



# The Gambian Tourist Value Chain and Prospects for Pro-Poor Tourism

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## Executive Summary

This study examines the current state of tourism in The Gambia, West Africa, and proposes a series of practical measures to enhance the flow of benefits to the poor. It is based on a framework of international 'best practice' for boosting benefits for the poor, combined with innovative local economic analysis that maps the current flows of benefits to a range of stakeholders from the tourism value chain in The Gambia.

The Gambia is a well-established 'winter sun' tourism destination with 110,800 international arrivals in 2005. Almost all tourists are holiday-makers and 84% are on holiday packages that generally include flights, transfers and bed and breakfast accommodation in a hotel.

Tourism is a significant sector in the Gambian economy, representing about 13% of national income and 19% of all private sector formal jobs. As our focus is pro-poor tourism, though, it is the nature of linkages between tourism and the local economy that are critical - rather than just the aggregate size of the tourism sector.

**Applying value chain analysis to the tourist package suggests that most of the value is absorbed by the international tour operator, the airline company and the hotel at the destination.** The share of the package that each of these three stakeholders receives varies depending upon demand conditions. In periods of low demand, hotels may receive only about one-fifth of the package price but during the peak almost one-third of the higher priced winter package - a more positive scenario than some of the 'leakage' pessimists have asserted. Gambia will capture more of the tourist package value if it stimulates demand by destination marketing and takes steps to improve the current imbalance between supply and demand for lower end hotel accommodation during the low season.

**The holiday package part of the tourist value chain (flights, plus bed and breakfast accommodation) largely by-passes the poor** - the only significant linkage being the wages paid to non-managerial hotel staff. There are changes that could enhance the pro-poor impact of this value chain, such as increasing hotel staff wages and/or reducing seasonality effects to improve job security.

The great achievement of Gambian tourism is the scale of the **pro-poor benefits derived from the relatively high levels of out-of-pocket, or discretionary, expenditure by tourists.** Items such as food and beverages, shopping and excursions account for less than one-third of the tourism value chain but are highly pro-poor in their impacts. Most of these expenditure items relate to Gambians who sell goods and services directly to tourists, such as craft market stall holders, fruit and juice sellers, taxi drivers and guides. The pro-poor impact of these activities (meaning the wages earned or revenue received by the informal sector and employees) are around one-quarter to one-half of expenditure on these items of expenditure.

We know a lot less about the indirect linkage between the demand for food from tourist hotels and restaurants on the one hand and the farmers and fishermen some of whom appear to be accessing the tourism value chain on the other. It seems that this linkage could involve large numbers of very poor people - probably even greater numbers than those with direct links to tourists and certainly spread geographically beyond the tourist 'enclave'. In addition, and critical in terms of scale of pro-poor impact, is the fact that the demand for food generated by tourists is such a large component of total tourist expenditure.

This success with which the Gambian poor have captured a part of the tourist value chain does not seem to be an accident. It appears to be the result of sustained efforts by Gambian non-governmental organizations, with international support, in reducing barriers to entry for small entrepreneurs to access the tourism value chain.

This analysis questions a central focus on the strategy of targeting more up-market tourists as a means of benefiting the poor. **Whilst some hotel owners and the Gambian economy as a whole may benefit somewhat from a move up-market, the poor will probably not**

because the discretionary expenditure of tourists is similar across different standards of package. A similarly sceptical view of All-Inclusive resorts is maintained because these may undermine the central mechanism by which resources are transferred from tourism to the poor - namely, discretionary spending. Experience from the Caribbean suggests that the procurement policies of AI resorts can have a positive local economic impact, which could potentially off-set the loss of tourist out-of-pocket expenditure. However, this cannot be assumed and depends on the commitment and competence of local resort management.

**There is a great deal that public and private organisations can do to strengthen the relationship between tourism and the poor in The Gambia.** The basis for a meaningful collaboration is that all parties (the tourist industry, government and the poor) share a mutual interest in a sustainable increase in the number of tourist arrivals and encouraging as much discretionary expenditure on quality catering, shopping and excursions as possible. Gambia has a clear comparative advantage in terms of providing a Black African experience that is relatively safe, friendly and can involve the purchase of goods and services that are of reasonable quality directly from the local population with pro-poor impacts. The Gambia has undertaken commitments on the General Agreements on Trade in Services in twelve service sub-sectors - including tourism - making it one the least-developed countries that has undertaken the such significant commitments in the context of the Uruguay Round and subsequent negotiations.

**The enabling environment for tourism is currently not particularly supportive.** The high level policy commitment to tourism is unusually prominent and tourism policy is generally sound - the problem is that these policy commitments are not always implemented rigorously. There is urgent need for action on:

- the supply of tourism land
- destination marketing;
- provision of adequate infrastructure;
- encouraging a more diverse tourist product;
- reducing the seasonality of tourism demand;
- enhancing accessibility and
- human resource development.

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This study should never have been written. The field work was undertaken in June 2006 in the middle of the African Union Heads of State Summit being held in The Gambia. The follow-up mission was held immediately after the General Elections in September 2006. Everyone we contacted, from our hosts in the Gambia Tourism Authority, to hotel managers, civil servants to entrepreneurs to tour operators was under pressure and yet found time to contribute their piece of the tourism jig-saw piece and could not have been more helpful (see Annex B for full list of contributors).

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## Contents Page

1	Introduction .....	7
1.1	Purpose of the Study.....	7
1.2	Research Methods .....	7
1.3	Definitions & Conceptual Approaches.....	7
1.4	Brief Socio-Economic overview.....	8
2	Tourism and Poverty.....	10
2.1	The Economic Significance of Tourism .....	10
2.2	Tourism and Development.....	11
2.3	A Framework for Analysing Pro-Poor Tourism .....	12
	2.2.1 <i>Strengthening Linkages with the Local Economy</i> .....	13
	2.2.2 <i>Expand the tourist sector</i> .....	13
3	Overview of Tourism in The Gambia .....	14
3.1	Supply .....	14
	3.1.1 <i>Supply Pipeline</i> .....	16
	3.1.2 <i>Viability of the Accommodation Sector</i> .....	18
3.2	Demand.....	20
4	Mapping the Tourism Value Chain and Benefits to the Poor .....	24
4.1	International Tour Operators .....	24
4.2	Value Chain Analysis .....	26
5	Strengthening Pro-Poor Impacts of Tourism .....	33
5.1	Accommodation.....	33
5.2	Agricultural Supplies for Food and Beverages.....	36
5.3	Retail.....	39
5.4	Excursions and local Transportation .....	40
6	Expand the Tourism Sector.....	42
6.1	Malaria .....	42
6.2	Poor and unreliable infrastructure .....	43
6.3	Lack of choice in accommodation .....	44
6.4	Lack of marketing support .....	47
6.5	Seasonality of demand .....	51
6.6	Accessibility .....	51
6.7	Training.....	52
6.8	Policy-making and Governance .....	52

## Annexes

ANNEX A : Terms of Reference for this Study .....	56
ANNEX B: List of Interviewees .....	57
ANNEX C: Pro-poor Growth and Other Conceptual Issues .....	60
ANNEX D: A Framework for analysing Pro-Poor Tourism.....	63
ANNEX E: Calculation of Gambian Tourism Value Chain.....	78
ANNEX F: Calculation of Pro-Poor Impact of Tourism Expenditure .....	81

## Figures

Figure 1: Tourist expenditure & the distribution of benefits.....	8
Figure 2: The Gambia: Location & main tourist hotels .....	14
Figure 3: Quality of bed stock in major hotels.....	16
Figure 4: Typical bed and breakfast room rates paid by tour operators to hoteliers. 18	
Figure 5: Costs and Revenues per Hotel Room per Year.....	19
Figure 6: Tourism Growth .....	21
Figure 7: Air-charter tourists by nationality, 2003 .....	21
Figure 8: Seasonality of tourism demand (average monthly arrivals in each year = 100) .....	23
Figure 9: Economic Power of International Tour Operators .....	25
Figure 10: Low Season Package Value Chain (excluding tourist discretionary expenditure) .....	27
Figure 11: High Season Package Value Chain (excluding tourist discretionary expenditure) .....	27
Figure 12: Gambian Tourism Value Chain .....	30
Figure 13: Comparative cost allocation for a 12 day high season package from the UK to various African Destinations.....	31
Figure 14: Package price by hotel quality & length of stay .....	45
Figure 15: Average out-of-pocket spending per person per day in Dalasi.....	46
Figure 16: Visitor rating of tourist infrastructure as 'good' or 'very good' .....	47
Figure 17: Visitor response to 'How did you come to know about Gambia?' .....	48

## Tables

Table 1: Tourism Statistics for selected Least Developed Countries.....	11
Table 2: Five Empirical Studies on the Impact of Tourism on Developing Countries.....	12
Table 3: Main tourist hotels.....	15
Table 4: Hotel supply chain, as at April 2006 .....	17
Table 5: African Inbound Tourism from Larger EU Markets, 2003 .....	22
Table 6: Arrival by Air .....	24
Table 7: Potential arrival based on flight capacity from tourist destinations .....	25
Table 8: Breakdown of Average Package Costs from UK.....	26
Table 9: Recent Financial Performance of International Operators, 2005 .....	28
Table 10: Estimates of the Components of tourist out-of-pocket expenditure in 2005.....	29
Table 11: Direct Tourism Workers.....	33
Table 12: The low profile of The Gambia to Specialist African Tour Operators in Europe.....	48

Table 13: Recurrent themes in tourism action plans .....	52
Table 14: The Cycle of Tourism Policy .....	54

### Boxes

Box 1: Advantages of Tourism in Delivering Pro-Poor Growth .....	10
Box 2: Pro-Poor Tourism Regulatory Issue # 1 .....	34
Box 3: Pro-Poor Tourism Regulatory Issue # 2 .....	34
Box 4: Pro-Poor Tourism Regulatory Issue # 3 .....	35
Box 5: Pro-Poor Tourism Regulatory Issue # 4 .....	35
Box 6: Pro-Poor Tourism Regulatory Issue # 5 .....	36
Box 7: Pro-Poor Tourism Regulatory Issue # 6 .....	36
Box 8: Pro-Poor Tourism Regulatory Issue # 7 .....	38
Box 9: Pro-Poor Tourism Regulatory Issue # 8 .....	38
Box 10: Pro-Poor Tourism Regulatory Issue # 9 .....	40
Box 11: Pro-Poor Tourism Regulatory Issue # 10 .....	41
Box 12: Pro-Poor Tourism Regulatory Issue # 11 .....	41
Box 13: Pro-Poor Tourism Regulatory Issue # 12 .....	41
Box 14: Pro-Poor Tourism Regulatory Issue # 13 .....	43
Box 15: Pro-Poor Tourism Regulatory Issue # 14 .....	43
Box 16: Pro-Poor Tourism Regulatory Issue # 15 .....	44
Box 17: Pro-Poor Tourism Regulatory Issue # 16 .....	45
Box 18: Pro-Poor Tourism Regulatory Issue # 16b .....	45
Box 19: Pro-Poor Tourism Regulatory Issue # 17 .....	47
Box 20: Pro-Poor Tourism Regulatory Issue # 18 .....	50
Box 21: Pro-Poor Tourism Regulatory Issue # 19 .....	51
Box 22: Pro-Poor Tourism Regulatory Issue # 20 .....	52
Box 23: Pro-Poor Tourism Regulatory Issue # 21 .....	53

### Abbreviations

GATS	General Agreement on Trade in Services
GCAA	Gambia Civil Aviation Authority
GDP	Gross Domestic Product
GTA	Gambia Tourism Authority
LDC	Least Developed Country
LPB	Luang Prabang, Lao PDR
PPG	Pro-Poor Growth
PPT	Pro-Poor Tourism
TDA	Tourism Development Area

## 1 Introduction

### 1.1 Purpose of the Study

The Gambia is seeking support from the Commonwealth Secretariat in the development of an appropriate regulatory framework for the promotion and facilitation of pro-poor tourism.

The objective of this study is to examine the relationship between tourism and the poor in The Gambia and demonstrate concrete and practical measures that can be taken to improve the pro-poor impact of tourism. The analysis will place The Gambia within its international context in terms of various performance measures and international 'best practice'. See Annex A for further details of the Terms of Reference.

### 1.2 Research Methods

This research study uses a heterogeneous research approach.

First, full use has been made of the rich vein of existing research on tourism in The Gambia. Existing research has not been recycled uncritically but, where robust analysis exists, it has been fully utilised. Work conducted as part of the DFID-financed responsible tourism project 2001 to 2003, the Draft Tourism Development Master Plan of 2005 and an impressive undergraduate research study from Fontys University in the Netherlands<sup>1</sup> have been particularly useful sources of information.

Second, the report authors visited The Gambia to collect data in June 2006. During this mission, some 40 key tourism stakeholders - from officials or politicians to hoteliers, in-bound and international tour operators to small entrepreneurs - were interviewed to develop an understanding of local viewpoints on tourism and the flow of benefits from the sector (see list of participants in Annex B).

### 1.3 Definitions & Conceptual Approaches

Pro-poor growth is economic growth that benefits poor people. The increasing prominence of pro-poor growth in development debates has been motivated by the concern that growth in developing countries often fails to 'trickle down' to the poor (see Annex C for a more detailed discussion of conceptual issues). Our definition of pro-poor tourism follows that of pro-poor growth. Namely, that tourism is pro-poor if it benefits poor people.

A local economic development approach will reflect our concern to combine growth with redistribution. **Leakages** are payments made outside the tourist destination economy - or, the proportion of total holiday price that does not reach or remain in the destination. Some leakages happen internally when a tourist or hotelier pays for imported goods or services. Other tourism leakages are external payments that never make it to the destination country - such as travel agent commissions, tour operator profits and foreign airlines<sup>2</sup>.

Local economic **linkages** generally reduce leakages and increase multipliers. Linkages are shorthand for the way in which tourist businesses can build links with others in the local economy. As will be demonstrated in this study, these linkages can be within the tourism sector (e.g. tourists purchasing craft) or intra-sectoral (e.g. hoteliers buying food and beverages from the agricultural sector and indigenous drinks manufacturers respectively).

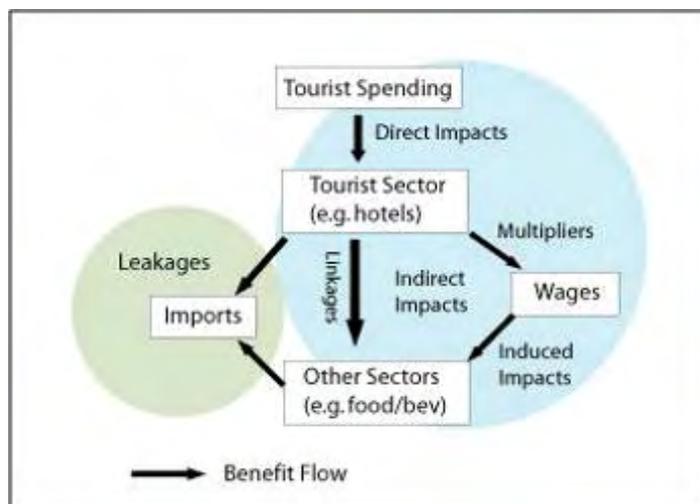
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<sup>1</sup> Pubben, T & Verstappen, R (2005) *Quid Pro Quo - The net economic added value of tourism for the Gambian economy*

<sup>2</sup> Mitchell, J and Page, S (2006) *Linkages and leakages: Local supply and imports* id21 insights #62 June page 5

An important local linkage in the tourism industry is the employment of staff from the local labour market.

Figure 1: Tourist expenditure & the distribution of benefits<sup>3</sup>



Local linkages cause money to circulate around the local economy (through the induced spending of wages earned in the tourism industry or from the receipts of other goods and services sold to tourist enterprises) in a way that creates **multiplier** effects. Multipliers - normally described as either income or job multipliers - express the total impact of an economy as a whole, of creating a new job or economic activity by tracing through all the induced and indirect effects.

Value chain analysis is a tool that enables the identification of stakeholders along a chain of transactions, from production to consumption. The analysis helps structure ideas around what are the key processes and agents working within and outside the chain and where the benefits of the chain flow. The application of value chain analysis to the tourism sector is fairly new. The World Bank is piloting value chain analyses in Ethiopia and Mozambique to measure what proportion of tourist expenditure accrues at different parts of the tourism value chain and to examine competitiveness issues<sup>4</sup>. ODI has also undertaken some innovative analyses<sup>5</sup>. In this analysis, we use value chain analysis (VCA) to help describe tourism as it currently operates in The Gambia and how this can be improved for the benefit of the industry as a whole, the Country and poor people within it.

#### 1.4 Brief Socio-Economic overview

Gambia is a small, poor and heavily indebted West African country. The population of some 1.4 million people participate in an economy of US\$400 million, equating to a gross national income of US\$270 per person - ranked 189<sup>th</sup> in the world in 2003<sup>6</sup>. The median age of a Gambian is 19.8 years<sup>7</sup>. Total external debt was US\$629 million in 2006, representing about 160% of national income.

<sup>3</sup> Adapted from Meyer 2006 *Caribbean tourism, local sourcing and enterprise development: review of the literature* Pro-Poor Tourism Partnership Working Paper No.18

<sup>4</sup> Global Development Solutions (2006) Value chain analysis for the tourism sector in Ethiopia

<sup>5</sup> Ashley, C (2006) Tourism value chains in Luang Prabang; Te Velde, D W & Schreckenber, K (2005) NTFP VCA

<sup>6</sup> World Bank (2005) *World Development Indicators* Washington

<sup>7</sup> The Economist (2006) Pocket World in Figures 2006 Edition, United Kingdom

The traditional productive mainstays of the economy are groundnuts and tourism, but the foreign exchange earnings of these two sectors are too small to pay for the country's imports, leaving it heavily dependent upon bilateral and multilateral aid. Official aid amounted to US\$60 million in 2003 - or about 15% of the economy. About three-quarter of the labour force subsists in agriculture, and this sector represents about 30% of GDP. The fisheries sector is also significant in the economy at about 8% of national income. Manufacturing is undeveloped, at only about one-tenth of the economy with the import-export trade making a large contribution to the economy and, particularly, export earnings.

Government's primary policy objective for 2006 is to substantially reduce poverty and this can only be done by channelling budgetary resource to those sectors that have a direct bearing on the poor<sup>8</sup>. The Budget allocates 59.2% of total funds, excluding debt service but including donor funds, to poverty reduction programmes. Macro-economic stability will be based upon fiscal discipline through commitment controls. The Budget has been largely influenced by the Staff Monitored Programme that has been recently concluded between Government and the IMF<sup>9</sup>. Real GDP growth for 2006 of 4.5% was forecast in the Budget with 4% inflation and an overall budget deficit of 4.6% of GDP. Real growth in 2005 of about 5% was achieved, due to increases in value added in agriculture, distributive trade, hotel and restaurants and communications. Agricultural growth of 8.3% and fisheries of 10% were particularly notable successes in 2005. Government expenditure will rise slightly to D,3805m, which represents a reduction in the percentage share of GDP to 26.5%.

A recent International Finance Corporation report into business regulation has identified The Gambia as following one of the more successful reform strategies to cut red-tape barriers to enterprise<sup>10</sup>. The Gambia has undertaken commitments on the General Agreements on Trade in Services (GATS) in twelve service sub-sectors - including tourism - making it one the least-developed countries that has undertaken the such significant commitments in the context of the Uruguay Round and subsequent negotiations. Under its GATS commitments, The Gambia has committed to maintaining no limitations on market access and national treatment in respect of supply, by modes 1 to 3, of hotel and lodging services, beverage serving services in relation to consumption on premises, travel agents, tour operators and travel guide services. No binding commitments have been made on measures affecting market access or national treatment for the presence of natural persons, with the exception of the entry and stay of natural persons employed in management and expert jobs for the implementation of foreign investment

According to the national poverty line in 1998, 57.6% of the Gambian population were poor - with an urban poverty rate of 48% and 61% in rural areas. Applying the more restrictive food poverty line - the ability to access a daily basket of food equivalent to 2 700 calories per adult - about 35% of the rural population, 15% of the urban population and 4% of the Banjul population were impoverished in the late 1990s<sup>11</sup>. Applying international poverty criteria, which are higher than the national poverty line, 59.3% of the population in 1998 were living in extreme poverty at below US\$1 per day and 82.9% were poor and living on less than US\$2 per day<sup>12</sup>. Whatever measure of poverty is adopted it is clear that the numbers of poor people in The Gambia is very high and has been rising fast.

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<sup>8</sup> Government of The Gambia (2006) Budget Speech

<sup>9</sup> *Africa Research Bulletin* (2006) Policy and Practice

<sup>10</sup> Financial Times (2006) *World Bank praises pro-business reforms in many African countries*, 6<sup>th</sup> September 2006

<sup>11</sup> Department of State for Finance and Economic Affairs (2002) *Strategy for Poverty Alleviation (SPAI) PRSP*

<sup>12</sup> World Bank (2005) *World Development Indicators*

## 2 Tourism and Poverty

The potential for tourism to accelerate economic growth and reduce poverty in many poor countries is gaining recognition. However, the negative impacts associated with tourism, such as reduced access to resources and negative social and cultural impacts<sup>13</sup>, sometimes threaten to overshadow the benefits that a vibrant tourism industry can generate.

### Box 1: Advantages of Tourism in Delivering Pro-Poor Growth

- It is generally labour-intensive - although less than agriculture - and therefore can impact on a large number of lives through the labour market;
- Tourism has considerable potential linkage especially with agriculture and fisheries, which can minimize the leakage effect. Due to the high income elasticity of demand for international tourism, it can offer a relatively rapidly growing market.
- Tourism provides opportunities for off-farm diversification, particularly in areas that do not attract other types of development options;
- Tourism can provide poor countries with a significant export opportunities where few other options are viable;
- It may create initial demand for a good or service that can itself develop into a growth sector;
- Tourism products can generate demand for assets such as natural resources and culture, to which the poor often have access;
- Tourism delivers consumers to the product rather than the other way around; and
- Infrastructure associated with tourism development can provide essential services for rural communities.

Source: Pro-Poor Tourism Working Paper No. 16. March 2004. pp 12-13.

### 2.1 The Economic Significance of Tourism

Like most economic activities, international tourism is concentrated in the rich countries. However, in 2004 about one-third of international tourists arrived in a developing country. In the developing world, middle income countries capture the lions share of the international tourist market - although about 8% of international arrivals are in the poorest or Least Developed Countries (LDCs).

Whilst small in terms of global share of the international tourism market, tourism has a disproportionate economic impact on very poor countries as Table 1 illustrates. Ironically, international tourism is often the primary export sector in many of the poorest countries in the world, with tourism generating significant export earnings for up to 80% of the 50 LDC<sup>14</sup>. The Gambia demonstrates a heavy reliance on tourism, even with comparatively low arrival numbers to other LDCs examined.

