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## Economic development in Africa: Tourism for transformative and inclusive growth

### Overview

#### *Executive summary*

Tourism – in terms of its contribution to gross domestic product, employment and trade – is an important sector in many African economies, and its growth is increasingly driven by tourists originating from the continent itself. However, most African countries still face significant challenges and constraints in exploiting the potential of tourism services in trade and economic development. The *Economic Development in Africa Report 2017: Tourism for Transformative and Inclusive Growth* examines the role that tourism can play in Africa's development process. At a time when the continent is building its productive capacities, deepening regional integration and pursuing economic diversification, tourism in Africa continues to grow. To better harness the potential of the tourism sector to contribute to inclusive growth, structural transformation and achievement of the Sustainable Development Goals, Africa should adopt policies that strengthen intersectoral linkages, boost intraregional tourism and promote peace.



## I. Introduction

1. The United Nations designated 2017 as the International Year of Sustainable Tourism for Development. The tourism sector has been praised for its capacity to stimulate economic growth through the creation of jobs and by attracting investment and fostering entrepreneurship, while also contributing, if properly harnessed, to preservation of ecosystems and biodiversity, protection of cultural heritage and promotion of empowerment of local communities.

2. Tourism can be an engine for inclusive growth and sustainable economic development. Since the 1990s, tourism has increasingly contributed to Africa's growth, employment and trade. During 1995–2014, international tourist arrivals to Africa grew by an average of 6 per cent per year and tourism export revenues, 9 per cent per year. The average total contribution of tourism to gross domestic product (GDP) increased from \$69 billion in 1995–1998 to \$166 billion in 2011–2014, that is from 6.8 per cent of GDP in Africa to 8.5 per cent of GDP. Furthermore, tourism generated more than 21 million jobs on average in 2011–2014, which translates into 7.1 per cent of all jobs in Africa. This means that over the period 2011–2014, the tourism industry was supporting 1 out of every 14 jobs. At the same time, tourism has also been associated with operating in isolation from other parts of the economy, suffering from high financial leakage, generating sociocultural tensions and environmental damage. History suggests that countries cannot rely on tourism as the sole avenue out of poverty or the only pathway to sustainable economic development.

3. Tourism's potential has been recognized by policymakers at the national and international levels, and is increasingly reflected in national and international policy frameworks. At the global level, Sustainable Development Goals 8, 12 and 14 highlight the central role of tourism in job creation, local promotion of culture and economic development. However, as tourism covers several sectors and is a cross-cutting issue, the development of tourism has an impact on many Sustainable Development Goals, for example poverty, decent work, gender and infrastructure development.

4. At the continental level, the African Union's Agenda 2063 and the Tourism Action Plan under its New Partnership for Africa's Development recognize tourism's importance in driving Africa's socioeconomic development and structural transformation through job creation, in catalysing growth in other productive sectors and in fostering inclusion through the participation of women and youth in the sector's activities.

5. At the regional level, the policy frameworks of several regional economic communities, including the 1998 Protocol on Tourism of South African Development Community, the Sustainable Tourism Development Framework of the Common Market for Eastern and Southern Africa and the Sustainable Tourism Master Plan 2013–2023 of the Intergovernmental Authority on Development, highlight tourism's importance in supporting socioeconomic development.

6. At the national level, most African countries have national development plans that outline a country's vision for its future and identify planned policies and sectoral priorities, which highlight the importance of tourism.

7. The *Economic Development in Africa Report 2017: Tourism for Transformative and Inclusive Growth* examines the role that tourism can play in Africa's development process. It argues that tourism can be an engine for inclusive growth and economic development and that it can complement development strategies aimed at fostering economic diversification and structural transformation within the right policy context. The report does not focus on climate change or its financing aspects as these have been taken up in much greater detail in recent publications on the sector. The focus is rather on enhancing the role that tourism can play in socioeconomic development, poverty alleviation, trade, fostering regional integration and structural transformation. To achieve all of this, Africa must tackle key impediments to developing the tourism sector, such as weak intersectoral linkages.

8. Tourism can also be an important contributor to economic development for several reasons. Specifically:

(a) Tourism has the capacity to significantly contribute to GDP, employment and export earnings.

(b) The sector can also offer a compelling case for prioritization for socioeconomic development in Africa. Tourism is a relatively job-rich sector and employs comparatively high shares of women and youth. Globally, women make up between 60 and 70 per cent of the tourism labour force, and half of its workers are aged 25 or younger. It thus has the potential to foster more inclusive growth.

(c) With rising disposable incomes and hence more resources available for leisure and travel, as well as globalization which boosts business travel, the forecast for tourism is positive. It is expected that international tourist arrivals to Africa will continue to grow robustly to 134 million arrivals by 2030 (World Tourism Organization (UNWTO), 2016).

(d) Given that globally most international travel takes place within a traveller's own region and that, with a rising African middle class, continental disposable incomes are likely to increase, there is greater scope for boosting continental and intraregional travel in Africa.

