

**The New Gold Mine of Tourism:
The impact of the tourism sector on trade, development and poverty
in South Africa**

Second case study prepared for the CUTS TDP Project

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TABLE OF CONTENTS

Introduction	3
1. The Global Tourism Industry: Present and Future Trends and Developments	3
2. Tourism in the General Agreement on Trade in Services (GATS)	5
3. The Theoretical Linkage between Tourism and Poverty Reduction	6
4. Tourism as an Engine for Pro-Poor Growth in Africa	10
5. The Tourism Sector in South Africa	11
5.1 Principles governing tourism development	12
5.2 Tourism-based poverty reduction programmes in South Africa	13
5.3 The performance of tourism in the South African economy	14
5.3.1 International arrivals	14
5.3.2 Domestic tourism	14
5.3.3 Meetings, Incentives, Conferences and Exhibitions (MICE) destination	14
5.4 Developmental impact of tourism in South Africa	15
5.4.1 Economic impact	16
5.4.2 Transformation and Black Economic Empowerment	17
5.4.3 Market access and investment environment	18
5.4.4 Geographical impact of tourism	19
5.4.5 Liberalisation of the regulatory environment	19
6. Concluding observations	20
Bibliography	21

Introduction

The choice of tourism and its related services trade activities as the second sector study for the TDP project resides in the following motivations:

- South Africa is a popular tourism destination, with arrivals growing from 640,000 in 1994 to more than 6,5 million in 2003.
- Tourism is South Africa's fastest growing industry and contributes about 7.1% of the gross domestic product (GDP).
- Tourism employs an estimated 3% of South Africa's workforce. Given the country's high unemployment rate — 25.6% in March 2006 — tourism is regarded as potentially the largest provider of jobs and earner of foreign exchange. It is projected that in 2010, when South Africa hosts the FIFA Soccer World Cup, the tourism economy will employ more than 1,2 million people (directly and indirectly).
- Tourism in South Africa supports more than 6,500 accommodation establishments.
- The fastest growing segment of tourism in South Africa is ecological tourism (ecotourism), which includes nature photography, bird-watching, botanical studies, snorkelling, hiking and mountaineering.
- Community tourism is becoming increasingly popular, with tourists wanting to experience South Africa in the many rural villages and townships across the country, where conditions of poverty and underdevelopment persist.
- Business tourism, which includes conference tourism, is the key to further growth in the sector. It injects some R20bn annually into the South African economy, sustains almost 260,000 jobs, and annually pays an estimated R6bn in salaries and R4bn in taxes (GCIS 2004).

Before turning to an initial — and by no means comprehensive — analysis of this sector and its impact on trade, development and poverty in South Africa¹, the study provides two context settings: the global tourism industry, and the theoretical linkages between tourism and poverty.

1. The Global Tourism Industry: Present and Future Trends and Developments

The United Nations Conference on International Travel and Tourism of 1963 defined tourists as temporary visitors who spend more than 24 hours in destinations other than their normal place of residence. The motive for this journey should be for holiday, recreation, health, study, religion, sport, visiting family or friends, business or meetings. A more recent definition of tourism, developed by the World Tourism Organisation — UNWTO, to distinguish it from the World Trade Organisation — refers to this activity as a stay of at least one night, but less than a year, away from one's normal environment. This includes business, conference, and other types of non-leisure travel, but not all forms of leisure or discretionary travel (e.g. it excludes day trips or retirement to another country). Notwithstanding these technical definitions, it is also important to comprehensively analyse and investigate international tourism — particularly its costs and benefits — from a political economy perspective, namely as a global system of trade, production, exchange and governance, with a myriad cast of different actors, that impacts differentially on developed and developing nations (Cornelissen 2005).

The global tourism industry has grown spectacularly since the end of the Second World War. One indicator is the exponential rise in international tourist arrivals: these have grown from a mere 25 million in 1950, to a record 806 million in 2005. The receipts generated by these arrivals have even outgrown the world economy as a whole, reaching \$682bn in 2005 – and depending on the year, this trade volume equals or exceeds that of oil exports, food products, or even that of cars

¹ A more comprehensive analysis will be undertaken following the second TDP roundtable, where this preliminary paper will be presented and discussed.

and transport equipment. These receipts are not unimportant for low and middle income countries, and may often dwarf official aid flows to these nations. For instance, in 41 of the 50 poorest countries in the world, tourism constitutes over 5% of GDP or over 10% of exports (Ashley & Mitchell 2005).

Figure 1
Problems of definition

The above statistics only cover some economic aspects of international tourism. Macroeconomic data generally only capture (i) arrivals; and (ii) foreign exchange receipts associated with international tourism. There are two problems with this:

- They do not capture domestic tourism, nor do they disaggregate regional tourism, both of which are significant and growing in Asia, Africa and South America, and often important markets for the poor.
- Foreign exchange receipts do not accurately reflect the economic contribution of tourism. In addition to 'core' services of accommodation and transport, the tourism-related economy also involves food and drinks, supplies to hotels, local transport and attractions, guiding, handicrafts and souvenirs. Tourism-related services are particularly important for expanding participation by the poor.

Source: Ashley, Boyd and Goodwin (2000)

This buoyancy in world tourism growth is expected to continue in 2007, reaching about 4% during this year (UNWTO 2006b). The Tourism 2020 Vision study published by the UNWTO forecasts that by 2020 there will be close to 1.6 billion international tourist arrivals worldwide. These international tourists will spend over \$2tn per annum. It is argued that successful destinations stand to reap unparalleled economic benefits in terms of jobs, investment, and growth. By 2020, the top three destination regions in terms of total tourist arrivals will be Europe (717 million tourists), East Asia and the Pacific (397 million), and the Americas (282 million). These are followed by Africa, the Middle East and South Asia. East Asia and the Pacific, South Asia, the Middle East and Africa are forecast to register tourism growth rates of over 5% per year, higher than the world average of 4.1%. The more mature regions — namely Europe and the Americas — will grow lower than this average. Europe will maintain the highest share of world arrivals, although this will decline sharply from a relative high of 60% in 1995, to 46% in 2020. On the other hand, Africa will increase its share of the world tourism market from 3.6% in 1995, to at least 5% in 2020. South Africa is already a visible global player in this highly competitive market, and is proactively being positioned as a world-class destination.

