Tourism for Poverty Reduction in South Asia

What works and where are the gaps?

Alberto F. Lemma

Overseas Development Institute

July 2014
EPS-PEAKS is a consortium of organisations that provides Economics and Private Sector Professional Evidence and Applied Knowledge Services to the DFID. The core services include:

1) Helpdesk
2) Document library
3) Information on training and e-learning opportunities
4) Topic guides
5) Structured professional development sessions
6) E-Bulletin

To find out more or access EPS-PEAKS services or feedback on this or other output, visit the EPS-PEAKS community on http://partnerplatform.org/eps-peaks or contact Alberto Lemma, Knowledge Manager, EPS-PEAKS core services at a.lemma@odi.org.uk.

Disclaimer Statement:
The views presented in this paper are those of the authors and do not necessarily represent the views of Consortium partner organisations, DFID or the UK Government. The authors take full responsibility for any errors or omissions contained in this report.
Contents

List of boxes, figures and tables

Abbreviations

1 Introduction
  1.1 Methodology
  1.2 Summary of Findings

2 Reducing Poverty in the Tourism Sector in South Asia
  2.1 Overview of Tourism in South Asia
  2.2 Poverty Reduction in National Tourism Strategies in South Asia
  2.3 The Pro-Poor Tourism Approach
  2.4 Private Sector Participation in Pro-Poor Tourism
  2.5 Market Linkages & Poverty in Tourism

3 Conclusions

References
List of boxes, figures and tables

Box 1: The Kerala Responsible Tourism Initiative 5
Box 2: SNV & Sustainable Tourism in Bhutan 10
Box 3: The UNWTO ST-EP Initiative 11
Box 4: Tourism for Rural Poverty Alleviation Programme (TRPAP) in Nepal 13
Box 5: Nepal’s Community Driven Tourism Approach through NETIF 13
Box 6: Marketing Assistance to Nepal for Sustainable Tourism Products 14
Box 7: IFC Investments in Tourism in South Asia 15

Figure 1: Tourism Links to the Economy Matrix 16

Table 1: Tourism Statistics, South Asia 2
Table 2: Tourism statistics in Asia contd. 3
Table 3: Barriers to tourism participation by the poor 7
Abbreviations

CBT  Community Based Tourism
DFI  Development Finance Institution
DFID  Department for International Development
DPP  District Partnership Programme
GDP  Gross Domestic Product
GIG  Gambia is Good
GoI  Government of India
GoN  Government of Nepal
IAP  Immediate Action Plan
IFC  International Finance Corporation
IMF  International Monetary Fund
MAST-Nepal  Marketing assistance for Sustainable Tourism - Nepal
MoTAC  Ministry of Tourism, Arts & Culture
NBS  National Bureau of Statistics
NETIF  Nepal Environment and Tourism Initiative Foundation
NGO  Non-Governmental Organisation
RTI  Responsible Tourism Initiative
SLTDA  Sri Lanka Tourism Development Authority
SNV  Netherlands Development Organisation
ST-EP  Sustainable Tourism – Eliminating Poverty
TRPAP  Tourism for Rural Poverty Alleviation Programme
UNCTAD  United Nations Conference on Trade and Development
UNEP  United Nations Environment Programme
UNESCO  United Nations Educational, Scientific & Cultural Organisation
UNWTO  United Nations World Tourism Organisation
WTTC  World Travel & Tourism Council
1 Introduction

1.1 Methodology

The paper, carried out under the DFID Economics and Private Sector Professional Evidence and Applied Knowledge Services (EPS-PEAKS) framework seeks to answer the question of: What evidence is available on what works and what does not in promoting tourism for faster poverty reduction in developing countries, especially in South Asia and what the knowledge gaps?

Research was carried out through a desk-based literature review (including both academic papers and relevant websites) which analyses the different components of poverty reduction in tourism. The paper uses examples from South Asia where possible, providing lessons from other contexts as appropriate. The paper begins by providing a brief overview of tourism in South Asia followed by an analysis of national tourism strategies and their role in poverty reduction in South Asia. The paper moves on to an overview of the theory behind pro-poor tourism and the varied types of interventions that can fall under pro-poor tourism. The third and final section provides brief conclusions on the lessons learnt through the research. The study had two main limitations. The first limitation was due to the nature of the research framework which effectively limited its capacity to carry out a rigorous and systematic literature review of poverty reduction methods in tourism, resulting in a light-touch literature review. The second limitation was a lack of rigorous and comparable data between different case studies and pro-poor methodologies, which hindered comparisons between methodologies and limits an understanding of which pro-poor tourism initiatives can be considered most effective.

1.2 Summary of Findings

Government approaches and strategies to poverty reduction in tourism are limited in South Asia, are not a core part of national however national development strategies provide clearer links between poverty reduction and tourism but do not include explicit poverty reduction strategies.

There are multiple methods that aim to achieve poverty reduction in tourism but methods are not rigorous nor are they standardised. Most broadly fall under the pro-poor tourism umbrella, but pro-poor outcomes also arise from private investments and value chain interventions.

Pro-Poor Tourism interventions, including private sector investments, seem to positively affect poverty. Case studies show that positive effects have been observed where pro-poor tourism interventions have been implemented.

Data to validate which methods work best is, however, limited and extremely granular. Data granularity, limited data availability and the varied nature of interventions make it impossible to compare effectiveness.

Overall, there is no clear measure or strong evidence to suggest that particular pro-poor interventions in the sector have a greater rate of success or effectiveness.

If there is an overall lesson to be had it is that tourism interventions should be undertaken as a package that addresses the barriers to entry for the poor, regulatory issues that govern the sector and the partnerships that determine how well the sector is integrated in the local economy.
2 Reducing Poverty in the Tourism Sector in South Asia

2.1 Overview of Tourism in South Asia

The section below presents a brief overview of tourism statistics in South Asia, aimed at providing a context base for paper. The tourism statistics in table 1 below show the dominance of India as a major destination is made clear, if analysis is limited to the volume of tourism. Expanding the analysis we can see that in GDP terms (table 2), tourism makes a greater relative contribution (as a percentage share) in all other South Asian countries. This is not a particularly exciting conclusion as it is to be expected that tourism would be of greater benefit to the economy of smaller nations, although the relative importance is greater for particular countries i.e. 47% of GDP (WTTC, 2014) and 40% of government revenues (MoTAC, 2013) in the Maldives.