(e) Tourism also has the capacity to generate and spread incomes and has strong spillover effects for poverty reduction through stronger linkages. Strong linkages catalyse a multiplier effect that can generate broad-based economic benefits at the national level, as well as in situ employment opportunities and poverty reduction at the local level. In many African countries, however, tourism linkages remain weak and underexploited. Consequently, much of the value added in the tourism sector is captured by foreign investors, international tour operators and foreign airline companies, while often only limited benefits remain within the destination country and flow to the poor. Thus, better linkages can lead to, *inter alia*, more jobs for the most vulnerable groups in society, the poor, women and youth.

(f) The promotion of peace, justice and strong institutions are prerequisites for achieving any economic development goals. This is clearly also the case for goals related to the development of tourism.

9. Most African countries, however, face significant challenges and constraints in exploiting the potential of tourism services in trade and economic development. The *Economic Development in Africa Report 2017* aims to identify key barriers and impediments to unlocking the potential of tourism in Africa to help transform the continent's economy structurally, and provides policy recommendations on how those barriers and impediments could be addressed. The focus is on the following four challenges: (a) strengthening intersectoral linkages; (b) enhancing the capacity of tourism to foster more inclusive growth; (c) tapping the potential of intraregional tourism through deepening regional integration; and (d) harnessing peace and stability for tourism.

## II. Main messages and policy recommendations

10. First, African countries can harness the dynamism of the tourism sector to promote structural transformation. In part, regional demand for tourism services is increasing owing to the rise of disposable incomes and the middle class. Along with higher disposable incomes, better transport and facilitated access to visas would further underpin this trend and provide Africans the means to travel abroad. Moreover, new segments of the tourism market are developing such as medical tourism, which can provide the impetus for the development of and investment in health-care infrastructure, as in Ghana, Mauritius and Nigeria. Africa's tourism sector is dynamic and largely demand driven, and thus requires some government support in partnership with the private sector if the sector is to become more competitive and developed. Attracting private investment in partnership with provision by the State of finance to address sector bottlenecks, facilitation of air passenger access, and basic infrastructure and skilled labour will require integration of the sector into

national development plans and into the communities concerned. Both Governments and local actors will have a critical role to play.

11. Governments could begin by reducing visa bureaucracy and improving information and communications technology, security, underdeveloped health care, airlines and transport infrastructure. Support in the long term can be provided to the local private sector to operate hotels and compete with international hotel chains present in the country. Joint ventures can be encouraged between local firms and international hotel operators so that ownership and management of hotels involves a mix of local and foreign capital. Local tour operators can provide online booking services so that tourists purchase tickets and destination packages directly from local suppliers rather than through international tour operators (that is, generating greater local content into tourism value chains). The tourism sector offers a promising avenue for boosting services exports for many African countries as part of their economic diversification strategies. Investments in tourism-related infrastructure have important employment effects. Hotel, airport, road and wider construction projects can provide opportunities for more labour-intensive activities through direct public procurement practices. Especially where rural tourism is prevalent and building activities use local materials, local technologies and local small-scale enterprises have much greater potential to generate employment. Similarly, although it is an employment-intensive activity, waste management is another neglected (often underfunded) but crucial area, especially where mass market tourism or ecologically sensitive development is envisaged.

12. Second, countries can reduce leakages out of the tourism sector by fostering economic diversification. Developing strong intersectoral linkages is crucial to ensuring greater capture of tourists' expenditures – a key determinant in facilitating the transfer of economic benefits from the sector to local communities, with incomes derived from employment and business opportunities contributing to improved livelihoods and poverty reduction. There is clearly some scope for African countries to harness intersectoral linkages of tourism to support the development of viable upstream industries, not only within the services sector, but also in agriculture and in some manufacturing segments. Given the degree of heterogeneity, intersectoral linkages of tourism need to take into consideration country- and sector-level contexts. While the input–output structure of the value chain influences intersectoral linkages with tourism, a conducive policy framework remains critical in fostering economic diversification, local sourcing and promoting local value addition. Such a policy framework would focus on the effectiveness of existing national strategies (for trade, finance, investment, technology and job creation) in promoting economic growth, which partly relies upon multisectoral investment and technological upgrading at the national level. Productive investment is also critical, to drive growth, job creation, innovation and trade. As highlighted by UNCTAD (2016a), finance is critically needed to provide firms with the capital they need to develop, and facilitate private and public investments in infrastructure, plants and equipment to foster greater competitiveness. As UNCTAD has noted, reaching the levels of development needed to fulfil the Sustainable Development Goals and to achieve the continent's agreed long-term Agenda 2063 goals will require action by all development partners acting together in a revitalized Global Partnership for Sustainable Development (UNCTAD, 2016b).

13. Third, tourism can contribute to more inclusive growth if the appropriate policy framework is in place. Tackling poverty requires promoting decent work within both the formal and the informal economy. Tourism can provide significant opportunities for the poor as it is a labour-intensive sector in which expenditure is more likely to reach them. Furthermore, rural areas in which most poor communities are concentrated have a comparative advantage in attracting tourism, with locals potentially well positioned to provide popular tourism products such as music, handicrafts and tours. Linkages between local communities and suppliers must be fostered to better integrate the poor into the tourism value chain.