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<sup>13</sup> Pro-Poor Tourism Info-Sheet 3: Tourism and Poverty Reduction - Making the Links re PPT Partnership

<sup>14</sup> Roe, D., Ashley, C., Page, S. and Meyer, D. (2004) "Tourism and the Poor: Analysing and Interpreting Tourism Statistics from a Poverty Perspective" *Pro-Poor Tourism Partnership Working Paper No 16*. PPT Partnership

Table 1: Tourism Statistics for selected Least Developed Countries

Country	International Arrivals 2000 ('000s)	International Arrivals 2004 ('000s)	Tourism as % of GDP 2004 (%)	Tourism as % Exports 2003 <sup>3</sup> (%)
Benin	1,068	845	3.0	16.4
Cambodia	466	1,055	14.7	17.1
Cape Verde	115	157	17.2 <sup>1</sup>	n/a
Ethiopia	136	210	5.7	24.5
<b>Gambia</b>	<b>79</b>	<b>90</b>	<b>13.0</b>	<b>30.5<sup>o</sup></b>
Lao PDR	737	895	4.9	12.8 <sup>o</sup>
Lesotho	302	304	2.5	14.6 <sup>o</sup>
Malawi	228	471	2.5 <sup>1</sup>	9.4
Mali	86	113	3.0	10.1
Nepal	464	385	3.9	21.8
Senegal	400	373	4.1	13.8
Uganda	193	512	4.5	25.8
Tanzania	501	583	5.6	28.1
Vanuatu	106	99	25.7 <sup>1</sup>	n/a

Notes: <sup>1</sup> 2003 figures

<sup>2</sup>Gambia Tourism Development Master Plan

<sup>3</sup> World Bank (2005) World Development Indicators

<sup>o</sup> 1995 figure

Source: WTO (2006) Compendium of Tourism Statistics, 2006 Edition

## 2.2 Tourism and Development

The analysis above illustrates that tourism is a large sector in many poor countries - but is it developmentally benign? Whether the benefits of tourism remain in poor countries, or reach poor people within them, is hotly disputed. Much of the western tourism studies literature asserts that potential benefits of tourism 'leak' out of the local economy because large foreign tourist companies control the sector and are offered incentives by governments to the detriment of their tax base and the welfare of tourism workers<sup>15</sup>. A striking feature of these claims of the elitist distributional consequences of tourism is the lack of sound empirical analysis to support them. In Table 2 the findings of the few analyses that are based upon empirical data and subject this to established social science analytical methods are summarised.

This evidence cannot be described as definitive. However it provides a firm basis for, at the very least, questioning the very largely unsubstantiated claims that international tourism does not benefit either the host country or the poor within it. On the contrary, tourism expansion is associated with accelerated economic growth, job creation, and welfare, improved exports and public finances. The depiction of international tourism as a neo-colonial activity with huge 'leakage' of the benefits from the host receives little empirical support in these studies.

<sup>15</sup> Brohan, J (1998) *New directions in tourism for third world development* Annals of Tourism Research Vol.23, No.1, pp.48-70

Table 2: Five Empirical Studies on the Impact of Tourism on Developing Countries

Where	How	Findings
Mauritius, South Africa & Zimbabwe	Quantitative empirical desk-top analysis	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 <sup>16</sup> .
Egypt	Input-output model	Impact of international tourism on jobs and economic activity is much greater than suggested in national accounts - as this focuses only on the minority (i.e. 30-40%) of tourist expenditure that takes place in hotels and restaurants. Direct tourism jobs constitute 5.7% of national employment - and 12.6% if indirect and induced jobs are included. Tourism contributes over 10% to national GDP <sup>17</sup> .
Tanzania	General Equilibrium Model	Tourism has a substantial positive impact on GDP, total welfare, exports and tax revenue. Urban areas will benefit more from tourism expansion than rural areas unless government invests in improving infrastructure - under this scenario the distributional impact of tourism expansion disproportionately benefits the rural areas.
14 'tourism countries'	Cross-country regression	The economic performance of the 'tourism countries' (i.e. the national economies most heavily dependent on tourism in the world) exceeded the total sample of 143 countries without a tourism specialisation in all categories (OECD, Oil exporters, developing countries, etc from 1980 to 1995). Tourism specialisation appears to be an independent determinant of dynamic growth - which cannot be explained by conventional theory regarding countries saving / investment propensities, openness to trade, or starting from a poorer base <sup>18</sup> .
Indonesia	General equilibrium model	Examined the impact of globalisation (in the form of tariff reductions) as a stand-alone policy and in conjunction with tourism growth. Tourism growth amplifies the positive impacts of globalisation on production and welfare. Tourism receipts mitigate the adverse effects of globalisations - particularly the government deficit and trade balance <sup>19</sup>

Tourism is not a panacea for pro-poor development in the South, nor is tourism equally appropriate for all countries. However, on the basis of this analysis, there are reasonable grounds for hypothesising at the macroeconomic level that tourism generally has a benign developmental impact on host countries<sup>20</sup>.

### 2.3 A Framework for Analysing Pro-Poor Tourism

Annex D includes a detailed outline of our framework for analysing pro-poor tourism-together with examples of international 'best' and 'worst' practice. This short section simply introduces the skeleton of the framework to help guide the reader through the detailed empirical work from The Gambia. We have drawn many of the practical examples of what works and does not work from the Annex into the text to encourage a comparative perspective to the analysis of tourism in The Gambia.

<sup>16</sup> Page, S (1999) *Tourism and development: The evidence from Mauritius, South Africa and Zimbabwe* Internal ODI Working Paper, ODI, London, UK

<sup>17</sup> Tonamy, S and Swinscoe A (2000) *The Economic Impact of Tourism in Egypt* Working Paper No.40

<sup>18</sup> Brau, R; Lanza, A and Pigliaru, F (2003) *How Fast are the Tourism Countries Growing? The cross country evidence* Presented at the Tourism and Sustainable Economic Development Conference 19-20<sup>th</sup> September 2003, Sardinia, Italy

<sup>19</sup> Sugiyarto, G; Blake, A and Sinclair, MT (2002) *Economic Impact of Tourism and Globalisation in Indonesia* Christel DeHaan Tourism and Travel Research Institute, Nottingham University Business School, UK

<sup>20</sup> Mitchell, J & Ashley, C (2006) *Can tourism help reduce poverty in Africa?* ODI Briefing Paper

Our hypothesis is that there are two broad ways that the impact of tourism on the poor can be increased.

- Strengthening linkages between tourism and poor people in the local economy; and
- Expanding the tourism sector to increase the demand for goods and services provided by everyone - including the poor.

### *2.2.1 Strengthening Linkages with the Local Economy*

Strengthening linkages between tourism and the local economy is the one of the most effective ways to promote pro-poor tourism because it directly engages with building linkages between the tourism sector and poor people. Unlike other approaches - where the relationship between tourism and poor people is assumed to be present, so the best way to help the poor is simply to have bigger or more valuable tourism - a linkages approach aims to actually enhance the relationship between tourism and poor people itself.

The linkage between tourism and poor people can be strengthened by:

- expanding the share of the tourism market that benefits the poor (e.g. assisting informal sector guides as an alternative to conventional excursions);
- upgrading the production of the poor for more added value (e.g. supporting the production of better craft for sale to tourists) or
- facilitating poor producers to enter the tourism value chain (e.g. helping poor farmers to supply hotels with agricultural products).

As outlined in the introduction, a linkages approach borrows many of the conceptual tools of local economic development and seeks out the different ways that benefits can flow from tourism to the local economy and poor people within it. The nature of these benefit flows vary in different places with different types of tourism. Normally this involves looking at people who may benefit directly from tourists expenditure, such as the staff hired to work in hotels and restaurants and those working as taxi drivers, guides, craft market stall holders or communities that have entered into partnership arrangements with tourist investors. In addition, the indirect effects - for instance involving the farmers who access tourist hotel and restaurant agricultural supply chains - can be just as important for the local economy as direct linkages.

### *2.2.2 Expand the tourist sector*

As outlined above, there are reasonable conceptual and empirical grounds for a working hypothesis regarding tourism as an inherently pro-poor economic activity. If this is valid then simply increasing the size of the tourism sector - by increasing tourist arrivals, their length of stay or expenditure per day - will benefit increased numbers of poor people. This is an important aspect of pro-poor tourism both conceptually and practically.

Regarding the tourism market as a zero sum gain almost inevitably places pro-poor tourism in the role of Robin Hood, seeking to divert resources from rich beneficiaries of tourism to the poor. The practical implications of this have been an artificial separation between pro-poor tourism and mainstream tourism - to the detriment of both. However, recognising that growing the tourism sector 'cake' as a whole will also increase the size of the 'slice' enjoyed by the poor encourages an engagement based on mutual benefit between pro-poor tourism and mainstream tourism interest. This is the basis for multi-stakeholder tourism destination forums.

It is for this reason that our study of pro-poor tourism in The Gambia will examine obstacles to the development of the tourism sector as a whole and propose a range of practical measures to expand tourism.

### 3 Overview of Tourism in The Gambia

Tourism is important to the macro-economy of The Gambia. The tourism sector contributes 13% to national income, well over 30% of total export earnings and about 20% of all private sector formal jobs. As illustrated in Table 1, in the previous section, Gambia's dependence on tourism is high even for an LDC.

#### 3.1 Supply

The tourism industry is geographically concentrated along a 10km strip in the Greater Banjul Area (see Figure 2). Even for the smallest country in Africa, this degree of spatial concentration in one corner of the richest part of the country is striking and has implications for the pro-poor impact of tourism.

Figure 2: The Gambia: Location & main tourist hotels



The Gambia is a small, well-established destination with a total of 7,000 beds and 3,000 rooms<sup>21</sup>. As well as being geographically concentrated, tourist activity is focused on a small number of large hotels. Almost 90% of the tourist accommodation available in the country is located in the 20 large hotels listed overleaf. Indeed, well over half the national bed stock can be found in the seven largest establishments.

Most of the remaining beds can be found in 10 hotels ranging in size from 20 to 90 beds, with a plethora of smaller guest houses, camps, inns, lodges, motels, apartments and rest houses.

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<sup>21</sup> Emerging Markets Group Deloitte (2005) *The Gambia Tourism Development Master Plan The Challenges for 2005 to 2010 and the 2020 Vision Draft Final Report*

Table 3: Main tourist hotels

Name	Number Beds	Number Rooms	Quality <sup>1</sup>	Year built	No. of Operator brochures	Location	Ownership
African Village	142	73	2 'star'	1971	2	Bakau	Irish
Badala Park Hotel	404	200	2 'star' <sup>2</sup>		1	Kotu	Gambian-Lebanese
Bakotu Hotel	180	88	3 'star'	1978	1	Kotu	Swedish
Bungalow Beach Hotel	224	114	3½ 'star'	1973	1	Kotu	Gambian
Cape Point Hotel	121	62	2 'star'		1	Bakau	Gambian
Corinthia Atlantic Hotel	408	204	4 'star'	1980	11	Banjul	Libyan
Fajara Hotel	560	240	2½ 'star' <sup>2</sup>	1972	2	Fajara	Gambian
Holiday Beach Club	148	80	2½ 'star' <sup>2</sup>	1993	2	Kololi	Libyan
Kairaba Hotel	302	156	5 'star'	1990	5	Kololi	Kuwaiti
Kombo Beach Hotel	516	258	3½ 'star'	1983	10	Kotu	British
Mansea Beach Hotel	120	60	2 'star' <sup>2</sup>	1996	1	Kololi	Libyan
Ocean Bay Hotel	390	195	4 'star'	2004	1	Bakau	Government
Palm Beach Hotel	240	120	2½ 'star'		2	Kotu	Gambian
Palm Grove Hotel	204	136	3 'star'	1970s	5	Banjul	European
Palma Rima Hotel	304	152	2½ 'star'		3	Kololi	Gambian
Paradise Beach Hotel	174	73	3 'star'	2003	1	Kololi	Libyan
Sarge's Hotel	196	98	2½ 'star'	1995	5	Kololi	Gambian
Senegambia Beach Hotel	650	325	3½ 'star'	1982	11	Kololi	Italian / Gambian-Lebanese
Sun beach Hotel Resort	584	192	4 'star'	1971	8	Bakau	Mauritian
Sunset Beach Hotel	226	97	3 'star'		3	Kotu	Gambian-Lebanese
<b>Total</b>	<b>6 093</b>	<b>2 923</b>					

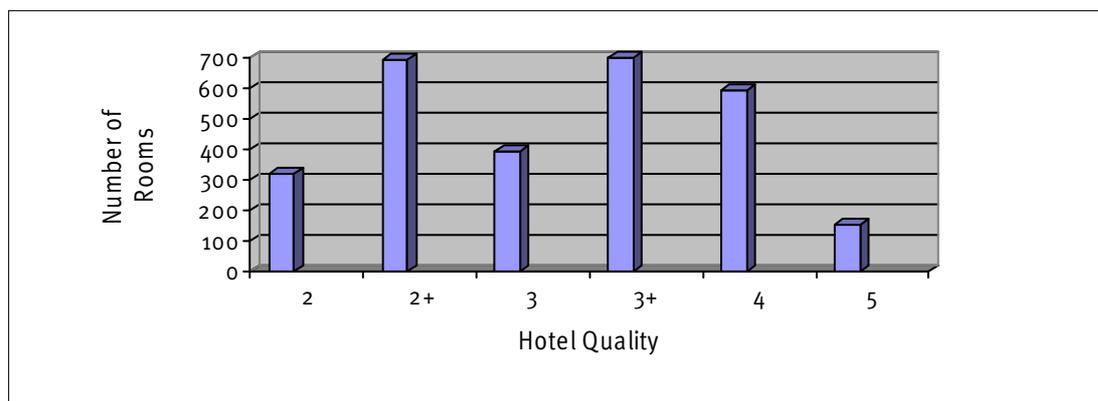
Sources: *Visit The Gambia for the experience of a lifetime* Gambia Tourism Authority and *The Gambia Tourism Development Master Plan* (2005) Statistical printouts from the Gambia Tourism Authority

Notes: <sup>1</sup> In the absence of official classification, the Gambia Experience categorisation has been used

<sup>2</sup> Classification used in The Gambia Tourism Development Master Plan

The hotel stock is of variable, and quite modest, quality. At present there is no national classification system, so the tour operators run their own quality assessment. There is, therefore, no guarantee that the quality standards for Gambian hotels would match those in other destinations. As figure 3 illustrates, over half of the national bed stock is of 3 'star' or lower quality. Part of the reason for this is the relatively old age of much of the hotel stock. Several of the larger hotels were some of the first tourist hotels built in The Gambia in the 1960-70s.

Figure 3: Quality of bed stock in major hotels



Sources: Visit The Gambia for the experience of a lifetime Gambia Tourism Authority (2001?) and The Gambia Tourism Development Master Plan (2005)

An important positive development is not captured in this snapshot. There are a number of small deluxe establishments that are of a much higher standard – such as Ngala Lodge, Coconut Residence and Mandina Lodges. Whilst small, these hotels are demonstrating that there is a market for high quality accommodation in The Gambia, if it is available.



Coconut Residence, one of the small deluxe establishments © Jonathan Mitchell

### 3.1.1 Supply Pipeline

The Gambia has an abundant supply of relatively low quality accommodation. This has the impact of dampening occupancy rates and placing hotel owners in a weak position vis-à-vis international tour operators when negotiating room rates. As will be demonstrated later, both these factors constrain the share of the package tourism value chain enjoyed locally.

In this context, the rationale for the development control record of the public authorities in recent years is not entirely clear. Table 4, below, summarises the current hotel accommodation pipeline.

Table 4: Hotel supply chain, as at April 2006

Name	Location	Date of Allocation	Capacity	State of development
Sheraton Hotel	Bijilo Heights	July 2003	500 bed	Under construction
Golden Beach Hotel	Bijilo	Jan2003	128 bed	Recently completed
Bin Suites & Shopping Mall	Kotu Strand	April 2003	60 bed	Under construction
Cape Beach Resort	Kotu Point	April 2003	50 bed	Under construction
Dunes Resort	Kotu Point	June 2003	40 rooms (est. 80 beds)	FE?
Jerma Guest House	Kotu Point	Oct2003	96 bed	Under development
Paradise Suites	Kotu Point	Octr 2003	96 beds	Recently developed
Liptis Company	Kotu Beach	Oct 2003	102 beds	Under development
Seaview Resort	Kotu Beach	March 2003	60 beds	Under development
Niya Investment	Kotu Beach			
<b>Total</b>			<b>1 175 beds</b>	

Source: Gambia Tourism Association printout

This pipeline represents an additional 17% to the national bed stock, with the majority of beds of modest standard within a very tightly-defined part of the already-developed TDA. These approvals are now coming onto the market. It is understood that this flurry of activity in 2003 was followed by an embargo on site allocation for new tourist development. The pipeline, however, reflects the lack of a serious move towards the high-end quality of stock. Even with an increase in the number of 4-5 star quality hotels, there is an even greater increase in modest quality accommodation, which retains the same range of bed rather than a better spread to cater for a broader market.



One of the Libyan hotels in the pipeline on Kotu Beach © Jonathan Mitchell

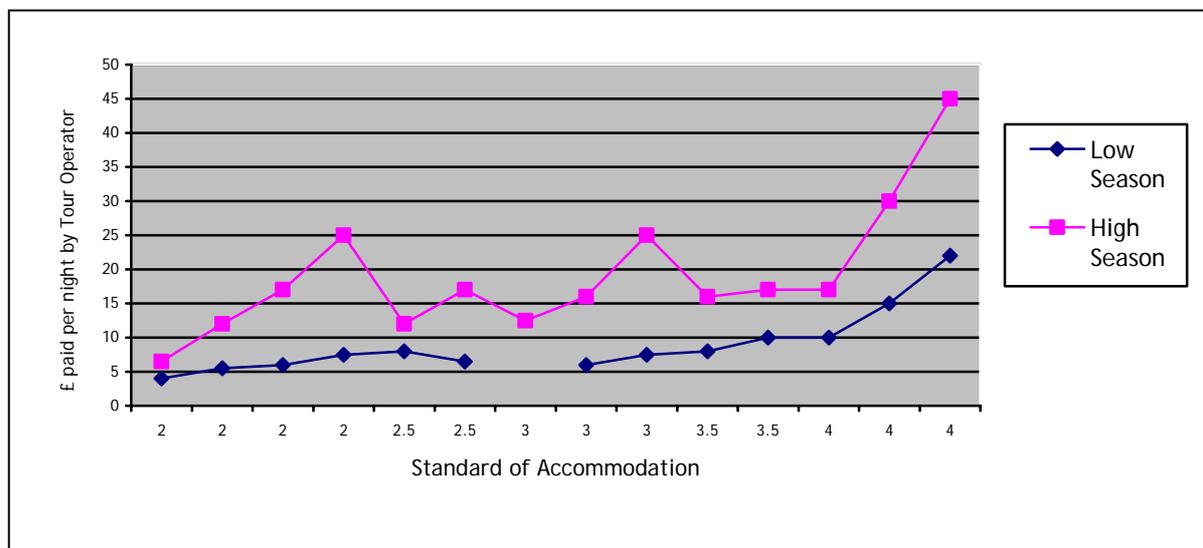
There is some evidence that the implementation of this embargo could be positively influencing the balance between the supply and demand for hotel accommodation. It has been during the embargo that proposals for some significant and diverse tourism products were made and approved including: final approval of the Sheraton Hotel (US\$30m); approval of South African Zimbali development (US\$22m); approach from Malaysians for a golf course resort (US\$22m) and two eco-tourism lodges sponsored by existing product owners. Also the embargo has coincided with a significant upgrading of the tourism bed stock in some of the major existing hotels. The Ocean Bay Hotel has recently been completely upgraded to 4 star standard and half the Senegambia rooms are being similarly upgraded (with the remaining 150 rooms to follow). As a result of the size of these hotels, this upgrading trend is impacting on 18% of the national bed stock. These are very positive developments.

Clearly the Sheraton Hotel, as an internationally-recognised brand adds an important product to Gambian tourism. Not only will it more than double the number of 5 star beds available in The Gambia, but it also signals serious business tourism potential in the destination. This is important because it will bring additional tourists to the destination at a time that fills the low season 'summer hole' in tourist activity.

### 3.1.2 Viability of the Accommodation Sector

There is widespread concern in The Gambia that the accommodation sector is marginal, a concern mirrored the in the *Tourism Development Master Plan*. As a result of low occupancy levels and low room rates negotiated with international tour operators, it is claimed that insufficient returns are being made to maintain the bed stock - let alone improve the quality of accommodation.

Figure 4: Typical bed and breakfast room rates paid by tour operators to hoteliers



Source: ODI Hotel interviews

Note: The discontinuity in the low season series reflects the low season closure of one of the hotels

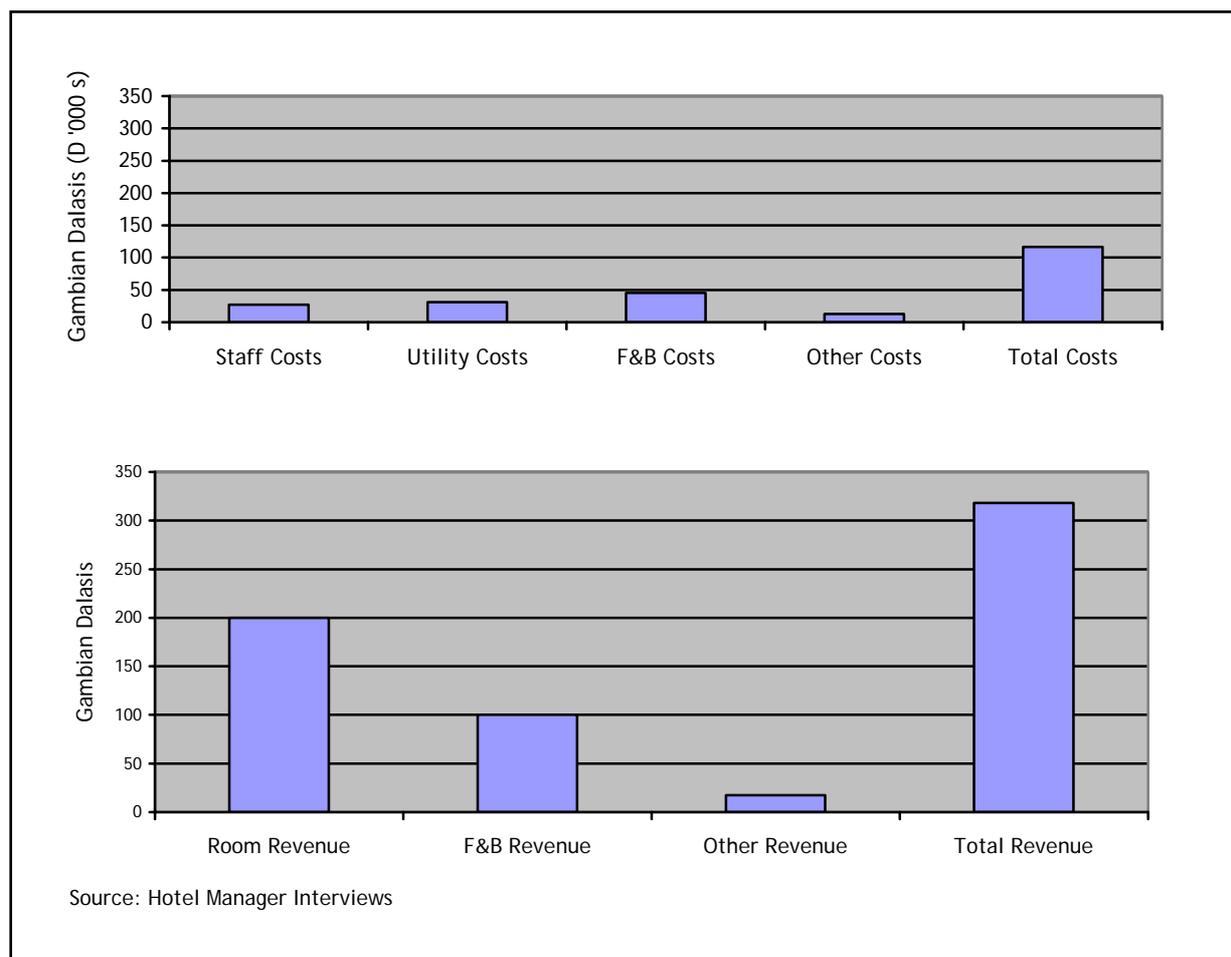
An average of these figures, weighted by hotel size, suggests an average low season room rate of about £9 and high season room rate on a bed and breakfast basis of £19. The room rate information provided by fifteen hotel managers, collectively responsible for two-thirds of Gambia's bed-stock, was verified by the dominant international tour operator, the Gambia Experience. This operator is able to secure rooms at average rates of £9 and £17 in

the low and high season respectively. Given the market share of the Gambia Experience, it is unsurprising that they might be able to negotiate more competitive room rates than the average. Whilst the rates at which tour operators are contracting hotel rooms may seem low, the figures do need to be set in context.