Table 1: Tourism Statistics, South Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Tourist Arrivals (2012) '000s</th>
<th>Tourism Direct Contribution to Employment (% share of total employment) 2013</th>
<th>Tourism Total Contribution to Employment (% share of total employment) 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>267</td>
<td>1.7</td>
<td>3.7</td>
</tr>
<tr>
<td>India</td>
<td>6,580</td>
<td>4.8</td>
<td>7.7</td>
</tr>
<tr>
<td>Maldives</td>
<td>1,035</td>
<td>44.3</td>
<td>86.7</td>
</tr>
<tr>
<td>Nepal</td>
<td>803</td>
<td>3.1</td>
<td>7</td>
</tr>
<tr>
<td>Pakistan</td>
<td>194</td>
<td>2.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>1,005</td>
<td>3.5</td>
<td>8.4</td>
</tr>
</tbody>
</table>


Investment in the tourism sector plays a relatively large role in most of the smaller South Asian economies, peaking at 24.7% of fixed capital investment in the Maldives (in 2013). In part this can be attributed to tourism’s impact on direct employment i.e. in the Maldives it directly accounts for 47% of employment, but also to the level of integration of tourism in the economy. If we look at total employment attributed to tourism (i.e. jobs created through the tourism value chain which may not directly serve the sector but are important to its activities i.e. food supply etc.) it accounts for 86.7% in the Maldives and is also relatively high in other countries i.e. 8.4% in Sri Lanka.

---

1 Bhutan data missing in WTTC database
2 Tourist arrival figure for 2010
3 Tourist arrival figure for 2011
Table 2: Tourism statistics in Asia contd.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>2.8 (2.1)</td>
<td>0.1</td>
<td>0.6 (1.5)</td>
</tr>
<tr>
<td>India</td>
<td>37.2 (2.0)</td>
<td>18.9</td>
<td>33.1 (6.2)</td>
</tr>
<tr>
<td>Maldives</td>
<td>1.2 (47.7)</td>
<td>2.0</td>
<td>0.2 (24.7)</td>
</tr>
<tr>
<td>Nepal</td>
<td>0.7 (3.8)</td>
<td>0.4</td>
<td>0.2 (4.1)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>6.9 (3.8)</td>
<td>0.9</td>
<td>2.3 (9.1)</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>2.6 (3.0)</td>
<td>2.0</td>
<td>0.7 (4.0)</td>
</tr>
</tbody>
</table>

Source: WTTC (2014)

One of the obvious gaps that occur when researching tourism statistics i.e. using the freely available UNWTO data^5 or the WTTC data; is the lack of information on the prevalence of poverty rates in tourism and in areas where tourism is particularly relevant within countries. One can extrapolate simple measures of poverty rates in tourism by looking at the overall percentage of the poor in the country and applying the same percentage to tourism. However, this may mask the real economic situation of tourism workers as the sector distribution may have higher or lower incomes than the national average.

More importantly, for pro-poor tourism policies, there is no clear measure of poverty rates in areas which are (or could be) of interest to tourism activities. The solution may seem trivial i.e. an in-depth study of regions or tourism sectors in particular countries, which could reveal such information, but such studies would only occur if donors are interested in undertaking projects in that particular region or in the country’s tourism sector.

The lack of easily accessible data, both as snapshots and as historical trends, on poverty rates in tourism can hinder both decision making processes i.e. government and donor choices as to where to invest in pro-poor tourism as well as limiting the analysis and understanding of the effects of tourism activities (and of pro-poor tourism initiatives) on poverty either at the national or sub-national level.

2.2 Poverty Reduction in National Tourism Strategies in South Asia

Poverty reduction in the tourism sector is not the sole domain of bilateral and multilateral donors, hence the following section seeks to review tourism strategies set up by South Asian countries and how what role tourism plays in poverty reduction within these strategies.

De Alwis (2010) provides a breakdown of major tourism strategies in South Asia. Bhutan uses a ‘kinked demand curve’ i.e. it limits the amount of tourists that are allowed entry into the country and charges them a premium rate, which increases per capita yields per tourist. The Bhutan model aims to increase revenues per tourist, whilst at the same time, supposedly preserve the country’s heritage, culture and environment. The Maldives tourism sector works through partnerships with foreign investors and foreign tour operators, using internationally recognised brand names to attract tourists. Nepal has embraced the community-based tourism approach i.e. through the Annapurna Tourism Development Project or the Bhaktapur Conservation Project. The Nepalese community driven approach to tourism emphasises cultural and environmental conservation,

^4 Bhutan data missing in WTTC database
^5 Free UNWTO data and statistics is extremely limited and its published materials and results were also not freely available
community benefits and sustainable funding systems. Sri Lankan tourism is based on its potential contribution to climate change mitigation, aiming to be a carbon neutral destination by 2018. Overall, this superficial analysis shows that these countries show varied approaches to tourism which are, supposedly, meant to play to their strengths and help achieve internally set goals for the sector.

The Maldives’s formal tourism strategy is based on a five year rolling tourism master plan, which is currently in its fourth iteration. The masterplan covers the 2013 to 2017 period and is purely owned by the Maldivian government (MoTAC, 2012). The tourism strategy for the Maldives follows the notion of ‘one island – one resort’, which plays on the obvious competitive advantage of small coral islands that are a part of the nation. The government emphasises its desire to become a carbon neutral destination, which is combined heavy emphasis on environmental conservation, a move which is of critical importance to preserve the nation’s pristine environments and their contribution to its success as a tourist destination (MoTAC, 2013). Combining the fact that the tourism sector is a large user of energy and that the country is made up of multiple islands, the need for off-grid renewable energy is also seen as an important part of the tourism strategy (MoTAC, 2013b).

The government of the Maldives implements a number of regulations and compliance standards that the sector needs to follow – these include building standards and building density laws, WASH6 services requirements (i.e. sewage treatment requirements) and resource conservation rules (i.e. water use management). Within the tourism masterplan, the government recognises that in its desire to separate tourism from society, the sector has bypassed the pro-poor tourism movement and lightly touches upon the need to include such a movement moving forward. Apart from this, there is limited mention of tourism as a pro-poor strategy in the country’s fourth masterplan. Even within its last national development plan (running from 2006 to 2010) tourism was not directly linked to poverty reduction, although it was seen as a source of general economic growth and employment (IMF, 2008).

