An unconventional but essential marriage: pro-poor tourism and the mainstream industry

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Pro-poor tourism has had a significant impact on the ‘tourism and development’ agenda, but is unlikely to become hegemonic. Its impact on broader development debates, the mainstream tourism industry, and the public has been more limited. There is an emerging conceptual framework, methodology and empirical evidence base to support the original claims of pro-poor tourism (PPT).

Tourist markets offer opportunities for poverty reduction. While most popular tourist destinations are in affluent countries, these opportunities are evident in the large and increasing tourism flows to the developing world. In 2008, 40% of international tourist trips were to developing countries (World Bank, 2010). In Figure 1, the large scale of tourism in countries like Mexico, Thailand and Malaysia compared with the powerhouses of the world economy, like the United States, Japan and Germany, is clear. The emerging role of China, as a developing country tourist destination and an economic giant, is striking.

Developing country tourism is not the preserve of middle-income countries. Some of the lowest income countries, such as Ethiopia, The Gambia and Tanzania, have small tourist flows by international standards yet depend on international tourism for a quarter to a third of their exports (World Bank, 2010). Mounting empirical evidence shows that tourism can transfer significant benefits to local economies and communities around tourist destinations, making a case for identifying tourism as a mechanism for poverty reduction in some low-income countries.

Despite the potential for tourism to reduce poverty, the impact of pro-poor tourism on the development agenda is still weak. Though impacts vary, evidence shows the effect of tourism on the lives of the poor. It is important for development agencies and private operators to consider the benefits of closer links between pro-poor and mainstream tourism.

PPT and the development agenda

A small group of researchers1 around the time of the Millennium Development Summit coined the term ‘pro-poor tourism’ (PPT).2 PPT was based on three assertions: tourism can be pro-poor, it can be made more pro-poor, and any type of tourism can be pro-poor.

These simple assertions were a revelation a decade ago. At the time, the development sector tended to see tourism as a private sector activity that had little relationship with poverty reduction, while the commercial tourist sector saw poverty reduction at destinations as the responsibility of others. Ultimately, PPT aimed at putting tourism on the development agenda and development on the tourism agenda. Has this worked?
In some senses, PPT has been successful. An assessment would include its impact on the donor community. Several multilateral donors (notably the World Bank, IFC, Asian Development Bank and UN), some bilateral ones (GTZ, USAID and NZAID), and a number of NGOs have provided significant support for PPT projects over recent years. One of the more successful examples has been the partnership between the private sector and NGOs in The Gambia through its International Centre for Responsible Tourism. This initiative linked low-income communities with tourism, and improved the pro-poor impact of tourism in one of Africa’s smallest, and poorest, destinations (Mitchell and Faal, 2008).

Some key mainstream commercial tourist operators have recognised their responsibility for destination impacts and are seeking to enhance these. The emergence of sustainability initiatives at the major European tourism fairs is evidence of this; for example, the Federation of Tour Operators (FTO) – umbrella organisation for the largest tour operators in the UK – encourages suppliers to respect minimum wage legislation (FTO, 2006), to create corporate social responsibility and sustainable development structures in mainstream corporations, and to establish sustainability accreditation and award systems for suppliers (Mitchell and Ashley, 2010).

However, there is still a great deal to do before there is consensus among the development, commercial, public and research domains concerning PPT. In the development sector, some agencies remain sceptical about including tourism projects in their portfolios for a variety of reasons. Among the enthusiastic supporters of tourism projects, like NGOs and external donors, many are still seeking an ‘alternative’ to mainstream tourism. Developing countries are littered with well-intentioned community-based tourism and eco-tourism projects which, with notable exceptions, are delivering limited benefits to few people. Developed in isolation from private sector and commercial distribution channels, they lack the client volumes needed for commercial sustainability, and generally fail soon after the supply of concessionary funding dries up (Dixey, 2005; Harrison and Schipani, 2007). The view that mainstream tourism should have a prominent place in poverty reduction programmes for low-income countries with a competitive tourist sector is probably not even held by the majority in the development sector – let alone a consensus view.

Mainstream tourism has been timid in adopting PPT principles, and its embracing of social and environmental sustainability has been late and piecemeal. With the majority of European mainstream customers being unwilling to pay for more pro-poor holidays (Schwartz and Font, 2009), mainstream operators have understandably taken destination impacts into account. An important driver for change has been the flurry of recent mergers and acquisitions that has resulted in some organisations becoming listed on Western stock exchanges. Several outbound tour operators and hotel chains have a market capitalisation of EUR 2-4 billion, subjecting them to onerous review and reporting responsibilities. Corporate management is aware of the impact of negative stories emerging from developing country destinations. In this context, PPT initiatives can play a strategic role in reducing reputational risk. As tourist companies work in complex environments, they appreciate that positive socio-economic benefits can increase their ‘social license to operate’.

In the research community too, PPT does not play a predominant role. While there have been many academic articles and several special editions of tourism journals focusing on PPT, researchers concerned with the destination impacts of tourism operate in contested territory. In addition to PPT, many use alternative terms – such as ‘responsible’, ‘inclusive’ and ‘sustainable’ tourism. In the view of the author there is no harm, and probably merit, in researchers with similar principles and goals operating under different labels. Some researchers still believe – despite the mounting evidence – that the destination impacts of international tourism are almost always negative. However, tourism researchers generally have not yet fully encompassed mainstream development economics, the tourist industry and the general public.

