direct support to the “extremely poor”. Nevertheless, the World Tourism Organisation UNWTO came up with the ST\_EP Programme (“Sustainable Tourism for Eliminating Poverty”), whose priority aim is to lead people in the so-called Least Developed Countries (mainly in Africa) out of extreme poverty with the help of long-term tourism projects.

#### 4. In which ways could tourism help

##### to alleviate poverty?

A distinction is made between direct, indirect and dynamic effects. Direct effects result from the direct participation of the local population (the “poor”) in tourism, in other words from employment, but also from philanthropic projects or donations by the tourism experts. Indirect effects result from the positive consequences of an increased tourism-related demand for goods and services for people not directly employed in tourism – among others for male and female farmers and construction workers.

Effects designed to bring about long-term changes in the economic conditions in favour of the poor are termed dynamic effects and can be brought about in the following way: Once tourism-specific infrastructure is in place, governments might be induced to invest in other public goods; sponsored training in the tourism sector could have a positive impact on other economic sectors. Though as yet largely unexplored, the dynamic effects are particularly promising when it comes to combating poverty.

#### 5. How much of the tourism money actually

##### remains in the so-called developing countries?

This question is frequently raised, but hard to answer. It all depends on the type of country and on the framework conditions for tourism. In most cases those who benefit from the income generated by international tourism are not clearly identified: The population in the tourism region? Political and business elites? Both? The size of their shares? These are questions that remain unanswered.

All of the few available academic studies focus on the portions of the trip prices or travel costs that remain or fail to remain in the national economies of the destinations. What is analysed are the leakages from the a country’s aggregate income. The leakage rate quantifies those earnings from tourism that are drained off to foreign countries by transnationally operating airlines, hotel chains, travel agencies or cruise lines as well as by food and merchandise imports, and which consequently fail to accrue to the national economies of the destinations. They add up to substantial amounts: According to a report of the British New Economics Foundation (NEF), World Bank estimates of leakage rates are in a range of up to 55 per cent. In a series of case studies, NEF itself mentions much higher leakage rates: Leakage rates for Thailand, Cuba and Gambia are assumed to reach 70 to 75 per cent, and in an extreme case – package tours to Kenya – even 85 per cent. This implies that not more than 15 per cent of a package-tour guest’s expenditure will remain with the Kenyan national economy. Hardly any account is taken of the money spent by tourists in the regions visited.



## 6. What does pro-poor tourism look like?

There is no agreed opinion on the kind of tourism that would be of the greatest benefit to “the poor”. The following has been established by scientific research: There are no hard and fast arguments establishing that certain types of tourism are “better” than others when it comes to poverty alleviation at the destination. It is frequently argued that package-tour hotel complexes have no share in alleviating poverty, whereas niche tourism, such as eco-tourism or community-based tourism automatically exerts a favourable effect. However, this is not borne out by the facts. In a study based on over 200 sources, Jonathan Mitchell and Caroline Ashley arrived at the conclusion that this argument is without substance. The simple fact that tourism is focused on cultural or ecological attractions does not imply that it will help to alleviate poverty. Whether or not tourism can help to alleviate poverty depends much rather on the political, economic and cultural context. For example on the fair or unfair sharing of the revenue. Or on the education and training of the local workforce, which may or may not be sufficient for getting jobs in tourism, or on the local shops who may or may not have the networks required for supplying tourism complexes or providers. Or on whether or not tourism providers are open-minded enough to train and employ local people or –which is equally important –to cook with local products.

Guests staying at package-tour hotels can also contribute to local value creation by spending extra money when visiting local markets and buying souvenirs.



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## 7. Are there examples of tourism projects

from which the poor local population

can actually benefit?

Indeed, there are. There are good examples, for instance in Sri Lanka and South Africa (see below). These are individual examples, which, however, have one thing in common: The active and committed attitude of tourism experts and/or hoteliers, who deliberately seek out “locals”, offering them the opportunity to work in tourism. Frequently these people feel encouraged by their new jobs to go in for further education and to take on more responsibility.

A closer look at these examples reveals that tourism projects may mean jobs, involvement and opportunities for the local population – but that none of this will happen automatically.

## 8. What does the relationship between poverty a

lleviation through tourism and “fair travel”

and/or “sustainable tourism” look like?

As a matter of principle “fair travel” and/or “sustainable tourism” should be designed to generate the maximum possible benefit for the population of the region visited, and should on no account cause the local people to be negatively affected by or even to suffer from a tourism from which serves as a cash cow for others. This implies that sustainable tourism should definitely contribute to the welfare and prosperity of the local population. With this in mind, one may say that poverty alleviation through tourism can only be guaranteed by a sustainable tourism development. It follows that the economic profits of individuals must not be generated at the expense of the environment and the social cohesion within the region concerned. Reversely, tourism that does not damage the natural environment, but which generates too little profit and hence too little income for the local population (for example, because too few guests come to out-of-the-way regions), will both fail to help alleviate poverty and to be sustainable. Sustainable development invariably signifies balance and fair sharing.