First, research in Tunisia has revealed very similar contract rates of £9 and £19 for three star half-board hotel accommodations (£13 and £31 for five star) compared with those in The Gambia<sup>22</sup>. Given that the Tunisian international tourism market is fifty times larger than Gambia's and the average Tunisian is eight times richer than the average Gambian, this lends little support to the keenly-felt notion in The Gambia that the destination is being uniquely harshly treated by international tour operators within an African context<sup>23</sup>.

Second, the results of the hotel manager interviews suggest that hotels in The Gambia are operating at healthy gross margins. Detailed financial data was provided for about half of the national bed-stock. The average total cost of running a hotel room for a year was D116,276 (or £2,070) - striking on the cost side are the low labour costs, high utility costs and absence of indebtedness amongst hoteliers. The average revenue generated by a room each year was D318,378 (or £5 670) - a figure comprising almost two-thirds of room revenue, one-third food and beverage revenue and a small contribution from 'other' sources such as the laundry.

Figure 5: Costs and Revenues per Hotel Room per Year



<sup>22</sup> Ashley, C (2006) *Tunisian Tourism Foreign Direct Investment Report* Submitted to UNCTAD

<sup>23</sup> Ministry of Tourism & Culture (1995) *National Policy for Tourism Development 1995-2000*

This implies gross margins of about 60% for the hotel sector and provides a clear explanation for the extent of upgrading of existing hotel accommodation and the demand for new build accommodation. The fact that most hotels surveyed were debt-free may reflect their healthy viability - but it is also a reflection of the highly adverse local capital market with annual interest rates exceeding 30%. The lack of access to capital - clearly illustrated by wealthy individuals having to purchase hotels with cash - is obviously a constraint to development for the bulk of the population with few financial assets. This is in marked contrast with the evidence from Tunisia, where hoteliers are often highly geared to the point that viability is threatened by debt service costs.

### 3.2 Demand

On 24<sup>th</sup> December 1965, an aircraft carrying 112 landed in The Gambia from Stockholm, Sweden. It was the first tourist charter to The Gambia and marked the beginning of an industry that is an important force in the economy<sup>24</sup>. In the late 1960s and early 1970s arrivals by sea and land were a significant share of the total tourism. However, with the expansion of air travel from the early 1970s, an increasing proportion of total tourists arrived in The Gambia at the international airport.

The Gambia is overwhelmingly a holiday destination with 99% of tourists stating 'holiday' as their purpose of visit in the official statistics - with 'business', 'conference' and 'visiting friends and relations' together making up the small number of other arrivals<sup>25</sup>. A detailed survey of 2,000 tourists at Banjul Airport in 2004, as part of the Master Plan process, confirmed the dominance of recreation as the purpose of visit - but suggested about 5% of guests were travelling for business or visiting friends or relations (VFR).



Gambia is renown for its beaches and "winter sun" © Jonathan Mitchell

A survey of 2,000 tourists in hotels in 2004 indicated that 99% used air transport to reach their destination, with road and sea arrivals together only constituting 1% of total arrivals. Not only are visitors dependent upon air travel, but the dominance of organised packages is clear. In the Airport survey, some 84% of all tourists are on package tours - a figure that rises to 87% when visitors travelling for business and VFR are excluded<sup>26</sup>.

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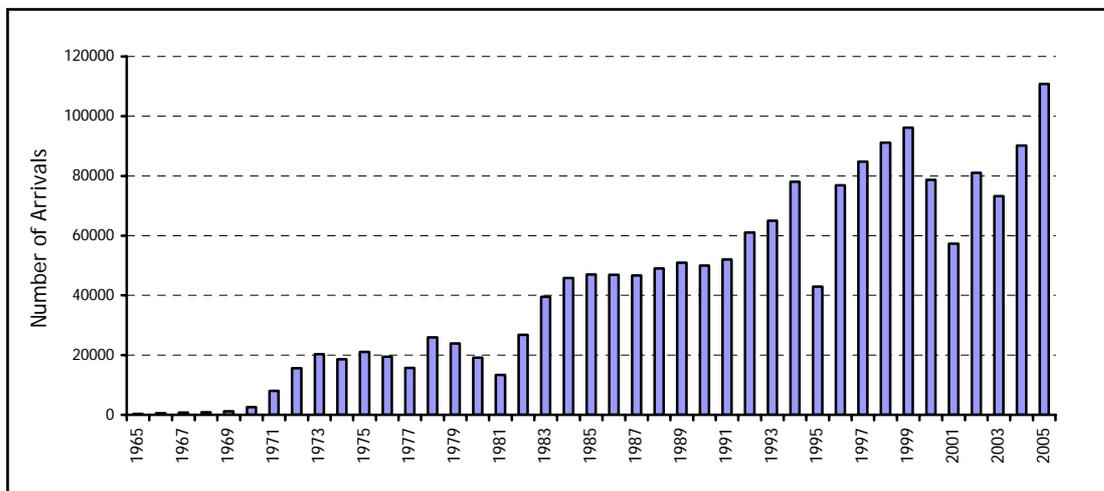
<sup>24</sup> Ministry of Tourism & Culture (1995) *National Policy for Tourism Development 1995 - 2000*

<sup>25</sup> Gambia Tourism Authority Statistics Monthly tourist arrivals by purpose of visit Jan - Dec 2004

<sup>26</sup> EMG (2005) *The Gambia Tourism Development Master Plan Technical Report No.3 Visitor Survey at Banjul Airport*

This dependency of tourism in The Gambia on package tours has resulted in the use of air charter arrival statistics as the most accurate proxy for tourist arrivals in the absence of reliable official statistics.

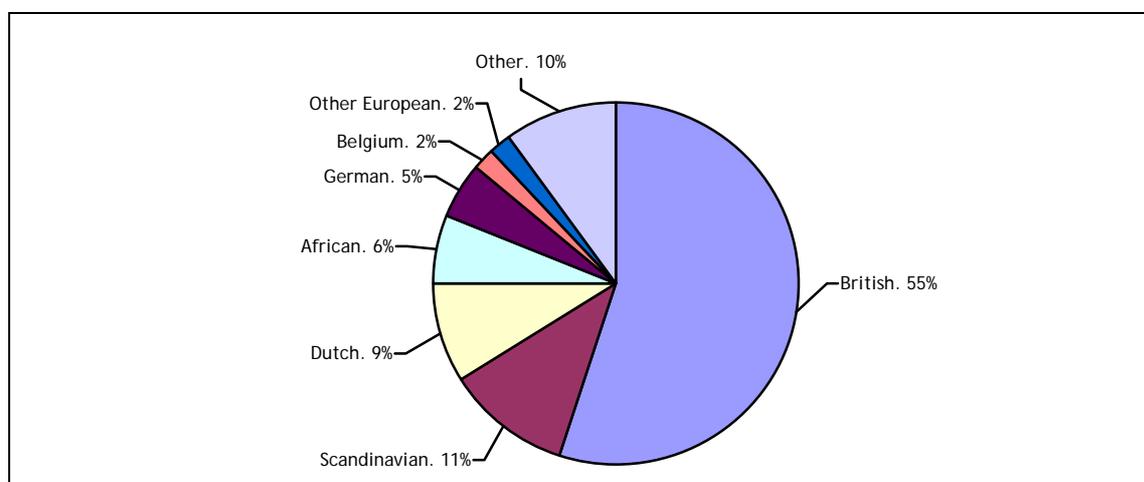
Figure 6: Tourism Growth



Sources: 1965 to 1984 World Bank (1986) *Tourism Impact Study*; 1985 to 1994 : The Gambia Tourism Development Master Plan; 1995 to 2005: Gambia Tourism Authority

The Gambia is a well-established tourism destination. Visitor numbers grew steadily, if unspectacularly, in the 1980s and 1990s. The only significant negative was the halving of tourist numbers in the mid-1990s resulting from the December 1994 coup and negative travel advisories - although the trend returned to a strong upward trajectory the following season. The statistics since 1999, when air charters almost reached 100,000, show an erratic picture. This, in part, reflects the fact that for the first three years of the new Millennium, long-haul international tourism has faced serious challenges with the threat of terrorism, SARS, avian flu scares and an increasing Islamophobia in the UK and Netherlands - the two largest source markets for The Gambia.

Figure 7: Air-charter tourists by nationality, 2003



Source: Gambia Tourism Authority  
 Note: Figures for 2003 are provisional

Table 5 provides clear evidence that The Gambia's dependence upon the British market is not unusual - but it is also not inevitable. Generally it can be seen that Europeans travel to countries with which they have a shared history and/or language. However, some countries have broken out of this colonial pattern. For instance, note the number of Germans and Italians travelling to competitor destinations for The Gambia in Cape Verde and Tunisia - where they have no particular cultural legacy.

Table 5: African Inbound Tourism from Larger EU Markets, 2003

Rank	Country:	France	UK	Germany	Italy	Spain	Belgium	Netherlands	Total
1	Tunisia	833,989	223,189	488,481	379,773	78,223	132,596	44,490	2,180,741
2	Morocco	916,147	134,059	129,391	100,001	231,156	80,062	66,486	1,657,302
3	S. Africa	127,760	456,468	257,018	49,818	25,597	42,735	120,933	1,080,329
4	Kenya	55,057	177,339	180,156	61,428	11,667	7,424	20,933	513,589
5	Mauritius	200,229	91,210	53,970	39,774	9,081	10,170	4,403	408,837
6	Senegal	181,470	3,063	7,985	9,279	12,682	0	0	214,477
7	Nigeria	50,149	31,310	48,915	53,166	16,886	5,537	4,349	210,312
8	Algeria	106,042	4,549	7,049	10,571	8,600	3,801	1,525	142,137
9	Tanzania	22,103	43,656	19,222	24,675	9,565	6,497	15,272	140,990
10	Zimbabwe	12,504	58,354	25,902	18,682	3,891	0	0	119,333
11	Namibia	9,364	19,291	58,036	8,809	4,448	4,197	11,778	115,923
12	Cape Verde	12,847	1,140	18,095	54,278	7,679	9,702	0	103,741
13	Seychelles	25,990	18,765	15,903	17,771	2,062	1,392	978	82,868
14	Zambia	4,050	64,970	5,627	3,025	0	0	0	77,672
15	Burkina Faso	47,663	2,475	4,683	3,215	0	4,984	2,734	65,754
16	Lesotho	0	39,470	25,991	0	0	0	0	65,461
17	Gambia	653	40,872	4,253	200	0	1,707	7,262	54,947
18	Mali	22,539	1,460	2,412	3,476	2,637	0	0	32,524
19	Botswana	2,730	14,445	6,584	2,168	2,097	0	4,181	32,205
20	Uganda	3,022	17,176	3,519	1,924	0	1,748	2,474	29,863
21	Ethiopia	5,482	8,976	5,719	6,348	0	1,70	3,044	29,571
Total		2,639,790	1,452,239	1,368,911	850,192	426,269	313,922	310,427	

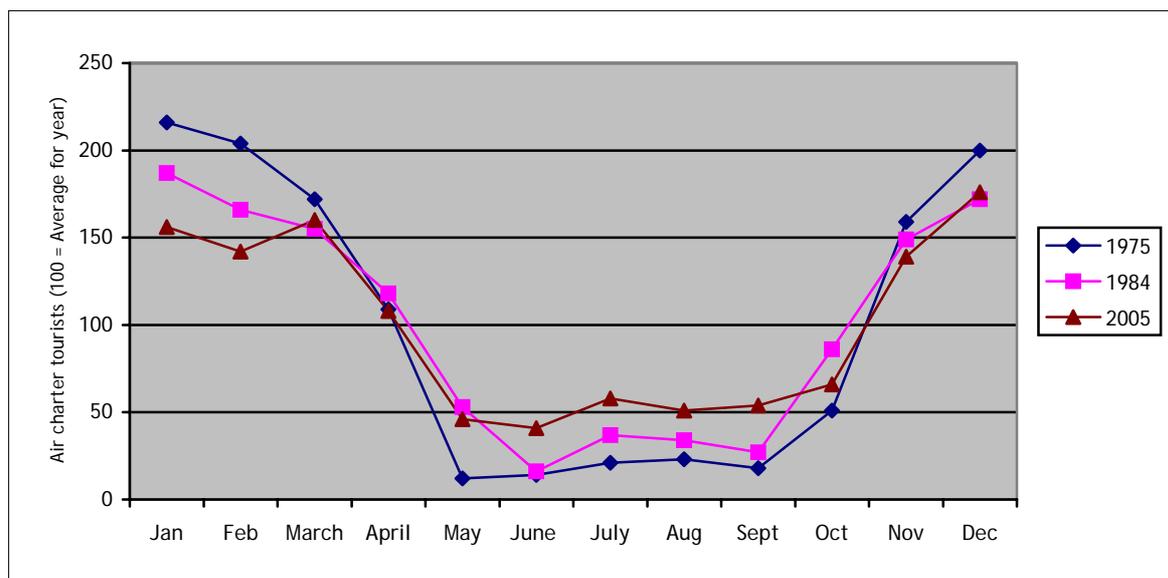
Source: Global Development Solutions (2006) *Value Chain Analysis for the Tourism Sector in Ethiopia* based on WTO statistics

Internal factors have also contributed, such as the inability to implement the conducive enabling environment recognised in tourism policy. However, there are grounds for optimism. International arrivals in The Gambia appear to be on a steep upward trajectory since 2001, with air charter arrivals increasing from 57 231 in 2001 to 110 815 in 2005 (according to Gambia Tourism Authority). These arrival statistics are important because, when compared with the 7,000 beds available (implying 2.55 million bed nights per year) they provide a broad-brush estimate of occupancy levels. 110,815 arrivals with an average length of stay of 11 nights implies a demand of 1.22 million bed nights of accommodation - suggesting an aggregate bed occupancy figure for the year of just under 50%. However, aggregate occupancy figures can be misleading in a seasonal destination where some hotels still close down for the low season.

Seasonality is an important feature of Gambian tourism and central to explaining the low aggregate occupancy figure. 'Winter sun' destinations focus activity into a peak season from November to April and often suffer a 'summer hole' in tourist demand. Hotel managers reported average occupancy levels of 71% in the high season and 25% in the low season - implying scope to improve occupancy levels even during the six months of the high season each year.

This seasonal pattern does impact on the viability of fixed assets (like hotels) in the destination trying to make a return during the low season. Seasonality also puts product owners and managers in a weak bargaining position vis-à-vis international tour operators when supply greatly exceeds demand - as can be demonstrated empirically by comparing room rates in the low and high season.

Figure 8: Seasonality of tourism demand (average monthly arrivals in each year = 100)



Sources: World Bank (1986) The Gambia Tourism Impact Study  
 Gambia Tourism Authority

However, although seasonality is significant, a longer term perspective suggests that the depth of the summer 'hole' is diminishing somewhat. In the past the peaks were higher and the troughs were lower, proportionately, than they are now. For instance, in the mid-1970s the average index score for the high season (November to April) was 177 and low season (May to October) was 20, giving a seasonality factor of 885. By 2005 the average high season index was down to 147 and the low season index up to 53, giving a seasonality factor three times smaller - a figure of 277 - although the peak half of the year still accounts for over 70% of tourist arrivals.

The causes of this gradual filling in of the summer 'hole' of the Gambian tourist year is presumably due to the increasing trend for charter flights to keep flying to The Gambia during the summer low season. The Gambia Experience provides a year-round service with Dutch and Spanish operators recently starting to provide an all year service.

## 4 Mapping the Tourism Value Chain and Benefits to the Poor

### 4.1 International Tour Operators

Three-quarters of tourism to The Gambia is accounted for by British, Scandinavian and Dutch tourists. This reflects the dominance of charter companies from these areas in the Gambian tourist markets.

The impact on tourist arrivals of the actions of international tour operators is illustrated by the collapse of a German tour operator, Frosch Touristik International (FTI) during 2000 and 2001. This single company failure resulted in the abrupt 'loss' of over 20,000 premium value air charter tourists to The Gambia in 24 months.

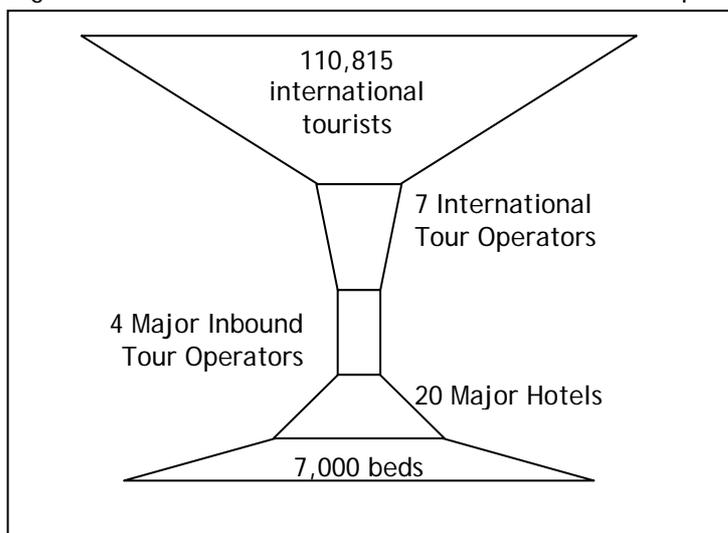
Table 6: Arrival by Air

Charter flights:	Arrivals 2005	
	<i>Number</i>	<i>% Charter market</i>
<i>British</i>		
Monarch	24,846	24.1%
Astraeus	9,594	9.3%
First Choice	9,376	9.1%
Thomas Cook	11,678	11.3%
Atlantic Express	566	0.5%
<b>Sub-total</b>	<b>56,060</b>	<b>54.6%</b>
<i>Scandinavian</i>		
My Travel	10,724	10.4%
Finish Air	432	0.4%
<b>Sub-total</b>	<b>11,156</b>	<b>10.8%</b>
<i>Dutch</i>		
Holland Excel	11,783	11.4%
Transavia	9,357	9.1%
<b>Sub-total</b>	<b>21,140</b>	<b>20.5%</b>
<i>German</i>		
Condor	3,431	3.3%
<i>Other</i>		
Spanair (Spanish)	7,322	6.9%
Viseg Air (Croatia)	681	0.7%
Hajj flight (Pilgrimage)	1,489	1.4%
Special flight	1,401	1.4%
Fina Air (Caribbean)	267	0.3%
<b>Sub-total</b>	<b>11,160</b>	<b>10.8%</b>
Total package operations	102,947	100%
Scheduled flights:		
<i>Belgium</i>		
SN Brussels	9,333	
<i>African</i>		
SLOK Airline (Nigeria)	16,732	
Air Senegal	8,126	
GIA (Ghana / Gambia)	1,395	
Belview (Nigeria)	6,934	
<b>Sub-total</b>	<b>33,187</b>	
Total of air arrivals	145, 467	

Sources: Gambia Tourism Authority Printout

This table illustrates that over 90% of the Gambian package tourist market is dominated by seven international tour operators: three British operators - Serenity Holidays (trading as Gambia Experience, who charter Monarch and Astraesus aircrafts), First Choice and Thomas Cook; an operator active in Scandinavia and the UK, My Travel; a Dutch operator, Olympia; and a Spanish operator. As the interlocutor between over 100,000 tourists and 7,000 hotel beds, these international tour operators have significant economic power in the Gambian tourist market.

Figure 9: Economic Power of International Tour Operators



Although, tour operators say that demand is low, there is an increase in the number of flight with capacity over 2006, almost doubling arrivals in 2005. Therefore, it can be argued that, with present markets, such as the UK, there is adequate and increasing accessibility, with direct flights to North America and extra flights from Holland and Spain. There is also an increase in flights that operate all year round instead of just over the winter season. The next few years will determine if the problem is still one of demand, rather than supply, as the tour operators argue. Even with the increase, accessibility is very much still in the hands of existing tour operators, and as a result, insufficient in reducing this stronghold.



Gambia Experience captures around 25% of the package holiday market © Jonathan Mitchell

Table 7: Potential arrival based on flight capacity from tourist destinations

Airline	Origin	Flights per week 2006	per	Arrivals <sup>^</sup> 2005	Projected capacity available (seats) 2006	Projected number of seats filled*
Monarch	UK	2		24,846	37,232	35,370
Astraeus	UK	2		9,594	15,392	10,774
First Choice	UK	3		9,376	13,980	13,281
Thomas Cook	UK	3		11,678	14,100	13,395
Atlantic Express	UK	-		566	-	-
Excel Air	UK	2		-	9,320	8,854
My Travel	Scandinavia	3		10,724	15,825	15,033
Finnish Air	Scandinavia	-		432	-	-
Holland Excel	Holland	-		11,783	-	-
Transavia	Holland	1		9,357	9,672	9,188
Arke Fly	Holland	1		-	3,660	3,477
Condor	Germany	2		3,431	10,760	10,222
Span Air	Spain	1		7,322	9,360	6,552
Europa	Spain	1		-	3720	3,534
North American	USA	2		-	28,704	20,092
SN Brussels	Belgium	2		9,333	29,536	20,675
<b>Totals</b>				<b>108,442</b>	<b>201,261</b>	<b>170,774</b>

Source: Most of the data was taken from the GCAA Commerce Department's Statistics Unit print-out on flight schedules and capacity, except for: <sup>^</sup> From Gambia Immigration Annual Statistical Report

\* 95% chartered, 70% scheduled

## 4.2 Value Chain Analysis

This examines the share of tourism expenditure reaching the local economy. On the basis of information collected from hotel managers, inbound and international tour operators and other sources the following 'typical' package value chains were generated. These examine the flow of benefits from standard holiday packages for The Gambia purchased in the UK.