2. Tourism in the General Agreement on Trade in Services (GATS)

Tourism falls within the ambit of services trade activities, and is thus regulated, like all services, by the GATS. It is deemed to be an export of services to the foreign countries from which the visitors originate. By contrast, local or domestic tourism is accounted for within the internal trade regime and captured from the relevant sectors. According to the WTO, this sector includes services provided by hotels and restaurants (including catering), travel agencies and tour operator services, tourist guide services, and other related services.

There is, however, some dissatisfaction with this classification within GATS. The basic argument is that the current definition of 'tourism' in the GATS is wrongly based on the assumption that tourism produces or supplies a homogenous product or service like traditional industries, while

instead it is a collection of products and services, ranging from airlines to catering, to entertainment, and many others. An alternative perspective is provided by the Tourism Satellite Account (TSA), devised in 1993 at the UN Sustainable Development Committee. The TSA is a conceptual framework to measure the contribution of tourism to an economy, breaking down visitors' expenditures to analyse the direct and indirect effects of tourism in terms of value-added generated, employment, personal income, and government income.

Thus, there have been calls, notably from the UNWTO, for the development of an Annex on Tourism that could better handle the specificities and cross-sectoral nature of this sector. In addition, there has been increased pressure to incorporate air transport services in the Tourism Annex, with the direct result that this mode of transport would be subject to a greater degree of liberalisation than had heretofore been the case (although this is opposed by such large players as the International Air Transport Association, IATA). According to the UNECA, the tourism-related deficiencies in the GATS are threefold:

- GATS does not deal with the specific and heterogeneous nature of tourism;
- GATS does not currently deal with the widespread presence of anti-competitive practices² in the tourism sector and their trade implications, particularly burdensome for developing countries and, more in general, for the environmental and economic sustainability of tourism; and
- GATS does not integrate sustainable development, that is the specific environmental, social, economic and cultural impact of tourism in a destination.

However, due to the diversity of African economies, it will be difficult to forge a common African position on trade in services. Thus far, the official negotiating position of African countries with respect to tourism within GATS is not well defined. Nonetheless, the UNWTO (2006) notes that in the (now suspended) Doha Development Round, more states have proposed commitments in tourism than any of the other service areas, '... acknowledging that liberalization of this sector could provide significant benefits for the world's poorest countries in terms of poverty alleviation and sustainable development'. There is, thus, the need for African countries to craft and advocate a common tourism position that is informed by the current stage of economic development of the continent, and their own national policy objectives, emphasising 'pro-poor tourism development'. The latter is now more fully conceptualised in the following section.

3. The Theoretical Linkage between Tourism and Poverty Reduction

With annual tourist arrivals in developing countries growing rapidly and sanguine growth prospects for the future, the potential contribution of this sector to economic growth, poverty reduction, and improved livelihoods has gained renewed attention among governments and international development agencies. The Canary Island Declaration on Tourism in March 2001 concluded that for a large majority of Least Developed Countries, of which 30 are African, tourism development could be an avenue to increase participation in the global economy, to alleviate poverty, and to achieve socio-economic progress. This was confirmed by the Summit to review the Millennium Development Goals (MDGs) in September 2005, at which the UNWTO — together with UNICEF, UNDP, UNCTAD, and a broad range of private sector and NGO organisations — highlighted tourism as one of the most effective tools for sustainable growth in the world's poorest countries, and as a key instrument to achieve the MDGs.

² These anti-competitive practices include:

- Competitive exclusion through the discriminatory use of information networks, predatory pricing, allocation of scarce resources, and ancillary services to air transport;
- Abuse of dominance through exclusivity clauses, refusal to deal, tied sales, quantity restrictions, or vertical integration; and
- Misleading or discriminatory use of information by any juridical person.

Thus, it is not surprising the UNWTO recently announced a host of programmes for 2007, and declared that this should be a critical year to consolidate tourism as a key agent in the fight against poverty and as a primary tool for sustainable development.

Figure 2
Five major areas for consolidated global action during 2007

- **First: for Industrialised and Newly Emerging States** to craft pro-development strategies and agreements which encourage tourism to the world's poorest countries to advance economic wellbeing, social development, and mutual understanding.
- **Second: for Least Developed States** to collectively recognise the impact and potential of tourism across their economies, integrate it into national accounting systems using the UN Tourism Satellite Account, and place it at the heart of their Poverty Reduction Strategy Programmes (PRSPs).
- **Third: for All States**
 - In acting within the Doha Development Round of the World Trade Organisation, to increase tourism commitments and provide specific tools to help poor countries use tourism services to fight poverty and promote sustainable development.
 - In acting on Climate Change, to build a pro-development element into tourism and climate strategies, particularly for airline flights, taxation and emission trading.
 - In acting on Security Enhancement, to recognise the importance of tourism in building understanding between people and to facilitate tourism links between industrialised and developing states as well as providing the technology and training support to poor countries.
- **Fourth: for International Development Agencies**, such as the World Bank Group, the Regional Development Banks and National Aid Agencies, to place tourism amongst their key priorities for infrastructure and entrepreneurial support.
- **Fifth: for Tourism Stakeholders**, such as the public sector, private sector, NGOs, tourists and the destinations they visit, to embrace the MDGs and pursue sustainable and responsible practices laid out in the UNWTO Global Code of Ethics.

