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AID FOR TRADE AND VALUE CHAINS IN TOURISM

Aid for Trade and Value Chains in Tourism

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Acronyms

AFT	Aid for Trade
ASSET	Association of Small-Scale Enterprises in Tourism
DAC	Development Assistance Committee
DFID	Department for International Development
DTIS	Diagnostic Trade Integration Studies
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
ICC	International Chamber of Commerce
ICT	Information and Communications Technology
ILO	International Labour Organization
ITC	International Trade Centre
LDC	Least Developed Country
LMIC	Lower Middle Income Countries
MDGs	Millennium Development Goals
MIC	Middle Income Countries
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OLIC	Other Low Income Countries
OOF	Other Official Flows
SCTD	United Nations Steering Committee on Tourism for Development
UMIC	Upper Middle Income Countries
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization

UNOPS	United Nations Office for Project Services
UNWTO	United Nations World Tourism Organization
WTO	World Trade Organization
WTTC	World Travel and Tourism Council

Executive summary

Tourist arrivals surpassed 1 billion for the first time in 2012. Despite occasional shocks, international tourist arrivals have enjoyed virtually uninterrupted growth – from 277 million in 1980 to 528 million in 1995, and 1.035 billion in 2012. [1]

Developing countries are playing an increasingly prominent role in this growing sector. Tourism is one of the top three exports for the majority of developing countries. It is the lead export for at least 11 LDCs and is an important sector of economic activity in all LDCs that have managed to or are about to graduate out of LDC status.

The tourism sector is contributing to economic growth in developing countries - and offers significant further potential. Tourism is employment intensive and has linkages into many other parts of the economy. It contributes directly to poverty reduction - notably among women. This has been recognized by policy makers both at the national and international level.

Development strategies in LDCs and other low-income countries often highlight the tourism sector and its important potential to stimulate growth and poverty reduction. The majority of LDC Diagnostic Trade Integration Studies highlight tourism as a priority sector for growth and exports.

The significant potential of tourism for poverty alleviation has also found reflection in the discussion around the Millennium Development Goals, notably in the context of the 2002 Johannesburg Summit on Sustainable Development. In 2012, the significant contribution of tourism was recognized in the RIO+20 outcome document "The Future We Want"[2], where it was included as a thematic area and cross-sectorial issue.

This report examines tourism value chains and the role of developing country firms within this global sector. It focuses on identifying bottlenecks that impede developing country firms from connecting to tourism value chains or that make it difficult for developing countries to reap benefits from tourism. The report notably exploits evidence collected through a joint OECD-WTO-UNWTO monitoring survey, conducted in collaboration with the International Chamber of Commerce (ICC), the International Trade Centre (ITC) and Grow Africa[3].

The examined survey evidence shows that the quality of the general business environment and access to finance play a crucial role when it comes to allowing suppliers in low and middle income countries to operate effectively and to connect to global value chains. This is in line with findings in relevant empirical literature and with anecdotal evidence. Labor skills are another crucial determinant for the success of suppliers of services in the tourism sector. Although this determinant has received less attention in previous literature, the role of skills does not come as a surprise given the frequency and importance of personal contacts between service providers and clients in the tourism

[1] UNWTO (2012a).

[2] The Future We Want: *http://uncsd2012.org/thefuturewewant.html.*

[3] Hereinafter: Joint OECD-WTO-UNWTO monitoring survey.

sector. Openness to imports, security and a smoothly functioning visa scheme are other elements that are crucial for the tourism sector to engage in a strong and sustainable growth path. The availability and quality of infrastructure plays a key role for the development of the tourism sector because of its role in bringing tourists to the country and in allowing them to travel through the country.

In order to maximize its spill-overs to the rest of the economy, other inter-linkages matter, like the possibility to source food from the local economy, to offer other leisure services or to sell local products to travelers. For the sustainability of the sector, aspects like the sector's environmental impact are important. Increasingly, attempts are being made to gear the sector's growth pattern towards resource efficiency, notably in terms of water and energy, thus controlling for the sector's impact on the environment.

Overall therefore, the tourism sector is a rather complex sector with multiple linkages into the rest of the economy. In order for the sector to fully exploit this potential, a careful management of the inter-linkages with other parts of the economy is necessary. In national policy making, this would require co-ordination across different ministries – most notably the tourism and trade ministry - and other relevant authorities. Aid for trade in this context would require co-ordination across implementing agencies, across different target areas of aid – notably infrastructure and tourism – and possibly an increase in the typical size of aid projects targeting the tourism sector.

There is evidence that donors and implementing organizations are recognizing the need for a coordinated approach towards technical assistance projects in the area of tourism. A number of recent projects try to strengthen simultaneously the tourism sector itself and supplying sectors, like handicraft or agriculture. The implementation of such projects is facilitated by increased co-ordination among international agencies, notably in the context of the United Nations Steering Committee on Tourism for Development.[4]

Support to such multi-faceted tourism projects through the allocation of aid for trade could turn out to have significant benefits for beneficiary countries, notably in terms of employment creation and poverty reduction. Such projects can also have the potential to lay the fundaments for further growth, in particular if they manage to trigger increased private sector investment.

[4] For more information see: *http://icr.unwto.org/en/content/un-steering-committee-tourism-development-sctd.*

1. Introduction

This report examines tourism value chains and the role of developing country firms within this global sector. It focuses on identifying bottlenecks that impede developing country firms from connecting to tourism value chains or that make it difficult for developing countries to reap benefits from tourism.

A central objective of the report is to highlight to policy makers the contribution aid for trade (AfT) is making to poverty reduction. It analyses aid-for-trade flows benefitting the tourism sector over the period 2006-2011. The report examines if this assistance has addressed the bottlenecks suppliers in low income countries say they are facing in global value chains. Case studies are included that illustrate the impact that technical assistance can have on developing country suppliers of tourism services.

The report discusses the results of a joint OECD-WTO-UNWTO monitoring survey, conducted in collaboration with the International Chamber of Commerce (ICC), the International Trade Centre (ITC) and Grow Africa. This survey was addressed to developing country suppliers and lead firms in the tourism value chain. Further joint OECD-WTO-UNWTO monitoring surveys were also sent to government representatives in countries funding and in countries receiving aid for trade, *i.e.* official development assistance (ODA) addressing supply-side and trade-related infrastructure constraints. Annex A provides an overview of the survey respondents and discusses related methodological issues.

Although the majority of tourism activity concerns domestic tourism, an important part of the sector's activity is related to international tourism. This report focuses on the tourism involving international travel, as it is this part of tourism that involves transactions affecting countries' balance of payments and is considered to represent exports in services trade.

Section 2 begins with a description of the tourism sector. Statistical information on the sector's contribution to GDP, exports and FDI are discussed. In Section 2, information on the evolution of the tourism sector is used, often for the period 2006-2011 so as to allow for easy cross referencing to aid-for-trade data. For the same reason, the definition of country groupings chosen often follows those used in aid-for-trade analysis, *i.e.*: least developed countries (LDCs), other low income countries (OLICs), lower middle income countries (LMICs) and upper middle income countries (UMICs).[5] Section 2 also contains a description of the tourism value chains.

Section 3 describes the role that the tourism sector plays in development. The focus of this section is on the forward and backward linkages that tourism has to the rest of the economy. Section 4 discusses the findings from the joint OECD-WTO-UNWTO monitoring survey on the role of developing country suppliers in tourism value chains. This section focuses on the obstacles to entering tourism value chains or to optimizing forward and backward linkages with the rest of the economy.

[5] The composition of these country groupings changed quite significantly over this period. For the purpose of figures and tables in this report, the composition of 2011 was used (see Annex B).

Section 5 presents information on aid-for-trade flows in the tourism sector and their evolution over time. In Section 6 this information is compared with the findings in Section 4 in order to examine what can be done in order to strengthen the effectiveness of aid for trade. Section 7 offers conclusions.

2. Description of the tourism sector

International tourism is a complex sector that covers travel related to both business and leisure and that has multiple backward and forward linkages into diverse sectors of the economy.[6] When tourists spend time outside their home country, they are considered to consume tourism services abroad. By its very nature, therefore, international tourism involves the export and import of services.[7] Global tourism demand has increased in recent years as reflected in increased numbers of international travelers and increased receipts from international tourism activities. Growth has been particularly strong in developing countries as reflected in Tables 1 and 2.

Numbers of international travelers have gone up everywhere in the first decade of this century, but the increase has been sharpest in the low income destination countries. Developed countries remain both the major tourism destinations and source of international tourism, but developing countries have been reducing the gap. According to UNWTO figures, the share of emerging economies in international tourist arrivals reached 46.9% in 2012, compared to 53.1% for advanced economies. UNWTO (2011) expects developing countries to surpass developed countries' international tourist arrivals in 2015.

[6] Tourism is travel for recreational, leisure, or business purposes. The World Tourism Organization defines tourists as people "traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes".

[7] Tourism-related expenditure is considered to be so-called mode 2 type of services trade under the World Trade Organization's General Agreement on Trade in Services (GATS), *i.e.* services trade that involves the customer consuming in the country of the services supplier.

Table 1 International tourist arrivals, average growth and tourist expenditure

	International tourist arrivals (millions)			Average annual growth (%)	USD receipts (billions) per arrival	
	2000	2005	2011	'05-'11	2011	2011
World	**674**	**799**	**983**	**3.5**	**1030**	**1050**
By UNWTO regions:						
Europe	**385.0**	**440.7**	**504.0**	**2.3**	**463.4**	**920**
Northern Europe	43.4	56.1	59.3	0.9	70.3	1190
Western Europe	139.7	141.7	159.0	1.9	160.4	1010
Central/Eastern Europe	69.3	90.4	103.5	2.3	56.1	540
Southern/Mediterranean. EU	132.6	152.5	182.2	3.0	176.7	970
- of which EU-27	323.7	352.4	385.0	1.5	377.5	980
Asia and the Pacific	**110.1**	**153.6**	**217.0**	**5.9**	**289.4**	**1330**
North-East Asia	58.3	85.9	115.8	5.1	143.1	1240
South-East Asia	36.1	48.5	77.2	8.0	81.9	1060
Oceania	9.6	11.0	11.7	1.0	41.6	3560
South Asia	6.1	8.1	12.4	7.2	23.0	1850
Americas	**128.2**	**133.3**	**156.6**	**2.7**	**199.1**	**1270**
North America	91.5	89.9	101.7	2.1	145.1	1430
Caribbean	17.1	18.8	20.8	1.7	23.9	1150
Central America	4.3	6.3	8.3	4.7	7.2	860
South America	15.3	18.3	25.8	5.8	22.9	890
Africa	**26.2**	**34.8**	**50.2**	**6.3**	**32.6**	**650**
North Africa	10.2	13.9	17.1	3.5	9.5	560
Sub-Saharan Africa	16.0	20.9	33.1	7.9	23.1	700
Middle East	**24.1**	**36.3**	**55.4**	**7.3**	**45.9**	**830**

Source: UNWTO (2012a).

In Table 2, average annual arrivals are reflected for countries grouped by income levels. Annual arrivals in OECD countries exceed those in upper middle income countries by a factor of two or three. More generally, the number of international arrivals appears to grow as countries grow richer. It is also the case that income levels of travelers' home country matter: as purchasing power increases, more and more people start travelling. Accordingly, recent years have been characterized by increased travel by the growing middle class in a number of low and middle income countries (Blanke and Chiesa, 2013).

Table 2 illustrates that tourist arrivals have increased in country groupings of different income levels over the 2000-2010 period, but that the increase has been starkest (albeit from a very low base) in LDCs. In the period 2006-2010, average annual arrivals were nearly double those in 2000-05 in LDCs, while OECD countries only experienced an increase of 12%.

Table 2 Tourist arrivals, annual average per country within a given income group (2000-2010)

	Average annual arrivals		Increase
	2000-2005	2006-2010	
LDC	175283	340304	94%
OLIC	1075222	1765133	64%
LMIC	1280856	2205571	72%
UMIC	3083032	4352434	41%
OECD	13116150	14676835	12%

Source: World Bank.