**Is there evidence for the impact of tourism on the poor?**

Since the birth of PPT, the Overseas Development Institute (ODI) has been developing a conceptual
framework (Figure 2), research methods and an empirical evidence base to assess the performance of various tourist destinations against PPT criteria. Figure 2 shows that there are many ways in which the tourist sector could transfer benefits (and consequences) to local communities in and around tourist destinations.

ODI developed an action research method that ‘follows the tourist dollar’ through the tourist value chain and associated supply chains. In essence, ODI examines the total expenditure of tourists to understand ‘pro poor income’ – the wages and profits earned from tourist spending by resource-poor households. Diagnosing value chains yields rich comparative findings, and ODI has found that these provide robust empirical support for the three assertions that formed the basis of PPT a decade ago.

On the first assertion of PPT, that tourism can be pro-poor, there are destinations where for every USD 4 spent by a tourist, USD 1 reaches the poor (Figure 3). This is an impressive conversion of trade volumes to pro-poor benefits. In these ‘best practice’ examples, where one-quarter of the tourist destination turnover accrues to poor people, the impact is the result of strong linkages.

However, just because tourism can benefit local communities, it does not always do so. Figure 3 illustrates examples - Cambodia and business tourism in Accra in Ghana - where less than one-tenth of tourist in-country spending reaches the poor. In these instances, the lack of an enabling environment results in the benefits of tourism being captured by the elite.

On the second assertion of PPT, there is scope to increase the benefit flow to the poor whatever the current level of pro-poor performance of a destination. An important aspect of the ODI’s approach is to make practical suggestions for how to increase the pro-poor impact of tourism on local communities. Wherever ODI has worked, across Africa, Asia and Latin America, recommendations have been made. These have been prioritised in terms of speed of implementation, resources required and scale of the pro-poor impact. Sometimes the recommendations involve changes to the regulatory and enabling environment or the operating practices of individual tour operators and hoteliers. When proposing change for the private sector, the goal has been implementable pro-poor interventions that result in higher commercial and social returns.

On the third assertion of PPT, old prejudices about the impacts of certain kinds of tourist products are often not supported by evidence. Cultural tourism, for example, is positive for local communities in Laos but not in Cambodia. So there is little empirical basis for suggesting mainstream tourism is inherently bad for development and that community-based ecotourism/cultural tourism is ubiquitously good for development.

ODI’s approach has its weaknesses: its focus on economic impacts for the poor does not account for social and environmental impacts. Definitions of poverty are always slippery, and dynamic impacts and macro contributions to poverty reduction need further analysis. However, ODI now has a conceptual framework and a research method that has been ‘battle tested’ in about a dozen destinations in developing countries. It also has an accumulating evidence base that suggests that many assumptions about the impact of tourism on local communities are questionable. In fact, there is now a plausible case for advocating stronger linkages between mainstream tourism and PPT.

Tourism benefits of embracing PPT

ODI’s analysis suggests that it is very important for mainstream tourism to develop and maintain tourism poverty linkages. From a development perspective, the quest for an ‘alternative’ tourism that benefits local communities by excluding mainstream tourist operators has largely failed. Small-scale tourist interventions are unable to reduce poverty at the scale required by the Millennium Development Goals. Large-scale poverty reduction implies working with large-scale tourist activity.
Improvements made by development agencies and governments to the enabling environment for tourism are more likely to be effective if the private sector is involved in identifying problems and articulating solutions.

From a tourist company perspective, PPT can result in rapidly improved profitability. Expanding the tourist sector while spreading the benefits of tourist spending throughout the destination economy is also the most effective mechanism for increasing the scale of benefit flows to the resource poor. This results in a confluence of interest between the tourist industry and the population living around the destination.

ODI’s evidence also suggests that tourism’s positive impacts go unnoticed because the industry does not understand its own impacts. As a result of a lack of information, tourism is failing to capitalise on the good news story that tourism may already be benefiting destinations. Where tourism is not pro-poor, improving performance can only be achieved with an awareness of the problems and solutions. In the medium term, PPT can improve monitoring of business impacts on development, reduce reputational risk and increase social licenses to operate in developing countries. In the longer-term, when most mainstream tourists start to demand enhanced socio-economic performance in developing country destinations, the companies that have anticipated this change in demand will reap significant early mover commercial advantages.

Footnotes

¹ ODI, the International Institute for Environment and Development and the International Centre for Responsible Tourism.
² PPT is tourism that results in increased net benefits for poor people. PPT is not a specific product or niche sector but an approach to tourism development and management.
³ On this subject, see Denis Sireyjol’s article in this issue of Private Sector and Development.
⁴ Community-based projects involve communities fully owning and operating tourism facilities to generate collective income.
⁵ TUI Travel is a good example of this trend. In 2007 the UK-based First Choice merged with German group TUI to create one of Europe’s leading travel firms and tour operators with a market capitalisation of GBP 2.1 billion.

References