Table 8: Breakdown of Average Package Costs from UK

	Low Season	Breakdown of total %	High Season	Breakdown of total %
Cost of average package to tourist <sup>1</sup>	£530		£650	
International tour operator <sup>2</sup> :				
Admin, insurance & marketing	£30	5.6%	£30	4.6%
Destination support representatives	£10	1.9%	£10	1.5%
Sales commission / costs (@ 10%)	£53	10%	£65	10%
Implied gross surplus	£31	6%	£43	7%
Charter airline company plus fuel <sup>3</sup>	£285	54%	£265	42%
Landing & passenger handling charges	£17	3.2%	£17	2.6%
Ground handler (inbound tour operator)	£7	1.3%	£15	2.3%
Accommodation	£97	18%	£205	32%

Notes: <sup>1</sup> based upon tour operator market analysis, discounted brochure prices, user surveys and consultations with operator for an average stay of 10.8 days in average three star standard accommodation

<sup>2</sup> based upon discussions with tour operators and reviewing their financial statements

<sup>3</sup> based upon discussions with tour operators

Landing, handling charges and ground handler information provided by tour operator

Accommodation data based upon 10.8 nights at a daily rate of £9 low season and £19 high season

Figure 10: Low Season Package Value Chain (excluding tourist discretionary expenditure)

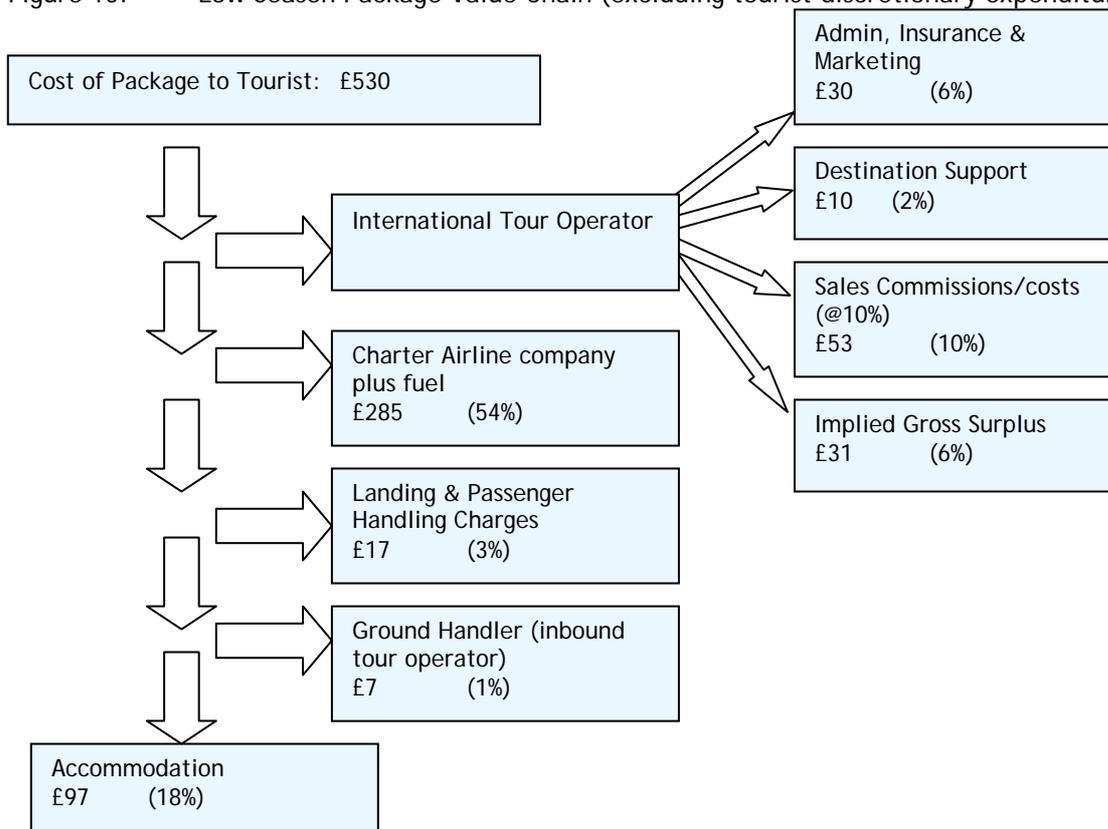
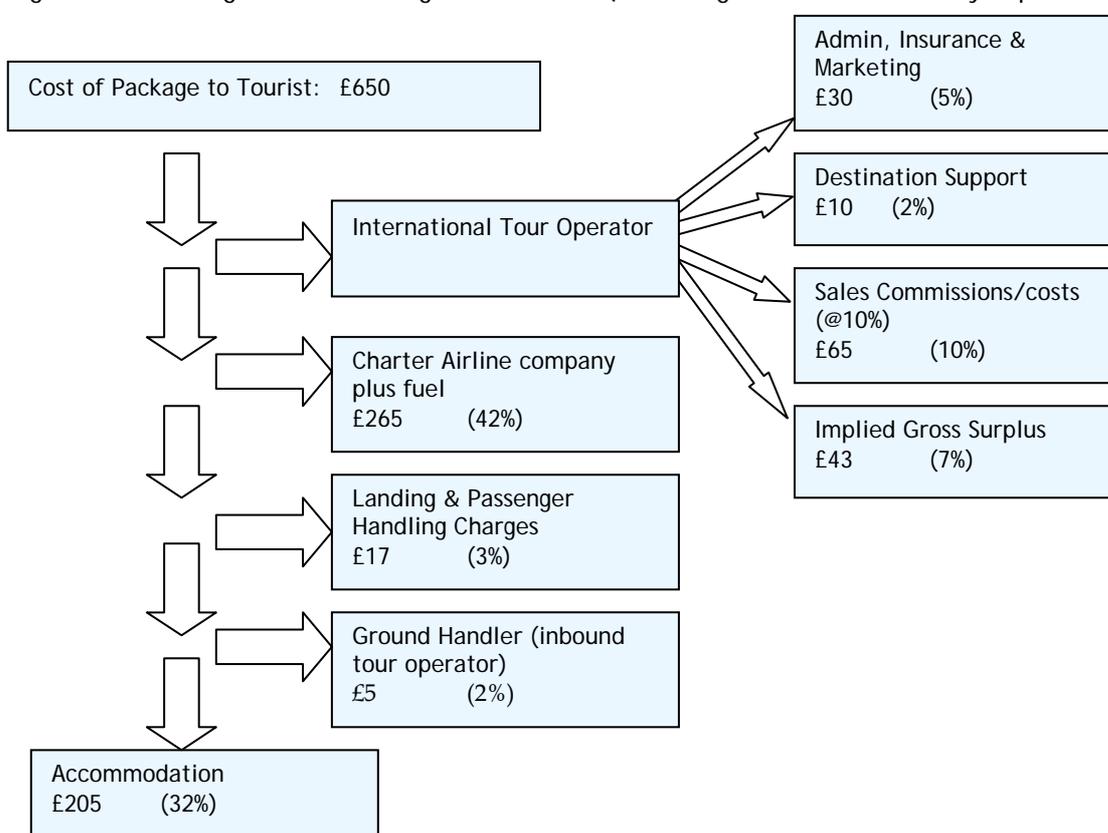


Figure 11: High Season Package Value Chain (excluding tourist discretionary expenditure)



A number of striking points emerge from this analysis of the international package value chain to The Gambia.

The positive impact on the local capture of benefits during periods of higher demand is dramatic. During the peak season hoteliers can capture nearly one-third of the value of the more expensive peak season package - more than doubling the revenue that accrues per bed night during the low season. The attraction of winter sun holidays to international tour operators is that the peak season coincides with a relatively quiet period for European destinations. Thus premium prices can be charged to customers at a time when the largest cost component in the value chain (e.g. flights) is lower than during the low summer season.

Notwithstanding this, tour operators can make reasonable returns during the low season. A 5% return is an aspiration for most large operators in the UK (indeed it is a stated corporate goal for First Choice Holidays) - many of whom are currently facing challenging trading conditions. The surpluses reported in this analysis of 6%-7% reflect a composite between the larger operators (who trade huge volume on smaller margins) and the specialist operators (who generally make healthier margins on smaller turnovers). This analysis does, however, indicate that tour operators can make reasonable returns during the low season - which is why international operators are increasingly looking to engage with The Gambia on a year-round basis.

The extent of vertical integration of the value chain is very significant for a number of the international tour operators. For instance, most operators have in-house retail operations; several have their own dedicated aircraft (such as First Choice and Thomas Cook) whereas others utilise charter operations, and the Gambia Experience own the Kombo Beach hotel. All international tour operators have contracts with in-bound tour operators that regulate the flow of benefits from activities such as excursions. This is how tour operators are able to extract value throughout the chain.

Table 8 illustrates a number of important points relevant to the tourist sector in The Gambia. First, Gambian tourism is dominated by two small specialist operators, Gambia Experience in the UK and Olympus in the Netherlands. Small specialist operators need to make a margin because they are trading low volumes. In contrast, the larger operators can function at much lower margins because they trade off such large volumes (My Travel turnover in 2005 was, for instance, some thirteen times larger than the Gambia's national output).

Table 9: Recent Financial Performance of International Operators, 2005

Name	Gambia Experience	First Choice	My Travel
Turnover	£25.1m	£2 578.6m	£2 928.9m
Cost of Sales	£18.5m	£2 221.2m	£2 438.4
Administration	£3.3m	£266.5m	£451.0m
Operating Profit before tax	£2.9m	£90.9	- £18.3m
Gross Profit %	11.5%	3.5%	- 0.6%
Share of Gambian market	43%	10%	11%

Source: Company Financial Statements

This type of value chain analysis has often been misunderstood by researchers in the past and lead to some rather dramatic claims about the 'leakage' of the benefits of tourism from developing countries. For instance, evidence from the low season value chain could be taken to suggest that over three-quarters of the benefits from package tourism do not even register at the destination - being absorbed by the international tour operators and airline companies.

Even a proportion of the less than one-quarter of the package that involves stakeholders in the destination may remain or be repatriated in the form of expatriate salaries, profits for foreign-owned hotels and imported food, beverages, fuel and revenues held in off-shore accounts.

The Gambian case study is interesting, partly because it would be a challenge to conceive of a destination less likely to retain benefits from tourism for anyone and, particularly, the poor. As we have seen, the tourism market is dominated by international tour operators serving a low end European package market. The tourism product is largely foreign-owned and concentrated in a small enclave in the most affluent part of the country. The Gambia is small, poor and only has an embryonic manufacturing base and far-from-buoyant agricultural sector.

However, the reality is different and altogether more uplifting. First, as Adama Bah has suggested in the economic annex to the *Tourism Development Master Plan*, much of the debate around 'leakage' from tourist destinations is based upon the erroneous assumption that somehow the destination 'owns' the whole value chain. Without international tour operators and airline companies, there would be no tourists and no value chain. It is rather far-fetched to assume that the benefit derived from selling a holiday package to a tourist in London or Amsterdam should in some way be transferred to the Gambia to avoid becoming a 'leakage'.

Second, the oft-cited concern about the destination being tour operator-driven is valid but neglects to ask the necessary supplementary question about what would be the health of Gambian tourism if there were no tour operators? Given the almost complete absence of any destination marketing by anyone other than tour operators and the lack of nationally-based scheduled flights, tourism would cease overnight were the sector not driven by tour operators - as indeed was shown graphically in the aftermath of the coup in December 1994. It could be argued that, in the face of somewhat equivocal support from government, it has been the tour operators who have kept the tourism going. Indeed a comparative advantage of The Gambia is precisely that there are dominant stakeholders in the value chain who cannot easily disengage from destination and feel a responsibility for the host population. In Tunisia the dominance of very large international tour operators working across twenty or more countries - together with their lack of ownership of financial or social assets in the destination - make it relatively straightforward to simply 'drop' the destination in next years' brochure.

Table 10: Estimates of the Components of tourist out-of-pocket expenditure in 2005

Direct local expenditure:	Package Tourists	Non-Package Tourisms	All %	Est. 2005 Total Dalasi m	Est. 2005 Total £ m
Food & beverages	51.8%	39.9	49.4%	D863.2m	£15.4m
Shopping	14.0	9.3	13.0%	D227.2m	£4.0m
Excursions	13.1	4.0	11.3%	D197.4m	£3.5m
Accommodation	3.0	25.2	7.5%	D131.0m	£2.3m
Local passenger transport	3.5	4.2	3.6%	D62.9m	£1.1m
Guides	3.7	1.2	3.2%	D55.9m	£1.0m
Recreation / entertainment	2.9	4.8	3.2%	D55.9m	£1.0m
Cultural activities	1.0	1.7	1.2%	D21.0m	£0.4m
Car hire	0.5	1.2	0.7%	D12.2m	£0.2m
Other	6.5	8.4	6.9%	D120.6m	£2.1m
<b>Total</b>	<b>100%</b>	<b>99.9%</b>	<b>100%</b>	<b>D1,747.3m</b>	<b>£31.0m</b>
<i>Average out-of-pocket expenditure</i>	<i>D1 400</i>	<i>D1 850</i>	<i>D1 460</i>		

Source: EMG (2005) The Gambia Tourism Development Master Plan Technical Volume No.3 Visitor Survey at Banjul Airport

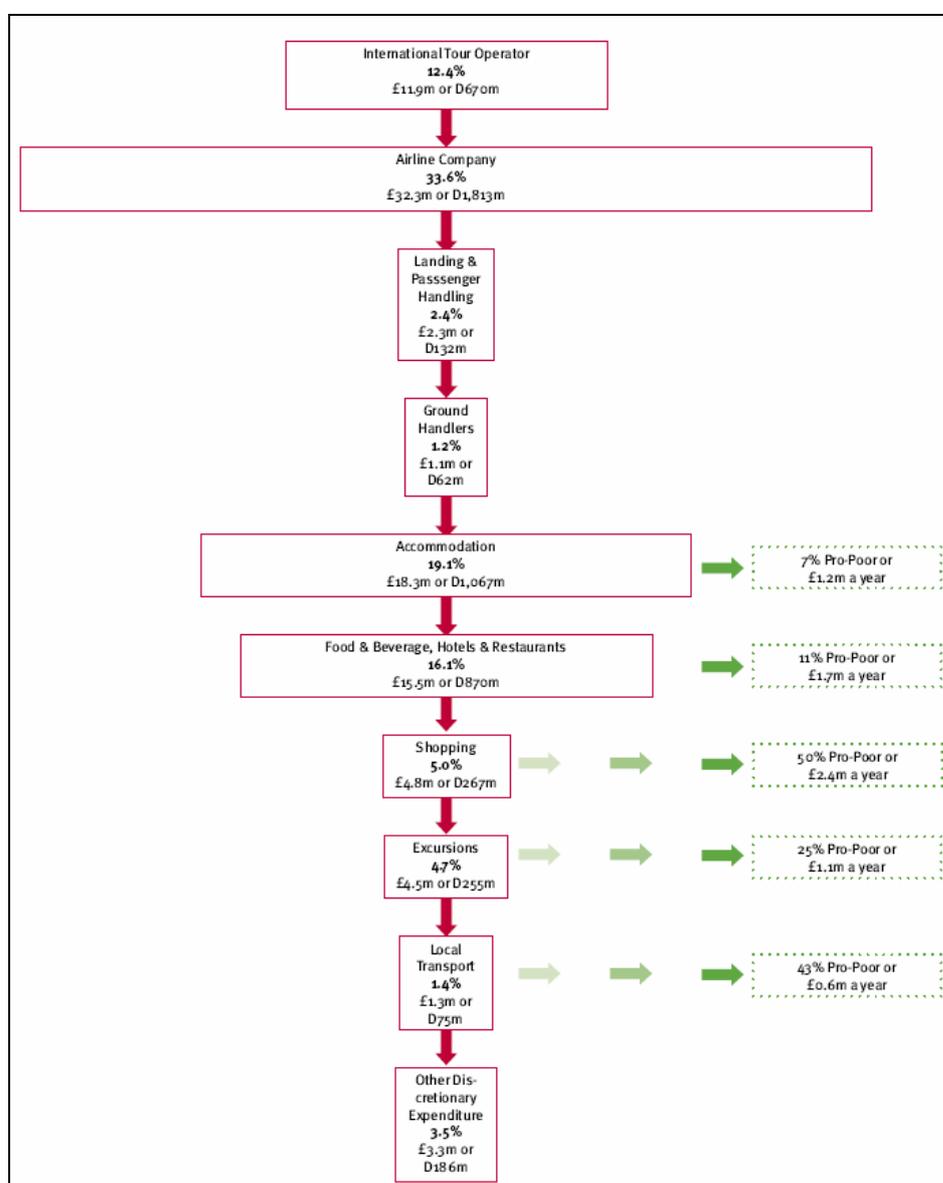
Note: Expenditure figures were based upon multiplying visitor survey per person by the average stay of 10.8 days and tourist arrival figures in 2005 of 110 815. The Dalasi : Sterling exchange rate was taken at 56.2:1 (Sept 2006)

The third problem with drawing negative conclusions about the distributional implications of the value chain above is that it only looks at one side of the coin. It fails to recognise the important difference between tourism and other types of trade - namely that tourism involves people who interact directly with the market through out-of-pocket or discretionary expenditure. Through the Master Plan exercise, we have robust data on out-

of-pocket expenditure which indicates that this averages D1,460 (or £26 per tourist per day - or £280 per person over the average length of stay). This is high both internationally - in part precisely because The Gambia has resisted the introduction of All Inclusive packages - and also in comparison with the cost of the holiday package, to which it should be added (See Table 9).

Figure 12 integrates these two elements of tourism expenditure, the package value chain (in the form of an average package throughout the year) and the discretionary expenditure of package and non-package tourists from Table 9. The calculations on which this Figure is based are outlined in Annex E. This illustrates that the airline companies capture one-third of the whole tourism value chain. Hoteliers in The Gambia benefit from almost one-fifth of the value chain and food and beverages served in hotels and restaurants one-sixth. Tour operators command only 12% of the value chain. Activities such as shopping, excursions and local travel are smaller components of the value chain - but extremely important in terms of benefits to the local community.

Figure 12: Gambian Tourism Value Chain



Refer to Appendices E and F for further detail

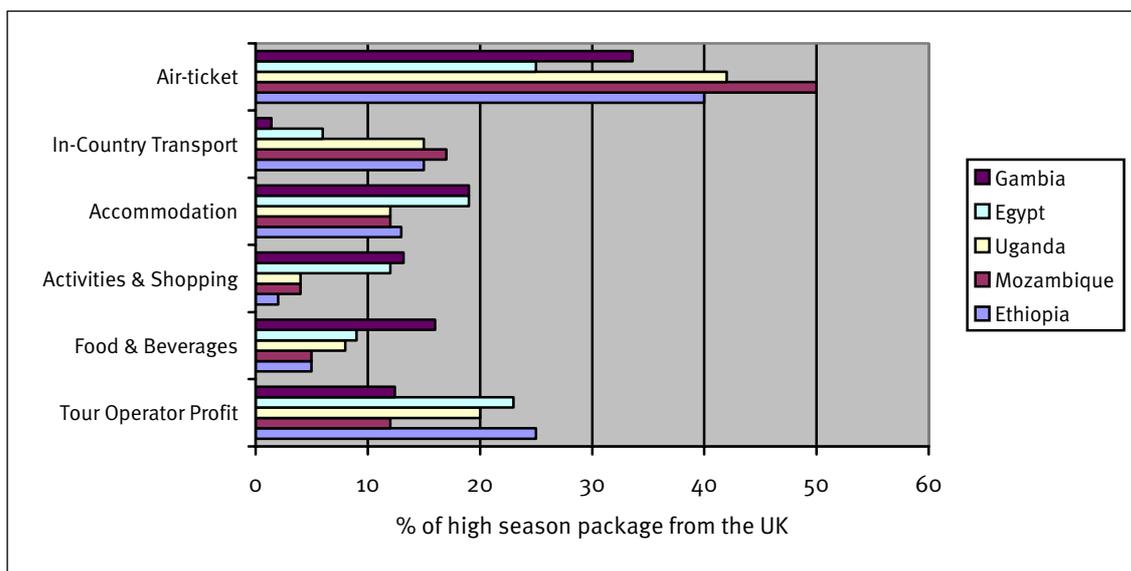
A first attempt has been made to move beyond simply quantifying the different elements of the tourist value chain, and to estimate their pro-poor impacts. The basis of these estimates is outlined in Annex F.

This analysis suggests that:

- **Critical to pro-poor tourism is discretionary tourist expenditure**, rather than the two-thirds of resources spent on the 'big ticket' items in the holiday package (such as the tour operator, flights and accommodation). For instance, shopping generates twice as significant flows into poor communities as accommodation;
- **A large proportion of several small expenditure items in the value chain**, such as shopping, excursions and transportation, are highly pro-poor; and
- **The two larger elements of the value chain with the most significant pro-poor actuality**, but also scope for increase, are the agricultural supply chain for the food or beverage sales to tourists and accommodation.

To illustrate these points and introduce an international comparative analysis, Figure 13 compares the tourism value chain for The Gambia in Figure 12 to the different components of a high season 12 day package from the UK to four African destinations. Note that the Gambian figures are for the average holiday of 10.8 days (rather than 12) and throughout the year (rather than just the high season). Looking at slightly longer holidays that are 100% high season rather than 70% high season, we would expect the air ticket element to be smaller and the accommodation and tour operator profit element to be a little higher.

Figure 13: Comparative cost allocation for a 12 day high season package from the UK to various African Destinations



Sources: Global Development Solutions (2006) Value Chain Analysis for the Tourism Sector in Ethiopia prepared for the Government of Ethiopia and The World Bank

Gambian figures derived from the value chain analysis above and tourism expenditure surveys from the Master Plan

What this reveals clearly is the rich mix of local linkages in the Gambian tourist economy relative to the other destinations. It is perhaps not surprising in emerging markets like Ethiopia, Mozambique and Uganda that out-of-pocket or discretionary expenditure on items like shopping and eating out is low - simply reflecting the lack of quality goods and services available.

However, the local linkages in the Gambian tourism product compares favourably with Egypt - Africa's second largest economy with a highly sophisticated tourist infrastructure. Note, in particular, how The Gambia captures at least as big a share of tourist spending on accommodation, shopping, excursions and food and drink as Egypt. As is argued later, this achievement has a significant impact on the flow of benefits from tourism to poor people in The Gambia.

It is also interesting to note that, contrary to the assertions of the 'leakage' pessimists - in which most of the benefits of tourism are taken by tour operators and airline companies - the cost of air transportation to The Gambia and tour operators returns are not a disproportionate share of the total package cost, compared with other African destinations.

To conclude this analysis of the Gambian tourism value chain and flow of benefits to the poor, our hypotheses about the importance of tourism to some poor countries and the fact that some benefits are accessed by the poor has been largely substantiated. First, the full tourism value chain in The Gambia, including discretionary as well as package spending, is extremely important to the macro-economy. Just over half of the £96m tourism value chain takes place in The Gambia - the off-shore activities relate to the international tour operators and airline companies. This suggests that, if external 'leakages' for Gambian-based activities were reduced to zero, the tourism sector could contribute about £50m to an economy with a current national income of £213m per year -the equivalent of one-quarter of total national income.