Cambodia, Laos and Mozambique are the three LDCs that have enjoyed the most significant increase in absolute terms of annual arrivals. Cambodia received 800,000 visitors more per year in the period 2006-2010 as compared to 2000-2005. The corresponding number for Laos and Mozambique was around 900,000. Tourist arrivals to Laos quadrupled over the same period.

Table 3 Tourist arrivals, annual averages for selected countries (2000-2010)

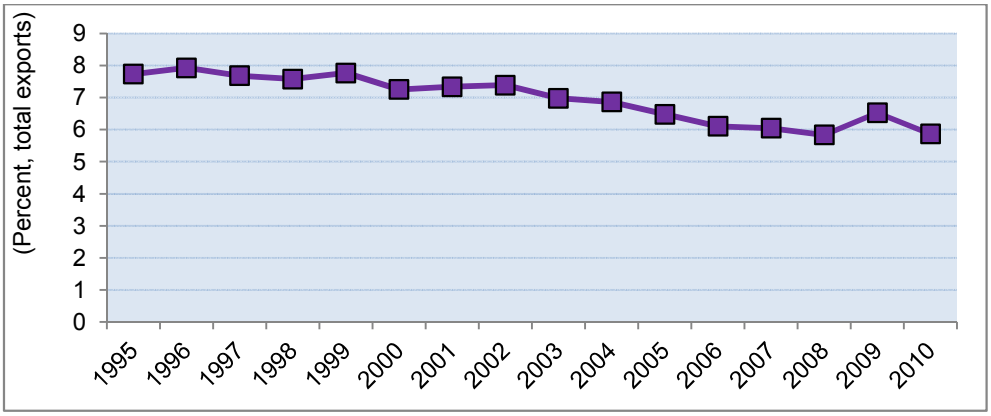
	Average annual arrivals		Difference	Increase
	2000-2005	2006-2010		
Cambodia	1,190,000.00	1,982,000.00	822,000.00	71%
Laos	309,000.00	1,237,600.00	928,600.00	301%
Mozambique	470,600.00	1,368,500.00	897,900.00	191%

Source: World Bank.

Liberalization of tourism activities has contributed to this growth. Many developing countries have made liberalization commitments in 'tourism and travel-related services' under GATS; indeed more than in any other sector covered by GATS (DEVCO and UNWTO, 2013). In the case of LDCs, for instance, 30 out of 32 have made specific commitments regarding liberalization of tourism and travel related services (Honeck, 2012). Levels of commitment vary across the different components of tourism (hotels/restaurants; travel agencies/ tour operators; guides; and other services) and the GATS modes. There are also indications that some countries have been concerned about the need to protect local suppliers (DEVCO and UNWTO, 2013).

Tourism receipts represent over five percent of world total exports. Notwithstanding the significant increase in international travelers over the past years, however, the weight of tourism in overall exports has been falling in the past 15 years as illustrated in Figure 1. This probably reflects that exports of goods and other services have increased more significantly than exports of tourism services - particularly in view of the expansion of commodity exports from LDCs in the same period.

Figure 1 International tourism, receipts (1995-2010, percentage of total exports)



Source: World Bank

Patterns have, however, differed across income groups. In the past decade, the weight of tourism in exports has decreased in LDCs, UMCs and OECD countries, while it has increased in OLICs and LMICs (See Table 4). Indeed, the countries with the highest percentage point increases are Cape Verde, Solomon Islands and Tonga (see Table 5). Of the three, only Solomon Islands is an LDC, but Cape Verde was only recently promoted out of LDC status. Tonga is an LMIC country.

Table 4 Average annual receipts per income group (% export, 2000-2010)

	Average annual receipts (% exports)		Difference
	2000-2005	2006-2010	
LDC	16.42	15.79	-0.63
OLIC	8.59	12.42	3.84
LMIC	12.10	13.54	1.44
UMIC	20.94	20.53	-0.41
OECD	8.89	7.56	-1.33

Source: World Bank.

Table 5 Average annual receipts top 3 countries (% export, 2000-2010)

	Average annual receipts (% exports)		Difference
	2000-2005	2006-2010	
Tonga	24.63	40.19	15.56
Solomon Islands	3.94	18.81	14.87
Cape Verde	49.22	61.32	12.09

Source: World Bank.

Rising tourist arrivals have also translated into a larger contribution of the tourism sector to countries' GDP. Table 6 illustrates that the tourism sector's direct contribution to GDP represents around 4% in LDCs, OLICs and LMCs. Its contribution is around 6% in UMICs.

Direct effects reflect direct tourist spending on tourism services, for instance, on hotel accommodation, transportation and entertainment. Tourism also has significant indirect impacts that are generated when tourism spending flows into non-tourism sectors in the local economy, for instance, through purchases of local handicraft or textiles or when hotels source furniture or food locally. Last but not least, tourism activities have so-called 'induced effects' resulting from the increased income of wage-earners active in the tourism industry (see Honeck, 2012).

If indirect and induced effects are taken into account, the tourism sector represents over 10% in LDCs, OLICs and LMICs and close to 18% in UMICs according to estimates from the World Travel and Tourism Council (WTTC). The total weight of tourism in GDP was higher in the period 2006-2011 in all countries when compared to the preceding six year period.[8] It is also worthwhile noting that indirect effects of tourism are higher than direct effects in all countries. In UMICs, indirect effects are nearly double the value of the direct effects of tourism.

Table 6 Tourism sector's contribution to GDP, by income group (percentages)

	2000-2005		2006-2011	
	Direct	Total	Direct	Total
LDC	3.65	8.85	4.07	10.05
OLIC	2.73	7.27	4.31	10.44
LMIC	4.21	10.36	4.50	11.50
UMIC	6.35	17.56	6.29	17.95

Source: WTTC estimates.

A similar picture arises when the sector's role in employment is contemplated. When indirect and direct effects are taken into account, the sector is estimated to represent around 9% of employment in LDCs and OLICs, above 10% in LMICs and over 17% in UMICs. The sector is considered as highly labor intensive, with high female participation rates. According to the ILO, women represent between 60 and 70 percent of the labor force in the sector and half of the workforce in the industry is under 25 (ILO, 2011).

[8] Note that in the case of GDP contributions, average contributions have been calculated as the unweight average across countries. The important change for OLICs between the two periods is driven by Kyrgyzstan that experienced a significant increase in tourist arrivals.

Table 7 Tourism sector's contribution to employment, by income group (percentages)

	2000-2005		2006-2011	
	direct	total	direct	total
LDC	3.03	7.67	3.41	8.72
OLIC	2.50	6.30	3.54	8.95
LMIC	3.80	9.41	4.07	10.38
UMIC	6.29	16.76	6.29	17.31

Source: WTTC estimates.

Tourism workers in low income countries contribute more to GDP than equivalent workers in higher income countries - a fact which underlines tourism's high potential to contribute to growth in lower income countries. Tourism jobs are often considered "high productivity" in low income countries while this is not the case in high income countries. Indeed, many jobs in the tourism sector require language or computer skills that are considered high-level skills in low-income countries. These skills are also transversal, in the sense that they represent a useful asset in other industries - a factor which may contribute to the observed high labor turnover rates in the sector. Turnover is also explained by the fact that tourism is a seasonal activity in many countries. As a result, employment in the tourism sector is characterized by a high percentage of temporary, seasonal and part-time contracts. Irregular working hours and –in high income countries – low pay are additional factors explaining the high level of turnover (ILO, 2011).

In terms of national investment, the tourism sector's weight is roughly in line with its weight in terms of GDP. WTTC estimates that travel and tourism' share of total national investment will correspond to 4.8% in 2013 (WTTC, 2013). In terms of attracting FDI, though, the tourism sector does not tend to reflect the weight it has in overall economic activity. According to UNCTAD data, inward FDI stock in developing countries in the hotel and restaurant sector only represented 1.3% of overall inward FDI in 1990 and 1.09% in 2010 (UNCTAD, 2012).

3. Tourism and sustainable development

Tourism plays an important role for development (*e.g.* Honeck, 2012). Growth in this sector contributes to increased export diversification (Cattaneo, 2009). The sector has important backward linkages to the domestic economy and so contributes to growth and employment in other sectors. It also provides inputs into activities in other sectors through the business travel segment. UNWTO (2012a) reports that 15% of inbound travelers travelled for business reasons in 2011. Although this figure varies widely across countries, it indicates that the tourism sector can play an important role in facilitating economic activity in general. Lastly, tourism facilitates innovation and discovery of new entrepreneurial activities in other parts of the economy as it gives businesses exposure to foreign consumers and thus information about the nature of demand in foreign markets (Lejarraga & Walkenhorst, 2009).

The significant potential of tourism for poverty alleviation has also found reflection in the discussion around the Millennium Development Goals, notably in the context of the 2002 Johannesburg Summit on Sustainable Development.[9] The reasons why tourism can play an important role in poverty alleviation include (DEVCO and UNWTO, 2013):

- Tourism is a growing sector in terms of demand;
- It is a sector in which developing countries can have a comparative advantage due to their climate and availability of cultural or natural assets;
- It is a labour intensive sector, with high female participation rates;
- It provides a wide range of opportunities for work, both unskilled and skilled, that are well-suited to women and young people.
- It creates opportunities for micro and small enterprises, as start-up costs are often low;
- It can provide opportunities for minority communities and support their culture.

It has, for instance, been argued that tourism was a main factor behind the graduation of Botswana, Cape Verde and the Maldives from the status of LDC (DEVCO and UNWTO, 2013). Box 1 provides more detail on the global policy debate regarding the role of tourism for sustainable development.

[9] See for example: UNWTO (2005) Declaration 'Harnessing Tourism for the Millennium Development Goals and in the outcome document of the 2012 United Nations Conference on Sustainable Development', (DEVCO and UNWTO, 2013).

Box 1 Tourism and sustainable development: The global policy debate

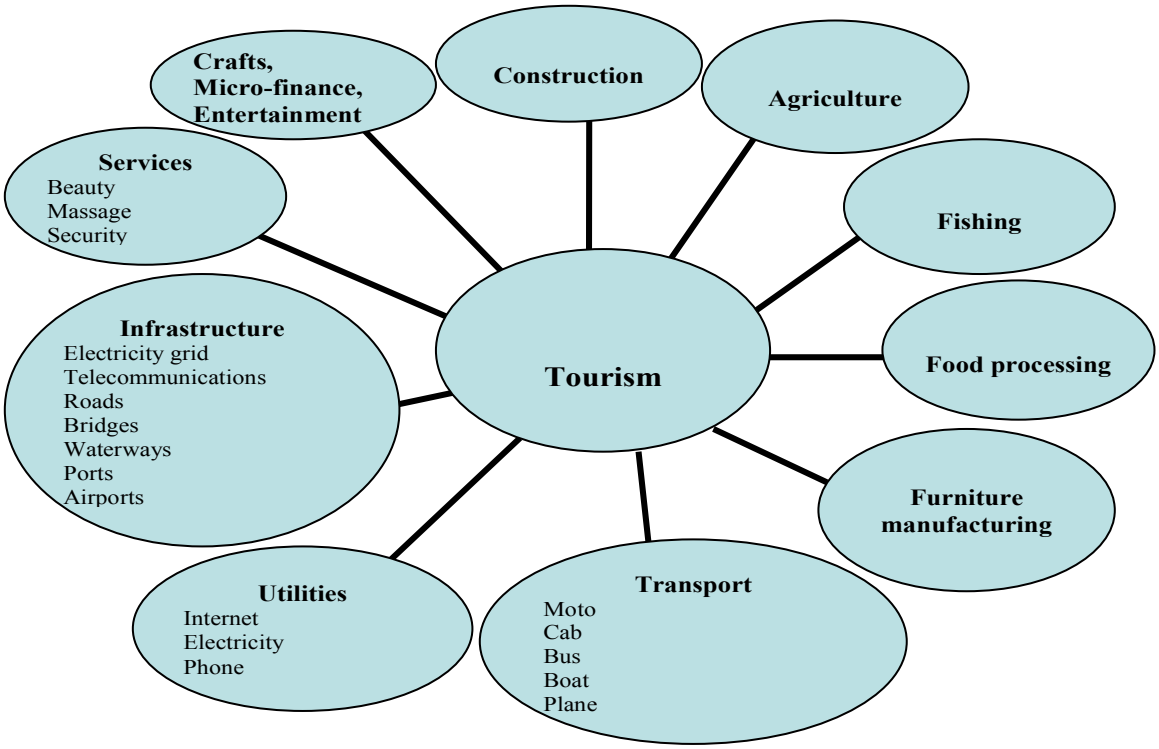
In 2012, the significant contribution of tourism has been recognized in the RIO+20 outcome document "The Future We Want", where it is included as a thematic area and cross-sectorial issue demonstrating how tourism can be a catalyst for development. The document emphasizes that "...well-designed and managed tourism can make a significant contribution to the three dimensions of sustainable development, and having close linkages to other sectors, create decent jobs and generate trade opportunities…"

In the 10 Year Framework Program on Sustainable Consumption and Production (10-YFP), a concrete operational outcome of Rio+20, sustainable tourism has been identified as one of the areas of program development. This demonstrates that at the global policy level tourism is considered to make a significant contribution to the three dimensions of sustainable development, to have close linkages to other sectors and to have the potential to create decent jobs and generate trade opportunities. The 10YFP for Sustainable Tourism will notably embed recommendations stemming from the Green Economy Report and its chapter on Tourism (UNEP and UNWTO, 2011).