Source: UNWTO, "Increase Tourism to Fight Poverty", 2 January 2007, Madrid.

More specifically in the African context, the UNECA has also pointed to tourism as a viable option for pro-poor growth in a continent ravaged by poverty, insecurity, and underdevelopment (Gerosa 2003). The New Economic Partnership for Africa's Development (NEPAD) similarly places great faith in the potential of the tourism sector to help address the continent's myriad developmental challenges. In this regard, a NEPAD Tourism Action Plan has been developed. It provides a more detailed framework of policy interventions at the national and sub-regional levels to create an enabling policy and regulatory environment for tourism development and expansion; tourism marketing; research and development; investment in tourism infrastructure and products; and importantly, human resource development and quality assurance. There is now even interest in promoting 'peace through tourism', with several conferences on this topic convened in African and other capitals, and the launch of transfrontier 'peace parks' in Southern Africa.

Thus far, the salutary potential of the tourism sector for reducing poverty remains largely untapped and inadequately analysed, particularly in Africa. While some countries with very limited tourism potential have emphasised tourism in their Poverty Reduction Strategy Papers (PRSPs) — such as Malawi, Mozambique and Zambia — others with strong existing tourism industries virtually ignore the role of this sector (ODI 2006).

Given the contested nature of the tourism industry and its impact on local communities, whether good or bad, it is important that governments, development partners, and civil society subject this

sector to closer critical scrutiny. While earnings from tourism may appear impressive as a contribution to foreign exchange, it is the impact of this sector — both direct and indirect — on local livelihoods and communities that is paramount if this sector is to positively contribute towards local economic development.

Some would argue that international tourism in developing countries, as an elitist and highly seasonal enterprise, inevitably has negative effects on local communities: displacement of the poor, increased local costs, loss of access to resources, immoral behaviour (including prostitution), and social and cultural disruption. Moreover, tourism is an outward-oriented, private sector-led industry, and the large international companies that generally characterise this sector may have little or no interest in social upliftment and poverty reduction. And with current technological development, it is possible that tourism earnings remain outside the destination country due to large leakages (e.g. imported skilled labour and luxury products, repatriation of profits by international companies, the considerable role of marketing, transport, and other services based in the originating country). Thus, without the appropriate interventions to ensure the development of pro-poor tourism, the above unfavourable conditions may well transpire.

In summary, tourism has generally been viewed as an engine for economic growth, rather than as a mechanism for delivering both directly and indirectly on poverty reduction. The UNWTO has therefore been at the forefront of the debate to mainstream tourism into national development plans and PRSPs. It argues strongly that tourism, one of the most dynamic economic activities of our time, can play a significant role in catalysing balanced sustainable development and generate benefits for the poor. To this end, the UNWTO has established a Sustainable Tourism – Eliminating Poverty (ST-EP) Programme to enhance the development performance of tourism.

There are, then, various ways of addressing poverty and its socioeconomic discontents through the development of a dynamic tourism sector in developing countries (Ashley, Boyd & Goodwin 2000; DBSA 2003; Gerosa 2003; Luvanga and Shitundu 2003; Yunis 2004; ODI 2006). First, existing tourism enterprises — whether large or small, or located in urban or rural areas — can directly provide jobs for poor communities and the unemployed. However, since identifying the poor can be problematic, policies that encourage the employment of local people are more likely to open up opportunities for the poor. The advantage of addressing poverty in this way, through existing tourism enterprises, is that it enables the poor to benefit from exposure to the entrepreneurial skills and market access of others, and can potentially reach quite large numbers of people.

Second, tourism provides labour-intensive and small-scale opportunities for the poor to directly supply goods and services, produced by locals, to tourists and tourism enterprises. (In South Africa, the labour intensity of tourism measures 0.84, compared to manufacturing: 0.58; all non-agricultural: 0.54; and agriculture: 9.70³). This can take place at various points in the tourism supply chain: from servicing basic visitor needs (e.g. food and handicrafts, portering, some forms of transport, and informal accommodation), to the choice of products featured by tour operators, and goods and services provided to hotels (e.g. food, handicrafts, building services at the construction stage, etc). The resulting income and employment generation allow poor communities to directly capture and benefit from visitor spending. In addition, these activities employ a high proportion of women and youth — among the most vulnerable groups in poor communities — and values natural resources and culture, which may feature among the few assets belonging to the poor. However, it is important to note that the informal economy, which has in recent years grown in significance in the Southern African region, is often characterised by chaotic trading conditions and over-supply, and this may be a key challenge to fully harnessing the local tourism potential.

³ A labour intensive sector such as agriculture contributes more to employment than output – so has a ratio of > 1.0, the lower the ratio, the lower the labour intensity of the activity.

Third, with relatively low barriers to market entry, the poor can establish their own tourism enterprises, whether micro, small and medium sized enterprises (MSMEs) or community-based enterprises. But there are still a number of prohibitive challenges in the African context, including people's access to capital; acquisition of skills, confidence and motivation; property rights and legal recognition; and securing access to tourism markets.

Fourth, the proceeds from a tax or levy on tourism income or profits can be used to benefit poverty reduction programmes. An example of this would be negotiating concessions with tourism enterprises involving a proportion of income per bed night being donated to the local community. This has the advantage of enabling resources to be channelled to the most needy people and communities without requiring their involvement in tourism activity either directly or indirectly. Related to this is voluntary giving by tourism enterprises and tourists. This may include payments into general charities and programmes, such as HIV/AIDS programmes, by tourists and tour operators, or more specific support for local social programmes and projects in destinations visited.

Fifth, poor communities can benefit from investment in infrastructure stimulated by the tourism industry (e.g. roads, piped water, electricity and telecommunications). Local communities should, however, be involved in the planning of this tourism investment.