India’s latest tourism strategy i.e. the “Strategic Action Plan” runs until 2015 and aims to “achieve a superior quality of life for people of India through development and promotion of tourism” (GoI, 2011). The strategy’s overall goals include an increase in the number of tourists to the country, a commitment to develop human resources in the tourism sector and the facilitation of infrastructure development for tourism. The programme emphasises the development of cultural and eco-tourism but makes no mention of tourism as a poverty reduction tool. India’s official tourism policy, the ‘National Tourism Policy’ was formulated in 2002 (GoI, 2002) and is more explicit in its link between tourism, rural development, the potential to create forward and backward business linkages in the economy and its employment potential but is still shy in its approach to tourism as a pro-poor sector.

Greater emphasis on the pro-poor tourism approach in India is found within the latest Ministry of Tourism’s Annual Report 2010 – 2011 (GoI, 2012) where tourism is seen as being an effective tool for poverty reduction, but there is no mention on poverty reduction effects beyond a note on the ‘pro-poor stress’ of the government’s ‘Hunar Se Rozgar’ scheme to provide employable skills to youths who want to work in the tourism sector. India’s ‘Twelfth Five Year Plan 2012 – 2017’ (GoI, 2013) also recognises tourism’s pro-poor role – however it makes a much stronger case for its implementation, specifically the importance of government institutions in ensuring that there is greater participation of the poor in the tourism sector. The plan calls for the establishment of partnerships between formal and informal tourism enterprises, the set-up of a supportive policy and planning framework and the increased participation of local communities in the tourism planning…

---

6 Water, Sanitation & Health
7 No further National Development Plans were available
process. The strategy also calls for increased participation by women in the sector (GoI, 2013).

Box 1: The Kerala Responsible Tourism Initiative

In 2006, the Indian state of Kerala declared that its tourism policies would become more pro-poor, through the implementation of the Responsible Tourism Initiative. The initiative kicked off in 2007 with local hotels in the Kerala region agreeing to source food from local production which resulted in a good working relation between the local farmers and hotels.

The initiative has led to increased farming production, a stabilisation of crop prices, the set-up of multiple tourism micro-enterprises as well as the establishment of links between local artisans and hotels aimed at selling locally produced souvenirs to tourists. The programme has been particularly successful at including women in its activities, resulting in the inclusion of 760 women in multiple tourism related enterprises. The government of India thus sees the programme as a successful system that can be replicated at the national level.

Source: GoI (2013)

Nepal’s tourism strategy, set up in 2008, aimed to establish the country as a major global tourism destination, through the ‘Nepal Tourism Year 2011’ strategy. The strategy would allow tourism to create employment opportunities, reduce poverty and help foster economic growth in the country at both the local and national level. By 2012, the government of Nepal recognised that the sector’s growth rates had not met expectations (GoN, 2012). The identified issues include the fact that government investment in the sector has been low whilst private sector investment has not picked up.

The government of Nepal, therefore, included tourism within its 2012 Nepalese “Immediate Action Plan on Economic Development & Prosperity” (IAP) (GoN, 2012) which contains further actions on the development of the sector including investments in international and national transport infrastructure, greater emphasis on eco-tourism and cultural/religious tourism. Poverty reduction is not an explicit part of the IAP’s agenda; however the plan aims to increase employment opportunities in rural areas which tend to have high incidences of poverty. The country’s latest national development strategy the ‘Three Year approach Paper 2010/11 – 2012/13’ highlights the importance of tourism as a source of growth and mentions its capacity for poverty reduction, but does not elaborate further on the issue (GoN, 2010).

The Sri Lankan “Tourism Development Strategy” covers the 2011 to 2016 period (MOE, 2011). The sector is seen as one of the key drivers for economic growth in the country and the strategy’s key objectives revolve around increasing the number of tourists that visit Sri Lanka, attracting foreign investment into the sector, increasing the amount of jobs in tourism and distributing its economic benefits amongst the population. The strategy emphasises infrastructure development for the sector as well as the importance of environmental conservation as a core strategy for tourist attraction into the country, however the role of tourism in poverty reduction is not made explicit.

Bhutan bases its tourism on a policy of ‘high value, low impact’ tourism which sees tourism as a ‘positive force in the conservation of environment, promotion of cultural heritage, safeguarding sovereign status of the Nation for significantly contributing to Gross National Happiness”10. The country’s tourism sector emphasises environmental, cultural and economic sustainability but there is no mention on tourism as a poverty reduction tool, beyond its capacity for socio-economic development. Bhutan’s ‘high value’ tourism product approach has also been tried in Northern Tanzania, where the product has been shown to have significant benefits to the tourism sector and to poor people living near tourism

\[\text{http://welcomenepal.com/promotional/event/nepal-tourism-year-2011/}\]

\[\text{http://www.tourism.gov.bt/tourism-policy/tourism-policy}\]
destinations (Mitchell, Keane & Laidlow, 2009), hence if harnessed properly, Bhutan may also be able to reap the benefits of such a strategy.

It is unclear whether Pakistan has an extant tourism strategy and the latest tourism development strategy was formulated in 2000 with the ‘Tourism Master Plan’; however the exact details of the plan are difficult to assess as the plan is not accessible online. An outline of the tourism sector within the 2005 to 2010 ‘Medium Term Development Framework’11 discusses the role of tourism, focussing improved valorisation of the country’s cultural heritage but makes no reference to poverty reduction within the sector. The country’s current annual Plan for 2013 – 2014 makes no reference to tourism12, nor does its Vision 2025 plan13.

Tourism in Bangladesh is governed by the ‘National Tourism Policy’ of 200914. Available information on the policy states that the government recognises the sector’s ‘poverty alleviation’ potential15, but as access to the policy is limited it is difficult to understand what, if any, pro-poor measures may have been implemented in the policy. The previous National Tourism Policy of 1992 and the strategic Master plan for Tourism Development of 1990 also recognised the role of tourism for poverty alleviation, but information on these strategies is unattainable.