Fruit sellers on the beach © Jonathan Mitchell

Second, our analysis suggests that at least 7% of the total Gambian tourism value chain - and some 14% of the Gambian-based part of the value chain - flows directly into the hands of the poor. Our hypothesis that tourism is inherently pro-poor has been supported and, further, that the extent of local linkages seems to be particularly rich and well-developed in The Gambia compared with other destinations. This is particularly the case for the smaller items of the value chain, such as shopping and excursions. The challenge presented by the larger elements of the tourism value chain, such as accommodation and food and beverages, is to increase the pro-poor share of spending on these activities.

In the following section, the issue of how to strengthen linkages between tourism and the poor will be structured around the components of the tourism value chain.

## 5 Strengthening Pro-Poor Impacts of Tourism

International experience and the value chain work in the previous section, suggests that, notwithstanding the inherently pro-poor nature of tourism, much can be done to strengthen links between tourism and the poor. In this section the nature of these linkages will be examined in more detail with a focus on how to strengthen pro-poor impacts. The section will be structured around the main elements of the Gambian-based tourism value chain: accommodation; food and beverages; shopping; excursions (which will include an analysis of the operations of ground handlers) and local transport.

### 5.1 Accommodation

The most obvious link between the tourist accommodation and the poor is through the employment of large numbers of non-managerial staff. To illustrate the point, Table 10 estimates the number of people in different categories of employment working directly for the tourist sector. Direct employment relates to people working in activities that are directly serving tourists and receive their income from tourist expenditure. Job numbers are presented as full-time equivalent (FTE) jobs to overcome the difficulty presented by job numbers changing very significantly between the high and low season.

From the hotel survey we know that, taking into account the seasonality effect, each hotel room generates a weighted average of 0.9 FTE jobs. This suggests that a destination with 3,000 hotel rooms will generate some 2,700 FTE jobs - almost two-thirds of all direct tourism jobs in The Gambia. The average monthly wage for hotel workers is £46 or D2,600. This equates to about 7% of total estimated hotel turnover when managerial wages have been excluded.

Table 11: Direct Tourism Workers

Category of Worker	FTE number	Average monthly earnings in £	Average monthly earnings in Dalasi
<i>Formal Sector</i>			
Hotel workers	2,700	£46	D2,600
Other restaurant workers			
Ground handlers	289		
Public officials	50	£80	D4,500
<i>'Informal' Sector</i>			
Licensed craft retailer	384	£71	D4,000
Licensed guides	75	£107	D6,000
Tourist taxi drivers	453	£103	D5,800
Fruit sellers	150	£89	D5,000
Juice pressers	75	£89	D5,000
<b>Total</b>	<b>4 126</b>		

Notes:

**Hotels:** based on hotel survey with average of 0.9 FTE staff per room and estimate of 3,000 tourist rooms. Salary based on hotel survey plus estimate of 50% addition to D2,600 average wage through tips from tourists.

**Other restaurant workers:** Pubben and Verstappen (2005) Quid Pro Quo - the net economic added value of tourism for the Gambian economy estimate that 46.7% of food and beverage expenditure was in hotels, 47.1% in restaurants and bars and the remaining 6.2% is spent in the informal economy on juice pressers and fruit sellers. This implies annual expenditure of D406m in restaurants and bars outside hotels. Actual figures were unavailable at the time the report was published

**Ground handlers:** Estimate of numbers employed based upon Gambia Tourism Master Plan Technical Report No.1 The economic impact of tourism

**Public officials:** Estimated figures from Human Resources Manager of GTA

**Craft retailers:** worker numbers based upon 384 licensed craft stalls and observed average of one worker per stall (formally each shop has two sellers and one assistant). Earnings estimate based upon average daily earnings of D200 derived from Concern Universal estimate.

**Licensed guides** based upon number of GTA licensed guides. Earnings based upon interview with representative of official guide association.

**Licensed taxi driver numbers** based upon GTA licensed tourist taxis. Earnings are based upon annual tourist spend on local transport of D62.9m divided by the number of taxis and assuming a gross profit margin of 50%

**Juice pressers and fruit sellers:** numbers are based on estimates from the juice pressers association. Earnings of juice pressers are based upon estimates from the same source and it is assumed the earnings of the fruit sellers are the same.

What this analysis excludes, however, is tourist tipping of hotel staff - which managers estimated at up to 100% of the wage for front-of-house staff. This represents another example of the impact of discretionary tourist spending impacting directly on poor people. Generous tipping may also explain why non-managerial hotel staff still work for rates that are about half the rate in the informal sector - which is an unusual pattern.

To put these employment figures into context, in 1998 there were 37,460 formal sector jobs in The Gambian labour market - 15,429 in the public sector and 22,032 in the private sector<sup>27</sup>. This suggests that people working directly in tourism constitute almost one-fifth of the private sector formal sector jobs in the Country and hotel workers alone constitute over 12% of private sector employment.

There are four key ways in which the linkage between the tourist accommodation sector and the poor could be increased: increasing the tax take from the accommodation sector; reducing seasonality of tourist demand; increasing wages for workers; and the 'Gambianisation' of hotel management.

First, there is evidence of rather lax tax morality in the tourist accommodation sector in The Gambia. Our hotel survey estimates a gross annual surplus of about £10.8m (D600m) being generated by hotels which should be generating an annual tax take for government of about £3.7m or D210m - on the basis of the Income Tax Act stipulation of corporate tax levied at 35% of profit. With a strongly redistributive Budget, these funds could have an important impact on poverty in The Gambia. In reality, however, the Master Plan estimates the annual tax take from the tourist sector is only about £0.8m (D50m) - which implies tax morality of only about 24%.

Box 2: Pro-Poor Tourism Regulatory Issue # 1

An important role of the state is to redistribute resources from profitable enterprise to the poor. There is evidence that the Income Tax Act is only generating about one-quarter of the total potential tax take. An important mechanism by which resources should be being transferred from the tourist sector to the poor is currently operating ineffectively and tax morality should be improved.

Improving tax morality is a difficult and long-term aim - it has, for instance, taken the democratic government in South Africa a decade to raise tax morality from an estimated 35% to 70%. It also needs to be achieved with a mixture of 'carrots' (e.g. amnesties on unpaid tax which is declared and reducing tax rates as payment rates increase) and 'sticks' (more effective enforcement of tax legislation).

There is also a need to demonstrate to hoteliers some link between taxes paid and benefits received. A good illustration of bad practice in this respect is currently observed with municipal taxes in the Tourism Development Area (TDA). On the one hand, municipal taxes are being levied on hotels and on the other municipalities are failing to perform even the most basic service delivery - such as solid waste disposal. This non-delivery has become so serious that the GTA is sometimes compelled to deliver services itself.

Box 3: Pro-Poor Tourism Regulatory Issue # 2

Tax morality is unlikely to increase if the tourist sector is perceived as a 'cash cow' from which resources can be extracted without any return. Hotel managers in the TDA are currently being presented with local government tax bills with very low and sporadic levels of basic municipal service delivery. The delivery of services to support the tourism sector should be an important priority and a delivery mechanism streamlined.

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<sup>27</sup> EMG (2005) *Gambia Tourism Development Master Plan Technical Report No.1 The Economic Impact of Tourism*

Second, the seasonality of tourism demand in The Gambia has two very deleterious impacts on the poor. The first of these is that large numbers of tourist workers are made redundant during the low season. Although only one of the 13 hotels in the survey actually closed for the low season, employment levels fluctuate +/- 13% around the annual average figure at low and high season. What this suggests is that, if the 'summer hole' in tourist demand were filled, there would be a 13% increase in the number of FTE hotel jobs - which would have a significant impact on the Gambian labour market. The second impact of seasonality is that it undermines livelihood security in the tourist sector.

Box 4: Pro-Poor Tourism Regulatory Issue # 3

The branding of Gambia as a 'winter sun' holiday destination is a serious constraint on the stability of benefit flows from hotels to the poor. There are encouraging signs that the 'summer hole' in occupancies is beginning to be filled. Destination marketing has a role in rebranding The Gambia. Under the Gambia Tourist Authority Act of 2001, the Authority has the marketing mandate but could be fulfilling this mandate more vigorously.

Third, increasing wage levels in the hotel sector would have a direct positive impact on the poor. With both managerial and non-managerial wages representing only 8.5% of turnover (and 23% of costs) in the hotel sector there can be little doubt that there is scope for a wage increase above the current monthly level of £46 (D2,600) without damaging the overall viability of the accommodation sector. Government could support increasing returns to hotel labour by encouraging the effective functioning of labour unions and by developing the human resource capabilities of hotel workers.

Box 5: Pro-Poor Tourism Regulatory Issue # 4

Encourage the rapid enactment and implementation of the new Employment Act, to encourage the formation of labour unions to represent the interests of poorly paid workers in the tourist sector.

Fourth, the need for the 'Gambianisation' of hotel management has been a consistent theme in tourism policy for many years. Whilst replacing an expatriate hotel manager with a Gambian professional will have no directly impact on poverty, it is reasonable to anticipate the indirect and induced impacts to be more pro-poor for local staff. There is an elaborate regulatory framework to discourage the employment of non-Gambian staff, from the Pay Roll Tax levied on employers who hire expatriate staff to the Expatriate Quota Authority that allocates employers quotas to hire foreign workers.

The hotel survey indicated that expatriate workers comprise 3.0% of the total hotel workforce and are generally in senior management positions. About three-quarters of these are African expatriates, overwhelmingly from ECOWAS. A quarter of expatriates are non-African, the great majority of which are European. Although non-Africans comprise only 0.7% of the workforce, some estimates have put their share of total salaries and wages at over 15.5%<sup>28</sup>. These figures suggest that little progress has been made with the localisation of hotel management over the past twenty years. In 1986 the proportion of expatriate workers was exactly the same as it is today<sup>29</sup>.

In the specific case of the entry and stay of natural persons employed in management and expert jobs for the implementation of foreign investment, approval is needed from the Office of the President and is subject to the satisfaction of a number of criteria including the payment of payroll tax, a minimum investment requirement and the unavailability of a qualified Gambian for the position. There may be a regulatory issue relating to whether

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<sup>28</sup> Pubben, T and Verstappen, R (2005) *Quid Pro Quo The net economic value of tourism for the Gambian economy* Fontys University, the Netherlands

<sup>29</sup> World Bank (1986) *ibid*

these constraints on the employment of non-Gambian management align with government's commitments to ECOWAS

Box 6: Pro-Poor Tourism Regulatory Issue # 5

Ensure that the Pay Roll Tax and Expatriate Quota Authority are consistent with Gambia's recent commitments to ECOWAS.

An unusual feature of the West African tourism sector is the high proportion of men employed by the sector. Anecdotal evidence suggests that the expenditure patterns of women's earnings have a more developmental impact than for men's earnings. There is a developmental case, therefore, for the state focusing upon training women and reducing the obstacles to them entering the formal tourism labour market.

In a number of the Southern African settler states, sophisticated models of partnerships between private sector tourism stakeholders and poor, often rural, communities are becoming increasingly common. This reflects the nature of their ecotourism product and the fact that significant tourism potential exists on land which is held communally. This can be an additional source of benefit flow from tourist accommodation to poor communities, beyond the creation of jobs. In The Gambia circumstances are different. Tourism has traditionally been urban and either on private land or on land which the state expropriated from communities to form the TDA.

Notwithstanding this, as the nature of the Gambian tourist product diversifies into poorer and more rural locations, it is likely that the form of partnership through which the Sandale Eco-retreat is being developed can be replicated. As the landowner in the TDA and with a practice of effectively giving away valuable tourism plots, the state is also in a very strong position to require some form of 'community gain' through a partnership agreement on tourist developers. This could involve guarantees of local employment; a percentage of revenue or profit being distributed to a community trust for social investment or the community holding an equity position in the development, either from the onset or in the form of a transfer after a fixed period. The publication of guidelines for the design of these types of partnerships can facilitate their adoption.

Box 7: Pro-Poor Tourism Regulatory Issue # 6

GTA consider whether to study international best practice on partnerships between tourism developers and local communities and publish guidance to encourage this practice in The Gambia.

The international experience suggests that these partnerships can work in stable, often rural, environments. However, such partnerships can exacerbate tensions within communities and the record suggests the delivery of benefits to the community is often much less than expected.

## 5.2 Agricultural Supplies for Food and Beverages

The purchase of agricultural supplies by hotels and restaurants is an important element of a pro-poor tourism strategy in The Gambia for several reasons.

First, as outlined above, generating demand for local agricultural produce is a key mechanism by which tourism can impact on the livelihoods of large numbers of poor people. In a country where 70% of the workforce is engaged in agriculture, boosting agricultural supplies to hotels and restaurants is more likely to be successful in improving livelihoods than, for instance, transferring labour from the agricultural sector to a limited tourism sector.

Second, there is some evidence that the agricultural sector in The Gambia is relatively good at supplying the tourism sector and performance is improving. In 1986 it was estimated that 65% of hotel foodstuffs were imported<sup>30</sup>. By 2006 it is estimated that 45% to 50% of all fresh fruit and vegetables are locally supplied<sup>31</sup>. Our hotel survey corroborated a 45 to 50% figure for food and beverages and also highlighted the variance in sourcing in different establishments - with some hotels procuring 90% of their supplies locally and others procuring virtually none. This diversity of practice suggests scope for improving future aggregate performance.

Third, food and beverages expenditure is by far the largest component of expenditure by tourists - accounting for almost half of all out-of-pocket expenditure because packages tend to only include breakfast, rather than the more common half-board, full-board or All Inclusive arrangements. Although the pro-poor impact is assessed to be 11%, this impact is very significant financially (already amounting to £1.7m a year) with the potential to expand as the trend towards Gambian production for the tourist sector deepens.

Fourth, we suspect - but do not know - that the pro-poor impacts of tourism agricultural supply chains may impact upon many more poor people than other elements of the tourism value chain. This assertion is based upon the fact the some of the larger and more efficient horticultural producers in The Gambia do not supply the tourist sector because all their output is exported to reduce the rate of pilferage. This implies that the tourism supply chain will tend to be dominated by numerous, small producers.

In addition, evidence from the Gambia is Good (GiG) programme - which is strengthening links between the fruit and vegetable sector and tourist industry - provide direct evidence of the distributional impact of extending the tourism supply chain into the agricultural hinterland. A recent survey of GiG beneficiary households indicates that the Programme has raised the incomes of participating household significantly - by up to five times from around £81 (D4 560) to £458 (D25 746) per year. Income gains of this level suggest a profound poverty reducing impact.



One of the GiG stands © Jonathan Mitchell

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<sup>30</sup> World Bank (1986) *ibid*

<sup>31</sup> Manager of 'Gambia is Good' Initiative

If all Gambian households supplying agricultural produce to hotels and restaurants had a marketable output similar to the level found during the survey and there was a 70% mark-up between farm gate and hotel kitchen prices this would imply supplying the £1.7m sales of locally-sourced food to hotels and restaurants (see Annex F) generates farm-gate sales of about £1.0m. Farm gate sales of £1.0m could, in turn, impact directly upon about 2 600 households if the suppliers to the tourism agricultural supply chain shared similar characteristics to the producers surveyed during the survey of GiG beneficiaries.

Clearly this analysis is rudimentary. Whilst the scale of the locally-sourced food market looks plausible – and is supported from several different sources – the possible number of beneficiaries of this local procurement is based upon much more shaky assumptions. There is no reason why, for instance, people supplying fish to the tourism sector have a similar sales per household compared with a small survey of horticultural producers.

Notwithstanding this, the analysis suggests that one of the biggest pro-poor impact from tourism on the poor – in terms of the number of households affected – either is or could be through agricultural linkages. It is also the case that agricultural supplies travel rather more extensively than tourists in The Gambia. Therefore the pro-poor impacts of agricultural supplies reach areas, like the impoverished North Bank District, that derive little other benefit from tourism.

There is emerging 'best practice' experience relating to aspects of market facilitation exercises in the agricultural supply chain that are described in Annex D – namely by working on both the supply and demand end of the supply chain to facilitate a viable market interface between poor rural farmers and large urban hotels and restaurants. The pro-poor impact of sales of agricultural produce to the tourist sector would obviously be enhanced if the local content of agricultural supplies increased higher than the current 45% to 50% figure. There have been calls to prevent the tourist sector importing agricultural products that are available locally. This approach is not recommended because it is a coercive approach that limits the freedom of hotel and restaurant managers to select the best goods available. It also contradicts Gambian commitments to liberalisation and diverts attention from an enabling approach of supporting Gambian farmers, through GiG-like interventions, to supply the tourist sector.

Box 8: Pro-Poor Tourism Regulatory Issue # 7

As probably the most broad-based linkage between the tourist sector and the poor in the destination, there is a strong case for scaling up the support currently provided by NGOs using charitable donations to work with small farmers and assist them in accessing hotel and restaurant agricultural supply chains on mutually satisfactory terms.

An important regulatory function for government is to regulate the quality of food served to tourists in the interests of tourist health. The legal annex to the Master Plan suggested that tourists are not currently being adequately protected from unhygienic foodstuffs. This could have an important developmental impact because unhealthy food could encourage tourists to eat at the more up-market establishments which, the hotel survey found, tended to have the highest propensity to import.

Box 9: Pro-Poor Tourism Regulatory Issue # 8

Government needs to protect tourist health by regulating the quality of food preparation and storage effectively to minimise the risk of ill-health.

### 5.3 Retail

The high proportion of retail sales in the cultural and informal sector in The Gambia might reflect the lack of alternative retail outlets. Shopping is one of the few elements of the Gambian tourism experience that visitor surveys indicate tourists do not rate highly. More positively, though, the pro-poor impact of the retail sector reflects a great deal of effort that has gone into establishing regulated craft markets and supporting traders to design and manage their stalls and products more professionally<sup>32</sup>.

The high proportion of craft which is produced locally is also a great achievement for a country surrounded by others with an exceptionally strong tradition in cultural and heritage products - such as Mali and Senegal. Government support to the Roots Festival is a positive sign of official commitment to this sector.

The scale of job creation in the informal sector in The Gambia is a significant achievement and credit to the activities of Association of Small Scale Enterprises in Tourism (ASSET) and the DFID-funded support of this organisation. Particularly striking is the evidence that wages in the informal sector are similar to those in the formal sector (see Table 10). This 'formalisation' of the informal sector - without creating high barriers to entry - is an unusual and positive feature in a developing country context.



A stall at one of the numerous craft markets © Jonathan Mitchell

The capture of half of total retail expenditure by the informal sector is striking and the largest single transfer of resources from the tourist sector to the poor. Realistically, it is unlikely that the informal sector will capture a much greater proportion of tourist retail expenditure and all efforts should be focused upon trying to defend this success. The quality of the retail experience needs to be improved, through product development and further support from the GTA. The self-regulatory "Codes of Conduct" utilised by members of ASSET appear to be working well in terms of ensuring reasonably clean and pleasant conditions for informal retail outlets. By contrast, the GTA licence regulations do not yet appear to be an effective mechanism for raising retail service standards, either by way of supporting entrepreneurs or enforcing against bad practice. Working with the informal

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<sup>32</sup> Goodwin, H (2002) *Harnessing Tourism For Poverty Elimination: A Blueprint from the Gambia* NRI Report No.2693 Project C1526 A DFID /Tourism Challenge Fund Project

sector through ASSET demonstrates an open and transparent interaction, allowing its members to self-regulate, gain access to resources, such as training, and should not be seen as a threat, but rather as a positive interaction vital to maintaining the high level of out-of-pocket expenditure seen in The Gambia.

Box 10: Pro-Poor Tourism Regulatory Issue # 9

GTA should, within the existing licensing and HRD framework, consider ways to further support the informal retail sector and encourage excellence in order to defend this important flow of resources from tourist expenditure to the poor.

Visitor surveys indicate two clear, and contradictory, messages relating to tourist interaction with Gambian people. First, the friendliness of the Gambian people is consistently ranked as one of the key attractions of the destination. Second, hassle from 'bumsters' is considered a serious problem by about two-thirds of departing tourists. Regulations seeking to reduce the hassling of tourists are extremely tough with instances of suspected bumsters being held at army camps for up to 72 hours without charge. Tourists still complain of hassle from 'bumsters', which suggests that either the existing regulations are not being implemented or they are and have proved ineffective. Either way, the danger of enacting increasingly rigorous anti-hassle legislation is that one of the unique selling features of Gambian tourism - the easy-going interaction and trade with local people - will be lost.

#### 5.4 Excursions and local Transportation

Excursions are a potentially powerful mechanism for linking the tourism sector to the poor. Spending on excursions in The Gambia was about £4.5m (D255m) in 2005. Although this only represents one twentieth of the total tourism economy it is important because it takes place at the destination and has significant links with the poor - with an estimated 25% of all excursion expenditure being in the informal sector<sup>33</sup>.

Local transportation represents only about 1.5% of the tourism economy, £1.3m (D75m). It comprises two elements, a small car hire component - which has little pro-poor impact - and taxis, where it is assumed that 50% of the gross local transportation revenue accrues to taxi drivers - some 43% of total turnover in this activity.



Tourist taxi - quality of vehicles needs to be addressed © Jonathan Mitchell

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<sup>33</sup> Bah, A and Goodwin, H (2003) *Improving access for the informal sector to tourism in The Gambia* Pro-Poor Tourism Working Paper No.15

There are two types of excursion available to tourists in The Gambia. The formal sector product is organised by the ground handlers and is generally chosen by tourists in their hotels. These excursions will typically involve a 20-25% payment to the international tour operator as commission for selling the excursion. A somewhat lesser share - normally around 20% - will be paid to the local supplier of the excursion and the ground handler will absorb the remaining 55-60% of the excursion cost for organising the excursion, insurance and providing transport. This is obviously not a particularly pro-poor model and reflects the economic power in the destination of the four inbound tour operators compared with the suppliers of excursion services.

The other type of excursion involves a linkage with the informal sector. Typically this involves a tourist directly commissioning a trained guide who is then likely to sub-contract transport services to a tourist taxi - an almost entirely pro-poor tourism product, apart from the cost of petrol.

Aside from the pro-poor impacts, two key regulatory issues emerge from this analysis. First, it would seem that tourists are often not receiving value-for-money when the value of their excursions may only represent a small fraction of the price paid. The reason that these apparently lucrative margins are not eroded appears to be the lack of an effectively functioning market. This opens the opportunity of excursion piracy with tourists being offered 'cut-price' excursions by unregulated tour operators who are often not insured. There is a need for tourists to be offered excursions that reward local suppliers with a more significant return and do not place the tourist in danger.

Box 11: Pro-Poor Tourism Regulatory Issue # 10

Government should consider lowering the barriers to entry for inbound tour operators to encourage the development of a more competitive market whilst not compromising tourist safety. This should reduce the likelihood of ground handlers dictating low prices to suppliers of excursion services and adopting anti-competitive practices in setting excursion prices offered to tourists.

There are signs that some international tour operators are interested in developing more progressive excursions that will have a greater developmental impact than the conventional model.

Box 12: Pro-Poor Tourism Regulatory Issue # 11

Offering more pro-poor excursions from the formal sector should be incentivised to encourage excursions that have a greater developmental impact. These could include fiscal incentives or joint marketing arrangements between government and tour operators.

Second, there is a legitimate concern amongst tour operators that tourists will be hurt using poorly maintained taxis. There is the need to look at licensing of taxis which would include minimum quality standards<sup>34</sup> that ensure that safe vehicles can be used, and the supply of taxis matches the demand for them. At the moment, there seems to be a large, and probably under-capitalised, taxi fleet with a clear lack of maintenance on some vehicles.