Recognizing the potential of sustainable tourism in meeting the development imperatives, the European Commission, Directorate General Development Cooperation (DEVCO) has approached UNWTO to assist in creating a Guidebook on *Sustainable Tourism for Development as an engine for development*. This collaboration demonstrates the increasing interest and recognition of tourism as an engine for development. It also demonstrates the role tourism can play within the broader aid-for-trade agenda, given its potential to stimulate trade in services and linkages with productive capacities, employment and poverty reduction.

If backward linkages are fully exploited, tourism can contribute to diversification through the development of other parts of the economy (Lejárraga and Walkenhorst, 2013). Figure 2 reflects the sectoral linkages of the tourism industry. Infrastructure, transport and utilities are obvious inputs into the tourism industry. But the local construction and furniture industry can also act as suppliers to the tourism industry. This is also the case for local agriculture, fishing and food processing, if food served to tourists is sourced locally. Also the handicraft, jewelry, textiles and cosmetics sectors can take advantage from tourism.

Figure 2 Backward linkages in the tourism sector



Source: Honeck (2012) and Dain Bolwell and Wolfgang Weinz (2008).

There is evidence that low income countries are not always enjoying the full benefit of tourism for the rest of the economy. Tourism in low income countries is characterized by lower indirect effects and higher levels of leakage. Lejárra and Walkenhorst (2010) measure the intensity of linkages by the ratio between indirect and direct contributions of tourism to GDP and this measure is used in Table 8 to reflect linkages in countries of different income levels. The table illustrates that UMICs are more successful in generating spill-overs from tourism activities for the rest of the economy than LDCs.

Table 8 Linkages in the tourism industry

	2000-2005			2006-2011		
	Direct	Indirect	Indirect/ direct	Direct	Indirect	Indirect/ direct
LDC	3.65	5.20	1.43	4.07	5.98	1.47
OLIC	2.73	4.54	1.67	4.31	6.13	1.42
LMIC	4.21	6.16	1.46	4.50	7.00	1.56
UMIC	6.35	11.20	1.76	6.29	11.66	1.85

Source: Lejarraga and Walkenhorst (2010), authors' calculation based on WTTC data. 'Indirect' effects have been calculated based on the difference between total and direct effects as reported in WTTC statistics.

Maintaining an open trade regime is critical for the emergence of linkages. Research suggests that the tourism linkages are strongly linked to the business environment,

accounting for almost 20% of cross-country variations in linkages in one study (Lejarraga and Walkenhorst, 2013). The human development index and rate of female participation in the economy are also positively linked to the level of linkages. Countries with higher incidence of violence or crime have significantly fewer linkages. Additional factors that have been highlighted in the relevant literature are the quality of infrastructure (Singh and Kaur, 2005; Chang and Lai, 2011), macroeconomic stability and an adequately trained work force (World Bank, 2008).[10] Box 2 discusses an example of how a country can stimulate backward linkages through technical assistance projects funded with aid-for-trade funds.

Box 2 Aid-for-trade case study: St. Vincent and the Grenadines

In response to the decline of the country's banana industry, the Government of St. Vincent and the Grenadines (SVG) made in 1998 the strategic decision to actively promote economic diversification by targeting growth in the tourism sector. One of the efforts in this direction has notably taken the form of a Tourism Development Project funded by the European Commission. This project foresaw the development of twenty tourism sites and of a National Park System, including the institutional strengthening of the National Parks Authority.

In the context of this project, special emphasis has been placed on developing tourism activities on the mainland of St. Vincent and on involving rural communities in the light of economic displacement caused by the decline of banana production and exports. In particular, the Government was seeking through the development of the Park System to provide opportunities for employment and to empower communities to participate in the management of these resources as a strategy for poverty reduction and of promoting a greater integration of environmental considerations.

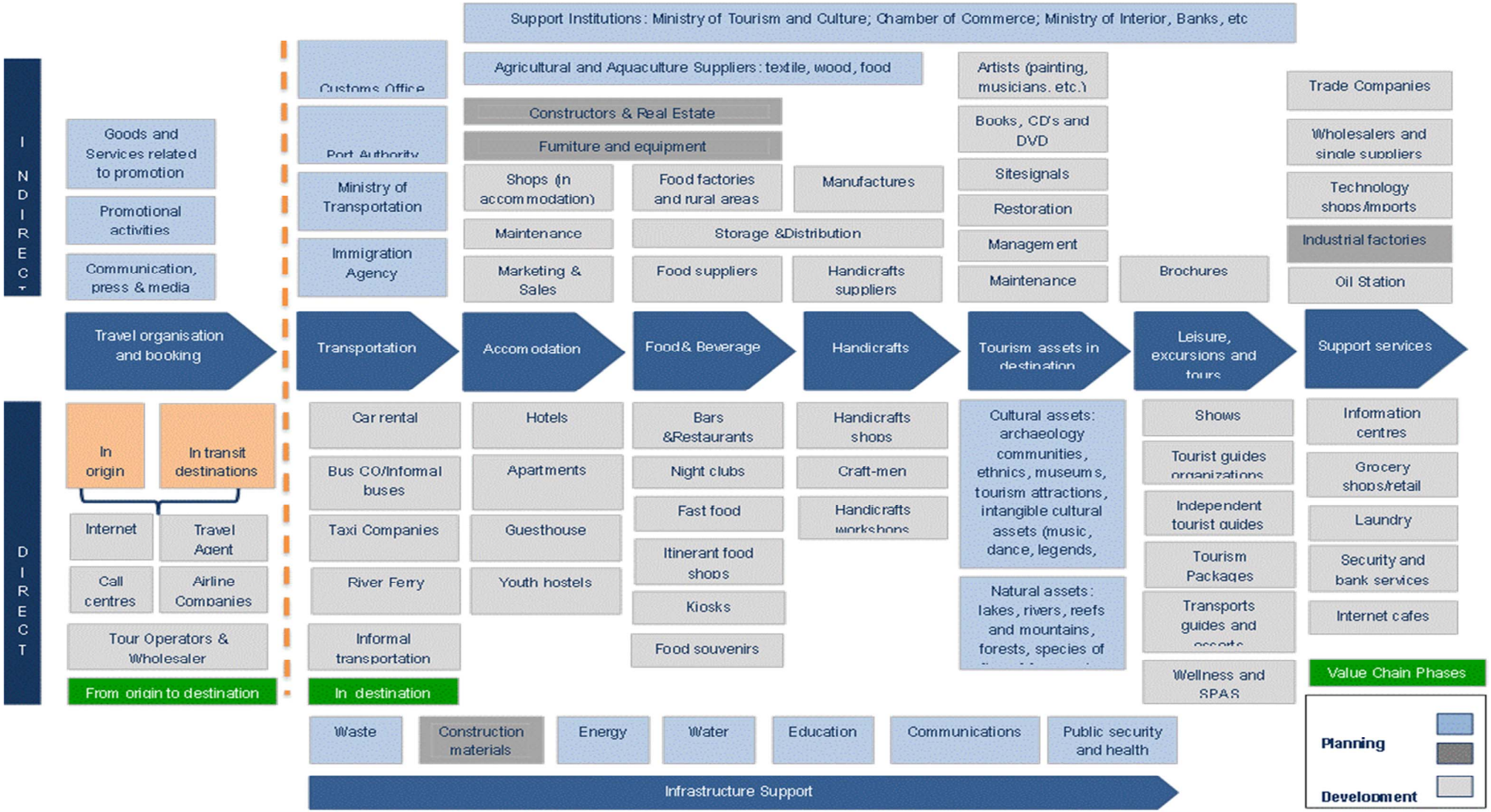
Project evaluations have shown that the Tourism Development Project has contributed to observed increases in internal and international tourism and in creating linkages between tourism and other sectors through the stimulation of new economic activities and its contribution to rural transformation.

Source: OECD/WTO

High interconnectedness requires coherence in policy across different sectors. Failure to understand and plan for the "complex, interrelated nature of international tourism" can turn into a source of negative externalities for the rest of the economy. In this context, Honeck (2012) highlights the high sensitivity of tourism to government policies in related sectors, such as transport, financial services and telecommunications. One "broken link" in any major part of the tourism value chain can have negative consequences for overall LDC exports.

[10] As quoted in Lejarraga and Walkenhorst (2013).

Figure 3 Tourism value chain



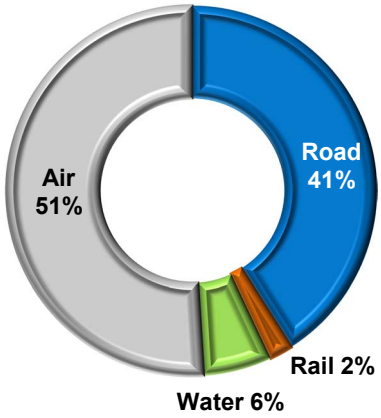
Source: DEVCO and UNWTO (2013).

Figure 3 illustrates the complexity of a typical tourism value chain. To the left, the figure illustrates activities that take place in the outbound country (*i.e.* the tourists' country of residence) and to the right those taking place in the inbound country (*i.e.* the tourists' destination country). The bottom half of the figure represents activities that are a direct part of the tourism sector, while those indirectly linked to the tourism sector are represented in the upper segment. The development potential of tourism is maximized in countries that manage to exploit the indirect linkages in an optimal way and the figure illustrates that a broad range of activities can be considered relevant in order to achieve this.

The position developing country suppliers take in the global tourism value chain, will be another important determinant of the growth and poverty reduction potential the tourism sector has. Considerable benefits can, for instance, be obtained in the travel organization and booking segment. Activities related to this segment take place in the outbound country and are often in the hand of tour operators or travel agents registered in those countries (*e.g.* Christian, 2012). At the level of tour operations, a considerable share of the market is held by a small number of operators (*e.g.* Christian and Nathan, 2013). Notwithstanding this concentrated market structure, the tour operator segment appears to be highly contestable as it is characterized by a high level of entry to and exit from the sector (Sinclair, 1998). It is also the case that developments in information technology are changing the role of different players in the organization and booking segment as they make it easier for services providers in destination countries to reach out directly to potential customers abroad (OECD, 2008).

International transport activities create the link between the outbound and the inbound country. Figure 4 indicates that air transport holds a particularly important position when it comes to inbound tourism as more than half of inbound travelers enter a country via an airport. Another 41% of travelers enter via the road network. The availability and quality of air ports and road networks is therefore highly relevant for the success for a strategy targeting tourism growth.

Figure 4 Inbound tourism by mode of transport (2011)



Source: UNWTO (2012a)

Within the destination country, tourism related activities include activities related to regional/domestic transport, lodging and food and beverages, as reflected in Figure 3

above. The organization of excursions within the country forms a further sub-component of the tourism value chain. Upgrading of tourism activities within individual segments of the value chain can increase the benefits of tourism for a country. A transition from 'small hotel', to 'large hotel' and ultimately 'luxury hotel' would, for instance, go hand in hand with higher value added created by the relevant establishment. Improved domestic productivity and the modernization of inefficient government regulations will also increase domestic value-added.