Finally, tourism is an important opportunity to diversify local economies: it can develop in poor and marginal areas with few other export and diversification options. Remote areas rich in original, cultural, wildlife and landscape value particularly attract tourists.

The International Centre for Responsible Tourism (ICRT), the International Institute for Environment and Development (IIED), and the Overseas Development Institute (ODI) have more fully developed the idea of 'pro-poor tourism' (PPT). They define PPT as tourism that results in increased net economic, social, and environmental benefits for poor people. PPT is not a specific product or niche sector (such as eco-tourism or community tourism), but encompasses a broad approach to tourism development and management. It places people and poverty reduction at the heart of the tourism agenda, and seeks to enhance the linkages between tourism businesses and poor communities so that tourism's contribution to poverty reduction is increased and poor people are able to participate more effectively in product development. The principles of PPT are summarised below.

Figure 3
Principles underlying PPT

- **Participation:** poor people must participate in tourism decisions if their livelihood priorities are to be reflected in the way tourism is developed.
- **A holistic livelihoods approach:** the range of livelihood concerns of the poor – economic, social, and environmental, short-term and long-term – need to be recognised. Focusing simply on cash or jobs is inadequate.
- **Distribution:** promoting PPT requires some analysis of the distribution of both benefits and costs – and how to influence it.
- **Flexibility:** blue-print approaches are unlikely to maximise benefits to the poor. The pace or scale of development may need to be adapted; appropriate strategies and positive impacts will take time to develop; situations are widely divergent.
- **Commercial realism:** ways to enhance impacts on the poor within the constraints of commercial viability need to be sought.
- **Learning:** as much is untested, learning from experience is essential. PPT also needs to draw lessons from poverty analysis, environmental management, good governance, and small enterprise development.

Source: Ashley, Boyd and Goodwin (2000)

The strategies for PPT are classified according to three different types of local benefit, namely economic benefits, non-financial or social livelihood benefits (such as physical, social or cultural improvements), and less tangible benefits of participation and partnership. These are summarised in figure 3.

Figure 4		
The three PPT strategies		
Increase economic benefits	Enhance non-financial livelihood impacts	Enhance participation and partnership
<ol style="list-style-type: none"> 1. Boost local employment and wages. 2. Boost local enterprise opportunities (e.g. food, crafts, building materials, guide services). 3. Create collective income sources – fees, revenue shares. 	<ol style="list-style-type: none"> 1. Capacity building, training, empowerment. 2. Mitigate environmental impacts of tourism. 3. Address competing use of natural resources. 4. Improve social, cultural impacts of tourism. 5. Increase local access to infrastructure and services. 	<ol style="list-style-type: none"> 1. Create more supportive policy/planning framework. 2. Increase participation of the poor in decision-making. 3. Build pro-poor partnerships with private sector. 4. Increase flows of information, communication.
<i>Source: Pro-Poor Tourism Partnership, UK</i>		

4. Tourism as an Engine for Pro-Poor Growth in Africa

Significantly, Africa is the world’s regional leader in terms of tourism growth, with Sub-Saharan Africa — pulled by South Africa, Kenya, Mozambique, Swaziland and Seychelles — leading the performance. At the same time, in North Africa, the two main destinations, Morocco and Tunisia, have experienced somewhat different growth paces. Tourism is also one of the fastest growing industries in the SADC region, with immense untapped potential for further development. The Overseas Development Institute (ODI) identifies four reasons why tourism is a potential engine for pro-poor growth in Africa.

First, whilst Africa contributes little to global tourism figures, tourism is significant for the continent’s economies. By 2003, tourism accounted for over 11% of total African exports (Ashley & Mitchell 2005). As table 1 below indicates, for countries such as Mauritius, Tanzania, Morocco and Egypt, tourism is a major source of exports. This compares favourably with the importance of tourism to countries on the periphery of Europe, such as Spain (19.4%), Bulgaria (19.9%) and Greece (29.4%). Notwithstanding the continent’s marginal position in the global economy (producing less than 2% of world exports and contributing only 1.6% of world GNP) Africa still attracts 4% of global international arrivals. This indicates that the tourism sector and its potential pro-poor benefits are disproportionately important for Africa, compared to other continents.

Although two-thirds of international tourism receipts in Africa are concentrated in several key countries — namely South Africa, Egypt, Morocco, Tunisia and Mauritius — the tourism sector is important to a broader spectrum of African countries too. Tourism constitutes over 10% of total exports in more than half of African countries for which there is available data. In some countries, such as Mali and The Gambia, small annual international arrival figures of 70,000 visitors — that is less than 200 tourists a day — are still significant, with tourism respectively contributing 10.1% and 30.5% of total exports for these two countries (Ashley & Mitchell 2005).

Table 1: Selected African countries and international tourism (> 0.5m visitors p.a.)

Inward international tourism (2003)	Tourist arrivals (000s)	Tourism receipts (US\$mn)	Tourism as % of exports	Human Development Index (rank)
Egypt	5,746	4,704	23.4%	119
Tunisia	5,114	1,935	17.6%	89
Morocco	4,552	3,802	26.7%	124
Algeria	1,166	161	n/a	103
North African total	<i>16,720</i>	<i>10,606</i>	<i>n/a</i>	
South Africa	6,505	5,232	11.5%	120
Zimbabwe	2,068	44	n/a	145
Botswana	975	309	n/a	131
Kenya	927	611	17.1%	154
Mauritius	702	960	29.8%	65
Zambia	578	149	11.2%	166
Tanzania	552	441	28.1%	164
Sub-Saharan total	<i>19,438</i>	<i>11,844</i>	<i>11.7%</i>	
AFRICA	36,158	22,450		

Source: ODI (2006)

Second, the tourism sector in Africa is rapidly developing, and is becoming increasingly competitive and sophisticated. Whereas tourism represented 2% of African exports of goods and services in 1980, this figure has today multiplied by almost six times. Moreover, this sector is remarkably free of price supports seen in agriculture and tariffs on manufactures.