Box 13: Pro-Poor Tourism Regulatory Issue # 12

GTA should include minimum quality standards and restrict tourist taxi licence numbers sufficiently to allow drivers to maintain their vehicles so that safety is not compromised.

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<sup>34</sup> EMG (2005) *Legal Annex to Gambia Tourism Development Master Plan*

## 6 Expand the Tourism Sector

Expanding the tourism sector will increase the demand for goods and services provided by everyone engaging directly or indirectly with the tourism value chain in The Gambia, including the poor. As described in Sections 4 and 5, the poor are already accessing a significant slice of the tourism value chain and, with targeted interventions, the size of this slice could increase significantly.

In this section some of the key obstacles to the growth of tourism in The Gambia will be outlined - together with some suggestions as to how to overcome them.

Problems are examined from two perspectives, that of the international travel industry looking at The Gambia from overseas and the perspective from stakeholders within the destination.

From an industry perspective, major constraints include:

- Malaria;
- Poor and unreliable infrastructure;
- Lack of choice in accommodation; and
- Lack of marketing support.

From a destination perspective, the main constraints include:

- Seasonality of demand;
- Accessibility;
- Inadequate infrastructure;
- Lack of marketing and promotional support;
- Lack of training; and
- Inadequate governance.

These perceived obstacles to tourism growth will be examined in turn - together with practical strategies to overcome them.

### 6.1 Malaria

Whilst the SWOT analysis in the Tourism Strategy of 2002 made no mention of malaria, the dominant international tour operator for The Gambia cited this as the largest single risk facing the destination. Significantly, this operator is diversifying destinations to include malaria-free Cape Verde. There is some evidence that this malaria might be increasing for two reasons.

First, international tour operators will be sending more flights during the 2006/07 winter season than in the past. For the 26 week winter season, there will be ten flights a week from the UK - equating to 50,000 arrivals just from the UK this winter. In the absence of effective marketing initiative, a likely consequence of an increase in the supply of airline seats is heavy discounting by charter companies to fill seats and consequent late bookings. Cheap late bookings carry a disproportionate risk of malaria because tourists may not have time - or be inclined - to spend £50 on the malaria prophylactics on a discounted holiday package costing £350.

Second, as The Gambia successfully develops into a year-round destination, this will inevitably result in more tourists arriving during the higher malaria-risk summer rainy season.

Box 14: Pro-Poor Tourism Regulatory Issue # 13

GTA should actively investigate means to minimise the risk posed by malaria to tourists, including working with tour operators and hoteliers to maximise awareness of tourists of the risks and ensure the availability of prophylactics and rapid diagnosis and treatment at the destination.

## 6.2 Poor and unreliable infrastructure

The economic infrastructure for tourism is poor in The Gambia and this impedes the expansion of tourism in two different ways. First, the absence of some types of economic infrastructure makes tourism difficult to sustain at all. Second, the absence of other types of infrastructure does not preclude tourism, but does make it more difficult and expensive to maintain service standards.

In the former category, it is difficult to develop mainstream tourism into areas that cannot be reached by tarred road infrastructure. The TDA was designed under the 1969 lease and Town and Country Planning Act of 1972 and is a coastal strip of land 800m wide, stretching from Kotu Stream (in the middle of the area currently developed for tourism) to Kartong (some 50km south of Kotu near the border with Senegal)<sup>35</sup>. It has taken over three decades - and international development finance from BADEA and the European Union - to get a tarred road to service the southern 80% of the designated area. Tourism policy has consistently advocated expanding the tourism enclave - yet tourism investment has been forced into this small corner of the TDA because it was not possible to transport tourists to the great majority of the designated area.

Hotels can operate without grid electricity and mains water supply through using generators and borehole water. This is, however, expensive. The electricity supply provided by the state-owned electricity utility is expensive, unreliable and geographically limited.

Detailed cost information was generated from fourteen hotel managers representing about 57% of the nation's bed-stock. Utility costs (including mains electricity, generator running costs and water) represent an average of 26.7% of total costs hotel operational costs - a very high cost to impose on the industry.

The comparatively better serviced hotels are those in the older urban area - at, or beyond, the northern-most tip of the TDA. These hotels all had reticulated electricity and water supplies and generally enjoy eight hours mains electricity supply a day, with power outages for the remaining two-thirds of the day. Hotels located at Bijilo Beach in the TDA - just 3km south of the Senegambia and Kairaba Hotels are not benefiting from mains supplies of either water or electricity and so were reliant upon generators 24 hours a day (notwithstanding the D10,000 per Ha payments made by developers when tourism plots are allocated in the TDA which are intended to finance the delivery of bulk services to site). The present practice of providing tourism land in the TDA free, but then charging D10,000 per Ha for bulk services that are not delivered does not create a conducive, enabling environment for tourism development.

Box 15: Pro-Poor Tourism Regulatory Issue # 14

GTA should investigate means to finance the provision of bulk infrastructure that would encourage a more diverse tourism product with higher service standards. The obvious source for funds would be to utilise a higher proportion of the betterment value of approved tourism sites than the current £177 per Ha (D10,000) which has been unchanged for the past three decades.

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<sup>35</sup> Report of the Task Force for the re-demarcation of the Tourism Development Area (October 2005)

This failure to provide bulk services to the TDA, even on the boundary of the existing urban area imposes a significant financial burden on the tourist sector and significant constraint to dispersing accommodation. One hotel manager described his job as managing a power station with some beds attached. This situation also imposes serious environmental and foreign exchange constraints on The Gambia with even small hotel owners having to import small, inefficient generators and constant fuel supplies.

Even if the electricity supply system was reliable, there are legitimate pricing concerns for the tourism sector. NAWEC rates cross-subsidise domestic electricity consumers from commercial tariffs.

Box 16: Pro-Poor Tourism Regulatory Issue # 15

GTA should explain the costs borne by the tourism sector arising from the poor service standards offered by government-run NAWEC and the urgent developmental case for a transformation of the performance of the organisation.

In policy statements, The Gambia has committed itself to a rapid increase in visitor number and increasing numbers of up-market tourists - yet is apparently unable to provide, or operate, the infrastructure on which this increased demand depends. The impact of continuing as present is likely to undermine the policy of spreading the benefits of tourism more evenly throughout the country - an important plank of government tourism policy. It is clear from the analysis of the supply pipeline for new hotels that the inability to expand the bulk supply network is effectively forcing almost all new investors back into the tourism 'enclave'.

### 6.3 Lack of choice in accommodation

Gambian tourism depends upon a relatively uninspiring menu of modest quality accommodation and a 'winter sun' product. This has been long-recognised in tourism policy and the need to diversify the tourism offering to incorporate different niche markets (birding, fishing, slavery ancestry, etc) and to develop up-country tourism product has been identified for the past twenty years.

Through existing development control, land ownership of the TDA and marketing powers, the Government has many of the regulatory levers to encourage diversification of the tourism product. Generally, poor use has been made of these potential mechanisms to generate diversity and government regulations have been exercised in a way that exacerbates, rather than reverses, the current tourism product.



One of the new modest quality accommodation available © Jonathan Mitchell

The legal annex of the Master Plan identified the followings weaknesses with land supply in the Tourism Development Area (TDA). There are inadequate powers for the eviction of illegal structures, delays in the approval of subleases and an inability to enforce the conditions attached to subleases.

Box 17: Pro-Poor Tourism Regulatory Issue # 16

There is a need to better coordinate the land supply functions of the Gambia Tourism Authority (GTA) and the Department of Physical Development. Any inconsistencies between the GTA Act and the State Land Act should be resolved.

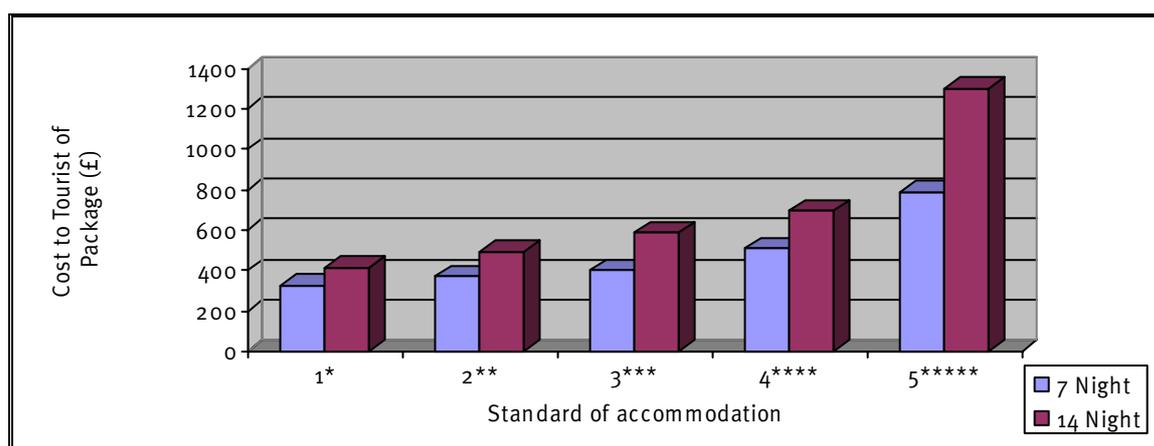
Many tourism policy-makers want theirs to become more exclusive destinations, attracting higher standard facilities and higher spending tourists. Whilst this may be an effective way of achieving important objectives, such as increasing aggregate tourism receipts, it is argued below that this unlikely to increase the impact of tourism on the poor.

Box 18: Pro-Poor Tourism Regulatory Issue # 16b

GTA should urgently undertake an official classification of hotel standards to avoid tour operators rating establishments according to their own criteria. This should encourage hotels to improve quality standards and strengthen the position of hoteliers in their room rate negotiations with tour operators.

Large-scale visitor surveys in 2004 generated robust and detailed tourist expenditure data. For the purposes of this analysis, information relating to one and five star tourists has been disregarded because these are small categories of the market - each comprising about 6% - therefore we have less confidence in the statistics presented below than for the much larger number of tourists in the two, three and four star categories.

Figure 14: Package price by hotel quality & length of stay



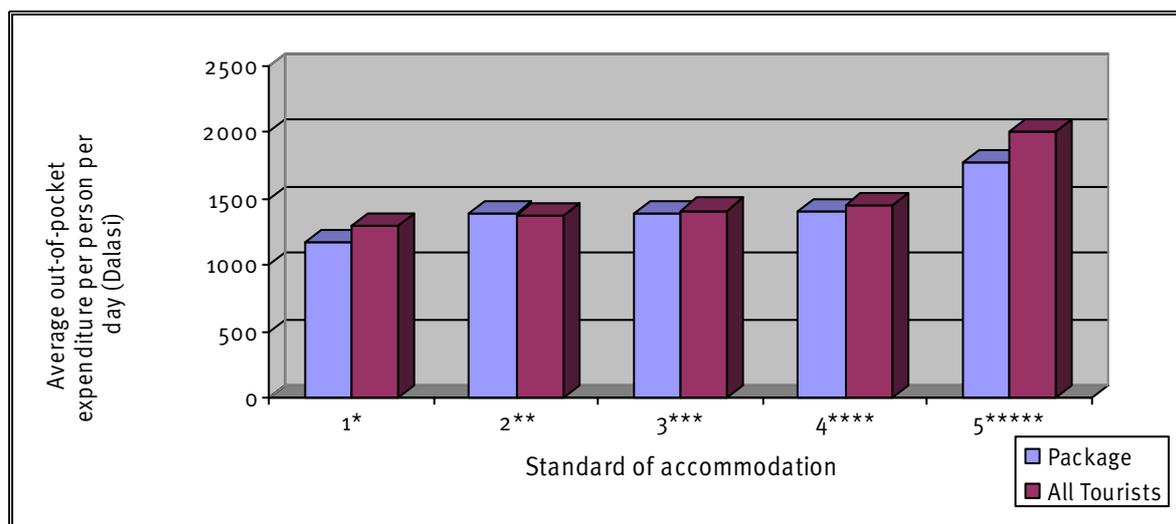
Source: The Gambia Tourism Development Master Plan Technical Report No.3 Visitor Survey at Banjul Airport

It is self-evident that up-market packages cost more than more basic packages. A seven night package a four star quality costs the tourist about £507, about a quarter more than the average of £400 spent on a three star package. This suggests that tourist expenditure on packages could increase significantly without any increase in visitor numbers - and, specifically, reducing the 40% of the Gambian market currently uses two and three star accommodation. However, as illustrated in the value chain analysis, only about one-fifth to one-third of total package costs relate to activities - principally accommodation - located in

The Gambia (and some of these benefits 'leak' out of the country through imports of food, beverages, labour and the repatriation of profits). So, as a mechanism for increasing the value of tourism to The Gambia, upmarket packages are not as effective as our intuition may suggest.

In addition to the suggestion that upmarket packages lead to more expenditure on items that will not impact strongly on the poor, our analysis suggests upmarket packages fail to increase expenditure on items that are inherently pro-poor.

Figure 15: Average out-of-pocket spending per person per day in Dalasi



Source: The Gambia Tourism Development Master Plan Technical Report No.3 Visitor Survey at Banjul Airport

Almost 90% of tourists to The Gambia stay in two to four star hotels and the very similar out-of-pocket expenditure by all types of tourist across all standards of accommodation is striking (the small number of respondents using 1 and 5 star accommodation have generated average figures with unreliably high variances). As it is this discretionary expenditure that has the strongest pro-poor impacts, these figures suggest that a strategy of encouraging upmarket packages will have a limited impact on the poor. This finding reinforces the recent similar findings from South East Asia.

The importance of discretionary spending on the pro-poor impact of tourism in The Gambia should also encourage a healthy scepticism to the presentation of All-Inclusive resorts as necessarily being positive for Gambian tourism.

Interestingly, this analysis questions the common perception that package tourists benefit the economy less than independent travellers. The average daily out-of-pocket expenditure of package and independent tourists in the 2004 visitor survey was £25 (D1,403) and £32 (D1,849) respectively. However, a quarter of independent travellers' daily spend is absorbed by accommodation costs - which package tourists have paid in advance - leaving very similar expenditure on other items of pro-poor discretionary spending. Targeting independent travellers successfully would be one way of reducing hotel dependencies on tour operators, and this could be coupled with marketing strategies such as those suggested in Section 6.4.

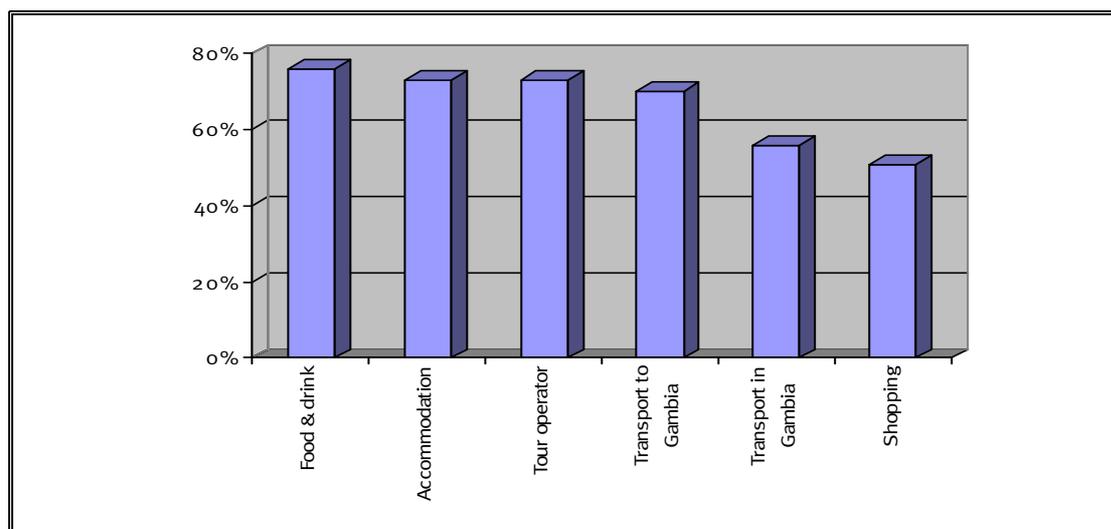
This suggests that attracting more upmarket visitors is more likely to benefit international tour operators and hotel owners than the poor. In addition, a strategy to encourage a more up-market tourist product is likely to necessitate corresponding enhancements to the tourist infrastructure. Perhaps reflecting the modest standard of current Gambian tourism, and hence modest expectations of tourists themselves, there is evidence of wide-spread satisfaction with current tourist infrastructure. Visitor surveys suggest that only transport and shopping in The Gambia fail to be rated highly by tourists. A danger inherent to an

upgrading strategy is that, if it is successful, a widening gulf opens between the service standard expectations of visitors and the ability of the destination to meet them.

Box 19: Pro-Poor Tourism Regulatory Issue # 17

Government should not base a strategy to go 'up market', on the assumed benefits to the poor because they are unlikely to be a beneficiary of such a strategy.

Figure 16: Visitor rating of tourist infrastructure as 'good' or 'very good'



Source: EMG (2005) The Gambia Tourism Development Master Plan Technical Report No.3 Visitor Survey at Banjul Airport

The Roots Festival is an important example of how government can lead the development of innovative tourism product. This commemoration of the North Atlantic slave trade and bringing together of the Black Diaspora in the low season shows what can be done and merits credit.

This study finds little evidence to support the view that small, up-country tourist product will necessarily be more pro-poor than the current product. The key mechanisms for poverty reduction through tourism are in activities like staffing and supplying large hotels and restaurants and the operation of craft markets, excursions and local transportation facilities. If product development focuses upon dispersing the tourism product across the country in an ad-hoc manner, there is a danger that the mechanisms which link the poor to the benefits of tourism will not reach a critical mass for viability and, therefore, will not take place. In this sense, mass tourism could be more accessible to the poor than niche ecotourism operations. Simply because poverty rates are higher in Eastern rather than Western Gambia does not, in itself, justify a strategy to channel tourist development into this area, **without** ensuring that the necessary accompanying infrastructure to support development is in place.

#### 6.4 Lack of marketing support

The need for marketing of Gambia as a tourist destination is clearly critical to expanding tourism. This has been recognised in tourism policy and strategy documents for the past twenty years and is graphically illustrated in the destinations' low profile - even compared with emerging destinations in Sub-Saharan Africa.

At present, marketing activities are firmly in the domain of international tour operators, the welcome of the Gambian people and meteorology. Visitor surveys indicate that over half of visitors had come to know about The Gambia through a travel or tour firm brochure and most of the rest on the basis of personnel recommendations by friends or family - most frequently on the basis of the friendliness of the people and the weather. As Figure 17 shows, the more traditional approaches to destination marketing, such as advertisements and exhibitions are ineffective at marketing destinations, as most tourists heard of the Gambia, either through travel brochures or word of mouth. One-third of the visitors interviewed are repeaters and 15% had visited The Gambia four or more times<sup>36</sup>.

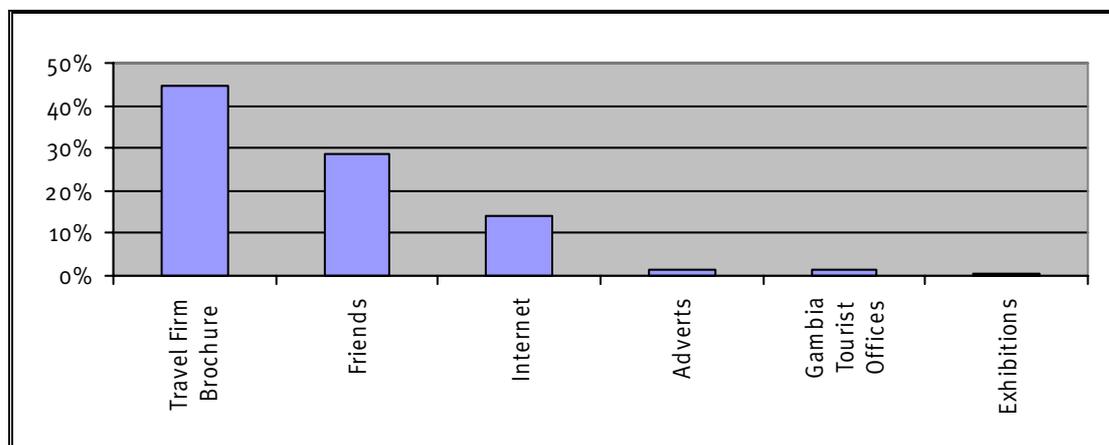
Table 12: The low profile of The Gambia to Specialist African Tour Operators in Europe

1	South Africa
2	Kenya
3	Tanzania
4	Botswana
5	Namibia
6	Zambia
7	Zimbabwe
8	Mozambique
9	Uganda
10	Ghana
11	Senegal
12	Rwanda
13	Gambia
14	Ethiopia

Source: Global Development Solutions (2006) Value Chain Analysis for the Tourism Sector in Ethiopia

Note: Based upon a survey of 360 specialist African tour operators in Europe assessing how many had regular itineraries to different Sub-Saharan countries.

Figure 17: Visitor response to 'How did you come to know about Gambia?'



Source: e: EMG (2005) *The Gambia Tourism Master Plan Technical Report No.3 Visitor Survey at Banjul Airport*

The importance of the internet as a marketing tool is rising rapidly. The WTO estimates that 30% of long-haul holidays worldwide are now booked by the internet<sup>37</sup>. Of more relevance to The Gambia is that in the dominant source market, the UK, over half of the holidays booked in 2005 were over the internet.<sup>38</sup>

<sup>36</sup> EMG (2005) *The Gambia Tourism Development Master Plan Technical Report No.3 Visitor Survey at Banjul Airport*

<sup>37</sup> WTO (2005) *Highlights of 2005 report*.

<sup>38</sup> Business Solutions (2006) *Analysis of the Ethiopian Tourism Value Chain*

There can be little doubt that this destination marketing function falls under the mandate of GTA. The s.14 of the GTA Act of 2001 specifies that the 'Primary function of the Authority is to market The Gambia as an attractive tourist destination through the use of appropriate promotional and marketing activities, and in support of that function, the Authority shall - .....(g) utilise or adopt every legitimate means to develop, promote and publicise The Gambia as a tourist attraction'<sup>39</sup>.

So, why the failure to market the destination when this is clearly in the self-interest of The Gambia? Two factors might offer an explanation.

First, a lack of resources in one of the poorest countries in the world in the midst of a process of improving public finances, could explain the lack of attention to destination marketing. However, there are reasons to question this justification. Tourists, the tourist industry or concessionary development finance could be used to finance a marketing campaign without the need for any government funding for this purpose.

- £5 levied by GTA on each charter tourist on arrival was intended to support tourism and should be generating about £0.5m per year on the basis of the recent arrival figures is more than enough to finance an effective marketing campaign. It is understood that these funds are currently not 'earmarked' for tourism and are therefore being diverted into the general government fiscus;
- The Gambian tourism industry is currently providing significant funds to the GTA through licences and various other levies (in 2004, only 14% of the GTA's annual income of €1.8 million was from government subvention). A significant proportion of these non-governmental funds could be applied for the primary purpose of the Authority, which is marketing; and
- GTA is the lead partner in a European Union PRO-INVEST funded project 'Sustainable tourism business promotion in West Africa 2006-2007' with donor funding of €249,738 (plus €123 990 counterpart funding) to promote sustainable tourism in the region<sup>40</sup>.