The analysis of national tourism and national development strategies at the country level actually highlights particular convergence points within these national strategies which can be summed as:

Poverty Reduction is not central to tourism strategies: For the Maldivian government, the sector’s pro-poor potential is acknowledged, but a clear strategy on how it would be harnessed is missing. India’s tourism strategy briefly mentions poverty; however its national development strategy recognises the importance of pro-poor tourism. Nepal’s latest tourism strategy does not explicitly address poverty, however it provides for rural employment creation whilst it is unclear what role poverty reduction plays in Bangladesh’s tourism policy.

National development plans include tourism for poverty reduction but no measures on how to harness it: As opposed to tourism development policies, national planning strategies seem to have greater recognition of tourism role in poverty reduction. However, pro-poor tourism strategies are rare and are only found in India’s national development strategy which includes a theoretical approach to the implementation of pro-poor tourism measures.

Tourism strategies emphasise green tourism and environmental conservation: A desire to maintain natural environments which are important tourist attractions, coupled with climate change mitigation and adaptation measures. The strategy allows countries to market destinations towards both environmentally concerned tourists and those that seek natural environmental beauty. Part of this drive may be due to self-preservation requirements such as mitigating the risk that climate change may negatively affect destinations such as Sri Lanka or the Maldives or maintaining natural attractions for tourists i.e. in Nepal, but it also helps to maintain or create a comparative advantage vis-à-vis tourism destinations which are perceived to be less environmentally conscious in other parts of the world.

12 http://www.pc.gov.pk/?page_id=367
13 http://www.pc.gov.pk/?page_id=137
15 http://www.parjatan.gov.bd/index.php?option=com_tourism&view=page&layout=sub_sub_menu&sub_sub_menu_id=131&Itemid=154
2.3 The Pro-Poor Tourism Approach

Tourism as a potential tool for poverty reduction was first mentioned in a paper by Ashley et al. (2000) which highlighted the fact that by the turn of the millennium there was still a clear lack of focus on poverty reduction within the tourism agenda. National governments and donors working in the tourism sector were mainly preoccupied with increasing the amount of private sector investment and infrastructure investment in the sector without taking into account the ‘needs and opportunities of the poor’. Even the ‘green tourism’ approach which picked up pace from the 1980s onwards, was geared more towards environmental conservation and less on impacts on poverty. The sector does however have the capacity to reduce poverty due to a number of advantages (Ashley et al. 2000; Ashley, Goodwin & Roe, 2001):

- There are opportunities to sell local goods and services to tourists and link tourism to other sectors in the economy;
- Tourism can provide opportunities for people in the informal sector i.e. selling locally produced souvenirs or fruit to tourists.
- The sector can help diversify local economies and can also be developed in poor and marginal areas which would otherwise have limited capacity to diversify, especially in remote areas which can attract tourists due to their ‘high cultural, wildlife and landscape value’;
- It can be a source of greater labour intensive and small-scale opportunities if compared to other non-agricultural activities such as manufacturing.
- If compared to other ‘modern’ sectors it can employ a higher proportion of women
- As the sector is highly dependent on natural capital (i.e. wildlife, scenery etc.) and cultural resources, it helps preserve (and value) them. These are often assets that the poor have, even where they have no financial resources.

There are a number of challenges that can influence participation in the tourism sector by the poor (see table 3 below). These challenges can be broadly summed into government regulatory failures, lack of capacity (physical, financial and human capital), socio-cultural barriers (i.e. gender inequality) and limited access to markets.

Table 3: Barriers to tourism participation by the poor

<table>
<thead>
<tr>
<th>Challenge/Barrier</th>
<th>Solution</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Government Support</td>
<td>Strengthen national and local government capacity in order to create more proactive support for the involvement of poor people in tourism.</td>
<td>SNV placed two permanent staff in the Nepalese Tourism Board in order to strengthen their capacity. SNV also helped create the Sustainable Tourism Network in Nepal which acts as a lobby platform to improve government support for pro-poor tourism.</td>
</tr>
<tr>
<td>Limited Human Capital</td>
<td>Provide skills training in tourism activities such as hotel management, language lessons etc.</td>
<td>India’s ‘Hunar Se Rozgar’ provides tourism skills to youth in the country. SNV set up the High Impact Tourism Training project across six Asian countries.</td>
</tr>
<tr>
<td>Lack of Financial Capital</td>
<td>Providing finance facilities such as micro-credit and micro-saving schemes within tourism communities.</td>
<td>SNVs District Partner Programme (DPP) provided a Venture Capital Fund which provided loans using group, rather than individual, collateral.</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Limited Organisational Strength</td>
<td>Provision of social mobilisation programmes and organisational strengthening initiatives.</td>
<td>SNVs DPP programme helped set up NGO run social mobilisation programmes on the trekking routes of Nepal.</td>
</tr>
<tr>
<td>Gender Norms &amp; Constraints</td>
<td>Gender awareness training, formation of women run groups and businesses</td>
<td>The Nepalese NETIF initiative provides microcredit for women to set up their own micro-enterprises. The Kerala RTI also provides funding and training for women in order to improve their inclusiveness in the sector.</td>
</tr>
</tbody>
</table>

Pro-poor tourism can be defined as tourism that generates net benefits for the poor. It is not a specific product but is an overall approach to using tourism for the purpose of (pro-poor) development i.e. tourism is a tool to unlock opportunities for economic gain, improve livelihoods and allow the poor to engage in the decision making process. The benefits of pro-poor tourism may be economic, but can also be environmental and cultural. The main aim of pro-poor tourism is to expand the opportunities of the poor but its success is dependent on growth within the sector as a whole (Ashley, Goodwin & Roe, 2001). Pro-poor tourism moves ‘beyond trickledown theory’ of mainstream tourism and focuses on creating net benefits for the poor (Jamieson et al. 2004).