Third, there are good long-term prospects for the tourism sector. Indeed, the continent's comparative advantage in wilderness and wildlife are likely to increase in value as such assets become scarcer globally. West Africa is also benefiting from increasing interest in the Black 'Holocaust' resulting from the North Atlantic Slave Trade. Meanwhile, South-South tourism is increasing in Africa as elsewhere in the developing world. Tourism is, for instance, a key sector of the IBSA initiative between India, Brazil, and South Africa.

Finally, there are cases where African countries have successfully graduated from Least Developed Country status by effectively harnessing a strong tourism sector – as evidenced by the Maldives, Mauritius and Botswana.

5. The Tourism Sector in South Africa

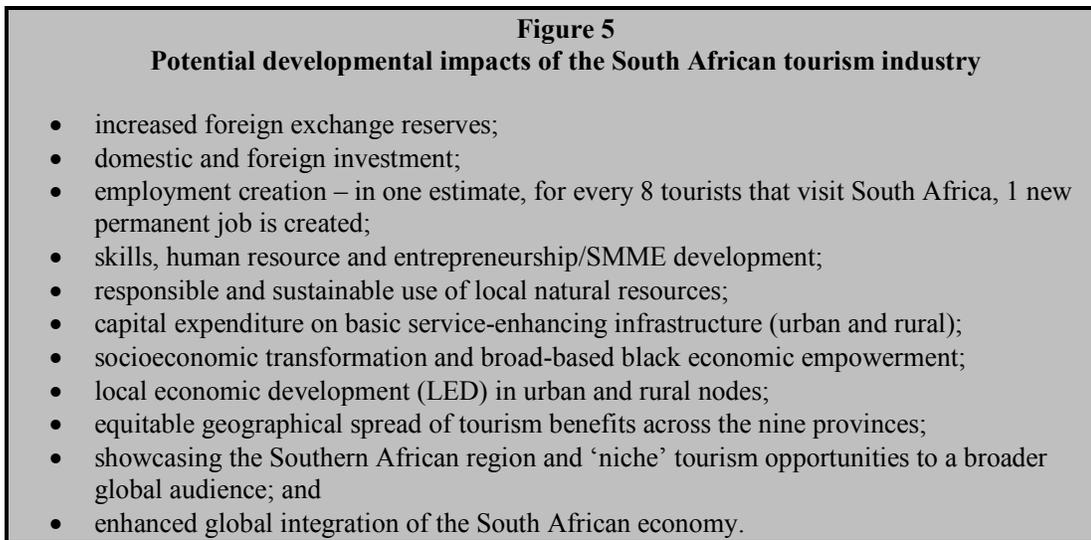
Prior to South Africa's first democratic elections in 1994, the country's tourism sector was plagued by a host of constraints that limited its potential to play a more meaningful role in the development of the economy. These constraints included the following:

- lack of inclusive and effective national, provincial and local structures for the development, management and promotion of the tourism sector;
- inadequate or non-existent ground transportation, especially in the rural areas;
- lack of infrastructure in rural areas that compounded perceptions that the safety of tourists could not be guaranteed;
- poor consumer-oriented service;
- poor involvement of local communities and previously neglected groups in the tourism industry, mainly as a result of government policies;
- lack of market access – local communities did not have access to the lucrative tourism industry; and

- the potential of domestic tourism was largely suppressed due to the segregated access to tourism products that prevailed then (DEAT 2004).

Since 1994, the government has recognised the role of the tourism sector as a key catalyst for economic growth and development. For this reason, it has embarked upon various initiatives to develop this industry in a sustainable and responsible manner, and to maximise its real potential in light of the country's rich, diverse and attractive tourism attributes. In addition, there is now considerable local activity and emphasis upon tourism-led local economic development planning across large cities, smaller localities and rural areas (Rogerson 2006).

Accordingly, the government now explicitly targets, and seeks to promote, tourism as a high potential growth and export sector. This has been welcomed by all constituencies. The Accelerated and Shared Growth Initiative for South Africa (ASGISA) — a new policy instrument adopted in 2006 to grow the economy to 6% by 2014 — points to the positive role of tourism in poverty reduction and social upliftment, and support for this targeted sector is now being fast-tracked. Tourism is thus viewed as a key conduit to improve the livelihoods of many poor communities that reside in the underdeveloped 'second economy', as well as supporting the further global integration of the industrialised, modern and wealthy 'first economy'. With the necessary policy interventions and the looming 2010 Soccer World Cup in mind, the government seeks to raise the contribution of tourism to GDP from 8% to 12%, and create 400,000 new jobs by 2014.



5.1 Principles governing tourism development

The 1996 White Paper on the Development and Promotion of Tourism in South Africa set out the government's initial vision and objectives for the tourism industry, in line with the social equity imperatives of the progressive Reconstruction and Development Programme (adopted in 1994, but succeeded in 1996 by the more conservative Growth, Employment and Redistribution strategy). It recognised that tourism had largely been a missed opportunity for South Africa in the past, but could provide an '...engine of growth, capable of dynamising and rejuvenating other sectors of the economy'. Its approach to the development of responsible and sustainable tourism turned on several key principles, including the following:

- tourism should be private sector-driven, although the government should facilitate tourism development by ensuring an enabling environment;

- tourism growth and development should be based on ‘effective community development’;
- ‘sustainable environmental practices’ should direct tourism development;
- cooperation between stakeholders nationally and within the Southern African region should steer targets and programmes; and
- tourism should be a means to economically empower ‘previously neglected communities’, and in particular women.