Section 60 of the GTA Act makes provision for a Tourism Development Fund which would be an appropriate institutional vehicle to collect these revenues (and potentially others) to, with the approval of the Board, spend on destination marketing.

A second possible explanation for the perceived lack of destination marketing is that real progress is not being acknowledged. There is some evidence to support this - as some significant marketing initiatives have recently taken place. For instance, the:

- GTA recently produced two very high quality promotional brochures - *The Gambia Visitors Guide* and the brochure for the 8<sup>th</sup> *International Roots Festival*, held in June 2006; and
- Government recently financed an advertisement on CNN which cost US\$220,000 for an eight week run.

What these examples of recent marketing activity do illustrate is the importance of the GTA working closely with marketing specialists. The Visitor Guide is a high quality document but is of a size that is difficult to distribute in the post. The CNN advertisement is professionally produced, but was probably not the most efficient or effective way of reaching the key initial target - the travel industry - in actual or potential source markets. CNN advertisements were also at the centre of a notably unsuccessful tourism marketing campaign in Uganda recently.

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<sup>39</sup> The Gambia Tourism Authority Act, 2001

<sup>40</sup> European Union (2006) *Sustainable Tourism Business Promotion in West Africa 2006-2007* A European Union PRO-INVEST Funded Project: Grant Application Document

Box 20: Pro-Poor Tourism Regulatory Issue # 18

GTA can operationalise its marketing mandate and finance a significant destination marketing strategy without needing to utilise government funds and should do so in collaboration with private sector tourism stakeholders.

Whatever the reasons for the lack of destination marketing, the consequences of it are significant. First, it makes it difficult for The Gambia to maintain market share of African tourism - particularly when facing sustained marketing pressure from African destinations like Egypt, Tunisia and Morocco, all of which now enjoy at least fifty times as many international tourist arrivals as The Gambia. Second, the failure to implement a robust destination marketing strategy locks The Gambia into a dependency upon the marketing of international tour operators. This, in turn, locks the destination into the 'winter sun' product because - apart from one UK, one Dutch and one Spanish package tour operator - this is the only product they offer.



Empty beaches in the Summer © Jonathan Mitchell

In addition to encouraging public authorities to market The Gambia as a destination, there are real opportunities for tourist stakeholders to take their own initiatives. For instance, the World Hotel Link ([www.worldhotel-link.com](http://www.worldhotel-link.com)) marketplace network model offers a way for accommodation owners to link directly with independent travelers without facing large up-front marketing costs. The business grew out of a project initiated by the Mekong Private Sector Development Facility - an International Finance Corporation (IFC) funded project to assist small and medium scale accommodation providers to access the internet in 2002. Each destination needs a network partner who can be any suitable partner at the destination who speaks English, has computer skills and cares about building a sustainable tourism industry. Partners can be the tourist authority or a tour company or any other type of organization that is able to deliver the service required. This partner then provides the

interface between the tourist and the accommodation providers (and receives a commission in the form of a share of the revenue generated by bookings). An introduction between the Hotel Association and WHL has been facilitated because The Gambia is precisely the kind of destination that local actors may see interesting benefits from this kind of initiative.

## 6.5 Seasonality of demand

From a destination perspective, a major constraint on tourism development is the seasonality of tourism demand. This has been discussed in some detail above and does indeed constrain the sector and the benefit of poor people from tourism.

Strategies to reduce seasonality include marketing to re-brand the destination and offering a diversity of tourism product that feed into many of the parallel themes in this section.

## 6.6 Accessibility

Accessibility in this context relates to almost complete control international tour operators have over the destination, as the access from the major source markets is through charter aircraft. The argument, receiving strong endorsement in the Master Plan exercise and previous tourism policy documents, is that this control on the supply of seats impedes the growth of tourism and there is an urgent need for a scheduled service for The Gambia.

As of 2006, a scheduled service now operates between London and Banjul, under the Gambia Experience. In addition to this, more UK regional destinations have better, if not direct access to The Gambia, with most of the UK-based tour operators increasing their chartered services. There is also a build up on Northern and Southern Europe access, and the introduction of flights improving access to North America. In our interviews, tour operators suggested that the growth of the tourism sector was constrained by demand, rather than accessibility. However, this is in direct contradiction to the increase in the number of flights offered by these tour operators, for winter 2006/07 - this equates to about a 20% increase in number of seats, mainly from the UK<sup>41</sup>.

Whilst a 17% increase in number of beds (as shown in Table 4) can meet some of that increase in demand, there should be some concern given to how existing infrastructure, will be able to meet this rise in potential volume. Issues such as environmental impact, supportive marketing strategies and maintaining quality of product, needs to be built-in into any expansion. Increasing accessibility has a crucial role in addressing seasonality issues, for example, using summer seasons to attract different markets, such as Southern Europe or North America, whose success in 2007 remains to be seen.

As accessibility is seemingly private sector-led, it serves to further compound the dependency of the tourism sector on international tour operators, enabling them to deepen their markets, rather than diversifying the market base. As such, it becomes difficult to disentangle market demand for travel from the company strategy of tour operators. This is particularly because effective marketing is being done by the tour operators, essentially allowing them to dictate how to promote The Gambia. Existing markets, particularly the UK, have developed better accessibility, and focus should now be placed on improving accessibility to emerging or marginal markets, such as North America and Southern Europe.

### Box 21: Pro-Poor Tourism Regulatory Issue # 19

GTA should, in conjunction with the GCAA, examine whether there are any barriers to entry for scheduled carriers and carriers from a range of destinations to serve The Gambia and offer adequate promotional support for such an initiative.

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<sup>41</sup> Flight Schedule for Winter Season 2006/2007 from the Statistics Unit, Department of Commerce, Gambia Civil Aviation Authority

## 6.7 Training

Improving HRD in the tourism sector has been an urgent policy priority in The Gambia for many years and is normally framed as the transformation of the Hotel School into some form of training institute.

The consequences of not having demonstrable progress in HRD are a continuation of developmentally adverse trends in the tourism sector, including expatriate managers of the major hotels, poor wages for tourism workers and an under-representation of women in the workforce.

Box 22: Pro-Poor Tourism Regulatory Issue # 20

Government should urgently seek to enhance HRD in the tourism sector in the quickest and most effective way possible.

## 6.8 Policy-making and Governance

Tourism policy in The Gambia is quite voluminous, generally useful and often bypassed when it comes to implementation.

The quantity of tourism action plans from various sources is impressive. As Table 12 suggests, there have been several policy / strategy initiatives in the past two decades. Many action plan proposals have a strong 'echo' between the different periods. Exceptions to this include a number of areas of significant progress. For instance, in the late 1980s the Government owned a significant share of Gambia's hotel stock and the main in-bound tour operator. Government moved relatively quickly to divest itself of these assets to the point that it now only has equity in one hotel - the Ocean Bay.

Table 13: Recurrent themes in tourism action plans

Theme	1986 Tourism Impact Study	1995 National Policy	2002 Tourism Strategy	2005 Tourism Master Plan
<b>Regulatory Issues:</b>				
Improve data collection and tourism statistics	✓	✓		✓
Institutional strengthening of public tourism authority	✓	✓	✓	✓
Classify hotels	✓	✓	✓	
Enforce quality control on tourist services and supplies	✓	✓	✓	
Tighten tourism security	✓	✓	✓	✓
Education to reduce negative influences of tourism		✓	✓	
Withdraw Government from hotel sector	✓			
Issue regulations	✓			
<b>Tourist Development:</b>				
Increase utilisation of local produce and linkage to rest of economy	✓	✓	✓	✓
Strengthen the Gambia Hotel School to develop human resources	✓	✓	✓	✓
De-enclave tourism by developing tourism in niche markets & the Interior	✓	✓	✓	✓
Promote the tourism destination	✓	✓	✓	✓
Explore alternative tourist source markets	✓	✓	✓	✓
Improve tourist infrastructure		✓	✓	✓
Go for rapid growth in hotel bed expansion and arrival targets		✓	✓	✓

Source: Action Plans in various tourism policy and strategy documents

Another example of real progress is the development of regulations in the 1990s for hotel classification, hygiene standards and environmental protection. By 2002, the issue in the tourism sector strategy was focused more on the streamlining and aligning legislation and increasing effective compliance with existing regulations. In fact the only recurrent theme in policy documents which is probably not helpful is the repeated call for a rapid growth in hotel beds - but this has not really been implemented in any case.

However, with the exception of these successfully implemented policies, Gambian tourism policies are endlessly recycled without implementation - so the problems are not resolved.

Box 23: Pro-Poor Tourism Regulatory Issue # 21

GTA should focus on demonstrating its implementation capacity on specific practical high priority tasks to support the tourism sector.



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Table 14: The Cycle of Tourism Policy

Focal Area	Tourism Impact Study 1986 (Action Plan)	National Policy for Tourism Development 1995 (Action Plan)	Sector Export Strategy Tourism Sector 2002	Draft Masterplan 2005 (Action Plan)
Withdrawal of Government from hotel sector	<ul style="list-style-type: none"> <li>Financially restructure hotels from which GoG is withdrawing and careful use of government guarantees on hotel investments</li> </ul>			
Effective regulation of hotels & tourist enterprises	<ul style="list-style-type: none"> <li>Enhance financial reporting, tax compliance and GHA;</li> <li>Establish data collection system;</li> <li>Strengthen Ministry of Tourism (increase budget, efficient licensing function; tourist guards; and, statistics);</li> <li>Strengthen Tourism Licensing Board (increase budget, contacts with private associations, national coverage, maintain standards);</li> <li>Issue regulations (hotel classification, hygiene standards; sanctions; environmental protection; incentives for compliance); and</li> <li>Increased revenue (raise airport tax, tax concessions for those using locally-produced goods; tax relief for training Gambians).</li> </ul>	<ul style="list-style-type: none"> <li>review and streamline existing legislation to be more tourism-responsive and transfer licensing authority to Ministry of Tourism (MIT);</li> <li>improve service and supply quality standards with the provision of subsidies; support to small producers; hotel classification; rehabilitate the Airport;</li> <li>tighten tourism security on beaches, craft markets, hotels and tour sites;</li> <li>institutional strengthening of MIT and Tourism Office for a more responsive planning, implementation, monitoring, research and data collection;</li> <li>Adequately resource the tourism sector;</li> <li>Education campaigns to minimise negative acculturation of Gambians by tourism;</li> </ul>	<ul style="list-style-type: none"> <li>Adequate standards are set for industry and adequately regulated by GTA;</li> <li>Ensure quality of service through fast-track classification of hotels;</li> <li>GTA manpower and financial capacity strengthened to carry out marketing, regulatory, HRD, responsible tourism mandate;</li> <li>Capacity of ASSET strengthened to meet quality of service requirements; and</li> <li>Use education and public awareness to address the 'bumster problem'.</li> </ul>	<ul style="list-style-type: none"> <li>Institutional strengthening of DOSTC &amp; GTA in marketing, statistics, planning and policy;</li> <li>Needs assessment of 'bumsters' and implement recommendations;</li> </ul>
Development of tourist industry & diversification of tourism activities	<ul style="list-style-type: none"> <li>Increased utilisation of local produce (use of local construction materials and agricultural produce);</li> <li>Refinancing Gambia Hotel School;</li> <li>Development of tourism in interior &amp; along River Gambia (tax concessions &amp; guarantees for new ventures, including</li> </ul>	<ul style="list-style-type: none"> <li>quantitative growth of tourism to 150 000 arrivals and 10 000 beds by 2000 through diversification of tourism product, attracting higher spending tourists and improving standards of infrastructure and new hotels;</li> <li>maximise economic returns by import substitute</li> </ul>	<ul style="list-style-type: none"> <li>Increase arrivals to 200 000 by 2007 through product improvement, hotel bed expansion and aggressive marketing by GTA &amp; industry (\$4.5m budget 2003 to 2007);</li> <li>Diversify and improve tourism product by moving into niche markets;</li> <li>Encourage major investment in</li> </ul>	<ul style="list-style-type: none"> <li>Increase air access to The Gambia from major source markets;</li> <li>Institutional support to producer organisations to encourage agricultural linkages;</li> <li>Upgrading Gambia Hotel School;</li> <li>Product development to</li> </ul>

	<p>rest camps, camping sites and navigational enterprises);</p> <ul style="list-style-type: none"> <li>• Develop Gambian artisans (craft markets);</li> <li>• Promotional activities (widen tour operator, international publicity; promote cultural activities)</li> </ul>	<p>Gambianisation; providing incentives for investors (including direct subsidies to tourism); reducing the tax burden on hoteliers and operators, diversifying tourism product and devolving licensing authority to MIT;</p> <ul style="list-style-type: none"> <li>• develop a human resource development plan; redesignate Hotel School as a 'Tourism Development Institute' strengthen the curriculum, staff, physical infrastructure and organise training protocols;</li> <li>• reduce tourism 'leakages' through the recruitment of Gambian managers;</li> <li>• de-enclave tourism from its coastal confinement by developing up-country tourism;</li> <li>• explore alternative tourist source markets in Europe, America and West Africa; and</li> <li>• publicity campaigns to introduce alternative forms of tourism.</li> </ul>	<p>high quality hotels through incentives;</p> <ul style="list-style-type: none"> <li>• Strengthen linkages with rest of the economy;</li> <li>• Facilitate access to tourism by all and support handicraft sector;</li> <li>• Upgrade Hotel Training School to hotel training and management institute;</li> <li>• Develop a public - private sector relationship based on common economic objectives and stakeholder associations;</li> <li>• Improve infrastructure in TDA and at airport.</li> </ul>	<p>revitalise existing resorts, but also longer-term vision to develop tourism ten TDAs along River Gambia;</p> <ul style="list-style-type: none"> <li>• Destination marketing;</li> <li>• Infrastructure (stream pollution control, Green Hotel programme, NAWEC)</li> </ul>
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## ANNEX A : Terms of Reference for this Study

The Consultant shall:

- (a) Review the relationship between tourism and poverty in developing countries and the effectiveness of previous initiatives to enhance the pro-poor impact of the tourism sector, providing a broad framework of international 'best practice' for pro-poor tourism in developing countries, with particular emphasis on LDCs and small states
- (b) Collect and examine available data on the tourism sector of The Gambia, establishing where The Gambia is located within the international market, with a view to facilitating the presentation of a range of hypotheses (applied rather than academic) demonstrating measures that may be taken to increase the pro-poor impact of tourism in The Gambia. The presentation of hypotheses should provide reasoned argumentation establishing the basis for the effectiveness of measures proposed, as supported by the available data
- (c) Travel to The Gambia to hold consultations with relevant stakeholders and Government Authorities, as required
- (d) Conduct interviews to gather additional information and obtain views from key stakeholders in the tourism sector of The Gambia
- (e) Prepare a report on the basis of (a), (b) and (d) above, highlighting the significant features of the tourism sector in The Gambia, evaluating strengths and weaknesses in light of 'best practices', and to the extent possible from data obtained and in consultation with ELS, presenting an analysis of the costs and benefits of implementing reforms with a view to increasing the pro-poor impact of tourism in The Gambia. The report should provide concrete and practical recommendations. These should address, *inter alia*, regulatory measures that would likely enhance linkages within the economy with a view to promoting pro-poor growth and development through tourism in The Gambia.
- (f) Present the report and the consultant's findings to the ELS team

## ANNEX B: List of Interviewees

Name	Role	Postal Address:	Telephone	e-mail / website
<b>Public Sector</b>				
Susan Waffa-Ogoo	Secretary of State Tourism & Culture			
Suleman Samba	Permanent Secretary, Dept. of State for Trade, Industry and Employment			
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Harold Goodwin	Greenwich University International Centre for Responsible Tourism			

## ANNEX C: Pro-poor Growth and Other Conceptual Issues

### Box 1: Definitions of Pro-Poor Growth

The debate in development circles is between those with a 'restrictive' who argue that pro-poor growth describes a situation where incomes for the poor benefit disproportionately more than the aggregate average (so, if the economy grows by 5%, incomes of the poorest quintile must grow by more than 5%). What this means is that growth can only be pro-poor if it reduces income inequality. At risk of over-simplification, this definition emphasises equality above growth.

A less restrictive definition is that sometimes described as the 'World Bank' position namely, that pro-poor growth is simply growth that has a positive impact on the incomes of the poor - without the stipulation that the poor have to benefit disproportionately more than society as a whole. The emphasis is rather more on growth than redistribution. By this definition, growth is 'pro-poor' even where the incomes of the poor are growing at 7% in the context of 9% aggregate economic growth - as is the case in China at present. In this example, there is dramatic poverty reduction (about 0.8bn Chinese people left poverty over the past decade) even though income inequality is increasing.

This debate has generated an excellent literature although no consensus has yet emerged from it<sup>42</sup>.

For the purposes of this study, we will adopt the looser 'World Bank' definition of pro-poor growth. This is partly for conceptual reasons and partly for practical reasons.

Conceptually, the focus of this study is to examine how changes in one part of the economy - tourism - can impact positively on incomes of the poor. Our primary focus is not to reduce inequality. If this study motivates changes that benefit poor people in The Gambia through developing a more vibrant tourist sector and also benefits already-affluent hoteliers and restaurant-owners, this presents us with no conceptual quandary. In the context of a tourism sector in The Gambia that is struggling, it would be irresponsible to focus on redistribution without considering the health of the industry itself. Such a myopic strategy simply risks spreading the pain from a possible future down-turn in the tourism industry into a great number of households on the margins of poverty.

There are also practical difficulties with determining the precise distributional impact of changes in tourism between different income quintiles in a context where data is not easily available. In most of the recommendations contained in this study we are simply unable to state with any confidence whether the poor will benefit proportionately more or less than the non-poor.

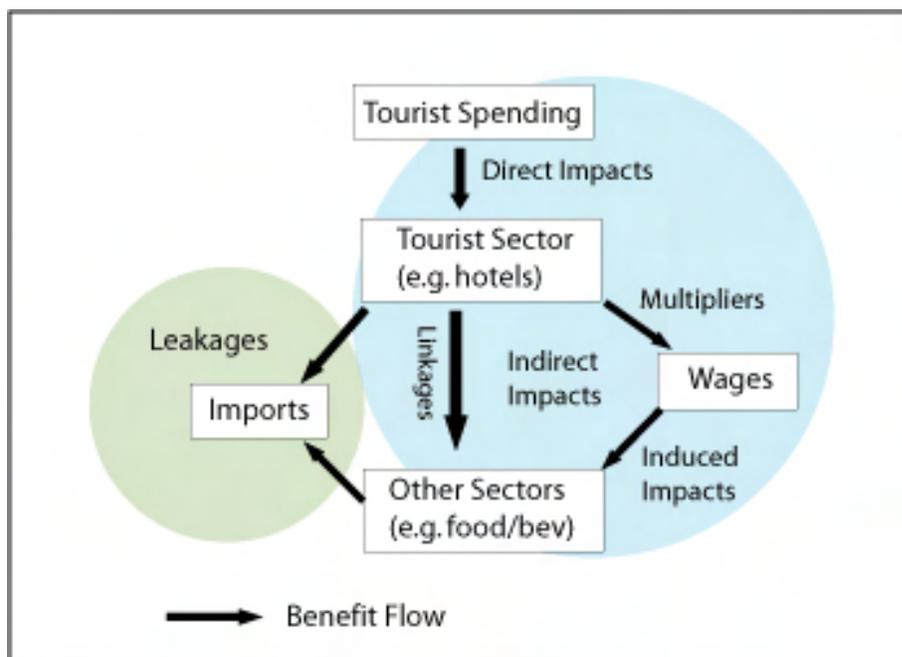
**Pro-poor tourism:** our definition of pro-poor tourism follows that of pro-poor growth. Namely, that tourism is pro-poor if it benefits poor people. The issue of who are the poor in The Gambia is important, so that we are clear about our beneficiary group.

A local economic development approach will reflect our concern to combine growth with redistribution. The key economic development concept of **linkages, leakages and multipliers**, derived from Hirschman (1958) and developed extensively by Lall (1980) is described in Figure 1- and will help us analyse these distributional issues.

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<sup>42</sup> Ravalion et al.

Figure 1: Tourist expenditure & the distribution of benefits<sup>43</sup>



**Leakages** are payments made outside the tourist destination economy - or, the proportion of total holiday price that does not reach or remain in the destination. Some leakages happen internally when a tourist or hotelier pays for imported goods or services. Other tourism leakages are external payments that never make it to the destination country - such as travel agent commissions, tour operator profits and foreign airlines<sup>44</sup>.

Local economic **linkages** generally reduce leakages and increase multipliers. Linkages are shorthand for the way in which tourist businesses can build links with others in the local economy. As will be demonstrated in this study, these linkages can be within the tourism sector (e.g. tourists purchasing craft) or intra-sectoral (e.g. hoteliers buying food and beverages from indigenous drinks manufacturers and the agricultural sector). An important local linkage in the tourism industry is the employment of staff from the local labour market. Local linkages cause money to circulate around the local economy (through the induced spending of wages earned in the tourism industry or from the receipts of other goods and services sold to tourist enterprises) in a way that creates **multiplier** effects. Multipliers - normally described as either income or job multipliers - express the total impact of an economy as a whole, of creating a new job or economic activity by tracing through all the induced and indirect effects.

Emanating from the academic literature and some pressure groups is an assertion that leakages are very high from the types of tourism represented by The Gambia (e.g. dominated by international tour operators with a tourist enclave and a fragile domestic economy). **Value chain analysis** is a useful framework for an industry that displays dynamic pro-poor growth

<sup>43</sup> Adapted from Meyer 2006 *Caribbean tourism, local sourcing and enterprise development: review of the literature* Pro-Poor Tourism Partnership Working Paper No.18

<sup>44</sup> Mitchell, J and Page, S (2006) *Linkages and leakages: Local supply and imports* id21 insights #62 June page 5

potential, strong backward linkages, and linkages stretching across national boundaries (Gibbon and Ponte 2005).

#### Box 2: Value Chain Analysis

Value chain analysis emphasizes the different ways in which activities along the chain are coordinated. It defines chain governance as the process of specifying, communicating and enforcing compliance with key product and process parameters along the chain.

At any point in a value chain, the three parameters to be specified are:

- What is to be produced: product design and specifications;
- How it is to be produced: process specifications; and
- How much is to be produced and when: production scheduling and logistics.

Basic tools in a value chain analysis include the following:

- Value chain mapping, which enables the identification of stakeholders of key processes and agents within (and outside) the chain who can impact on the chain's performance. It also defines characteristics of different markets and marketing channels, through the identification of different needs of different types of buyers;
- Identifying the challengers facing agents (producers, intermediaries and processors) in the chain; and
- Explicit consideration of the different ways in which knowledge and skills gaps can be filled.

Source: Humphrey, J (2005) Shaping Value Chains for Development: Global Value Chains in Agribusiness, GTZ, Eschbom

The application of value chain analysis to the tourism sector is fairly new. The World Bank is piloting value chain analyses in Ethiopia and Mozambique to measure what proportion of tourist expenditure accrues at different parts of the tourism value chain and to examine competitiveness issues<sup>45</sup>. ODI has also undertaken some innovative analyses<sup>46</sup>. In this analysis, we use value chain analysis (VCA) to help describe tourism as it currently operates in The Gambia and how this can be improved for the benefit of the industry as a whole, the Country and poor people within it.

