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Tourism and Economic Growths in Africa an Insight

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ABSTRACT

Tourism is one of the primary drivers of economic growth and job creation in emerging economies throughout the world. Africa's unique history and natural wonders are gaining attention amid the local and global increase in cultural, heritage, and development tourism. Based on analyses of various countries' governance and business environments, it is clear that numerous African countries present tremendous promise to become or remain vibrant hosts for tourists, investors, and entrepreneurs, which can drive employment for low-skilled workers and economic inclusion for women and youth. A recent World Bank study classified African countries into four performance categories: "pre-emergent," "potential," "emerging," and "consolidating" tourism destinations. The performance of countries was based on indicators such as the ease of doing business; the competitiveness in terms of tourism regulation, infrastructure, and resources; the tourism receipts per long-haul arrivals; the international arrival per head of population; and the forecast of growth in tourism arrivals. Tourism has since become integral to economic development policies. Several countries recently increased their efforts to advance their travel and tourism industries.

Keywords: Economic, Growth, Tourism and Policy

INTRODUCTION

For over 30 years, WTTC has conducted research on the economic impact of Travel & Tourism in 185 countries and issues such as overcrowding, taxation, policy-making, and many others to raise awareness of the importance of the Travel & Tourism sector as one of the world's largest economic sectors. Tourism is a powerful vehicle for economic growth and job creation all over the world. The tourism sector is directly and indirectly responsible for 8.8 percent of the world's jobs (258 million); 9.1 percent of the world's GDP (US$6 trillion); 5.8 percent of the world's exports (US$1.1 trillion); and 4.5 percent of the world's investment (US$652 billion) [1]. The World Travel & Tourism Council estimates that 3.8 million jobs (including 2.4 million indirect jobs) could be created by the tourism industry in Sub-Saharan Africa (SSA) over the next 10 years. Tourism's main comparative advantage over other sectors is that visitor expenditures have a "flow-through" or catalytic effect across the economy in terms of production and employment creation. During the construction phase of tourist accommodation and services, tourism creates jobs in that sector. If the country is sufficiently developed, the investment can generate demand locally for furniture and furnishings, and even for capital equipment. Tourism also generates a demand for transport, telecommunications and financial services [2]. Through consumption of local products in tourist accommodation, restaurants and food markets, and through the additional expenditures outside the accommodation, tourists stimulate demand for agriculture, fisheries, food processing, and light manufacturing products, such as the garment industry, as well as for handicrafts and the goods and services of the informal sector [3]. Estimates of such expenditures vary according to the local circumstances but can range from half to nearly double expenditures in tourist accommodation. Similarly, tourism can act as a catalyst for the development of small businesses in related production and service sectors [4]. Notably, tourism can provide an economic base for a region whose only development options are its cultural and natural resources, whether coastal, mountain, or wildlife or a combination of these. However, tourism's catalytic effect on an economy and its multisectorial nature is also a reason for its complexity [5]. Tourism is dependent for its success on numerous actors, both domestic and international, with very different interests in the sector, including, in most cases, the international visitors that determine its success.

Africa Rising

This more than any other time is the moment for pursuing tourism as a dynamic development option in SSA. Although Africa was badly hit by the global crisis, the continent avoided an even worse growth shortfall in 2009, thanks to prudent macroeconomic policies by governments and financial support from multilateral agencies, and rebounded in 2010 [6]. Africa's private sector is increasingly attracting investment from the United States and Europe, with China, India and others also investing heavily in the region. Private capital flows are higher than official development assistance and foreign direct investment is higher than in India [7]. Returns to investment in Africa are among the highest in the world. The public sector has set the conditions for the exponential growth of information and communications technology (ICT), which could also help to transform the continent. With incomes rising, SSA countries' poverty rate declined from 59% in 1995 to 50% in 2005. Given this scenario, the World Bank concludes that SSA could be on the cusp of an economic takeoff, much like China was 30 years ago, and India was 20 years ago [8]. Tourism is one of the key industries driving the current change and tourism could be a transformative tool within this takeoff. From a small base of just 6.7 million visitors in 1990, SSA attracted 33.8 millions visitors in 2012. Receipts from tourism in 2012 amounted to over US$36 billion and directly contributed 2.8.% to the region's GDP (total contribution, including direct, indirect and induced, stood at 7.3% of GDP) [9].