14. Youth unemployment is another critical concern as Africa has a young population. Tourism is playing an important role in generating jobs for young people, although a key challenge for the sector concerns matching the education and skills of young people with the jobs available. Active efforts to enhance tourism and hospitality schools will make them

more employable in this sector, while being a positive externality for tourism employers who often absorb staff training costs. Additional measures to promote more vocational skills training, such as informal apprenticeship schemes, would enhance these measures.

15. Women tend to be disproportionately engaged in the most vulnerable and poorest paid activities and are challenged by vertical segregation, unequal pay, discrimination and less access to finance and education. However, women active in tourism appear to face better odds than in any other sector. Women in return contribute significant benefits to tourism itself – actively encouraging female participation in tourism can improve tourism product diversification and the protection of local cultures and environments. Female participation can be boosted by providing training to increase the choice of jobs available to women and their chances for promotion, and by improving working conditions to promote the well-being of women in lower positions. Women’s entrepreneurship should also be encouraged to better harness their skills, to promote innovation in the sector and growth.

16. Fourth, African leaders should focus on strengthening the development of continental and intraregional tourism. Intraregional tourism in Africa is increasing and offers opportunities for economic and export diversification, if its potential is recognized at the regional economic community and national levels. African countries would benefit if they made further progress on the free movement of persons and the liberalization of air transport services. This would facilitate greater access to tourism destinations and boost their destinations’ competitiveness. It also requires regional economic communities and countries to plan comprehensively for this segment of tourism. As the negotiations for the creation of a continental free trade area concerning goods and services progress, Governments should ensure that specific attention is devoted to tourism, as it accounts for the major share of Africa’s trade in services exports. If, as envisaged in Agenda 2063, tourism is to help increase Africa’s share of the global trade in goods and services, it will require the development of regional integrated tourism policies, to be implemented in a concerted manner across regional economic communities, and a continental tourism platform to set service standards and coordinate supportive frameworks between regions to ensure Africa’s improved competitiveness in the global tourism business. This could also include developing new products specifically for the African market.\* Overall, this would require a shift in focus to place greater emphasis on the importance of African tourists and their tastes.

17. Fifth, regional collaboration on tackling crises is critical to growth in the tourism sector and to preserving peace. To counter the risks associated with political unrest, countries should devise comprehensive multi-stakeholder planning and crisis management procedures (for example, tight security around tourist areas and the availability of safe shelter for tourists). Similarly, countries need to include tourism in national disaster management plans through appropriate national and regional institutions if efforts to revitalize the sector after a crisis (for example, through infrastructure finance and new marketing initiatives) are to be successful. There is a case to be made for stronger regional efforts to achieve peace, as the effects of political unrest on tourism can spill over borders, especially where a country is considered part of an overall itinerary and tourists substitute one destination country for another.

18. Sixth, Africa should continue to raise levels of investment in the tourism sector if it is to achieve the targets of the African Tourism Strategy of Agenda 2063. The African Union and the New Partnership for Africa’s Development consider tourism a priority area for economic transformation. In 2004, Africa adopted the Tourism Action Plan of the New Partnership for Africa’s Development, which is a framework to foster sustainable tourism on the continent. Subsequently, in the First Ten-Year Implementation Plan 2014–2023 of Agenda 2063, full implementation of an African tourism strategy and the establishment of an African tourism organization were envisaged, with a target to at least double the contribution of tourism to GDP in real terms from 2014 to 2023. Given that the total contribution of tourism to GDP increased from 6.1 per cent in 1995 to 8.3 per cent in 2015, with a peak of 9.9 per cent in 2007, it will be challenging to achieve the target by 2023.

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\* See *Economic Development in Africa Report 2017: Tourism for Transformative and Inclusive Growth*, chapters 2 and 4.

At this rate, the tourism sector would need to grow much faster than GDP and more rapidly than it has since the global financial crisis. The recommendations outlined in this report are intended to contribute to the realization of the targets of an African tourism strategy under Agenda 2063.

19. Finally, there is an urgent need to address the lack of tourism data. This could be undertaken as part of ongoing efforts to improve macroeconomic data collection. African Governments, in collaboration with development partners, need to develop and implement effective methods of collecting tourism data to accurately assess the sector's contribution to social and economic development. However, at present, many countries are experiencing a severe shortage of basic tourism statistics. There is little information on how different components of the tourism sector contribute to its aggregate impact, the distribution of such impacts or how they may be increased. Considering the large amount of data required for evaluating supply- and demand-related aggregates, it remains a challenge to effectively disaggregate available data to evaluate how economic impact varies by type of tourist, type of tourism or the structure of the sector. There is a dearth of available data on tourism activities categorized by gender and an inconsistent measurement of flows of cross-border traders (a subcategory of business tourists) on the continent. In part, accurate measurement of the effects of tourism policy analysis is also hindered because the sector is not designated as an industry in standard economic accounts. This highlights the need of Government for improved data, for enhanced quantitative and economic policy analysis of the sector.

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