To enhance the development impact of the tourism industry, countries may therefore consider creating conditions that make it easier for developing country suppliers to *(i)* connect to value chains, to *(ii)* enter the travel organization segment and to *(iii)* upgrade within individual segments of the value chain. In addition, they may want to *(iv)* create conditions that stimulate backward and forward linkages from tourism activities into other segments of the economy.

In order to achieve this, UNWTO (DEVCO and UNWTO, 2013) advises governments to highlight tourism in their poverty reduction strategies and development programs as well as to relate them to trade and employment strategies. Box 3 provides an example of the role such a 'tourism master plan' can play for the development of the industry and of how aid for trade can be harnessed to overcome possible barriers to implementation of such a national development plan.

Box 3 The tourism value chain in The Gambia: Obstacles and benefits

Tourism in The Gambia dates back to 1965 when Bertil Harding organized the first fleet of 300 tourists from Sweden. Thereafter, there has been an influx of tourists from throughout Europe, North America and more recently, the West African region. The latest tourism statistics suggest approximately 91,000 arrivals in 2010 and about 7 companies providing scheduled flights. [11]

The Gambia is seeking to diversify its tourism brand from a low-cost budget "sun, sea and sand" destination to more upscale attractions cross-country. Incentives are being offered to investors through the Investment and Export Promotion Act, the Gambia Tourism Development Master Plan (developed with funding from Japan) and the national development strategy. These incentives are aimed to benefit eco-tourism, national heritage, up-country tourism, tourist camps, sport fishing, river sports and cruising, 4/5 star hotels, integrated resorts and marinas.[12]

The Gambia Tourism Development Master Plan highlights key priorities in order to ensure more spillover of tourism earning to the rest of the economy. These include infrastructure development especially in terms of increased access to the interior and agricultural linkages. For agricultural linkages, the short-term strategy includes the promotion of local products in hotels and restaurants, and the medium-term strategy focuses on improving the functioning of the horticulture supply-chain to the food service industry in terms of wholesalers and women's' groups. To address seasonality, the Master Plan emphasizes the need to target niche markets including through the conservation and exploitation of natural and cultural heritage sites and areas.[13]

The main donors to the tourism sector have been the African Development Fund, Austria and Japan. Between 2002 and 2010, total commitments were reported at approximately USD 3.1 million and disbursements at USD 1.2 million, totaling 0.6% of total aid-for-trade disbursements in the same period.

The structure of The Gambia tourism sector is concentrated with few package operators that work with only 4 national operators and approximately 20 hotels along the coast. Upon assessing the package holiday value chain, which accounts for a majority of tourism into the country, an ODI study calculated that one third of the package holiday value remains in-country and the rest is retained abroad by air transport companies and international tour operators. In the case of out-of-pocket expenditure from tourists, though, a much larger share remains in the country and it turns out that much of this spending has relatively high pro-poor impacts (Figure 5). The ODI calculations conclude that overall "14% of the Gambia-based part of the value chain flows directly into the hands of the poor." For agriculture in particular, the use of local inputs for food and beverage sales to tourists has been estimated to translate to about GBP 1 million at the farm gate.[14]

Aside from policy reform, such pro-poor benefits can also be attributed to in-country initiatives such as Gambia is Good (GiG) which works to strengthen linkages between the fruit and vegetable sector and the tourism industry and the Association of Small-Scale Enterprises in Tourism (ASSET), a membership organization of small-scale enterprises in tourism, which was established by the DFID Tourism Challenge Fund to perform trade association functions for the informal sector. The Tourism Challenge Fund through ASSET had also resulted in formalizing some SMEs enabling them to enter the tourism value chain. For example, it has been reported that "beach, fruit sellers and juice pressers adopted a code of conduct to reduce the hassling of tourists and established stalls so that they no longer needed to hawk for business on the beaches. Guides and craft workers took similar initiatives, and hoteliers invited craft workers to sell within the hotels on a rota basis. Fruit sellers' incomes increased by 50%; juice pressers' by 120%; guides' by a third; and craft workers in the market reported a doubling of their incomes and 43 new jobs. The Gambia now has a Responsible Tourism Policy

[11] UNWTO (2012b).

[12] The Government of The Gambia, "The Gambia Tourism Development Mater Plan", Banjul, 2006, p. 9.

[13] Ibid., p. 97.

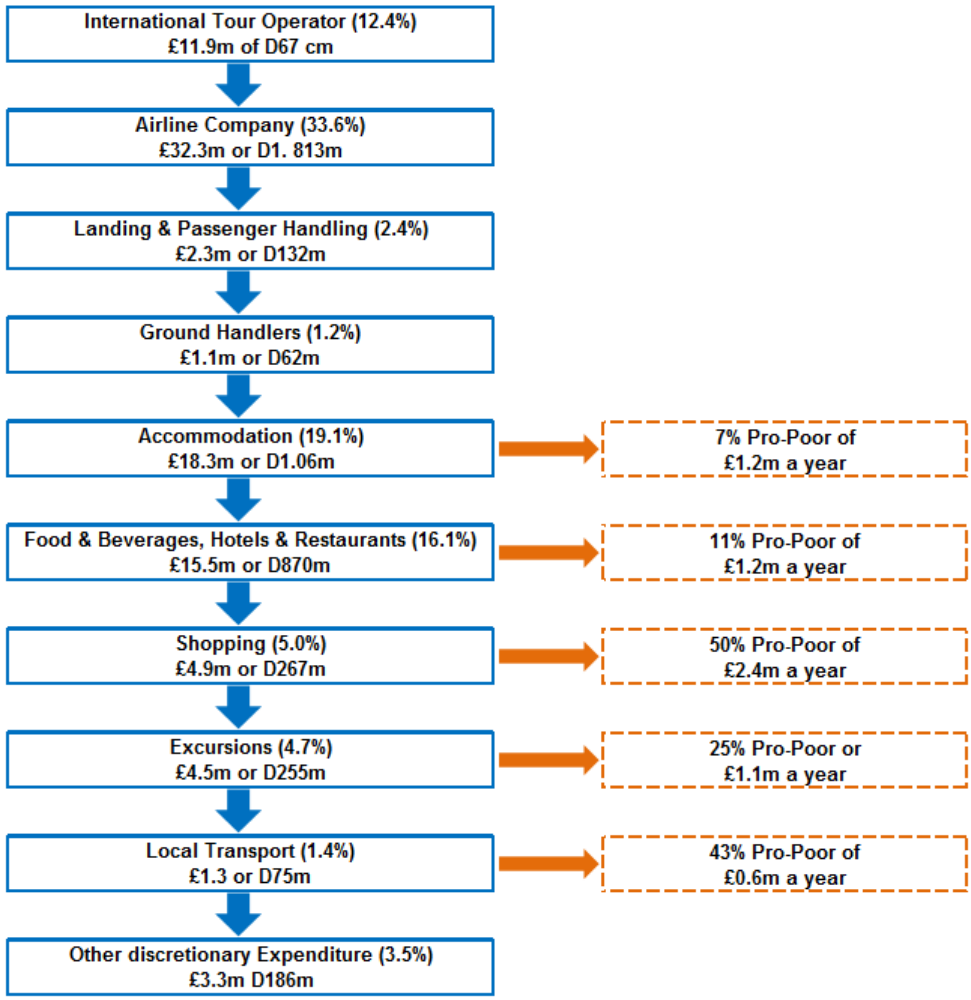
[14] Mitchell, J., Faal, J. (2008).

supported by all stakeholders and a Responsible Tourism Partnership that is seeking to develop these initiatives and spread their impact."[15]

Though the country has achieved a relatively high multiplier effect from tourism, such returns are mainly limited to coastal areas. By promoting upcountry eco and cultural tourism The Gambia can expect greater benefits to the poor. There are cultural and natural attractions along the River Gambia yet to be utilized such as the Kunta Kinteh Island and Wassu Stone Circles -- both World Heritage Sites -- as well as the eco-lodges of the Chimpanzee Rehabilitation Project. In order to promote investment in such opportunities, an enabling environment needs to be created through land and river networks and ICT to increase accessibility.

Source: Taal, Sainabou

Figure 5 The Gambia tourism value chain



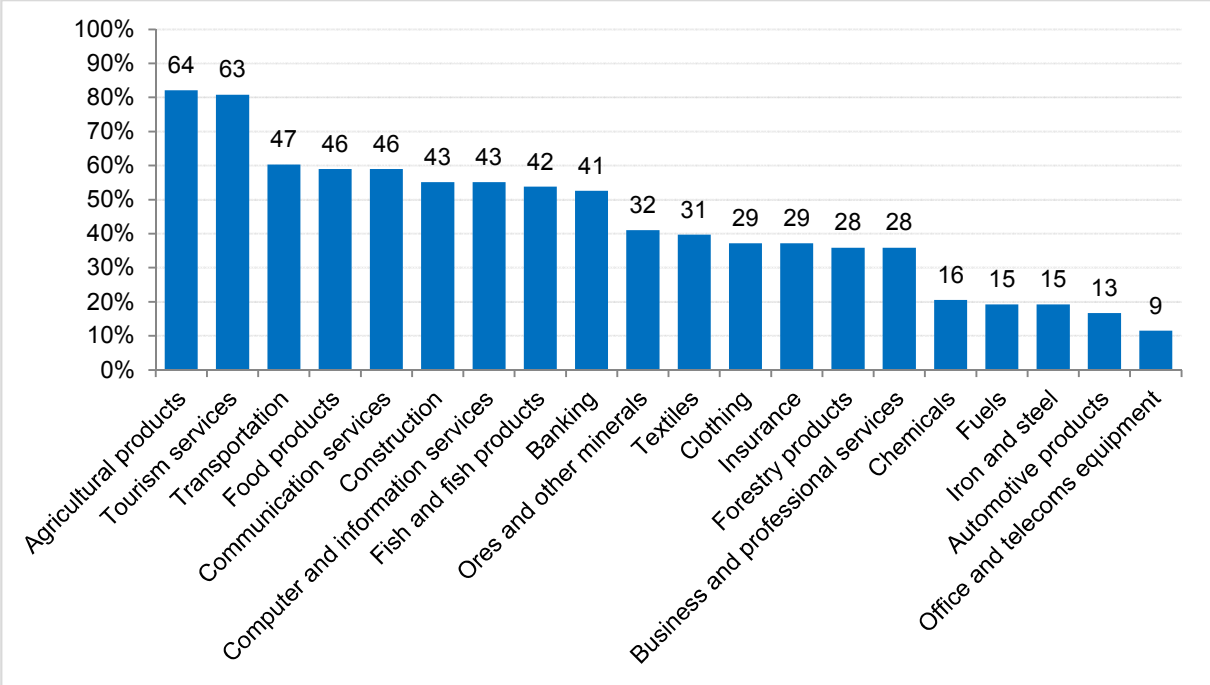
Source: SNV[16]

[15] Natural Resources Institute (2000).

[16] Ashley, C. (2006).

In the Joint OECD-WTO-UNWTO monitoring survey, representatives of AfT partner countries were asked whether individual sectors or subsectors were identified as potential drivers of growth in their national development strategy. Of the 80 respondents, 79 developing country government respondents indicated that individual sectors or subsectors had been identified as potential drivers of growth in their national development strategy (see Figure 6). "Agricultural products" is mentioned by 64 respondents which correspond to 82.1% of the sample. Tourism services come second with 63 respondents or 80.8% of the sample. The survey suggests that at national level in developing countries, tourism has been identified as an important potential driver of growth. This is in line with the finding reported in UNDP (2011) that 30 out of 35 Diagnostic Trade Integration Studies (DTIS) conducted between 2001 and 2009 prioritize the tourism sector as a sector of greatest growth and/or export potential.[17]

Figure 6 Percentage of respondents identifying a specific subsector as a growth sector in national development strategy



Source: Joint OECD-WTO-UNWTO monitoring survey.

[17] The Diagnostic Trade Integration Study (DTIS) is an inherent part of the Enhanced Integrated Framework (EIF) process. It is meant to identify constraints to competitiveness, supply chain weaknesses and sectors of greatest growth and/or export potential. The DTIS also includes an Action Matrix – a list of priority reforms – which is validated by national stakeholders and by the Government and is meant to form the basis for future trade-related technical assistance.

