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Implementing Sustainable Tourism in the USAID Context

Arusha, Tanzania

February 2006



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MODULE 4: PROJECT DESIGN – ECONOMIC GROWTH & POVERTY REDUCTION





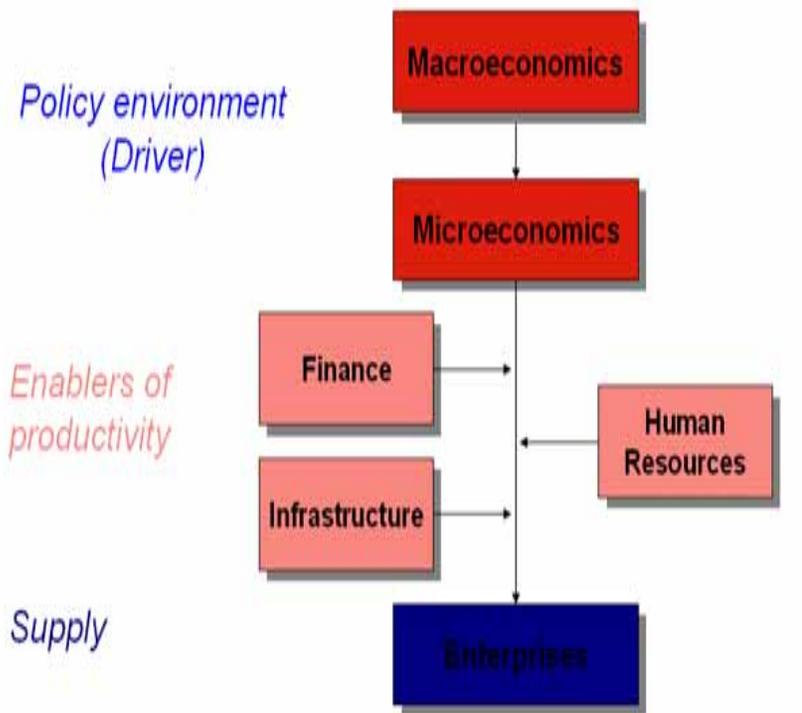
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Objectives

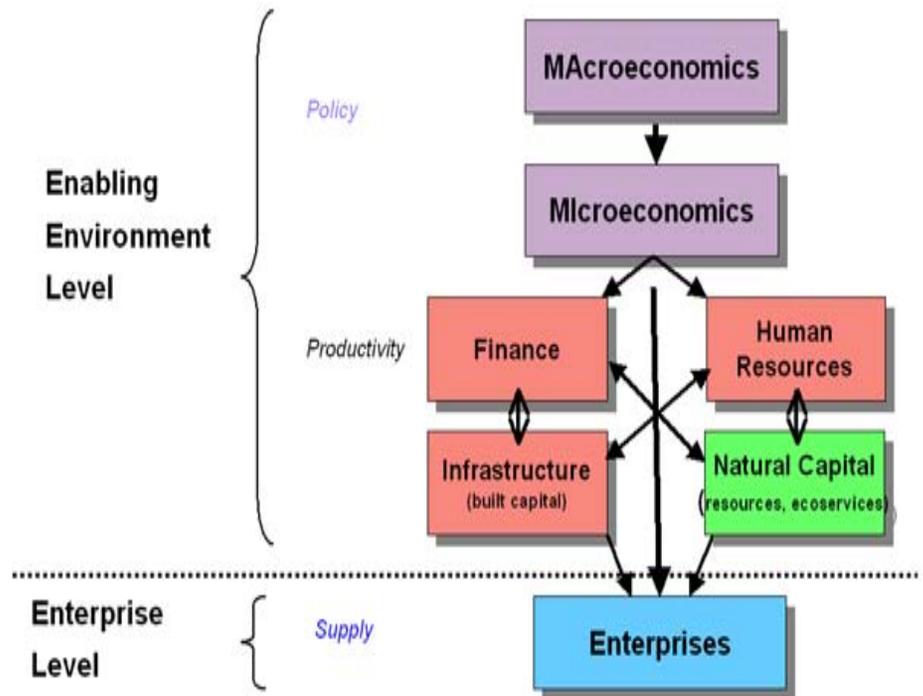
By the end of the session, participants will be able to:

- Understand current USAID approaches to achieving economic growth and poverty reduction
- Collaborate on designing an effective tourism intervention that addresses economic growth, competitiveness, business development, and other infrastructure development and financing needs
- Apply the theory to what has been learned about Tanzania and the field experiences in Maasai Steppe
- Establish an effective set of EG-related indicators for sustainable tourism
- Apply module to three potential tourism projects

USAID Framework for Economic Growth



Source: USAID Overview Course – Economic Growth Training, 2005



*Modified from USAID Overview Course – Economic Growth Training, 2005



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USAID Economic Growth and Poverty Reduction program areas

- Development Credit
- Energy
- Enterprise/Micro-Enterprise Development
- Economic Policy
- Financial Markets
- Agricultural production and marketing
- Information and Communication Technology
- Legal and Institutional Reform
- Privatization
- Social Safety Nets
- Engineering
- Trade and Investment
- Urban Programs



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What basic levels of intervention does USAID utilize to address issues?

- Enabling environment level
 - Macro and micro economic policy interventions
 - Production/capital inputs (infrastructure, finance, human and natural resources)
- Enterprise level



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Considerations for interventions at ALL levels

- What tourism-related intervention could be used?
- How would you incorporate cross-cutting (social) issues?
- With whom could you collaborate?
- What performance indicators could be measured?
- What tools/mechanisms could be used?



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Enabling Environment

Summary of potential Enabling Environment-level issues affecting tourism:

- Fiscal policy, monetary policy, exchange rates
- Trade policy, customs, immigration and labor regulations
- Legal, institutional, investment frameworks
- Customs, immigration and labor regulations
- Commercial law and regulations
- Access to communications, infrastructure, utilities
- Working capital, credit, micro & rural finance, capital markets
- Regional/sectoral development strategy
- Social issues (work force, health, gender and youth)

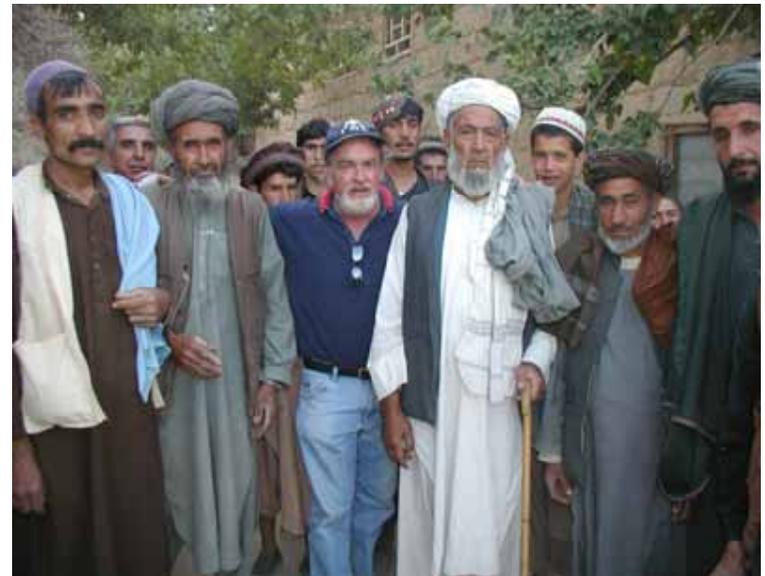


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Enabling Environment, cont.

Major Enabling Environment intervention areas:

- Policy and Legal Environment
- Governance and Sectoral Planning
- Infrastructure
- Financing/Capital
- Social Issues





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Enabling Environment, cont.

Sample Policy and Legal Environment intervention areas:

- Stable policy environment (monetary, fiscal, trade)
- Competitive environment for tourism investment
- “Open sky” policy
- Tourist-friendly customs and immigration policy
- Efficient and transparent commercial regulation



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Enabling Environment, cont.

Sample Governance and Sectoral Planning intervention areas:

- National or Regional Tourism Strategy, Master Plan for Tourism Development
- Institutional strengthening of National Tourism Promotion Agency, National and Regional Tourism Organizations, Tourism Chambers
- Advocacy training for CBOs, NGOs, and other Tourism Stakeholders
- Facilitation of multi-stakeholder destination planning and management



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Enabling Environment, cont.

Sample Infrastructure intervention areas:

- Access to destinations and attractions
- Private financing and ownership of utilities
- Internationally competitive communications and information technology
- Basic services for visitors, workers and local community (health, etc)



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Enabling Environment, cont.