The 1996 White Paper was supplemented in 2002 with the adoption of the government’s Responsible Tourism Guidelines. Based on the triple bottom line of sustainable development (economic, environmental and social sustainability), the document provided the private sector with guidelines for practising responsible tourism and providing opportunities to local communities. The principles adopted included the following:

- establishing partnerships and joint ventures in which communities had a significant stake, and enjoyed meaningful participation and equity;
- buying and using locally made goods and services within a 50km radius (with the target of this increasing by 20% over three years); and
- recruiting and employing staff as far as possible from local communities (i.e. within 20km of the enterprise).

5.2 *Tourism-based poverty reduction programmes in South Africa*

Given the importance attached to the tourism sector as a conduit for economic development, the government and its parastatal enterprises have embarked on various initiatives to more meaningfully involve the poor and historically disadvantaged individuals in tourism development. These initiatives include at least three programmes, briefly outlined below (Spenceley & Seif 2003; GCIS 2004):

- The Poverty Relief Programme, supervised by the Department of Environmental Affairs and Tourism, promotes the development of community-owned tourism products and the establishment of tourism infrastructure, including roads,
- Information centres and tourism signage. The Programme aims to create long-term sustainable work opportunities by encouraging and supporting communities to provide better services either directly to tourists or to tourism businesses.
- The Tourism Enterprise Programme (TEP), launched in 2000, provides advice and expertise to new entrants into the tourism commercial sector. By February 2004, a public-private partnership with the TEP had created more than 10,000 jobs and provided assistance to a total of 1,731 tourism enterprises – of which about 1,200 were BEE companies.
- Tourism human resources and skills development takes place through different levels, including the full introduction of Travel, Tourism and Hospitality studies as a subject in schools, and the provision of learnerships (‘apprenticeships’) through the Tourism and Hospitality Education and Training Authority (THETA). South Africa now has about 127,000 learners in more than 680 high schools countrywide who are studying tourism – up from only 55,000 in 2003 (Van Schalkwyk 2004). In addition, the objective of the THETA learnership programme is to train 5,000 unemployed people within four years, as well as upgrade the skills of 10,000 people already working in the hospitality industry.

5.3 *The performance of tourism in the South African economy*

5.3.1 International arrivals

In the period since 1990, tourism to South Africa has grown spectacularly, confirming its credentials as a preferred global destination. With a small domestic market and less than 1 million annual foreign arrivals in the two decades prior to 1990, South Africa has grown to a destination that welcomed more than 7 million visitors by 2005. This represents a growth of 15% since 1990 (TSA 2005). In addition, the number of international airlines servicing South Africa increased from 53 in 1994, to 64 in 2003, with many more flights now scheduled (GCIS 2004). Even after the September 11 terrorist attacks in the United States, when the global tourism market shrank, tourism to South Africa still increased spectacularly. The initial growth spurt in arrivals has since stabilised, but with sanguine growth prospects (particularly in light of the country hosting the 2010 FIFA Soccer World Cup, from which several tourism-oriented Southern African countries are also likely to benefit).

South Africa currently captures 0.9% of the world tourism market, with considerable potential to raise this even higher. Some tourism stakeholders even argue that the country should aim for 2% of the world market by 2014, which means 13 million tourists per annum (and considerable job creation).

5.3.2 Domestic tourism

Domestic tourism is the mainstay of the South African tourism system. This market was valued at R47bn in 2002/03 – with 49.3 million trips undertaken during that time (GCIS 2004).

Figure 6 South African Tourism in 2003
Tourism arrivals in 2003: 6,5 million
International tourist spend in South Africa in 2003: R53.9bn
Local tourist spend in South Africa in 2003: R47bn
Tourist employment in 2003: 512,000 people
South Africa ranked 30th in the list of top destinations worldwide
South African Tourism marketing spend: R400mn
72% of tourists from Africa
<i>Source: South Africa 2014</i>

5.3.3 Meetings, Incentives, Conferences and Exhibitions (MICE) destination

South Africa has also successfully branded itself as a preferred destination for MICE. This has entailed various costs and benefits to the country. Nonetheless, international conferences can stimulate static and dynamic economic activities, including:

- the generation of revenue for the economy;
- formal and informal sector job creation;
- training and improved skills for volunteers during international conferences and parallel events;
- the development of SMMEs;
- promoting empowerment through public procurement and tendering for logistical services (e.g. travel, accommodation and tour arrangements);
- new or improved fixed investment (e.g., infrastructure development); and
- imaging, branding and marketing of South Africa to a global audience to: boost foreign investment and trade, attract foreign students to world-class South African universities, and promote tourism.

South Africa has also sought to develop international best practice for large scale events. For instance, the country developed a Greening the WSSD Initiative, which was the first attempt to organise a major UN Summit in an environmentally-friendly way using environmental best

practice. A key objective of the Initiative has been to create a model for hosting international conferences and events in an environmentally sustainable manner in developing countries and countries in transition. However, hosting these events can be administratively arduous for the South African government, particularly as there is no uniform national policy for the planning, management and execution of these conference logistics (i.e. each department follows its own particular policy and approach). Figure 7 lists these hallmark events and conferences hosted by South Africa.

Figure 7 Hallmark events and conferences held in South Africa	
Conferences	
UNCTAD IX Summit	1996
Non-Aligned Movement Summit	1998
Commonwealth Heads of Government meeting	1999
World AIDS Conference	2000
World Conference Against Racism	2001
African Union Summit	2002
World Summit on Sustainable Development (WSSD)	2002
Major sporting events	
Rugby World Cup	1995
Africa Cup of Nations: Soccer	1996
Athletics World Cup	1998
All Africa Games	1999
Cricket World Cup	2003
FIFA Soccer World Cup	2010

5.4 Developmental impact of tourism in South Africa

Unlike other tradable industrial products, tourism is a services-oriented activity, with various components and linkages into the economy. Its impact on trade, development and poverty is thus complex, and difficult to precisely measure. The following are some preliminary observations — by no means comprehensive — on these impacts.

