

TOURISM, MICROFINANCE, and POVERTY (Excerpts) 2005

World Tourism Organization
PlaNet Finance

This publication resulting from collaboration between WTO and PlaNet Finance gives an overview of the impact of tourism on poverty reduction. It helps to bring tourism and microfinance together, identifying opportunities for tourism to reduce poverty in developing countries and pinpointing the potential role and the reality of microfinance in solutions for tourism micro projects.

Seven approaches for achieving benefits for the poor from tourism development

The seven approaches identified in the WTO report are as follows:

1. Employment of the poor in tourism enterprises

The first step for promoting employment of the poor in tourism enterprises is to encourage the creation of tourism enterprises, especially SMEs (small and medium size enterprises) and microenterprises, close to the places where the poorest populations live.

2. Supply of products and services by the poor to enterprises in the tourism sector

The aim is to maximize the economic impact of tourism expenditure in order to benefit local economies, especially those of the poorest populations.

3. Direct sale of products and services by the poor to the tourists

The aim is to take advantage of the potential of the informal sector by multiplying the activities and services that can be provided to tourists. Two such activities, frequently used in destinations, are the sale of handicrafts and the services of guides at tourism sites... This requires the creation of information, awareness and training programmes so that there is more direct contact between tourists and receiving populations in order to allow greater benefit to be achieved from the sale of products and services to tourists... It must be remembered, however, that although these activities come from the informal economy, instead of benefiting the poor they often benefit intermediaries.

4. Creation and management of tourism enterprises by the poor

This approach is of great interest because it brings sustainable solutions to the problems of poverty. Although many people are skeptical about the implementation of such measures, many examples show that the creation and management of tourism enterprises by the poor is a realistic possibility. Enterprises must, however, start out on a small scale as microenterprises, perhaps functioning informally or seasonally.

5. Tourism taxation to benefit the poor

6. Voluntary actions by tourism enterprises and tourists

-- Individual tourists may be encouraged to visit some regions if they know that a large share of their expenditure will be used to finance poverty reduction programmes. This falls within the framework of 'responsible' or 'solidarity' tourism. Tourists may also participate directly in the fight against poverty by volunteering to work during their holidays on programmes for technical aid, awareness or training.

-- NGOs may carry out aid programmes and technical cooperation projects linked either directly or indirectly to tourism, such as actions to promote sustainable tourism and training and the inclusion of people normally excluded from tourism activity.

7. Investment in basic infrastructure to develop tourism while benefitting the poor

The creation of jobs by setting up tourism development projects is one of the best ways of fighting poverty.... In some cases, even a part-time tourist activity over 2 or 3 days a month might allow local populations to double their monetary revenue, which would amount to a very important impact in the fight against poverty.

There are five main types of tourist for most tourism projects in rural or isolated areas:

- National tourists
- Expatriate resident tourists
- Family visitors
- Business tourists
- International tourists

This is the most important group. In order to guarantee the continued success of tourist projects aiming to reduce poverty, it is important to reach large numbers of tourists. This can be done through tour operator networks but also using technological methods via the Internet and websites.

If tourism is developed and managed in a sustainable manner from the economic, environmental and socio-cultural points of view, it can significantly help to improve living conditions for local populations in different destinations. Amongst the reasons for this are its fast geographical expansion and constant growth, the wide variety of economic activities it involves, the fact that it can be developed in isolated locations where other activities would be impossible, and the fact that it is largely made up of small and micro enterprises.

Under such conditions, for most developing countries tourism is a sector of interest for the future but also one, which is difficult to develop because of a lack of suitable means and tools. The paradox is that there is an ever-increasing disparity between the standard of living and customs of international tourists and those of local populations. With no political actions and technical assistance, there is therefore a risk that tourism development will ignore the specific characteristics of each country or the visitors' requirements.

Tourism in developing countries, not including the newly-industrialized Asian countries, is growing fast, with 112 million arrivals, that is, over 16.2% of international tourist arrivals in the world. In terms of international tourism receipts, developing countries have an even larger share of the world total, with 19.3%, US\$ 100 billion.

Trends in international tourist arrivals in developing countries and in the world (1990 – 2003)

| Regions | Percentage change 1990-2003 |
|-----------------------------|--------------------------------|
| Developing countries | 77 % |
| Middle East | 196 % |
| South Asia | 112 % |
| East Asia / Pacific | 109 % |
| Africa | 105 % |
| Europe | 44 % |
| Americas | 23 % |
| World | 53 % |

Source: WTO, 1990 and 2003

Trends in international tourism receipts in developing countries and in the world (1990 – 2003)

| Regions | Percentage change 1990-2003 |
|-----------------------------|--------------------------------|
| Developing countries | + 173 % |
| South Asia | + 221 % |
| Middle East | + 163 % |
| Africa | + 118 % |
| East Asia / Pacific | + 107 % |
| Europe | + 99 % |
| Americas | + 65 % |
| World | + 94 % |

Source: WTO, 1990 and 2003

There are about fifty least developed countries(LDCs). These are the developing countries with the lowest levels of income per inhabitant and poor social, educational and economic situations. So far they have mostly been unaffected by world tourist flows to any significant extent, but the rate of growth in tourism in such countries is higher than the world average, which means that the tourism sector could help some of them to fight poverty.

Developing countries with a fast-growing tourism sector

| Country or region | Trends in arrivals (in thousands) | | Annual average growth rate (%) |
|----------------------------------|-----------------------------------|--------|--------------------------------|
| | 1992 | 2003 | |
| East Asia and the Pacific | | | |
| Cambodia | 412 | 762 | 5.75 |
| China | 16,512 | 32,972 | 6.49 |
| Indonesia | 3,064 | 4,467 | 3.49 |
| Malaysia | 6,016 | 10,577 | 5.26 |
| Thailand | 5,136 | 10,082 | 6.32 |
| Africa | | | |
| South Africa | 2,703 | 6,640 | 8.51 |
| Namibia | 234 | 695 | 10.40 |
| Mauritius | 335 | 702 | 6.96 |
| Tanzania | 202 | 552 | 9.57 |
| Ghana | 213 | 483 | 7.73 |
| Americas | | | |
| Cuba | 455 | 1,847 | 13.58 |
| Dominican Republic | 1,415 | 3,282 | 7.95 |
| Costa Rica | 610 | 1,329 | 7.34 |
| Brazil | 1,692 | 4,091 | 8.36 |
| Peru | 217 | 931 | 14.16 |
| Chile | 1,283 | 1,614 | 2.11 |
| South Asia | | | |
| India | 1,868 | 2,750 | 3.58 |
| Maldives | 236 | 564 | 8.24 |
| Middle East | | | |
| Saudi Arabia | 2,582 | 7,332 | 9.95 |
| Bahrain | 1,419 | 2,955 | 100.30 |
| UAE | 944 | 5,871 | 18.08 |
| Jordan | 661 | 1,573 | 8.20 |

Source: WTO