Ashley, Roe & Goodwin (2001) review pro-poor tourism experiences, asking the fundamental question of ‘does pro-poor tourism work?’. The analysis, based on six country case studies, suggests that it is ‘difficult to say conclusively what contribution pro-poor tourism has, or could, make to national poverty reduction efforts’ as it is dependent on the scale of tourism within the economy and on the capacity for it to change towards more pro-poor activities. Tourism activities can have large impacts at the regional level, but they may not contribute significantly at the national level, in terms of reducing poverty. The pro-poor lessons from the paper can be summarised as follows:

- Pro-poor tourism can ‘tilt’ tourism at the margin, expanding opportunities for the poor. The diversification of tourism into culturally-based products, the creation of greater local business linkages and the redistribution of assets such as land towards the poor, coupled with greater inclusion of the poor in the tourism planning process are long-term changes with positive effects. However, given the competitive and sophisticated nature of the tourism sector, there are limits to how large this tilt can be.
- Pro-poor initiatives are capable of increasing the demand for goods and services which are provided by the poor as well as increasing the asset base of the poor, in contrast to conventional tourism practices, which are often seen as undermining asset bases (i.e. land) of the poor.
- Pro-poor tourism can help diversify the livelihoods of the poor through non-farming activities, especially in remote rural areas.
- Impacts of pro-poor activities are not limited to their area of operation i.e. pro-poor changes in policy and regulation that can occur as a result of these activities could be beneficial at the national or regional level.

The inclusion of the poor in tourism planning activities helps to increase their recognition as legitimate stakeholders in the tourism process and improve cooperation with the government and with the private sector. This can result in significant, positive, changes in the long-term if opportunities for poverty reduction become a fixed feature of tourism initiatives. Increasing the poor’s participation also allows them to highlight concerns and can help to ensure that their asset base is not eroded (and may in fact be increased) in the long term.

Increased demand for more environmentally sustainable tourism can be an important contributor to the pro-poor tourism process i.e. positive synergies between pro-poor and sustainable tourism could be created if the two processes are integrated.

Ashley & Goodwin (2007) briefly analyse the positive and negative outcomes of pro-poor tourism initiatives. The paper states that by 2007 the adoption of the concept by the UN had led to increased focus on the positive and negative impacts of tourism on poverty. This has translated to increased focus on the sector at the national level, as the sector plays increasingly large roles in national poverty reduction strategies across Africa and Asia. Mitchell & Ashley (2007) show that pro-poor tourism initiatives can have three types of impacts on the poor:

- **Direct effects** i.e. labour income from tourism jobs or tourism related enterprises as well as other types of tourism income. These impacts are likely to affect the poor who live in, or commute to, tourism areas.
- **Indirect effects** i.e. income and livelihood impacts on farms supplying food to hotels as well as induced effects (i.e. tourism workers spending their money) and effects (such as tax revenues) to the local economy. These impacts are likely to have a wider geographical effect.
- **Dynamic effects** which are the impacts on factor markets, entrepreneurialism, other export sectors etc. These may affect the national macro-economy or limited to the tourism destination’s local economy. The poor can be affected by changes in wages or in land prices.

Multilateral organisations such as the Asian Development Bank and UNCTAD have also increased their focus on tourism; similarly bilateral donor organisations have also adopted this approach i.e. the Dutch SNV agency had a series of Pro Poor Sustainable Tourism advisors within its operational countries whilst United Nations World Tourism Organisation (UNWTO) set up the Sustainable Tourism – Eliminating Poverty (ST-EP) initiative. The paper finds that even though these organisations have taken up the pro-poor tourism approach, there are still some concerns that were not addressed (Ashley & Goodwin, 2007):

- **Limited Focus**: Pro-poor initiatives have remained focussed on action at the micro-level, hence it is still seen as a niche product, rather than an approach that should be applied to all forms of tourism such as large-scale resorts, urban hotels etc. The majority of pro-poor tourism projects remain limited to community-based initiatives and do not provide positive impacts at a greater scale.
- **Limited Market Linkages**: Not enough attention is paid to market linkages as pro-poor initiatives tend to concentrate on the provision of training and infrastructure without providing a market for pro-poor tourism products. Investments in tourism pro-poor initiatives thus find no links to tourist expenditure and can fail as a result of this disconnect. The disconnect can be due to limited knowledge from tourism enterprises about locally available goods as well as limited donor knowledge of the possibilities of linking pro-poor tourism activities with private sector enterprises.

---

16 United Nations Conference on Trade & Development
Limited Documentation: There is no systematic and documented monitoring of changes in poverty resulting from tourism activities. Assessment is often not rigorous and results tend to not be tangible and quantifiable. Limited case study analysis of pro-poor impacts also limits its evaluation (Goodwin, 2008).

The message from these studies is thus that whilst the popularity of pro-poor tourism initiatives is growing and that there are clear theoretical and practical benefits to its implementation, these benefits are not wholly quantifiable due to limited studies of their effect.

Sustainable Tourism & Poverty Reduction

Sustainable tourism can refer to environmental, social and economic sustainability or a combination of all three\(^{17}\). Sustainable tourism is often a component of pro-poor tourism initiatives. There is however no automatic link between sustainable tourism and poverty reduction (UNCTAD, 2013) as the process requires on whether tourism can create links between its activities and the wider economy. Sustainable tourism can help preserve cultural and environmental resources and create economic development opportunities, however it needs to take into account economic, environmental and socio-cultural factors by (UNCTAD, 2013):

1. Making optimal use of environmental resources whilst maintaining ecological balances and conserving natural heritage and biodiversity;
2. Respect the sociocultural authenticity of host communities, conserve their built and cultural heritage and traditional values and contribute to intercultural tolerance and understanding;
3. Ensure that operations are economically sustainable and viable in the long-term.

The remaining principles of sustainable tourism highlight by the UNCTAD (2013) are essentially the same as those found in other pro-poor tourism approaches i.e. creating market linkages, ensuring supportive regulatory environments, providing access to finance, skills upgrading etc.

One of the largest tourism projects that uses such an approach i.e. combining sustainable and pro-poor tourism, is the United Nation’s World Tourism Organisation’s Sustainable Tourism –Eliminating Poverty programme (see box 3 below). Evaluating the effectiveness of such a programme remains problematic due to the limited public access of UNWTO materials.

Box 2: SNV & Sustainable Tourism in Bhutan

SNV began supporting training and curriculum development within the tourism sector in 2005, working with Bhutanese tourism associations and the Tourism council of Bhutan. The process led to the implementation of the ‘Responsible Business in Tourism Programme’. The programme helped Bhutanese companies take active steps in extending tourism opportunities to the poor and increase recognition of the value of pro-poor tourism products. The programme also contained a significant social and environmental conservation component which helped businesses understand the importance of sustainability in order to improve the effectiveness of their operations and improve their international competitiveness.