4. Barriers to overcome

Tourist service suppliers in developing countries and lead firms were requested to complete the joint OECD-WTO-UNWTO survey. The sample of respondents comprises a total of 109 respondents from 46 countries including 18 sectoral associations. The survey examined respondents' views on the main bottlenecks that hinder developing country suppliers entering tourism value chains and that negatively affect developing countries' capacity to generate backward linkages to the rest of the economy.

Quality of the business environment is one of the major determinants of success in nurturing a flourishing tourism industry. Growth of the sector can, for instance, be hindered by aspects like political instability, high crime rates, complex visa arrangements, unsafe roads, poor sanitation and high costs of electricity (see World Bank 2010, as quoted in Honeck, 2012). Indeed, UNWTO and WTTC emphasize the important role visa facilitation can play in reaping benefits of international tourism (UNWTO and WTTC, 2012).

Access to tourist destinations is one of if not 'the' most important factor in determining the successful development of a tourism sector and this factor is closely linked to the quality and availability of infrastructure. Relevant infrastructure aspects include accessibility of the country via air, water or road and the quality of internal infrastructure in order to access different destinations within the country.

In addition, the availability of workers with appropriate skills is a key requirement for the successful development of a tourism industry.[18] Clients, *i.e.* tourists, have direct contact with many employees in the sector, in particular with those at the lower end of the hierarchy. The way those employees perform their jobs and relate to visitors is one of the main determinants of the services quality experienced by visitors (DEVCO and UNWTO, 2013).

In the joint OECD-WTO-UNWTO survey, national and international tourism firms were asked for the role of these and other determinants in explaining integration of developing country suppliers into value chains, investment decisions and backward linkages into the domestic economy.

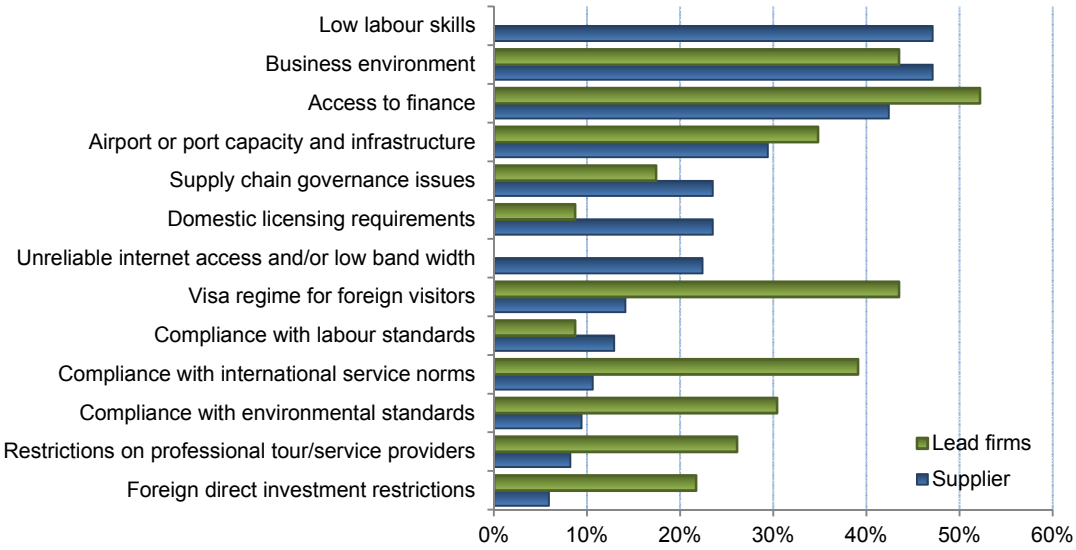
The private sector segment of the survey generated 86 responses from companies identifying themselves as suppliers in the tourism value chain located in developing countries, while 23 responses were received from companies identifying themselves as lead firms. The two types of firms were asked different, though sometimes related, questions. Comparing the two sets of answers provides insights into the similarities and differences in the assessment of where the main bottlenecks for further advancement of the industry lie.

Suppliers, for instance, were asked about the main operational difficulties they face, while lead firms were asked about the most typical difficulties they face in bringing new

[18] OECD (2012), for instance, highlights the need for employers in OECD countries to develop strategies to confront a looming labor and skills shortage in order to remain competitive.

suppliers from developing countries or LDCs into their value chain. Figure 8 illustrates the replies of both types of firms.

Figure 7 Main operational difficulties:
Suppliers' and lead firms' views (percentages)



Source: Joint OECD-WTO-UNWTO monitoring survey

Suppliers rank problems with the business environment and low labor skills as the main difficulties with 47% of responding suppliers identifying these problems as their major constraint. Access to finance follows closely and refers, notably, to the possibility to obtain credit to fund investments. Airport capacity and infrastructure is ranked fourth in the list of main operational difficulties. Lead firms instead consider access to finance to be the most important difficulty for bringing developing country suppliers into the supply chain, followed closely by the business environment and problems with the visa scheme for foreign visitors. Lead firms did not have 'low labor skills' as a possible answer in their question.[19] However, compliance with international service standards ranks fourth in their listing of difficulties and this lack of compliance could be a reflection of low skills on the supplier side.[20]

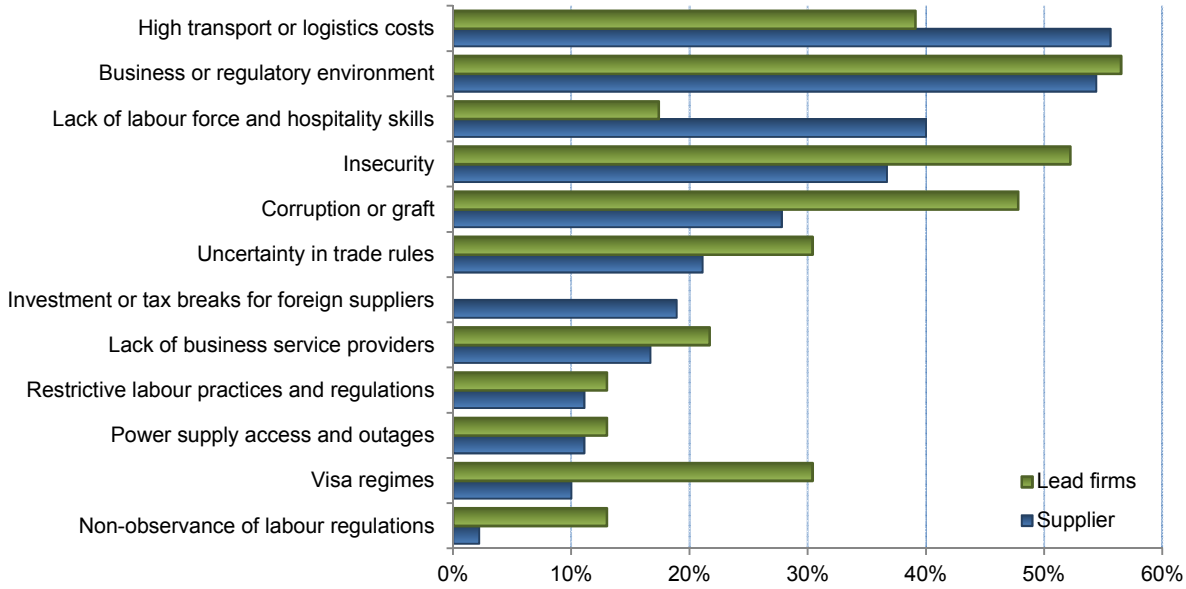
With regards to investment decisions, the ranking of main decision criteria is relatively similar among suppliers and lead firms (see Figure 8). Both rank 'high transport or logistics costs' and 'business or regulatory environment' among the top four factors influencing investment decisions. For suppliers 'insecurity' and 'corruption or graft' are considered the top two and top three constraint. For suppliers instead 'lack of labor force and hospitality skills' ranks third with security concerns coming forth. This may reflect that non-local firms find it more difficult to deal with local levels of security and

[19] They do in the question regarding factors negatively influencing investment decisions and do not rank lack of skills highly there. See Figure 8.

[20] See also OECD (2008) on the importance of adopting and maintaining relevant standards for the development of a dynamic and sustainable tourism sector.

corruption than local companies. It may also indicate that local actors underestimate the importance of security for tourism sector. Yet, relevant research clearly indicates that both actual and perceived risk significantly affect travelers choice of destination.[21]

Figure 8 Main factors negatively influencing investment decisions: Suppliers' and lead firms' responses (percentages)



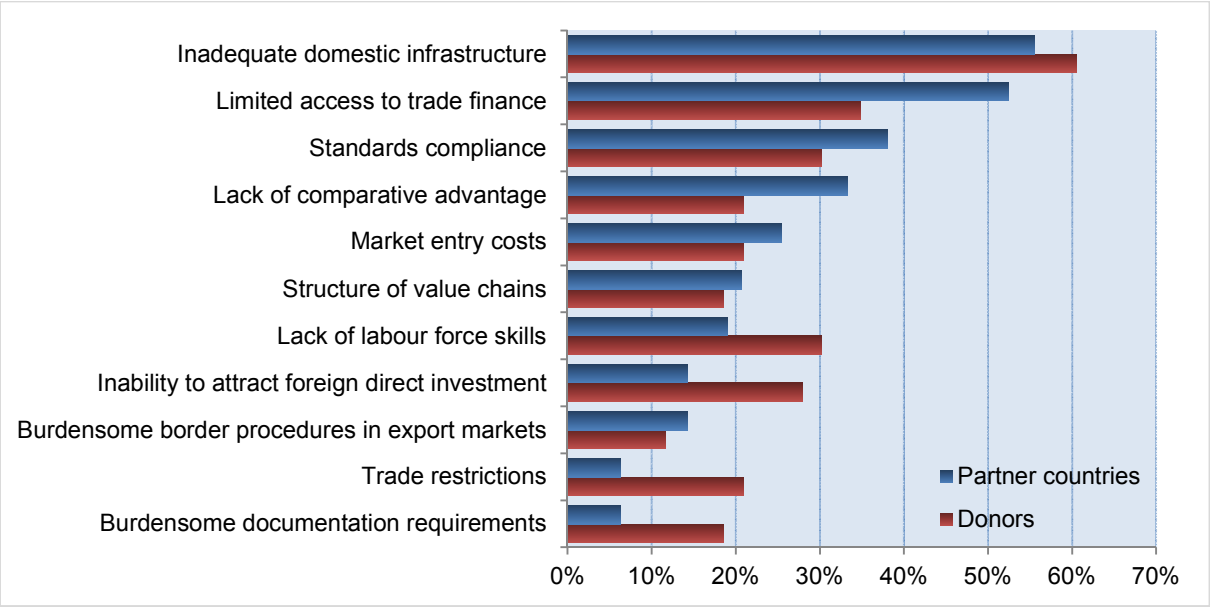
Source: Joint OECD-WTO-UNWTO monitoring survey. Suppliers answered the question: "What factors negatively influence domestic investment in tourism?". Lead firms answered the question: "What are the main factors most negatively influencing sourcing and investment decisions?".

It is also striking that once more, suppliers express strong concerns about skills in the labor force, while this issue only ranks number eight on the list of factors negatively influencing investment decisions from the point of view of lead firms.

Government representatives were also surveyed about what they considered to be the main obstacles to greater participation of their companies in value chains. Figure 9 reflects the frequency at which individual factors were identified as one of the three main obstacles by the 63 governments who had indicated that tourism had been identified as a growth sector in their country. The figure reflects that government representatives consider inadequate domestic infrastructure and access to trade finance the most important bottlenecks.

[21] See, for instance, Pennington-Gray *et al*. (2011) for references to the relevant literature.