Tourism in Africa

While tourism arrivals have reached more than 825 million in 2006, with an average annual growth rate of 6.5 per cent [10], tourist arrivals in Africa for the same period registered only around 40 million, representing around 5 per cent of world share. This compares with 55 per cent arrivals in Europe, 19 per cent in Asia/Pacific, 16 per cent in the Americas, and around 5 per cent in the Middle East. In terms of tourism receipts, it was US$18.3 billion (2.9 per cent of world share) for Africa compared to US$326.7 billion for Europe (52.5 per cent), US$131.7 billion for Asia/Pacific [11].

In term of contributing GDP, it is notworthy that Africa has been registering a steady increase in the travel and tourism GDP over the years, with an average 50 percent since 2003 in terms (Although to a lesser extent for the case of direct industry GDP) [12]. This compares to an average increase of around 25 percent for the world in real term. The ten-year continent's annualized growth of this sector average around 5 percent (more or less comparable to other parts of the world).

According to Global Economic Impact Trends 2011, Africa had US$168.5 BN as a total contribution to GDP, 2.2% T&T GDP GROWTH, and 24.6 MN Total Contribution To Employment. The largest African economies in terms of Travel & Tourism contribution to GDP in 2014 were Egypt (US$29.5 billion), South Africa (US$24.6 billion), and Nigeria (US$18.1 billion) [13]. Tunisia was the fastest growing country in Africa and sixth in the world, with Travel & Tourism GDP expanding by 12.9% in 2009, significantly ahead of the overall economy growth of just 1.3%. What is more, Travel & Tourism significantly outpaced the overall economy growth for the third consecutive year. This comes on the back of the efforts deployed by the Tunisian government to improve security in popular tourist resorts and their ability to swiftly respond to any threats [14]. These actions have continued to make a significant and positive impact on Travel & Tourism. In Rwanda, where Travel & Tourism GDP grew by a remarkable 10.9% in 2009, the government prioritised the sustainable growth of tourism which resulted in real and tangible impacts both in terms of community development and conservation. The creation of public, private and community partnerships has been particularly instrumental in the restoration and expansion of parks, and in supporting local communities' livelihoods through tourism projects [15]. Travel & Tourism continued to grow strongly in Kenya, expanding by 4.9% in 2009, driven in part by the improving connectivity and government prioritisation of the sector through, for instance, attracting and enabling the private sector investment for tourism related projects.

Tourism as an Economic Development Tool

Managed sustainably, tourism is an effective development tool. When tourism's environmental, social, and economic and other constraints are addressed, tourism energizes economies. With the full knowledge that tourism is a complex sector with tentacles into a myriad of other economic activities, all of which require careful management, countries with tourism assets are fully justified in deciding to prioritize tourism as a development tool. Several entities are primarily responsible for the success of the sector [16]. The government's political support at the highest level for tourism is essential. The government's role is to initiate the formulation of a strategy for the sector and then play the crucial coordinating role among the different public sector agencies involved, the relevant private profit and non-profit entities, and local communities [17]. The government must also address market failures that affect the tourism sector and should create an enabling environment for private investment and, above all, must provide political and social stability. The government will also have to supply basic infrastructure and assist in the promotion of the country for marketing and investment. Without the private sector's investment in accommodation, attractions, and tourism services and facilities, and its knowledge transfer, there can be no tourism sector. Local communities must be receptive to the tourists that intrude into their communities and, to be so, they must participate in the benefits of tourism [18]. External donors can provide the critical capital and technical assistance to support the sector and help raise it from one development level to another. Without any one of these active participants, the sector cannot grow to its full potential—or even, in the early stages, begin to put together a tourism package for visitors. The potential for tourism growth in SSA is significant [19]. The region has abundant assets, with expansive beaches, plentiful wildlife, extensive natural and cultural attractions, and adventure opportunities. Considerable opportunities for expansion exist in safari, beach, business, and diaspora tourism, including in regions of destination countries that have not yet benefited from tourism. Furthermore, SSA has great potential to expand products that are more recently in greater demand, such as nature/adventure tourism, cultural heritage tourism, and travel for wellness, health and retirement purposes [20]. WTTC looks at the economic impact of Travel & Tourism across 185 countries and economies, in terms of the major indicators of GDP contribution, employment, visitor exports, and capital investment. The league tables below highlight a selection of the interesting results from the latest data, showing the countries which are performing the best.