## Examples: Poverty alleviation by tourism – that's the way it works

### South Africa: Fair Trade in Tourism South Africa



The idea of fair trade is founded on fair payment for goods and services. As yet, South Africa is the only country in the world with an independent test centre for fair trade in tourism: Fair Trade in Tourism South Africa (FTTSA). To tourism enterprises that meet standards such as fair pay and working conditions and which take a stand for human rights and local culture and nature, FTTSA awards a quality label that symbolises fairness in the tourism sector. Katarina Mancama, project manager with FTTSA, explains how it works: “Enterprises that apply for the FTTSA quality label use local goods and services, develop the skills of their employees and pay them fair wages, implement appropriate HIV/AIDS prevention measures, raise environmental awareness and support the local population. We send an assessor to the enterprise; he/she draws up a report for our expert commission which then decides whether the candidate is permitted to display the quality label or if further improvement is called for. What is needed to render tourism truly fair, is a clearly defined offer that can be booked by travellers. This is what FTTSA ensures.”

The 62 enterprises throughout South Africa that have so far received the quality label cover a broad spectrum: It ranges from the Singita luxury lodge in the Kruger National Park to simple farm houses, from especially eco-friendly whale and wildlife watching tours to guided walks and cooking classes in Bokaap, the traditional Malay Quarter in Cape Town. Please find below two examples of how members of the local population derive tangible benefit from tourism projects.

#### Spier Wine Farm

In 2004, the Spier Wine Farm, which is among the oldest and most prestigious wine producers in South Africa and which is visited by many tour groups, advertised for a new procurement system, giving preference to local providers. Bernie Samuels, a local small-scale entrepreneur, who had for a few years subsisted after a fashion on odd jobs and had been hardly able to feed his family, applied and was awarded the laundry contract. In the meantime things have changed fundamentally for Bernie Samuels and his family: He employs a staff of five from the neighbourhood and can afford to send his children to college – all of this thanks to the close, long-term cooperation with the Spier Wine Farm.



Bernie Samuels

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#### Shiluvu Lakeside Lodge

Betty Hlungwani is the manager of the Shiluvu Lakeside Lodge, a small tourism enterprise in the South-African Limpopo Province. She grew up in the neighbourhood of the Lodge, and when she finished school in 1994, she was encouraged to start working at the newly opened Lodge by the owners – the Girardin family. At the time, Betty had no tourism-related work experience or training. With the assistance of her employers, who had meanwhile obtained an FTTSA quality label, she consistently acquired new qualifications over the years. From chambermaid she rose to the position of a well-connected hotel manager – quite a feat for a young “country girl”.



Betty Hlungwani

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### Sri Lanka: Jetwing



In 2006, the Sri-Lankan Jetwing Hotel company launched the “Jetwing Youth Development Project” (JYDP): With generous support from the local Buddhist temples, it put in place a nine-month training programme for over 100 jobless young men and women in a remote area of the country. With a total investment of as little as 7’500 US dollars, fifty young people and several single women received training in the catering business with the implied chance of finding a job at Vil Uyana – a luxury resort of the Jetwing chain.

After the end of the civil war, Jetwing continued its successful training programme in 2009, mainly for young people from the areas in the north and north-east of Sri Lanka that had been hit by the civil war.



### To reflect and to think ahead

#### Cruises: What remains of the floods of tourists?

Cruises came under fire even before the Costa Concordia capsized near the Tuscan island of Giglio. No matter how well-founded the criticism of the conduct of cruise lines may have been, environmental concerns were not the only cause for criticism. Attention is mostly focused on the mostly abysmal working conditions of the staff employed on cruise ships. Impressive undercover documentation on these conditions is available. Nor do the people living in the ports and on the islands where cruise ships are calling derive any income worth mentioning from these floating all-inclusive clubs with 2’000 or more passengers who rarely leave the ships for more than a few hours: Souvenir dealers and restaurant proprietors situated directly on the waterfront may make enough money, but unlike in standard tourism no overnight stays are involved at the destinations, since the holiday-makers spend the nights on board of the cruisers. Whether the harbour fees can make up for the stress caused to the harbours and their populations by several thousand “taster guests” day after day is a moot question. The governments of quite a few island states appear to think so; it remains to be seen who benefits from the lion share of the harbour fees ...



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