Source: Rogers & Alexander (2010)

Saville (2002) looked at ecotourism and sustainable tourism potential in the Tamil Nadu region of India. Whilst the study did not evaluate an on-going pro-poor/sustainable tourism initiative it did find that there were multiple synergies to create eco-tourism products such as environmentally friendly ocean dives or coastal village ecotourism resorts that were also pro-poor. The approach shows that there is potential to combine to pro-

17 http://step.unwto.org/content/background-and-objectives
poor/sustainable tourism movement as long as there is a clear and rigorous analysis of the context within which such approaches would operate.

Tresli (2006) reports on the experience of community based ecotourism development for poverty alleviation projects in Central and South Asia between 2002 and 2005. The review looks at projects carried out under the UNESCO’s ‘Development of Cultural and Ecotourism in the Mountainous Regions of Central and South America (which ran between 2002 and 2006). The reviewed projects aimed to develop methods through which local people living in remote mountain areas could benefit from tourism. The projects promoted environmentally and socially responsible tourism products (i.e. home stay programmes), training of local people (i.e. tour guides), promoting the production of high quality local souvenirs and marketing local cultural activities and events to tourists. The review found that the projects helped to increase incomes (i.e. by 25% in participating households in India), establish a solid tourism revenue stream and strengthen community based and civil society organisations at project sites.

Dhakal et al. (2007) report on Nepal’s experiences in implementing sustainable rural tourism projects (as part of the TRPAP – see box 4 below). Whilst the project activities were reported in great detail – and descriptive outcomes such as the provision of training and infrastructure were highlighted - no quantifiable evidence or rigorous data analysis was provided on the amount of people removed from poverty as a result of the projects.

**Box 3: The UNWTO ST-EP Initiative**

<table>
<thead>
<tr>
<th>The United Nations World Tourism Organisations (UNWTO) Sustainable Tourism – Eliminating Poverty (ST-EP) initiative promotes poverty reduction through the provision of sustainable poverty reduction projects. The initiative seeks to link poverty reduction in the tourism sector with the achievement of the Millennium Development Goals (specifically goals 1, 3, 7 &amp; 8) by ‘delivering development’ and creating jobs for people who earn less than a dollar per day. By 2013 the initiative had 107 projects in Least Developed Countries, including projects in Bhutan and Nepal. The ST-EP Initiative operates projects through the use of seven mechanisms:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Employment of the poor in tourism enterprises</td>
</tr>
<tr>
<td>2. Supply of goods and services to tourism enterprises by the poor or by enterprises employing the poor</td>
</tr>
<tr>
<td>3. Direct sales of goods and services to visitors by the poor (informal economy)</td>
</tr>
<tr>
<td>4. Establishment and running of small, micro or community-based tourism enterprises or joint ventures by the poor (formal economy)</td>
</tr>
<tr>
<td>5. Redistribution of proceeds from tax or charge on tourists or tourism enterprises</td>
</tr>
<tr>
<td>6. Voluntary giving and support by tourists or tourism enterprises</td>
</tr>
<tr>
<td>7. Investment in infrastructure stimulated by tourism also benefiting the poor in the locality, directly or through support to other sectors</td>
</tr>
</tbody>
</table>

Evaluating the results of the ST-EP Initiative is problematic as the UNWTO restrict access to their data and publications, hindering the effectiveness of any pro-poor initiative effectiveness analysis whilst limiting access to information for tourism practitioners.

*Source: [http://step.unwto.org/content/background-and-objectives](http://step.unwto.org/content/background-and-objectives)*

*http://step.unwto.org/content/st-ep-projects*

*http://step.unwto.org/content/seven-st-ep-mechanisms*
The UNWTO ST-EP initiative, the example of the SNV Bhutan sustainable tourism initiative and the examples highlighted by Dhakal et al. (2007), Treslian (2006) and Saville (2002) show that sustainable tourism operations are often (or can often be) bundled together with pro-poor operations, aimed at setting up both pro-poor and sustainable tourism practices. These practices are also often found in Community Based Tourism operations, as the section below shows.

The limited amount of information available on the effectiveness of sustainable tourism as part of a pro-poor approach, beyond particular case studies as highlighted by Treslian (2006) does not allow for an effective comparison of the method vis-à-vis other forms of pro-poor tourism. The fact that it is often a component part of wider pro-poor tourism initiatives also means that its effects cannot be disentangled from these other components.

**Community Based Tourism**

Community Based Tourism (CBT) constitutes an ulterior component of the pro-poor tourism approach, often used in conjunction with sustainable tourism and other pro-poor tourism methodologies within its operations. It can be seen as an alternative to mainstream tourism, even though it is mostly dependent on the same infrastructure and facilities (i.e. international airports or national transport systems). The main difference between the two systems is community based tourism’s ‘commitment’ to achieving collective community benefits and its (theoretically) pervasive use of community governance.

There is no rigorous definition of what community based tourism actually represents. Even the idea that communities are actively involved in the governance of CBT projects has been challenged. Even though CBT has been promoted as a pro-poor tourism method, the success of CBT projects has not been widely monitored, hence benefits to local communities have not been quantified (Goodwin & Santilli, 2009).

As an example, the TRPAP project in Nepal (see box 4 below), which combines sustainable tourism with CBR, provides no quantifiable evidence of poverty reduction (see section above). Another example is the NETIF programme in Nepal (see box 6 below), whilst the project evaluation shows that the programme has resulted in the construction of multiple CBT micro-infrastructure facilities and the implementation of numerous CBT initiatives, there is no specific mention on poverty reduction.