Table 1: Travel And Tourism GDP Growth (Fastest growing larger countries and economies in Travel & Tourism GDP 2009)

	FAST GROWING COUNTRIES	2008-2009
		REAL GROWTH, %
1	Saudi Arabia	14.0
2	Kyrgyzstan	14.0
3	Tunisia	12.9
4	Sierra Leone	12.9
5	Uzbekistan	12.3
6	Greece	12.1
7	Mongolia	11.9
8	Kuwait	11.6
9	Rwanda	10.9
10	Puerto Rico	10.1

Tourism Performance

To understand better which SSA destinations are the highest performers and why, the Tourism Team in the Africa Region Financial and Private Sector Development (AFTFP) of the

World Bank, developed a typology of SSA destinations, which ranked the 47 SSA countries by level of tourism development [21]. The methodology entailed an analysis of the current situation and future prospects of the tourism sector and of its macroeconomic setting, using five key indicators. The typology produced four distinct groups of countries in SSA. The characteristics of the four groups are:

i. Pre-emergent

These fourteen countries have not yet developed their tourism sectors. The 14 SSA countries classified as having pre-emergent tourism sectors represent countries where market failure is almost complete. They have little governance or security, have shown low interest in tourism, and have poor short- to medium-term tourism growth prospects [8]. This group also includes three countries with little or no tourism data: Equatorial Guinea, Liberia, and Somalia.

ii. Potential

These fifteen countries initiating tourism have shown some interest in tourism but lack adequate governance of the sector. They have some basic infrastructure for tourism but still face market failures, such as with regulation, resources, and institutions, which also affect the macro economy [2].

iii. Emerging

These ten countries are scaling-up tourism. They have solid institutions, are prioritizing tourism, and are performing reasonably well in terms of quality and competitiveness [5]. The market failures that are evident (e.g., the high costs of access to the destination, financing, and hotel construction costs, together with continuing difficulties in land access) are mostly related to government market failures, though the small scale of tourism contributes to the high access costs.

iv. Consolidating

These eight countries are working on deepening and sustaining tourism success, have relatively mature tourism sectors, are committed to tourism, and have the highest economic and tourism performance in SSA. The management quality and capability of the private sector is reflected in the accolades that selected hotels receive [10]. Countries at lower levels of tourism performance should be encouraged to note that success in tourism is not dependent on income level. As the table below shows, two low-income countries are among the highest tourism performers in SSA and nine are in the "Emerging/Scaling up" category.

Table 2: SSA Countries by Tourism Development Level and World Bank Income Ranking

Tourism development level	Low income	Lower-middle income	Upper-middle income
Pre-emerging	Central African Republic, Chad, Comoros, Democratic Republic of Congo, Eritrea, Guinea, Guinea-Bissau, Liberia, Niger, Somalia, Togo	Republic of Congo, Equatorial Guinea, Sudan	N/A
Potential/Initiating	Benin, Burundi, Ethiopia, Madagascar, Mali, Mauritania, São Tomé and Príncipe, Sierra Leone	Angola, Cameroon Côte d'Ivoire, Lesotho, Nigeria, Swaziland	Gabon
Emerging/Scaling up	Burkina Faso, The Gambia, Malawi, Mozambique, Rwanda, Senegal, Uganda, Zambia, Zimbabwe	N/A	The Seychelles
Consolidating/ Maintaining and deepening success	Kenya, Tanzania	Cape Verde, Ghana	Botswana, Mauritius, Namibia, South Africa