Sample Financing/Capital intervention areas:

- Removal of barriers for an efficient financial system
- Easing access to capital (microcredit, credit, investment, collateral)
- Public financing mechanisms



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Enabling Environment, cont.

Sample Social intervention issues – Gender:

- Tourism requires support of the full community for success.
- Tourism enterprises can bring marginalized groups into the formal economy.
- Women and children will benefit particularly from improvements in health, safety and education.
- Women and children are a majority of the poor. Pro-poor tourism activities may contribute to gender equity.
- ***If not done properly, the arrival of tourists into the community can alienate these groups further.***



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Enabling Environment, cont.

Sample Social intervention issues – Health and Safety:

- An important part of the tourists' decision-making process.
- Impacts foreign countries' "Travel Advisory" decisions.
- Development of tourism brings funds into the community for spending on health and safety services.
- Tourist demand often brings about additional private sector interest in developing the health and safety services.
- ***Without proper preventive measures, tourism may increase crime and health risks.***



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Enabling Environment, cont.

Sample Social intervention issues – Education:

- Tourist businesses and workers require training and education for skills in customer service, IT, languages, management, etc.
- Development of tourism brings funds into the community for spending on education and training services.
- Attention to equity in recruitment for education and training to fill specialized positions will bring benefits to women and marginalized groups.



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Enabling Environment, cont.

Sample Social intervention issues – Poverty Reduction:

- Tourism brings customer to the product/service provider allowing direct sales from poor to tourists (informal economy)
- Poor areas often have an advantage in tourism
- Tourism is extremely labor intensive and can include the poor
- Tourism taxes can be used to help the poor

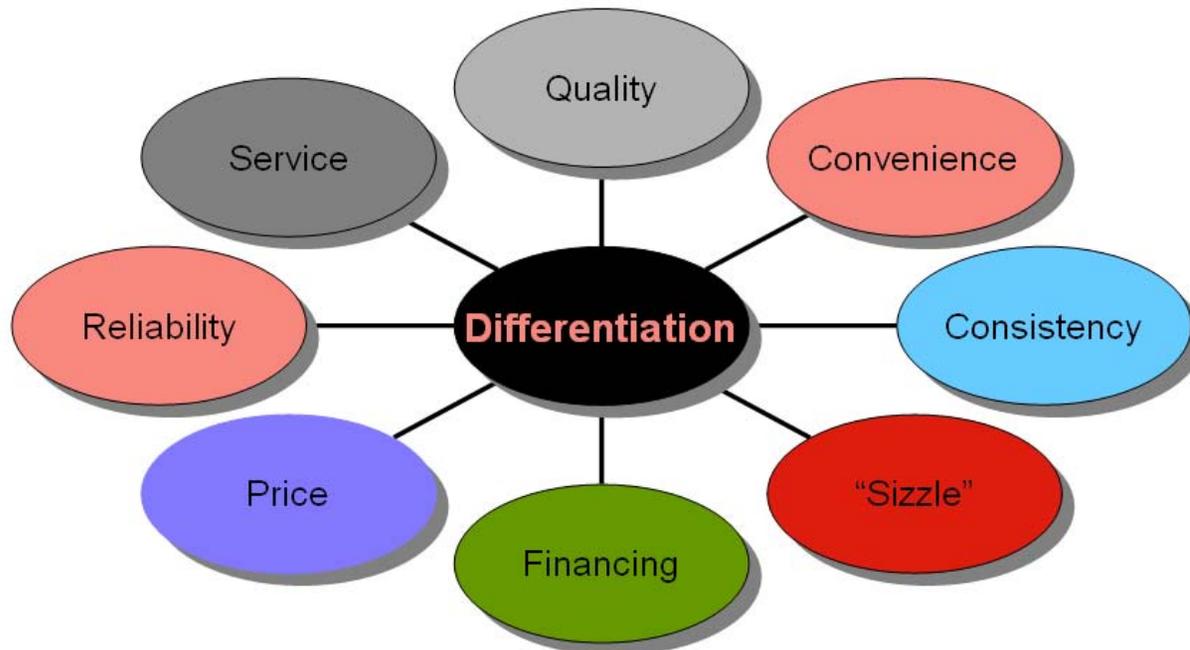


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Enterprise Level

Competitiveness at a firm level requires creating a **unique and sustainable** competitive position

Factors of competitive differentiation





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Enterprise Level

Summary of potential Enterprise-Level issues affecting tourism:

- Meeting requirements for credit
- Access to markets (domestic and international)
- Access to technology (telecommunications)
- Business management
- Availability and cost of skilled labor (capability, language)
- Availability and cost of other inputs (locally produced, imported)
- Competitiveness/attractiveness of product offering (quality and price)
- Partnerships and collaboration



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Enterprise Level, cont.