5.4.1 Economic impact

Tourism is now often referred to as the ‘new gold’ of the South African economy as the total foreign direct spend of tourists has overtaken gold foreign exchange earnings, for long the mainstay of the country’s ‘minerals-energy’ economy. The contribution of the tourism sector to GDP is about 7.1%, or around R100bn. This reflects the broader structural shift in the South African economy towards services industries – although Rodrik (2006) argues that the skills-intensity of this sector explains the country’s high levels of unskilled unemployment. Nonetheless, the tourism sector has outperformed all other sectors in terms of both GDP and job creation (SAT 2004).

The 1996 White Paper argued that by more effectively and responsibly harnessing the tourism sector as an engine of growth and development, certain targets could be met:

- raise tourism's contribution to GDP by 8% by 2000 and 10% by 2005;
- maintain a 15% increase in visitor arrivals between the years 1996 and 2006;
- create 1 million new jobs in tourism by 2005;
- increase foreign exchange earnings from approximately R10bn in 1996 to R40bn by 2005; and
- increase the number of overseas arrivals to 2 million by 2000 and African arrivals to 4 million (DEAT 1996).

However, the successful realisation of the above targets has been mixed:

- The numerical target for African arrivals has been met, even exceeded. In 1996, these arrivals totalled 3.8 million; by 2000, this had increased to 4.3 million. However, the number of overseas arrivals in 2000 was 1.6 million, well short of its target.
- The rate of tourism growth has been highly variable. Rather than the projected 15%, tourist arrivals had grown at an average of roughly 9% between 1993 and 2002 (which is still above the international average of 3%).

From a macroeconomic perspective, it is clear from table 1 that the contribution of tourism to the economy has grown, with an expansion in both the size of the tourism industry and the tourism economy.

Table 1: Gross economic impact of tourism in South Africa

	1998	2000	2010 (projected)
Tourism Industry			
<i>Contribution to GDP (%)</i>	2.6	3.6	5.3
<i>Percentage of total population</i>	2.4	3.4	4.5
Tourism Economy			
<i>Contribution to GDP (%)</i>	8.2	7.9	13.4
<i>Percentage of total population</i>	7.0	7.5	9.3

Source: Cornelissen (2005)

And as table 2 indicates, MICE activities have also impacted positively on the economy.

Table 2: Estimated economic impacts of select international conferences

World Conference on AIDS (2000)	The conference injected an estimated R160mn into the Durban economy.
World Summit on Sustainable Development (2002)	<ul style="list-style-type: none"> • The Summit generated R2,709.0mn of direct expenditure in various sectors of the economy. • This injection led to an increase in demand for goods and services, implying that new business sales in all sectors of the economy increased by R8,423.2mn. • It is estimated that the number of employment opportunities supported by this direct expenditure was in the order of 18,300. Its GDP contribution was R1,632.9mn, which is less than 1% of the national aggregate.
African Union Summit of Heads of State and	The Summit and parallel events generated

Government (2002)	an estimated R500 million for the Durban economy, with total expenditure by nearly 6000 AU delegates amounting to R60mn over 10 days. In addition, multiple other events benefited from AU media exposure, including the Durban July, the Vodacom Beach Festival and the Quicksilver World Surfing Games.
Cricket World Cup (2003)	Pre-event, it was predicted to draw 25,000 foreign visitors and generate US\$4.4mn in ticket sales. With a worldwide television audience of 1 billion viewers, the country could greatly improve its international tourism image.

5.4.2 Transformation and Black Economic Empowerment (BEE)

While tourism is performing well relative to other priority sectors and is creating jobs and value, transformation levels are poor. In other words, tourism is still predominantly white-owned and white-managed.

A study by Empowerdex in 2003 estimated that only 6% of tourism entities listed on the Johannesburg Securities Exchange (JSE) have BEE ownership (Van Schalkwyk 2004). The government thus actively seeks to increase the access of groups previously excluded, not only from tourism production, but also consumption, and of enlarging the developmental impact of tourism. For this reason, in 2004 the government adopted a Tourism BEE Charter and Scorecard, which comprises a set of quantitative measurements to assess the degree to which firms have complied with the requirements of transformation and to gauge their BEE status over a ten year period. Key BEE targets are that by 2014:

- more than one-third (36%) of all firms should directly or indirectly be owned by black people;
- blacks should comprise 60% of executive management boards;
- at least three-quarters of firm's staff is comprised of black people, and that 45% of this should be women;
- 75% of expenditure on skills development should be targeted towards black employees;
- 50% of expenditure on procurement should be on companies that are BEE compliant;
- 1% of revenue should be spent to facilitate enterprise development by black-owned SMMEs (e.g. twinning initiatives); and
- 1% of money spent on social and industry-specific developments (e.g. 'corporate citizenship' spending on education or community projects) should be aimed at developing local black tourism.

Cornelissen (2005) identifies two key assumptions that drive empowerment within the tourism sector. First, it is believed that transformation will stimulate new entrants into this sector, with resulting innovation and new products. In turn, it is assumed that this will stimulate demand in new markets. Second, transformation will help to balance out the skewed nature of tourism impact across the country's nine provinces.

5.4.3 Market access and investment environment

The growth of the tourism sector has introduced a range of new investment options for both international and local firms, as well as the development of SMMEs. This will increase in light of the 2010 FIFA Soccer World Cup.