What evidence is available on CBT (i.e. through research by Mitchell & Muckosy (2008) who reported on Rainforest Alliance research covering over 200 CBT project) show these projects are not entirely successful. In addition, work by Goodwin & Santilli (2009) highlight the fact that donors who sponsor CBT projects often self-define what a successful CBT project looks like without defining rigorous success criteria and limit reporting to those projects that have deemed to be ‘successful’.
Box 4: Tourism for Rural Poverty Alleviation Programme (TRPAP) in Nepal

The joint UNDP/SNV/DFID TRPAP in Nepal was set up in 2001 across six districts in Nepal. The aim was to improve the livelihoods of people by enhancing community participation in tourism. The programme was implemented with multiple Nepalese government bodies (mainly the Ministry of Culture & Tourism and the Nepal Investment Board). Community support in affected areas has been positive, due to the inherent community livelihood improvement focus of the programme but its effects may have been impacted by the widespread civil unrest affecting the nation at the time of implementation.

The projects included initiatives such as village homestay schemes, training courses for professional tourism skills, marketing of local products, training in environmental conservation etc. The scheme resulted in over 13,000 people receiving training (of which 51% were women). The projects also invested in local infrastructure (providing 75% of costs – of which the remainder were covered in-kind through community labour). The projects also helped reform and strengthen community organisations and improved community-government relations and communication links.

Source: Dhakal et al. (2007)

Box 5: Nepal’s Community Driven Tourism Approach through NETIF

The Nepal Environment and Tourism Initiative Foundation (NETIF) is running a multiannual, multidimensional, pro-poor tourism initiative along the trekking trails of Nepal. The programme has recently completed the second phase which ran between 2010 and 2013. The programme emphasises community involvement in tourism, the implementation of responsible tourism certification initiatives, capacity building programmes, local business promotion and provides assistance in the start-up of community based tourism enterprises and micro-infrastructure (i.e. tourist shelters and toilets and trekking route upgrades).

Source: NETIF (2013)

2.4 Private Sector Participation in Pro-Poor Tourism

Some donor approaches to pro-poor tourism development focus on enhancing the capacities of enterprises working within the sector to reorient their activities in order to provide more opportunities for the poor. One such example is the SNV’s MAST project in Nepal (see box 7 below). The project approached tourism enterprises i.e. tour operators, hotels etc. in order to show them how to develop and market, profitable, sustainable pro-poor products. A 2010 evaluation of the programme showed that it helped increase tourist numbers and improve profits for business; however the evaluation does not highlight whether there was a tangible poverty reduction effect (Drucza, 2010).
Box 6: Marketing Assistance to Nepal for Sustainable Tourism Products

SNV and UNEP jointly took part in the MAST-Nepal (Marketing Assistance to Nepal for Sustainable Tourism Products) initiative. MAST provides support and training for tourism enterprises (23 in total), allowing them to adopt and develop sustainable tourism practices & products. These practices allow Nepalese tourism enterprises to tap into increasing segments of the European tourist market, specifically those tourists that demand sustainable tourism products. The project ran between 2006 and 2008 and targeted economic, environmental and socio-cultural sustainability. The projects objectives included:

1. Building capacity within tourism intermediaries in Nepal in order to develop sustainable tourism products;
2. Improve marketing of sustainable tourism products both in Nepal and in Europe;
3. Raise awareness in Nepal and in Europe on the benefits of sustainable tourism activities.

Source: UNEP (2007); Drucza (2010)

Beyond donor interventions through targeted pro-poor projects in the tourism sector, poverty reduction initiatives can also (and should often) include active participation by the private sector. Private participation in tourism development is not just undertaken by individual enterprises as it can also be facilitated through investments by development banks and development finance institutions (DFIs) such as the IFC (see box 8 below).

Even though IFC investments in the tourism sector tend to be channelled towards high value (i.e. luxury) international hotel chains, the World Bank (2011) states that these tourism investments can be of benefit to the poor. Apart from the overall macroeconomic benefits of tourism (i.e. earning foreign currency, improving competitiveness, high employment potential and increasing state revenue), international investments in the sector can benefit local populations. As tourism is one of the few products where goods and services are consumed ‘on location’, local people can take advantage of its benefits and the sector can be a good way to channel resources from the rich to the poor. Work by Arezki et al (2009) shows that there is a positive link between growth in tourism and growth in GDP. Hence, investments in tourism, where they are linked to the local economy, can be of benefit to the poor.

An ODI study carried out in 2012 for the IFC, examining the impacts of a high-end international hotel (partially funded by the IFC) in Rwanda found that, out of the 1,100 jobs created by the hotel each year, close to half went to poor people and created close to 300 jobs for local farmers. The study provides some evidence that such hotel investments by the IFC do result in pro-poor outcomes, which could be replicated in its investments in South Asia (see box 8 below).

A study by Lemma & Mitchell (2013) assesses the global economic crisis’s impacts on tourism within northern Tanzania. The study shows that where the tourism sector was geared towards high value tourists (as is the case in Tanzania’s Safari circuit), unskilled (i.e. poor) staff numbers in hotels were surprisingly resilient to the shock. Hotels and enterprises (i.e. tour operators) did see an initial loss in employment numbers as tourists fell on the onset of the crisis but, within a year, tourist numbers recovered and rapidly increased beyond the pre-crisis levels. Hotel staff numbers also began to recover, especially unskilled staff numbers (see table 4 below) which recovered at a faster rate than skilled and managerial staff.

These studies show that investments by agencies such the IFC can have positive pro-poor impacts such as directly creating potentially resilient jobs for the poor and creating economic opportunities for the communities that they operate with. They also show the
importance of market linkages in the tourism sector as catalysts for these pro-poor outcomes, these linkages are further discussed in the next section.

**Box 7: IFC Investments in Tourism in South Asia**

By 2013 the IFC had invested close to US$ 260 million in tourism projects in South Asia. Investments were carried out in Bhutan, the Maldives, Nepal and Sri Lanka. Of these the greatest commitments were in the Maldives (US$ 109 million) and in Sri Lanka (US$ 121.8 million).

The IFC (2011) reports that its high-end hotel investments in Asia have created an average of between 1.5 – 3 jobs per hotel room, with four and five star hotels generating more employment than more basic hotels. For example, its investment in the five-star Shangri-La Villingilli Resort in the Maldives, within a remote and economically depressed region, provides jobs, training to members of local communities and created links between local farmers and the resort.