Cluster-Based Approach to Competitiveness and Economic Growth

- A cluster is a value chain of related enterprises, plus supporting organizations such as trade associations, universities, vocational schools, financial institutions, and local and national level government agencies.
- Individual clusters are defined by the linkages among the firms, industries and economic infrastructure typically of a particular region.
- Firms in a particular region, even from different industries, are typically related to each other through buyer-seller relationships and shared economic factors.
- Factors include workers, financial capital, technology, infrastructure, natural resources, institutions, legal environments and policy regimes.

Source: Mitchell Group, Promoting Competitiveness in Practice: An assessment of cluster-based approaches, 2003.



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Enterprise Level, cont.

Enterprise-level interventions:

- Organizational Development & Business planning
- Marketing and Promotion
- Product Development
- Value chain & cluster development
- Training & Capacity Building for Enterprise and Input Suppliers
- Financing



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Can both enabling environment and enterprise-level interventions be used to address an issue?

Yes, and they often are combined since economic issues are rarely one-dimensional.





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Enabling Environment: Exercise 4-1

What are some of the issues at the *ENABLING ENVIRONMENT & ENTERPRISE* level that could affect the success of tourism?





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Enabling Environment: Exercise 4-1

What are some of the issues and interventions at the *ENABLING ENVIRONMENT & ENTERPRISE* level that could affect the success of tourism?

- Group Exercise – 2 groups
- Based on the information presented in Tanzania and the Maasai Steppe over the past few days, identify the macro (one group) and enterprise level (second group) issues that need to be addressed
- Present back to plenary

Categories of USAID EG Performance Indicators for Tourism



- 1) Community and destination economic benefits
- 2) Maintaining economic benefits from tourism
- 3) Tourist satisfaction
- 4) Tourism and poverty reduction

Sample EG/PR Performance Indicators for Tourism

1) Community and destination economic benefits:

- Tourism employment (relative to total in region)
- Tourism wages (relative to average wage in region)
- Number indigenously owned tourism businesses
- [In-country] Spending per tourist
- Revenues generated by tourism
- GDP and % of tourism's contribution (national level or community level)

Sample EG/PR Performance Indicators for Tourism

2) Maintaining economic benefits from tourism:

- Tourist arrivals by month (seasonality also captured)
- Occupancy rates by month
- Remittances abroad of profits, or salaries of expat staff
- Number of local employees in tourism by job type and level
- % of full-time year round jobs (unemployment in off-season)
- % of employees certified (qualified)
- % of labor imported from outside region
- Multiplier ratio for tourism dollars (how much of each dollar spent stays in the destination, how many times it is re-spent)



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Sample EG/PR Performance Indicators for Tourism

3) Tourist satisfaction:

- Level of satisfaction on exit (based on questionnaires)
- % of return visitors
- Changes in average price per room
- Ratings by guidebooks/travel sites



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Sample EG/PR Performance Indicators for Tourism

4) Tourism and poverty reduction:

- Total number of workers in community, % of workers directly employed by tourism, % full time
- Number of local tourism related MSMEs operating
- Ratio of pay of top- to lowest-paid tourism workers (and % of workers by ratio)
- Annual contribution by tourism to community projects
- Increase in individual and/or household incomes



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Economic Growth Intervention: Exercise 4-2

**3 small groups; choose and outline a sustainable tourism development activity from one of three countries
(Rwanda, Mongolia, Serbia)**

- **What are the issues?**
- **What tourism-related intervention could be used for each issue?**
- **How would you incorporate cross-cutting (social) issues?**
- **With whom could you collaborate?**
- **What performance indicators could be measured?**
- **What tools/mechanisms could be used?**



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RECAP

- Economic growth can be achieved through interventions at the enabling environment level and directly at the enterprise level.
- Sample projects use interventions at both levels to address issues and meet strategic objectives.
- Tourism's impact on economic growth and poverty reduction can be measured with a set of indicators for sustainable tourism.