The South African travel intermediary market has been significantly affected by global trends. The number of travel consortiums — conglomerates of tour operators and travel agencies who operate under one marketing brand — has grown in South Africa. For instance, tourism expansion has seen the number of inbound tour operators grow from 460 in 1999, to more than 800 by 2004. At the same time, however, six firms dominate the market, accounting for 60-70% of revenue generated. Notwithstanding increased competition and oft-occurring ‘price wars’ from larger producers (which can be detrimental to some small or medium-sized tourism firms), smaller producers have continued to benefit from recent tourism growth by focusing on specialised or niche market segments (Cornelissen 2005).

It is in the transport sector of the tourism industry that multinational firms have a strong presence. The car rental sector is closely aligned with the country’s motor industry, where motor corporations typically use car rentals as a mechanism to absorb new motor vehicles introduced into the market and eventually circulate these to the extensive domestic used car market. Franchise agreements between South African motor corporations and multinationals provide a presence to these multinationals in the South African market.

By contrast, the presence of multinational firms in the South African hotel sector is less pronounced, and their market penetration has been much slower. As such, only a few global brands have become established in South Africa. Multinationals have focused on the international leisure sector, which yields low volumes but higher returns (specifically the four- and five-star sectors). With the exception of boutique hotels in South Africa, few South African firms specialise in the five-star sector. Thus, while the hotel sector has seen rapid expansion in supply, it is, however, characterised by consistent low levels of occupancy – on average, 45-50% since 1994 (Cornelissen 2005)

Figure 8: Major hotel chains operating in South Africa

Group	Number of hotels	Number of rooms
South African-owned hotels		
Southern Sun	74	12 295
Protea Hotels	74	5 135
City Lodge	35	3 791
Three Cities	27	1 413
Don Group	9	411
Stocks Hotels and Resorts	9	1 119
Gooderson	9	480
Fortes King	6	505
Relais Hotels	3	221
Multinational subsidiary or franchise		
Best Western	7	683
Radisson SAS	1	182
Hyatt	1	244
Arabella Sheraton	1	483
Hilton Group	2	656
NH Hotels	2	(unknown)

Source: Cornelissen (2005)

5.4.4 Geographical impact of tourism

Strong regional and social variation occurs in the distribution of tourism impact across South Africa’s nine provinces. Despite international tourism growth, three provinces capture 74% of

foreign tourist spend: Gauteng (31.1%), the Western Cape (28.2%) and KwaZulu-Natal (14.8%). A similar situation pertains with domestic tourism, where KwaZulu-Natal, Gauteng and the Eastern Cape attract 60% of local movement (GCIS 2004). If tourism is to impact significantly on poverty and unemployment, then it must develop in areas beyond the traditional tourism routes and nodes currently used – specifically beyond the three metropolitan areas of Cape Town, Gauteng and Durban.

5.4.5 Liberalisation of the regulatory environment

The South African government is engaged in a process of deregulating both domestic and international aviation. This started in 1990, when competitors to South African Airways (SAA) were allowed to operate in the domestic market. By the end of the 1990s, a new fleet of low-cost airlines also introduced greater price competition to the market.

However, the government is often criticised for operating a restrictive aviation regime. Some industry commentators argue that the way in which the government sets quotas in its air transport services agreements, and the manner in which landing slots are accorded to foreign airlines, limits foreign airline access into the South African market. This is to ostensibly protect the market for SAA.

Cornelissen (2005) argues that the government’s reluctance to further open up the market to foreign competition has directly impacted on the South African tourism sector. In one estimate, the demand for flights to South Africa from the country’s major West European tourist source markets exceed supply by 4500 seats per week. This leads to higher travel costs and contributes to high tourism prices. There is, thus, increasing pressure for the government to further liberalise aviation through the adoption of an open skies policy and the privatisation of SAA. This, its advocates argue, will improve competition, greatly stimulate international tourist flows into the country, and provide a boost to the country’s tourism economy.

6. Concluding observations

While far more research and analysis is required, the evidence thus far generally appears to suggest that the growth in the tourism export and trade sector has had a positive impact on the South African economy, and in many cases on local economic development. However, significant challenges persist, inter alia: the transformation of the sector; the geographic distribution of tourism benefits; seasonality in domestic and foreign arrivals; risk management of unpredictable events (including exchange rate volatility); and the sustainability and competitiveness of the sector. Nonetheless, the success achieved since the early 1990s in developing pro-poor tourism in South Africa sets a solid foundation for its future growth and expansion, in line with the ASGISA targets of increasing the contribution of tourism to 12% of GDP, and creating 400,000 new jobs by 2014.

A broader, more nuanced perspective on the impact of the tourism sector is provided by at least three empirical studies, summarised in table 3.

Table 3: Empirical studies on the impact of tourism in South and Southern Africa

Where	Author / Project	Key Findings
Mauritius, South Africa and Zimbabwe	Page (1999)	Tourism is well-linked into the local economy and is overwhelmingly locally-owned, directed and controlled. Tourism has an industrial structure similar to non-tourism goods and services. It has low barriers to entry, is not import intensive, and has a pro-poor impact.

South Africa	Cornelissen (2005)	Impact of tourism has been broad and disproportionate. Major producer sectors within South Africa have been unevenly affected (e.g. hotel sector has seen rapid expansion in supply, but consistent low levels of occupancy have reduced overall revenue, affecting employment and operating practices). High degree of volatility experienced by the accommodation sector points to irregular tourism impact.
<p>Five Pilot Sites in Southern Africa:</p> <p>Spier Leisure (Western Cape); Wilderness Safaris' Rocktail Bay (KwaZulu-Natal); Sun International's Sun City Resort (North West Province); Southern Sun's Sandton Complex (Gauteng); Ker & Downey safari and hunting sites (Tanzania).</p>	Pro-Poor Tourism Pilots in Southern Africa	PPT can deliver tangible impacts for both company and community. While PPT impacts were highly variable between pilot sites, PPT facilitation led to the creation of new jobs (63), strengthening or creating new micro enterprises (11), and a new equity partnership forged (1).

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