CHANNELS THROUGH WHICH TOURISM AFFECT ECONOMIC GROWTH

Analytical framework

To measure the total impact of tourism, the UNWTO supports the use of tourism satellite national accounts (TSA). Although TSA have their own limitations, the system add to total tourism spending (domestic and foreign tourists, leisure and business travellers) by the government which can be held to support tourism (on park or museum services and also on customs and immigration) and the investment necessary to support this [7]. This gives what the organization call the travel and tourism industry. The organization further uses input output tables to identify the inputs of other sectors, and this indirect impact plus the direct impact gives what it calls the travel and tourism economy. Given that TSA quantifies only the direct contribution of tourism and travel, the WTTC recognises that tourism and travel's total contribution is much greater, and as such its tourism impact data includes and captures both indirect and induced effects, over and above the direct impacts.

Direct, indirect and induced contribution of tourism

The positive impacts of tourism activities on the economy are usually captured by the concept of "tourism multiplier" (jobs and income), which is the sum of direct, indirect and induced impacts. The WTTC considers the direct contribution of travel and tourism (T&T) to GDP as reflecting the 'internal' spending on T&T (total money spending by residents and non-residents for business and leisure purposes) as well as government "individual" spending by government on T&T services directly linked to visitors, such as cultural (e.g museums) or recreational (e.g national parks) [20]. Indirect impacts happen when, for instance, a hotel buys inputs (goods and services) from other businesses in the economy [14]. The 'induced' contribution measures the GDP, investments and jobs supported by the expenditure of those who are directly or indirectly employed by the Travel & Tourism industry. In other words, induced impacts include all of the economic impacts that will result from the paying out of salaries and wages to people who are employed in the tourism sector (and/or tourism related) businesses. These additional salaries and wages lead to an increased demand for various consumable goods that need to be supplied by other economic sectors of the economy. Thus the total contribution of T&T includes its 'wider impacts' (i.e., the indirect and induced impacts) on the economy. [6] contends that the weaknesses of tourism driven growth are normally captured by the concept of "leakages" which are the percentage of the price of the holiday paid by the tourist that leaves a destination (e.g., imported inputs or profits remitted by foreign hotel groups) or that never reaches the destination, primarily because of the involvement of intermediaries (such as tour operators or transporters) often based in the developed nations. For instance, [19] have estimated that up to 90% of gross tourist expenditure could be leaked in the case of Mauritius.

CONCLUSION AND RECOMMENDATION

Tourism could potentially create millions of jobs, among other economic benefits, if it is developed successfully. Yet, so far, just eight of SSA's 47 nations have achieved significant tourism success and employ 4% or more of their workforce in tourism. Ten other countries could achieve that same success in the foreseeable future, with fifteen others lined up behind. As Africa's emerging economies begin to shift away from relying on commodities and agriculture and toward boosting their service industries, the tourism industry has become a major focus of national development strategies.

The tourism industry offers many opportunities to invest in Africa's rich local communities, generate economic activity, and create employment opportunities for women and young people. By ten years, consumer spending in hospitality and recreation in Africa is projected to reach about $261.77 billion. In order to capitalize on the tourism potential, policy and business leaders should work hand-in-hand to prioritize investments to accommodate entrepreneurial innovations to attract more travelers to their countries. Policymakers should improve governance with a better-coordinated effort across agencies to simplify the regulation and remove the barriers to tourism development, attract investors, and promote touristic destinations.

Generally, investments have been focused on countries with well-developed infrastructure, easily navigable travel policies, and business-friendly environments. There is great potential to increase tourism-related investment to the continent, particularly after the 15 member states of the Economic Community of West African States, often referred to as ECOWAS, introduced a visa policy allowing for free movement among its member states.

Continent-wide efforts to increase integration and free movement, such as the impending implementation of the African Continental Free Trade Area, will create a more stable business environment for investors and entrepreneurs to capitalize on the continent's tourism potential. Potential investors in other countries' tourism sectors will face challenges in infrastructure development and government support. Though, there will be high rewards for those who make well-informed choices and take the necessary risks to partner with policymakers and industry leaders in potentially high-rewarding countries.

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