Figure 9 Main obstacles to greater participation of national companies in value chains: partner country and donor responses (percentages)

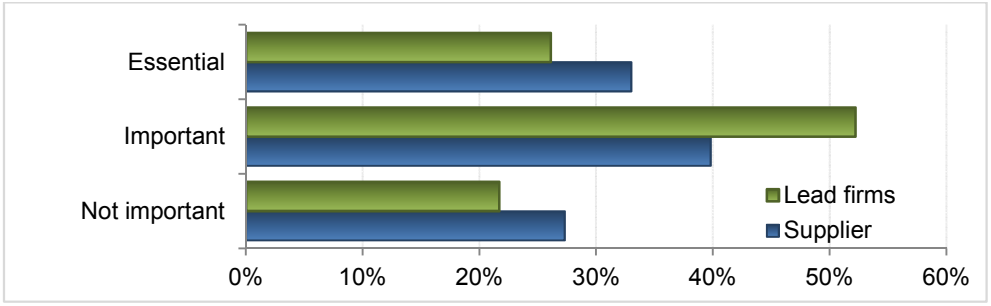


Source: Joint OECD-WTO-UNWTO monitoring survey. Responses to questions 20 (DN) and 19 (PC). Partner countries' replies had been filtered and only include the sample of respondents that had identified tourism as a growth sector in the national development strategy.

Figure 9 also provides information on the views of donors regarding major obstacles for developing country firms to participate in value chains. Also donors identify inadequate infrastructure as the main bottleneck. They attach relatively less importance to lack of access to trade finance, *i.e.* the possibility of developing country firms to obtain funding (*e.g.* through credits) to participate in trading activities. The factor ranks second, though, also for them. It is closely followed by standard compliance and lack of labor force skills.

The survey also provides insights into the role of open markets for the tourism sector. Figure 10 illustrates that over 75 % of suppliers and lead firms consider imports of other goods and services to be important or essential for their ability to supply tourism products.

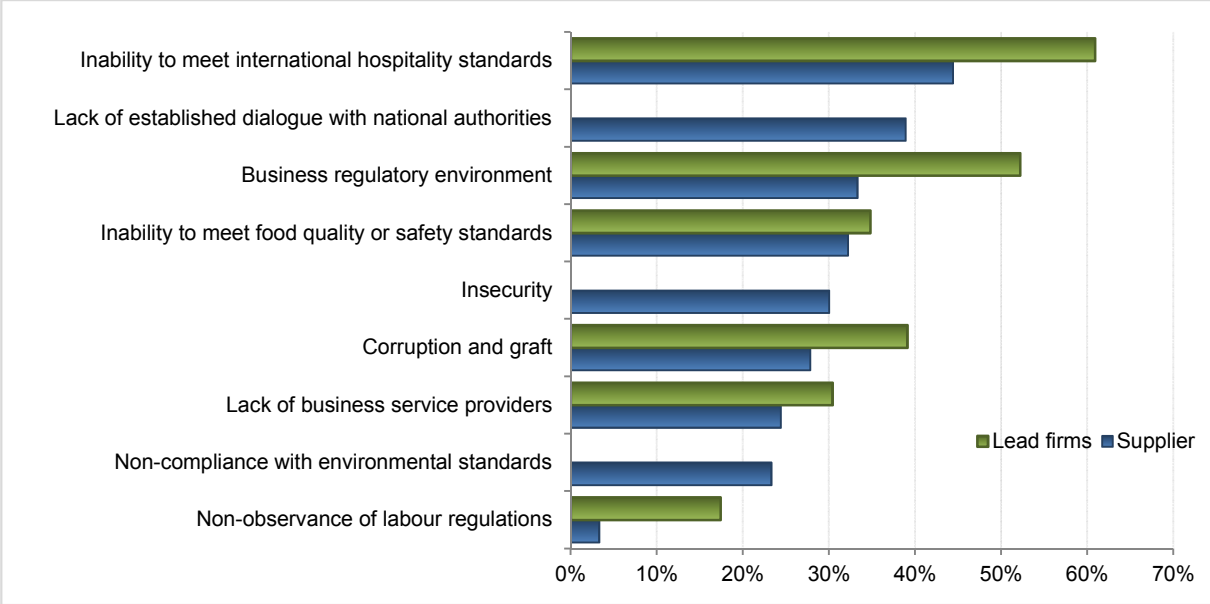
Figure 10 Importance of imports of goods and services to companies' ability to offer tourism products



Source: Joint OECD-WTO-UNWTO monitoring survey.

When it comes to ensuring backward linkages to the local economy, suppliers and lead firms identify similar difficulties as major bottlenecks. For both of them the 'inability of local suppliers to meet international hospitality standards', the 'business regulatory environment' and the 'inability of local suppliers to meet food quality of safety standards' are among the four main difficulties identified. While 'corruption and graft' is also among the main four difficulties from the point of view of lead firms, suppliers identify a lack of established dialogue with national authorities as the number two difficulty. This last answer was not given as an option for lead firms.

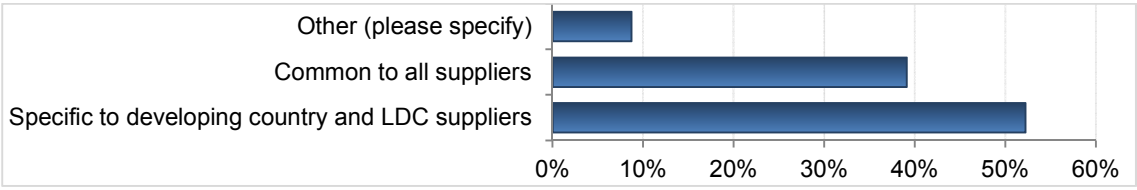
Figure 11 Main difficulties to create backward linkages: Suppliers and lead firms (percentages)



Source: Joint OECD-WTO-UNWTO monitoring survey. Suppliers answered the question: "What are the main difficulties in ensuring that tourism benefits the local community?". Lead firms answered the question: "What are the main difficulties ensuring tourism linkages in the domestic economy?"

Lead firms were also asked whether they considered that the impediments to generate backward linkages from tourism activities were specific to suppliers from developing countries or whether they reflected difficulties common to all suppliers. Interestingly nearly 40 % of the respondents replied that those difficulties are common to all suppliers, while over 50 % considered them specific to developing country suppliers. This may indicate that the findings from the survey may also be interesting for stakeholders in high income countries.

Figure 12 The role of income levels for backward linkages



Source: Joint OECD-WTO-UNWTO monitoring survey. Lead firms replied to the question: "Are these difficulties specific to developing-country and LDC suppliers or common also to suppliers from higher-income countries?"

5. Where do aid-for-trade resources currently go

The OECD collects information on the commitments and disbursement of official development assistance and tourism is identified as a separate subsector in the relevant data. Table 9 illustrates that AfT disbursements to tourism have significantly increased over time and were around 160% higher in 2011 than in 2006. Yet those increases started from a very low base and disbursements to the tourism sector represented around 0.5% of total AfT disbursements in 2011. Taking in account that tourism represented on average around 4% of GDP in low income countries, the sector appears to be underrepresented when it comes to AfT flows.

It is, however, the case that components of the aid-for-trade flows to economic infrastructure may be relevant for the tourism sector. This is in particular the case for aid flows to transport infrastructure, given the role the availability and quality of infrastructure has for inbound travel and for travel within countries. Around 30% of all aid for trade is directed towards improving transport and storage. It is realistic to assume that a significant amount of this is relevant for the tourism sector. Unfortunately, however, data do not allow for a detailed analysis of the relationship between spending of ODA on transport and spending on tourism. It is also the case that the different ministries responsible for trade, tourism and transport do not necessary co-ordinate efforts regarding the allocation of ODA which may result in missed opportunities when it comes to leveraging its effects.

Table 9 Official development assistance and other official flows by subsector (2006-2011)

Category	Official development assistance (ODA)					Other official flows (OOF)				
	2006	2010	2011	Growth p.a. (%, 06-11)	Share (%) in 2011	2006	2010	2011	Growth p.a. (%, 06-11)	Share (%) in 2011
Trade Policy & Regulations	481	1,170	982	15.4	2.9	53	379	232	34.2	0.8
02_Trade Facilitation	63	325	259	32.8	0.8	7	324	94	66.6	0.3
Economic Infrastructure	9,336	17,636	17,740	13.7	52.6	3,315	13,498	14,720	34.7	52.2
06_Transport and Storage	5,232	9,804	10,165	14.2	30.1	2,435	7,322	8,218	27.5	29.2
07_Communications	460	536	506	1.9	1.5	211	668	685	26.5	2.4
08_Energy Generation and Supply	3,644	7,296	7,069	14.2	21.0	669	5,508	5,817	54.1	20.6
Building Productive Capacity	8,427	14,053	14,999	12.2	44.5	3,568	16,226	13,239	30.0	47.0
09_Business And Other Services	1,439	1,576	1,600	2.1	4.7	16	1,241	894	124.7	3.2
10_Banking & Financial Services	1,370	2,440	2,699	14.5	8.0	1,345	7,602	5,061	30.3	18.0
11_Agriculture	3,080	6,764	6,549	16.3	19.4	725	1,439	1,135	9.4	4.0
12_Forestry	443	1,200	1,110	20.2	3.3	51	248	217	33.4	0.8
13_Fishing	206	343	351	11.2	1.0	1	52	7	39.3	0.0
14_Industry	1,092	1,402	2,060	13.5	6.1	1,193	3,799	4,448	30.1	15.8
15_Mineral Resources and Mining	745	172	464	-9.1	1.4	236	1,728	1,373	42.2	4.9
16_Tourism	51	155	167	26.8	0.5	0	117	104	223.2	0.4
Trade-related Adjustment		68	17							
Total	**18,244**	**32,927**	**33,739**	**13.1**	**100**	**6,937**	**30,102**	**28,191**	**32.4**	**100**

Source: OECD Creditor Reporting System Database, *http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.*
Note: *ICT covers the categories Communications policy and administrative management, Telecommunications and Information and Communication Technology (ICT).

Table 10 reflects the regional allocation of aid-for-trade flows directed to tourism and its evolution over the period 2006-2011. In absolute terms, aid-for-trade disbursements for tourism increased to all regions over that period. But in relative terms, the allocation of disbursements is characterized by a reversal of the weight of the Americas (in particular North and Central America) and the weight of Africa. In 2006, the Americas received more than one third of all AfT funds directed towards tourism, while Africa received around one fifth of that share. The relative weight of the two regions changed over time and was reversed by 2011. The share of Asia and Oceania remained relatively stable over time, with Asia receiving close to 30 % of funds targeting tourism and Oceania around 8%. The share of European countries went markedly down (from 18% to 5%), while the share of Middle Eastern countries increased from 5% to 8%.

Table 10 Aid-for-trade tourism disbursements per geographical region (USD thousand)

Region	Sum of disbursements						Percentage of disbursements				
	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010
Africa	12402	16747	31131	49991	30501	54599	21%	24%	32%	40%	20%
America	21177	17789	21076	29994	47288	33254	36%	25%	22%	24%	30%
Asia	13159	16064	20540	26783	35264	31332	23%	23%	21%	21%	23%
Europe	3828	13002	15015	8193	6579	7579	6.6%	18.4%	15.7%	6.5%	4.2%
Middle East	3856	3840	4923	8752	27877	12999	6.6%	5.4%	5.1%	6.9%	17.9%
Oceania	2485	1976	1321	1209	6644	12330	4.3%	2.8%	1.4%	1.0%	4.3%
Bilateral Unspecified	1352	1358	1893	1218	1208	1936	2.3%	1.9%	2.0%	1.0%	0.8%
Grand Total	58259	70775	95899	126140	155360	154029	100%	100%	100%	100%	100%

Source: OECD Creditor Reporting System Database, *http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.*

Table 11 provides information on the allocation of funds by income group. A somewhat surprising finding given the poverty impacts of AfT assistance to the tourism sector is that the largest and growing share of tourism AfT has been flowing to upper middle income countries. Their share represented 37% of AfT flows to tourism in 2006 and 45% in 2011. AfT flows to LDCs have also increased over time, both in absolute and in relative terms, with their share increasing from 12 to 22%. Flows to LMICs increased in absolute terms but went down in percentage terms. Flows to other low income countries (*i.e.* a group only containing 5 countries, see Annex B), instead, went down both in absolute and in relative terms.