### 2.5 Market Linkages & Poverty in Tourism

As Ashley & Goodwin (2007) have stated, the majority of pro-poor tourism projects do not pay enough attention to market linkages between tourism enterprises and the local/national economy or linkages with the poor in their areas of operation. According to Ashley & Mitchell (2008), who analyse the challenges of monitoring the impacts of pro-poor tourism interventions, this problem of limited market interlinks in tourism is slowly being addressed by multilateral organisations such as the IFC and bilateral donor organisations such as SNV. These organisations implement a value-chain approach to productive sectors, which include tourism.

The poverty reduction potential of investments in the tourism are, in part, dependent on how much tourists spend in-country, specifically on how much they spend on products that directly benefit the local economy. Poverty reduction in the sector thus depends on how well-linked tourism enterprises are with local enterprises (both formal and informal) i.e. the composition of the tourism value chain (UNCTAD, 2013).

Hoermann et al. (2010) state that value chain analysis in the tourism sector (in the context of Himalayan tourism in South Asia) can help to understand how tourism activities can be better implemented in order to increase the share of tourism expenditure that goes towards the poor within the region. The theory is that such analysis would help the poor to better understand what employment opportunities (and associated services and product requirements) exist in the tourism value chain, hence improve their poverty reduction potential. The value chain approach uses this analysis of the tourism linkages in order to identify where tourist enterprises can create links with the local and national economy, especially where there may be beneficial pro-poor effects i.e. sourcing fresh food from local farmers or furniture from local producers.
The figure above highlights how the tourism sector can be positioned within a country’s value chain at the local or national level i.e. the depth of linkages between the tourism sector and other sectors of the economy. For example, whilst tourism represents 49% of GDP in Cape Verde, the links between tourist activities and the local economy (i.e. local agricultural producers or local suppliers of goods and services) is quite weak, on the other hand tourism in Tunisia only represents 9% of GDP but the links between local producers and the tourism industry are strong (Mitchell & Martins, 2012). This highlights the importance of tourism position within the national value chain. Where the tourism sector is more integrated in the national economy, the benefits to growth and poverty reduction will be greater.

In a study by Mitchell, Keane & Laidlow (2009), which analyses the contribution of package tourism in Northern Tanzania, it was found that between 18% and 28% of international tourist spending (dependent on the specific area) was reaching poor people, a comparatively high proportion if compared to other destinations, especially if the costs of international flights to Tanzania are taken into account. Northern Tanzania’s success in such respect was due to how the tourism sector was integrated into the local economy i.e. hotels buying products from local suppliers. The study suggests that where hotels source locally, there can be potential for pro-poor outcomes. The study does however also state that smaller local enterprise, such as souvenir producers and small food producers, may have been bypassed by the linkages due to quality of products and a lack of dependability on their supply.

Other examples of where tourism activities have been successfully linked to local economies include the Kerala Responsible Tourism Initiative (see Box X above) and the ‘Gambia is Good’ (GiG) initiative (UNCTAD, 2013). Both initiatives successfully shifted the way in which hotels sourced their food production by setting up partnerships between hotels and local farmers and food suppliers. Both initiatives also helped improve prices received for food and increased food production. What is interesting is that one initiative (the Kerala RTI) was set up by the local government, whilst the GiG initiative was set up by bilateral donors (DFID) and NGOs operating in Ghana, potentially showing that these initiatives can be implemented independently of donor support, where the state has capacity to do so.
3 Conclusions

The study has approached the issue through three interlinked lenses i.e. the government approach to poverty in tourism (limited to the South Asian context), the current pro-poor approaches and the theory behind them and the importance of national/local economy linkages in the tourism sector.

**Government approaches and strategies to poverty reduction in tourism are limited in South Asia.** They are not a core part of national tourism strategies and where they are mentioned they seem to be an afterthought. National development strategies provide clearer links between poverty reduction and tourism, but ‘actionable’ strategies are not made explicit.

**There are multiple methods that aim to achieve poverty reduction in tourism but methods are not rigorous nor are they standardised.** Some of these are explicit pro-poor initiatives which have been set up by governments (either local or national) or through bilateral and multilateral donors and NGOs. Methods to reduce poverty include the Community Based Tourism approach, Enterprise Support, Sustainable Tourism etc. Most of these categories broadly fall under the pro-poor tourism umbrella, but interventions can differ greatly between one-another (even within the same sub-category) and tourism intervention packages

**Pro-Poor Tourism interventions seem to positively affect poverty.** Where pro-poor tourism interventions have been implemented, the (limited) case-study literature shows that positive effects have been observed. Ashley, Goodwin & Roe (2001) provide the best description of the effects of pro-poor interventions by stating that they can tilt the sector towards greater pro-poor outcomes. However, these approaches are limited in scale (often based around small scale communities) and could be applied more widely to the tourism sector as a whole.

**Private sector participation in pro-poor tourism can be crucial.** Linking the tourism sector to the local and national economy and, in parallel, linking the poor to the tourism sector can create pro-poor effects through direct and indirect gains. Investments by the private sector, which at first may not seem to be pro-poor (i.e. luxury hotels) can also create large pro-poor effects through employment and local market links.

**Data to validate which methods work best is, however, limited and extremely granular.** Even where positive results have been recorded, data is limited to case study effects and due to the varied nature of the different implemented pro-poor initiatives, the impacts and effects are difficult to compare. This granularity of data makes it impossible to compare which methods are most effective in reducing poverty within the tourism sector. Additionally, understanding the additionality and catalytic effects of these projects is limited by the lack of a counterfactual i.e. what would have happened to poverty in the sector without these interventions? Often, case studies do not compare similar situations and cannot provide such an answer, limiting the effective validity of results.

**Overall, there is no clear measure or strong evidence to suggest that particular pro-poor interventions in the sector have a greater rate of success or effectiveness.** If there is an overall lesson to be had it is that tourism interventions should be undertaken as a package that addresses the barriers to entry for the poor, the regulatory issues that govern the sector and the partnerships that determine how well the sector is integrated in the local economy.
References


Ashley, C. Goodwin, H & Roe, D (2001) “Pro-Poor Tourism Strategies: Expanding Opportunities for the Poor” Pro-Poor Tourism Briefing No. 1 April 2001


Tourism for Poverty Reduction in South Asia: What works and where are the gaps?


Treslian, D. (2006) “Poverty Alleviation and Community-Based Tourism: Experiences from Central and South Asia