Table 11 Aid-for-trade tourism disbursements per DAC income group (USD thousand)

Group	Sum of disbursements						Percentage of disbursements					
	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
LDCs	6975	8880	9655	13083	48668	34300	12%	13%	10%	10%	31%	22%
LMICs	17700	20448	28384	32949	47428	37128	30%	29%	30%	26%	31%	24%
MADCTs	443	1669	585	501	368		1%	2%	1%	0%	0%	
Other LICs	5367	3030	3364	1259	2739	2195	9%	4%	4%	1%	2%	1%
Part I unallocated by income	6169	7730	11939	23749	8225	11696	11%	11%	12%	19%	5%	8%
UMICs	21604	29018	41971	54599	47932	68710	37%	41%	44%	43%	31%	45%
Grand Total	58259	70775	95899	126140	155360	154029	100%	100%	100%	100%	100%	100%

Source: OECD Creditor Reporting System Database, *http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.*
Note: The composition of country groupings is based on the DAC –groupings valid in 2011.

The DAC income groupings differ significantly in size in terms of number of countries included. It is therefore also interesting to look at the average disbursements per country in the different income groups. This is reflected in Table 12. The table illustrates that per country spending on tourism was much lower for LDCs in the period 2006-2008 than for other countries. This picture changed significantly in recent years, although per country spending continued to be lower in LDCs than in MICs in 2011.

Table 12 Average tourism disbursement per country, by country groupings (USD thousands, 2006-2011)

	2006	2007	2008	2009	2010	2011
LDCs	142	181	197	267	993	700
Other LICs	1073	606	673	252	548	439
LMICs	443	511	701	824	1186	928
UMICs	400	537	777	1011	888	1272

Source: WTO calculation based on OECD Creditor Reporting System Database, h*ttp://stats.oecd.org/index.aspx?DataSetCode=CRS1#.*

Note also that these averages hide significant differences across countries. Table 13 reflects disbursements in the 30 main recipient countries over the period 2006-2011. Tunisia was by far the main recipient of AfT targeting tourism, followed by Yemen, Sri Lanka, Vietnam and Laos. Cambodia ranks 23rd in this list and Mozambique - one of the three LDCs with the most significant increase in tourist arrivals (see above) - only 55th.

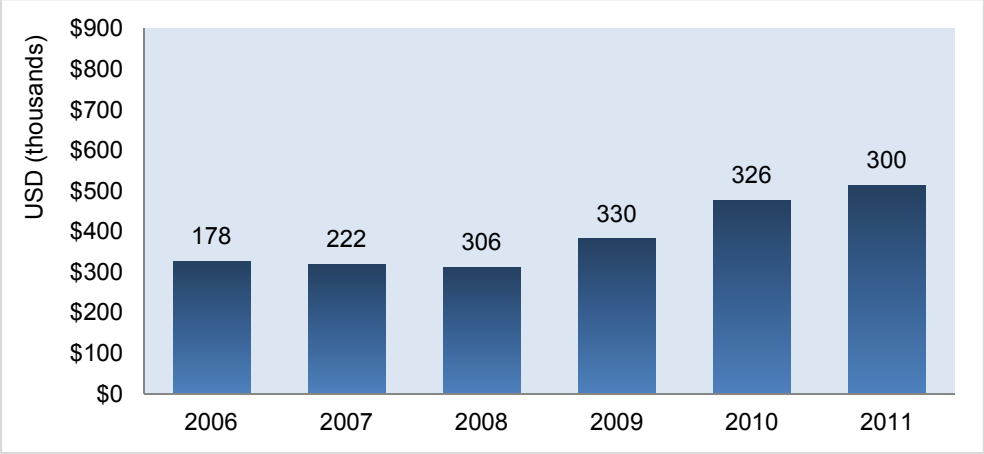
Table 13 Tourism disbursements per country, main recipients (USD thousands, 2006-2011)

Rank	Country	Disbursements 2006-11	Rank	Country	Disbursements 2006-11
1	Tunisia	68199	**16**	Dominica	11244
2	Yemen	30900	**17**	Bolivia	10063
3	Sri Lanka	25116	**18**	Indonesia	9015
4	Vietnam	21960	**19**	Bosnia-Herzegovina	8452
5	Laos	19273	**20**	El Salvador	8273
6	Jordan	18627	**21**	Dominican Republic	7861
7	Honduras	17780	**22**	Ecuador	7692
8	Montenegro	17518	**23**	Cambodia	7338
9	Nicaragua	17075	**24**	India	6663
10	Montserrat	17006	**25**	Bhutan	6556
11	Namibia	16992	**26**	Lebanon	6097
12	Kenya	14108	**27**	Morocco	5914
13	Egypt	12853	**28**	Nepal	5913
14	Peru	12707	**29**	China	5759
15	Tanzania	12119	**30**	Guatemala	5755

Source: OECD Creditor Reporting System Database, *http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.*

Figure 13 reflects that the average spending per project has increased over time, from around USD 300,000 in 2006 to around USD 500,000 in 2011. Project size remains small, though, when compared with project size in other sectors. The number of projects increased significantly in 2008 and has since remained around a number of 300.

Figure 13 Average spending per project
(USD thousands, 2006-2011)



Source: OECD Creditor Reporting System Database, *http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.*
Note: labels on top of bars indicate the number of projects financed in a given year.

6. Overcoming the barriers

The information contained in the previous sections illustrates that the role of aid for trade in the tourism industry seems to be characterized by a number of contrasts. A further look at these contrasts could provide interesting insights into how to sustain and to increase the effectiveness of aid for trade to this sector.

The first contrast is the one between the role of the sector for countries' GDP and the sector's weight in aid-for-trade flows. This contrast has also been highlighted by other observers (Honeck, 2008, and DEVCO and UNWTO, 2013). On average, tourism represents over 4% of LDCs' GDP and close to 9% of their employment when only direct effects are taken into account. Yet, the sector receives less than 1% of aid-for-trade flows. This discrepancy is particularly surprising as the development literature tends to emphasize the high potential this particular sector has to contribute to poverty reduction. It is the case, however, that ODA directed towards physical infrastructure like airports and roads is also likely to be highly relevant for the development of the tourism and, indeed, an important share of aid for trade goes to infrastructure. To the extent, though, that data do not make it possible to distil which part of spending on infrastructure is likely to benefit the tourism sector, it is difficult - if not impossible - to evaluate the role the tourism sector plays in aid-for-trade disbursements.

Taking into account the significant poverty reduction potential of tourism, the fact that upper middle income countries receive by far the largest and an increasing share of relevant aid flows may be considered a second contrast. The share of tourism spending going to LDCs is significantly lower, although it has also increased over time.[22] This relative importance of upper middle income countries as receivers of AfT in tourism is, however, in line with the fact that upper middle income countries account for a significantly larger number of international tourist arrivals.

A third contrast lies in the fact that tourism is a rather complex sector with multiple backward and forward linkages to many other productive sectors. This suggests that relatively broad-based projects targeting different segments of the tourism value chain and other sectors linked to tourism may be best placed to generate high poverty reduction impacts from tourism. Box 4 illustrates an example of such a project. In general, though, individual tourism projects tend to be small in size and have a limited potential to take into account linkages into other sectors.

[22] This statement is true when looking at disbursements to LDCs and also when looking at per country disbursements.

Box 4 Enhancing sustainable tourism, clean production and export capacity in Lao PDR

The "Enhancing sustainable tourism, clean production and export capacity in Lao PDR" project focuses on maximizing the backward linkages of tourism activities and does so by working along the local value chain of the tourism sector.[23] The project is engaging at two levels: first of all to work towards social and environmental sustainability of the tourism market, and second to work on building viable backward linkages from the handicraft and the agriculture sectors.

The implementation of this comprehensive project takes place under the umbrella of the UN Cluster on Trade and Productive Capacity and involves several agencies: ILO, ITC, UNCTAD, UNIDO and UNOPS. The project is financed by SECO (State Secretariat for Economic Affairs, Switzerland) in the context of tier-two funding under the Enhanced Integrated Framework.

Project activities notably focus on the town Luang Prabang, a town in Lao PDR that is classified by the UNESCO as World Heritage. The tourism sector plays a crucial role for the economic development of the town and its surroundings. Yet, the poverty rate of the province is still significant (over 30%), and local communities are struggling to integrate the growing tourism based economy.

In this regards, the project has developed (together with UNIDO) a "business standard" for hotels and restaurants that promotes food hygiene and safety, occupation health and safety and environment standards in order to help Luang Prabang compete as a destination in the international, service-quality-based market. Local hotels and restaurants are notably assisted in optimizing the use of energetic resources through a benchmarking system in terms of electricity consumption / water consumption per guests and other environment related criteria to ensure a limited environmental impact of the sector.

In addition (and together with the ILO), tripartite discussions (workers association, employers' associations and Ministry of Labor) have been initiated to develop National Competencies Standards so that skills of employees start to be remunerated at a decent level. Therefore, as the industry is growing, qualified workers are expected to benefit from a revenue-perspective (competency based salaries).

Regarding backward linkages, the project is engaging with 100 families in the agricultural sector and over 250 families in the handicraft sector (together with ITC and UNCTAD). The entry point was to support local producers of both sectors to deliver products aligned with demand in the market. Both sectors are mainly employing women (up to 85% of the project stakeholders) and the project therefore strongly contributes to the promotion of female employment in the mostly rural project target area.

Through the introduction of a label of origin, "Handmade Luang Prabang", the project has already contributed to increased sales – in terms of quantity and value - of locally made handicraft products by 60% in the local night market. In the agricultural sector, farmers have been organized into producer groups, and an association, dealing with marketing issues, has been setup on top of the system. This fee-based "Luang Prabang Organic Agriculture Association", is generating sufficient revenues as of today to sustain the overall system, which guarantees quality control and traceability. Members of the association, that is now the main supplier of fresh vegetables to high class hotels and restaurants in Luang Prabang, have revenues as high as USD 700 per month, from average revenue of USD 300 before.

For more information, see *www.laosaft.org*.

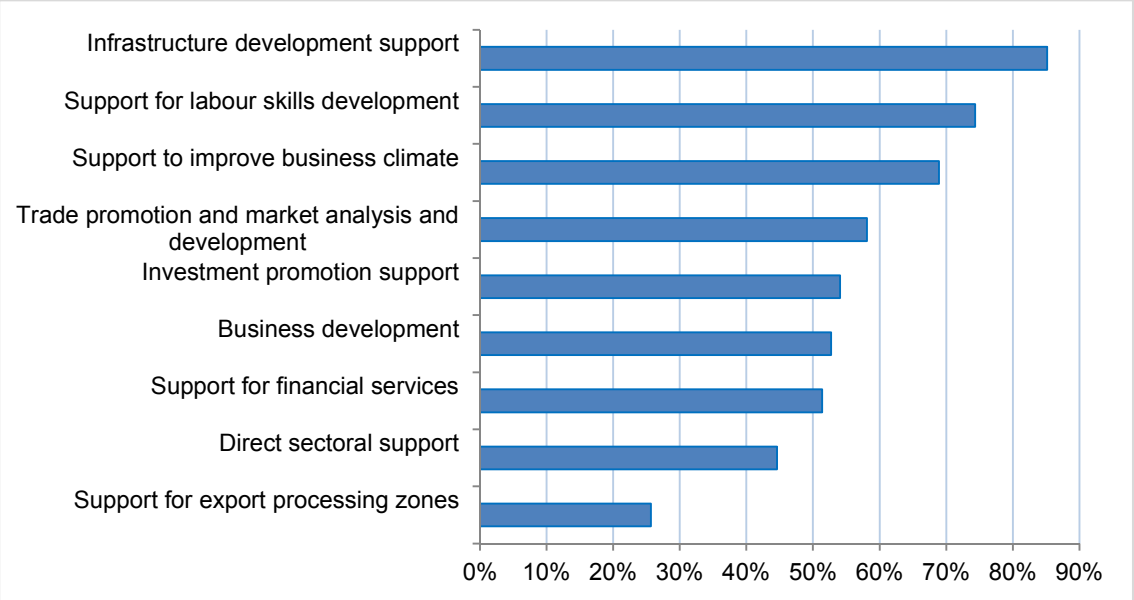
Lastly there appears to be a discrepancy between the importance private actors gives to the role of skills and the role of services quality for the development of the tourism industry and the relatively low weight those government representatives in donor and aid-receiving countries accord to these aspects. The difficulties of local suppliers to meet international hospitality, food quality or safety standards has been identified by private actors as an impediment for local firms to connect to global value chains but also as a

[23] Foreseen project duration: 2011–14.

bottleneck for ensuring backward linkages to the local economy. Workforce skills can play a crucial role in overcoming such difficulties.

The relative lack of awareness on the side of government representatives of the role of skills for the tourism sector may be a matter of concern as an active role of national governments in shaping new training and education agendas for the sector could contribute greatly to overcoming identified skill shortages (*e.g.* OECD, 2012). Governments should consider working closely with employers in the sector and with relevant education providers in this endeavor. Overseas development aid could provide support to such initiatives. Indeed, both donor and aid-receiving countries consider that projects targeting support for labor skills development are among the most effective forms of aid-for-trade support (see Figure 14).

Figure 14 Most effective forms of aid-for-trade support, partner country responses (percentages)



Source: Joint OECD-WTO-UNWTO monitoring survey.
Responses to questions 28 (PC). Partner countries' replies had been filtered and only include the sample of respondents that had identified tourism as a growth sector in the national development strategy.

The relevance of skills was highlighted by UNWTO in 1998 when it established the UNWTO Themis Foundation "with the objective of supporting Member States in the formulation and implementation of educational policies, plans and instruments which effectively contribute to an improvement in the quality, competitiveness and sustainability of the tourism sector through excellence in education and training."[24] Table 14 provides an overview of relevant UNWTO education and training programs.

[24] *www.themis.unwto.org.*

Table 14 UNWTO education and training products

Programs	Description
TedQual Certification System	Methodology and voluntary standards to improve the quality and competitiveness of tourism training and education to meet the demands of international tourism markets. Programs for tourism education, training, online education, academic research, and market research are eligible for certification.
Sbest Certification	Assists destinations in promotion and benchmark setting. Standardized training for on-the-job human resources. Courses include customer service and total quality in tourism.
Practicum	Program for public officials in tourism to gain knowledge of tourism policy and strategy, destination management, and products of UNWTO.
Scholars Program	Scholarship program for tourism officials to attend courses on managing for quality in education, tourism policy and strategies, and creating tourism products.
Co-operation Activities	TedQual volunteers conduct research in collaboration with local universities in developing countries on leveraging tourism development and sustainable tourism.
Athena	Database of knowledge management resources
SIS	Series of short international seminars on special topics
GTAT	Programs to improve tourism teaching and learning

Source: Christian *et al*. 2011.

7. Conclusions

The tourism sector is an important and growing sector with important spill-overs into the rest of the economy. The sector is employment intensive and its significant potential to contribute to growth and poverty reduction is widely recognized. In order for the sector to fully exploit this potential a careful management of the inter-linkages with other parts of the economy is necessary. In many of the countries covered by the joint OECD-WTO-UNWTO Monitoring Survey, the tourism sector is explicitly highlighted in national development plans. When it comes to implementing those plans, it could turn out to be important to consider the inter-linkages of the tourism with other parts of the economy.

Availability and quality of infrastructure plays a key role for the development of the tourism sector because of its role in bringing tourists to the country and in allowing them to travel through the country. A coordinated approach between development policies targeting tourism and infrastructure could therefore have significant pay-offs. A similar argument can be made regarding education and training policies. The tourism sector is a fundamentally people-centered sector. Personal interactions between individuals working in the tourism sector and travelers take place at all levels. One particularity of the tourism sector is that those interactions are particularly frequent for employees at the lower level of a company structure. Ensuring that those employees have the skills necessary to offer high quality services may play an important role in increasing the attractiveness of countries as tourist destinations.

These and other elements like stability and security are fundamental inputs in order for the tourism sector to grow. In order to maximize its spill-overs to the rest of the economy, other inter-linkages matter, like the possibility to source food from the local economy, to offer other leisure services or to sell local products to travelers. For the sustainability of the sector, aspects like the sector's engagement in resource efficiency and mitigation of environmental impacts are important.

All this indicates that the tourism sector is a rather complex sector with multiple linkages into the rest of the economy. The successful development of tourism activities is therefore likely to require co-ordination among multiple government agencies at local, regional and national level, private sector actors and community stakeholders across a number of areas including trade, transportation, communications, education, sanitation and immigration.[25] Greater co-ordination is required and should be encouraged. A strengthening of the tourism sector is also likely to necessitate close public/private-sector co-operation and coordination that would benefit from support and possibly oversight by the highest governmental levels (OECD, 2012, and Honeck, 2012). Co-ordination will also be necessary to address possible negative externalities from tourism activity, for instance on the environment.

In order for aid-for-trade projects to successfully support the sector and its poverty impacts they may also need to take the sector’s complexity into account. Data on aid-for-trade flows show that tourism projects tend to be small in particular when compared with aid projects in other sectors. It is questionable whether the present size of individual

[25] See OECD (2012) and also World Bank 2010 (as quoted in Honeck, 2012).

tourism projects would allow to sufficiently take into account sectoral inter-linkages and spill-over effects and to generate the maximum benefits of aid to the sector.

There is nevertheless evidence that donors and implementing organizations are recognizing the need to take different aspects of the sector into account in aid projects. A number of recent projects try to strengthen simultaneously the tourism sector itself and supplying sectors, like handicraft or agriculture. The implementation of such projects is facilitated by increased co-ordination among international agencies, notably in the context of the United Nations Steering Committee on Tourism for Development (SCTD). The SCTD brings together tourism-specific experiences of different international agencies active in the domain of tourism and was launched in 2010 upon the initiative of the World Tourism Organization (UNWTO) in order to encourage a more cohesive approach to tourism development at the international level.[26] One of the objectives of the SCTD is to contribute to greater coordination among agencies implementing tourism-related projects with the aim of achieving more effective and efficient delivery of technical assistance for developing countries.

Support to comprehensive tourism projects through the allocation of aid for trade can have significant benefits for beneficiary countries, notably in terms of employment creation and poverty reduction. Such support also has the potential to lay the fundaments for further growth, notably if it manages to trigger increased private sector investment and if it takes into account sustainability imperatives.

[26] See *http://icr.unwto.org/fr/node/35184* for more information. In April 2013 the SCTD counted the following nine agencies among its members: ILO, ITC, UNCTAD, UNDP, UNEP, UNESCO, UNIDO, UNWTO and WTO, with UNWTO taking a coordinating role.

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Annex A

Overview of survey respondents

The WTO/OECD private sector questionnaire was filled by 86 suppliers and 23 lead companies (Table A.1). While the majority these 109 respondents were companies (91), 18 associations replied also to the questionnaire.

Table A.1 Supply and lead companies by type of respondent

Respondent	Suppliers		Lead Comp.	
	Share	Number	Share	Number
Associations	13%	11	30%	7
Companies	87%	75	70%	16
Total	100%	86	100%	23

The sample of suppliers that responded is biased towards companies originating in the Americas as over half of the suppliers come from that region (see Table A.2). The sample of lead companies instead is relatively well balanced across regions.

Table A.2 Companies by region

Region	Suppliers		Lead comp.	
	Share	Number	Share	Number
Africa	12%	10	22%	5
Americas	62%	53	26%	6
Asia	10%	9	13%	3
Europe	7%	6	35%	8
Oceania	9%	8	4%	1
Total	100%	86	100%	23

Table A.3 shows the distribution of suppliers and lead companies by company size. 36% of suppliers are micro companies with less than 10 employees while almost half of lead companies are multinationals. One third of suppliers are small companies with between 10 and 50 employees. Interestingly, also over one third and thus the majority of lead companies are small in this particular sample.

Table A.3 Supply and lead companies by company size

Company size	Suppliers		Lead Comp	
	Share	Number	Share	Number
Micro (less than 10 employees)	36.0%	27	18.8%	3
Small (10 - 49 employees)	33.3%	25	37.5%	6
Medium (50 - 250 employees)	26.7%	20	25.0%	4
Large (more than 250 employees)	4.0%	3	12.5%	2
Multinational (more than 250 employees and operating	0.0%	0	6.3%	1
Total	100.0%	75	21.1%	16

Source: The associations which responded to the questionnaire are not covered by the table.

Annex B

List of countries by income level according to DAC definition

Least Developed Countries	Other Low Income Countries	Lower Middle Income Countries and Territories	Upper Middle Income Countries and Territories	OECD Member Countries
Afghanistan	Kenya	Armenia	Albania	Australia
Angola	Korea, Dem. Rep.	Belize	Algeria	Austria
Bangladesh	Kyrgyzstan	Bolivia	Anguilla	Belgium
Benin	Tajikistan	Cameroon	Antigua and Barbuda	Canada
Bhutan	Zimbabwe	Cape Verde	Argentina	Chile
Burkina Faso		Congo	Azerbaijan	Czech Republic
Burundi		Cote d'Ivoire	Belarus	Denmark
Cambodia		Egypt	Bosnia Herzegovina	Estonia
Central African Republic		El Salvador	Botswana	Finland
Chad		Fiji	Brazil	France
Comoros		Georgia	Chile	Germany
Democratic Republic of Congo		Ghana	China	Greece
Djibouti		Guatemala	Colombia	Hungary
Equatorial Guinea		Guyana	Cook Islands	Iceland
Eritrea		Honduras	Costa Rica	Ireland
Ethiopia		India	Cuba	Israel
Gambia		Indonesia	Dominica	Italy
Guinea		Iraq	Dominican Republic	Japan
Guinea-Bissau		Kosovo	Ecuador	Korea, Republic of
Haiti		Marshall Islands	Macedonia	Luxembourg
Kiribati		Micronesia, Federated States	Gabon	Mexico
Laos		Moldova	Grenada	Netherlands
Lesotho		Mongolia	Iran	New Zealand
Liberia		Morocco	Jamaica	Norway
Madagascar		Nicaragua	Jordan	Poland
Malawi		Nigeria	Kazakhstan	Portugal
Mali		Pakistan	Lebanon	Slovak Republic
Mauritania		Papua New Guinea	Libya	Slovenia
Mozambique		Paraguay	Malaysia	Spain
Myanmar		Philippines	Maldives	Sweden
Nepal		Sri Lanka	Mauritius	Switzerland
Niger		Swaziland	Mexico	Turkey
Rwanda		Syria	Montenegro	United Kingdom
Samoa		Tokelau	Montserrat	United States of America
Sao Tome & Principe		Tonga	Namibia	Australia
Senegal		Turkmenistan	Nauru	Austria

Sierra Leone	Ukraine	Niue	Belgium
Solomon Islands	Uzbekistan	Palau	Canada
Somalia	Vietnam	Panama	Chile
South Sudan	West Bank and Gaza Strip	Peru	Czech Republic
Sudan		Serbia	Denmark
Tanzania		Seychelles	Estonia
Timor-Leste		South Africa	Finland
Togo		St. Helena	France
Tuvalu		St Kitts	Germany
Uganda		St Lucia	Greece
Vanuatu		St Vincent and the Grenadines	Hungary
Yemen		Suriname	Iceland
Zambia		Thailand	Ireland
		Tunisia	Israel
		Turkey	Italy
		Uruguay	Japan
		Venezuela	Luxembourg
		Wallis and Futuna	Mexico
			Netherlands
			New Zealand
			Norway
			Poland
			Portugal
			Slovak Republic
			Slovenia
			Spain
			Sweden
			Switzerland
			Turkey
			United Kingdom

WORLD TRADE ORGANIZATION

UNWTO

OECD

AID FOR TRADE AND VALUE CHAINS IN TOURISM

The study highlights that international tourist arrivals exceeded 1 billion in 2012, with developing countries expected to receive the majority of arrivals by 2015. Tourism is one of the top three exports for most developing countries, and the lead export for at least 11 LDCs. However, tourism's role in development is typically underestimated, both by donors and partner governments. Significant potential exists to increase average tourist spend, alongside increasing tourism arrivals. To fully exploit the sector's potential, the multiple linkages to the rest of the economy need to be strengthened, notably through closer public-private sector co-operation. Obstacles to connecting to tourism value chains included issues such as business environment issues, low skill levels, lack of access to finance, and poor infrastructure, as well as sector specific issues such as visa rules.

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