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<sup>45</sup> Global Development Solutions (2006) Value chain analysis for the tourism sector in Ethiopia

<sup>46</sup> Ashley, C (2006) Tourism value chains in Luang Prabang; Te Velde, D W & Schreckenber, K (2005) NTFP VCA

## ANNEX D: A Framework for analysing Pro-Poor Tourism

### D1 Introduction

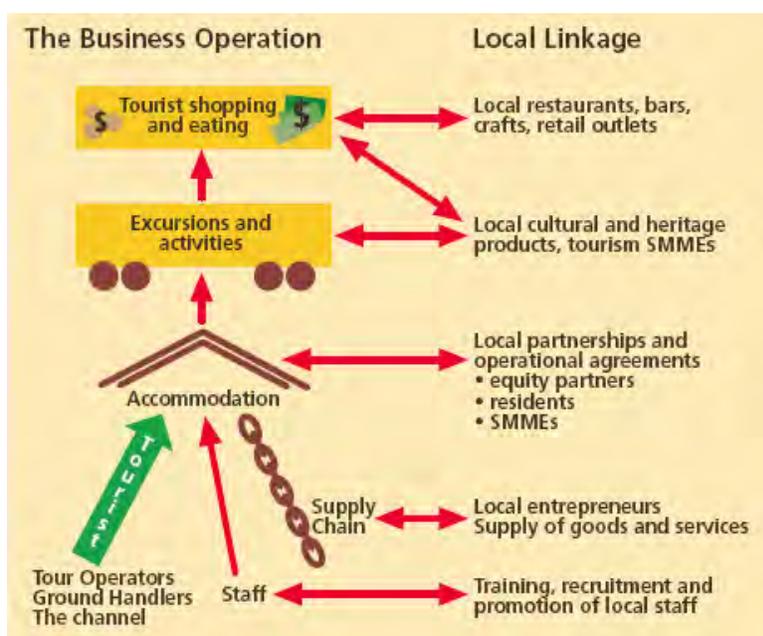
Pro-poor tourism recognizes that different types of tourism have a different pattern of benefit flows to the poor with a specific focus on strengthening linkages with the local economy and local people within it. In addition, as our understanding of the social and economic impacts of tourism increases, the extent to which tourism is inherently pro-poor becomes clearer. Simply by growing the tourism sector will, almost inevitably, benefit some poor people - virtually whatever the model of tourism being promoted. This may be achieved by increasing the volume of tourist arrivals and/or increasing the expenditure made by each tourist.

### D2 Strengthening Linkages with the Local Economy

Strengthening linkages between the tourism sector and local economy has the greatest direct impact on poverty reduction. It also spreads the benefits of tourism further, throughout the economy and is not just retained within the sector. Linkages are often difficult to establish to start and maintain, however, long-term benefits are more sustainable, once a scheme is up and running. Government should encourage linkage strategies that cut across sectors, in order to strengthen policy linkages that can support linkages across sectors, so there is a reduced dependency on imports and a wider spread of economic benefits.

Figure 1 represents the variety of such linkages schematically. Improving the quality of goods and services targeting the tourist market and raising a tourist's awareness about what goods and services are available outside of their hotels are important ways of strengthening linkages. Government can support the strengthening of linkages through creating incentives to change business practices of established operator and by supporting small and medium enterprise.

Figure D1: Local Tourism Linkages



Source: Ashley et al, 2004

## D2.1 Staffing

Employing local staff and adhering to wage and employment regulations is often one of the largest linkages between the tourist sector and the local economy. In some Caribbean islands, for example, direct and indirect employment through the tourism sector is estimated to be 35% - 50% of all employment in the Virgin Islands, Jamaica and the Bahamas<sup>47</sup>.

Having a regular salary can also help reduce vulnerability for individuals and allow them to plan for the future through savings and access credit. Whilst, hotels may recruit locally, there is usually room for more employees and/or for the training of local employees to enhance their skills. Whilst tourism employs 8%<sup>48</sup> of the world labour force, comparing it with other sectors highlights lower wages, higher proportion of unskilled and part-time workers, younger workers and more females (ILO 2001) - which is precisely why the pro-poor impacts of tourism employment are so important. Seasonality of tourism destinations may cause irregular employment patterns particularly for the unskilled and poorest workers. More stable demand throughout the year can reduce job insecurity and the vulnerability of employees.

### Box D1: Training in Tunisia

In Tunisia, the government offers a combination of tax incentives for new investors employing Tunisian employees, training staff and encouraging Tunisian investors in tourism. Hoteliers can opt to pay for training directly, and deduct this from the training tax that the government levies. Training is recognised as a priority as hotels have to meet EU Hygiene and Critical Control Point standards, resulting in a skilled work force available for the sector.

There is also a minimum wage. The enforcement of limited-period contracts to 4 years, however, encourages a high staff turnover as employers avoid costs, by not extending contracts past 4 years. This allows them to adapt to seasonality, but limits the individual's ability to become a permanent employee and access associated benefits. This employment security legislation has had the perverse impact of undermining the job security of Tunisian workers.

Sources: "The Foreign Investor's Guide to Tunisia", Tunisian Ministry of Development and International Cooperation (2003) and Ashley 2006, report submitted to UNCTAD

Training is a means by which to build human capital and give people transferable skills that can enhance their opportunities and make the local economy more attractive to investment. The Sandals Resorts, a Jamaican-owned chain operating across the Caribbean, have a programme to train young people from the local community, on every aspect of running resorts<sup>49</sup>. Upon completion, participants are awarded certificates and references for employment in nearby hotels or employed by the Sandals Resort. It assists in developing the human and social capital locally and builds good links between the community and the private sector. Trained staff can then increase their incomes, and attract a higher starting salary. Sandels spend an average of US\$100 per annum on training staff members<sup>50</sup>.

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<sup>47</sup> Karagiannis, N and Witter, M (eds) (2004) *The Caribbean Economies in an Era of Free Trade*. Ashgate: Aldercroft

<sup>48</sup> World Travel and Tourism Council (2000) figures for direct and indirect employment.

<sup>49</sup> Ashley, C., Goodwin, H., McNab, D., Scott, M. and Chaves, L. (2006) *Making Tourism Count for the Local Economy in the Caribbean: Guidelines for Good Practice*. Pro-Poor Tourism Partnership and the Travel Foundation

<sup>50</sup> Ashley, C., Goodwin, H., McNab, D., Scott, M. and Chaves, L. (2006) *Making Tourism Count for the Local Economy in the Caribbean: Guidelines for Good Practice*. Pro-Poor Tourism Partnership and the Travel Foundation

Government can contribute by either requiring employees train up staff to certification level, setting and implementing minimum wages or encouraging that employees offer a certain quota of staff position to members of the local population. By increasing the volume of poor and/or local people earning a living wage from the tourist sector, the pro-poor impact of the tourist sector may also be increased.

### *D2.2 Local Procurement*

The most direct impact on the poorest in developing countries is through strengthening linkages between agriculture and tourism, as often about 30% of tourist expenditure is accounted for by food and beverages<sup>51</sup>.

The majority of poor people within LDCs depend on subsistence agriculture, for their income. Historically, hotels in developing countries have found their demand cannot be met by the local supply, and have tended to import their food and beverage. This trend is turning with better practice within the sector (for example in the Caribbean), and the recognition that procuring locally, can reduce costs, improve quality, impact the local economy and can help develop and preserve skills.

Although enhancing agricultural linkages to the tourism sector may have the largest potential impact on poor people, it is difficult to implement and often requires a far-sighted private sector partner to initiate the programme. Successful initiatives are those that mediate effectively between farmers and the hotels - by way of market facilitation. 'Gambia is Good' is effectively supplying about 10% of hotels and restaurant demand for fresh produce. There are different issues with strengthening the linkages between tourism and agriculture. These are supply-related, demand-related, marketing/intermediary factors and government policy<sup>52</sup> and are expanded on in Box 2.

Government can direct efforts through building strong linkages between tourism boards and the agricultural sector, so that they can work together in assisting farmers and hoteliers and restaurateurs to match demand and supply. An essential element for the success of local procurement is the existence of adequate infrastructure. The infrastructure required includes transport, irrigation, storage facilities, access to seeds and markets, and adequate training for stakeholders. The tourism sector can be the kick-start to the development of a viable and evolving sector, which can also supply local markets, improving livelihoods.

Failures of several projects to strengthen linkages in Cancun, Mexico attributed failure to the lack of an approach that worked on the interface between supply and demand, with the projects focusing either on farmers (the supply side) or hotels (the demand side)<sup>53</sup>. Alongside this, there was low levels of strategic alliances, general mistrust between stakeholders, poor planning and expecting a 'trickle down' effect rather than sufficient and timely program investment. Building sustainable linkages requires a multi-faceted approach including investment, marketing, training, alliances, infrastructure and proper planning.

With increased dependency on local economies, it is vital sectors such as agriculture do not become solely dependent on the tourist sector. This is to reduce vulnerability in case of unforeseen incidences that cause the tourism sector to drop (e.g. Sept 11<sup>th</sup>). Developing the

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<sup>51</sup> Meyer, D. (2006) "Caribbean Tourism, local sourcing and enterprise development: Review of the literature" *Pro-Poor Tourism Partnership Working Paper No 18*. The Travel Foundation and PPT Partnership

<sup>52</sup> Op. cit.

<sup>53</sup> Torres, R (2004): Challenges and Potential for Linking Tourism and Agriculture to Achieve Pro-Poor Tourism Objectives. *Progress in Development Studies*, 4(4): 294-318.

agricultural sector or infrastructure should ideally be with a national strategy in mind, rather than basing its development solely on the strengthening linkages with the tourism sector.

Protecting farmer's rights, on issues such as communal land, and contractual arrangements, requires clear legislation that can protect both parties. Having an already-established agricultural sector in place certainly allows the accessing of local production by hotels easier and quicker (e.g. the Dominican Republic banana export industries).

Although linkages between agriculture and tourism are important, other linkages, such as transport, light manufacturing, services and construction, can spread the pro-poor impact by creating employment or generating income. Figure 1 illustrates diagrammatically the evolution of an import-prone 'enclave' tourism economy to one demonstrating a rich pattern of multi-sectoral linkages with the local economy.

### Box D2: Linkages between Tourism and Agriculture

#### Demand-related:

- **type of visitor accommodation** (ownership, size and class): larger and/or higher class establishments tend to source internationally as their demands usually cannot be maintained locally, with the noted exception of fish procurement (Indonesia).
- **type of tourist**: for example, North Americans tend to demand home country foods, and prices of supplying volume required for low-end tourists, meant relying on centralised wholesale markets rather than smaller farms.
- **promotion of local cuisine**: this can lead to creating comparative advantage with local produce or increased exports (e.g. Hawaii). Sometimes limited by hotels marketing (e.g. Cancun)
- **health and safety concerns**: there is a strong need to improve quality standards of food handling, which could reduce the level of reliance on frozen foods.
- **Chefs**: local chefs are aware of how to cook with local produce, and have less demands on imports (e.g. Caribbean, Mexico)
- **Seasonality**: Surges in demand due to seasonality, are often unable to be met by local producers due to collisions with peak harvesting, lack of storage or processing facilities and tenure and land-use patterns. (Gambia)

#### Supply-related:

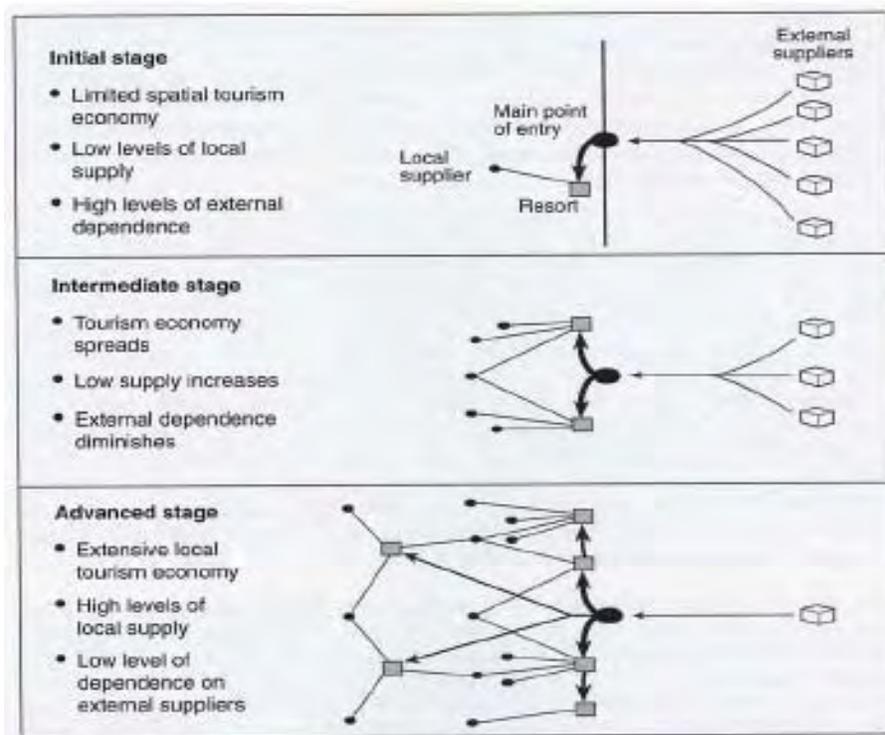
- **Physical limitations**: Some places are not a naturally agrarian climate, e.g. the Caribbean's susceptibility to hurricanes.
- **Entrenched production patterns**: Tourism provides a good means by which the agrarian sector can be diversified from export cash crops to horticulture, introducing new produce. (Caribbean)
- **Quantity & quality of local production**: the need for consistent quality and quantity of produce and meeting surges in demand is cited as the main issue behind relying on imports.
- **High prices of locally produced food**: Small-scale producers often cannot compete, as they cannot take advantage of economies of scale. Co-operatives are one way of combating this.
- **Technological and Processing limitations**: several developing countries do not have agro-processing.
- **Competition for Labour**: tourism offers higher wages, which agriculture would find difficult to compete with, and so labour could be attracted away from agriculture to tourism.
- **Landscape**: Farming country can provide other products developed alongside it, such as excursions around landscape, or used as a tool to invest in conservation of natural resources.

#### Marketing and Intermediary Factors

- **Marketing constraints**: Small-scale suppliers have the greatest marketing constraints, particularly the informal sector and they need the most support overcoming these barriers.
- **Supply poorly adjusted to demand**: Need to ensure that demand matches supply, for efficient supply chains, so local producers can meet hotels demands, at the right time for example.
- **Agreements/contracts/kickbacks**: Monopolies can block access for small producers to enter the market.
- **Mistrust**: Perceptions between the formal and informal sectors are usually based on misunderstanding, and lead to general mistrusting relationship that thwart communication.
- **Distribution infrastructure & Middlemen**: This hinders proper access by farmers and producers, to directly link with their markets. Improving transport networks, storage facilities and communication infrastructure can help to overcome those obstacles.

Source: Meyer, D. (2006) "Caribbean Tourism, local sourcing and enterprise development: Review of the literature" *Pro-Poor Tourism Partnership Working Paper No 18*. The Travel Foundation and PPT Partnership

Figure D1: Strengthening Linkages with Local Economy



Source: Kirsten and Rogerson 2002

There are examples of successful development of local procurement linkages that illustrate the potential for improvement elsewhere. In the Caribbean, where some establishments surveyed were found to have an average 87% of total purchases from local sources<sup>54</sup> or Tunisia where local procurement is said to be between 85-90% due to the government's strong protectionist policies and a relatively developed economy<sup>55</sup>.

### D2.3 Partnerships

In developing countries, where government capacity is a problem, NGOs and/or the private sector can subsidise or provide the expertise required to provide training and build on projects through bi-partite or tri-partite partnerships.

Local partnerships can include initiatives that are developed in conjunction with the local communities and involve a considerable amount of focus on community development. These activities tend to include philanthropic donations, supports to educational activities, environmental initiatives, healthcare, social protection and participation. They are generally associated with community-based tourism or eco-tourism, but also have a place and can

<sup>54</sup> From Hawkins et al, where their survey covered a small sample of establishments on a range of Caribbean islands. Hawkins, R., Jackson, J. and Somerville, H. (2006) "Increasing Local Economic Benefits from the Accommodation Sector in Eastern Caribbean" *A Report by Travelwatch for The Travel Foundation*. The Travel Foundation and Foreign & Commonwealth Office.

<sup>55</sup> Ashley, C. and Mondher, S. *The Role of Foreign Investment in Tourism in Tunisia*. (2006) Submitted to UNCTAD

benefit from mainstream tourism. Building partnership with communities, helps sustain an inviting atmosphere that attracts visitors. Engaging communities may build up mutual understanding between the tourists and the local communities. Increased access allows the communities an opportunity to develop goods and services that encourage out-of-pocket expenditure.

Government can assist in strengthening partnerships, in different aspects of their interaction with the tourism sector, through, for example, having a strong legal framework that allows for community level tenure rights, building on participatory mechanisms for input into national strategies, and using planning processes to encourage investors to engage with local communities (Ashley 2000).

In South Africa, the fact that areas of significant tourist potential exist on land which is either community-owned or state owned has led to the development of a range of sophisticated concession agreements between private sector tourism operators and local communities. Typically these involve a rent payable for the use of the land by the tourism business, often a share of profits (through a profit share agreement or equity ownership by the community), plus a range of local employment and procurement conditions. There are examples of where this has worked well and where significant benefit flows into poor communities have occurred, such as Rocktail Bay in KwaZulu Natal and the Makuleke tourist lodge in the north of the Kruger National Park<sup>56</sup>. However, generally these schemes have not performed well in terms of transferring significant benefits to local communities. Some schemes have been hijacked by local political rivalries, often the funds collected in Community Development Trusts have been misused and generally the scale of benefits generated by small ecotourism lodges have a very modest impact on large, poor surrounding communities.

#### *D2.4 Local goods and services*

Local SMMEs can be created and supported through encouraging outsourcing or through developing products such as crafts or excursions that bring the tourist directly to the producers. For example, Spier Village, in South Africa, is implementing a long term strategy to shift procurement to small local businesses. It began by outsourcing laundry services to a local entrepreneur, who then undertook a contract with the hotel, and continues to develop a pro-poor procurement approach for both goods and services. This is a means by which more people from the local community are employed and, it helps build up the entrepreneurial skills. In the Dominican Republic, Outback Safaris run excursions that combine history, culture, social, environment and relaxing, which have a positive impact on local people, through an increase in incomes, as well as investment in infrastructure through donations given by tourists<sup>57</sup>.

Skills transferred to employees and owners of SMMEs can be used for other entrepreneurial activities outside of the tourism sector, creating other opportunities for income generation and poverty reduction. Often local businesses are prevented from interacting with the tourism sector because of obstacles such as, quality standards, cost management, labour standards, foreign government requirements, access to capital, marketing skills, access to market information etc (Deloitte 2004). Means by which these obstacles can be overcome, are generally through the technical capacity, business and marketing skills, and improving access of SMMEs to the market and to credit.

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<sup>56</sup> CHL (2005) *The EU / DEAT Programme of Support to the Wild Coast SDI Pilot Programme A study on the development of a replication model of the programme and guidelines for implementation*

<sup>57</sup> Meyer, D. (2006) "Caribbean Tourism, local sourcing and enterprise development: Review of the literature" *Pro-Poor Tourism Partnership Working Paper No 18*. The Travel Foundation and PPT Partnership

A significant proportion of the labour market of most developing countries is made up of the informal sector. The informal sector is capable of absorbing significant un/semi-skilled labour and, as such, constitutes a good source of products that are external to the accommodation sectors. It is often the source of other services, such as taxis, souvenir vendors, food stalls, which can provide a source of income for a wider range of beneficiaries beyond the workforce of tourist hotels and restaurants.

In the Gambia, efforts have been made to regulate the informal sector through participatory exercises and the development of associations. Members of the Association of Small Scale Enterprises in Tourism (ASSET) have been through a series of exercises including training, licensing and developing codes of conduct. As a result, through better practice, members were able to improve their income by up to a 300% between 2001 and 2002<sup>58</sup>. Discussions with association members indicate that these self-regulatory Codes of Conduct have been used to discipline - and in some cases exclude - members of the associations. In the context where non-statutory Codes have been implemented, albeit sporadically, and statutory regulatory measures rarely go beyond the collection of license fees, the case for giving a statutory basis to these Codes of Conduct would currently appear to be weak.

### D3 Increasing the Volume of Tourist Arrivals

To the extent that tourism is inherently pro-poor, the poor will benefit if the tourism sector grows.

Africa is a marginal destination in the global tourist market - attracting some 4.4% of tourist arrivals in 2004. Within Africa the major tourist flows are to the north, east and south. West Africa receives less than 10% of African international tourists as Table 2 illustrates. The Gambia is a small destination even within the West African context, receiving only about 0.3% of the African total. Other West African countries have grown steadily over the last 15 years - such as Cape Verde, Ghana and Mali. Despite the fact that tourism in The Gambia has low arrival statistics and is growing rather sluggishly, it has a significant impact on the economy.

Table D2: The Growth of African Tourism

	International Tourist Arrivals ('000)				Market Share in Region (2004) (%)				Ave. Annual Growth Rate		
	1990	1995	2000	2004	1990	1995	2000	2004	90-95	95-00	00-04
AFRICA	15,160	20,438	28,154	33,902	100	100	100	100	6.2	6.6	4.75
North Africa	8,398	7,271	10,202	12,791	55.4	35.6	36.2	38.5	-2.8	7	5.8
Central Africa	365	357	665	788	2.4	1.7	2.3	2.4	-0.4	13.3	4.3
East Africa	2,842	4,906	6,600	7,483	18.7	24.0	23.4	22.5	11.5	6.1	3.2
Southern Africa	2,203	5,991	8,235	9,199	14.5	29.3	29.2	27.7	22.1	6.6	2.8
West Africa	1,352	1,913	2,451	2,960	8.9	9.4	8.7	8.9	7.2	5.1	4.8
Cape Verde	24	28	115	157	0.15	0.1	0.4	0.5	3.1	32.7	8.1
Ghana	146	286	399	584*	0.96	1.4	1.4	1.7	14.4	6.9	10
Mali	44	42	86	113	0.29	0.2	0.3	0.3	-0.9	15.4	7.1
Senegal	246	280	389	363	1.6	1.4	1.3	1.1	2.6	6.8	-1.7
<i>The Gambia<sup>1</sup></i>	<i>51</i>	<i>43</i>	<i>79</i>	<i>90</i>	<i>0.3</i>	<i>0.2</i>	<i>0.3</i>	<i>0.3</i>	<i>-3.0</i>	<i>13.0</i>	<i>3.8</i>

Source: World Tourism Organization (2005) *Tourism Highlights 2005 Edition*

<sup>1</sup> figures for The Gambia provided by Gambia Tourism Authority sources

<sup>58</sup> Bah, A. and Goodwin, H. (2003) "Improving Access for the Informal Sector to Tourism in The Gambia" *PPT Working Paper no 15* PPT Partnership

Absorbing and maintaining an increase in volume of tourist arrivals, requires implementation of a strategy that combines effective marketing, improved air access, product development implementation capacity.

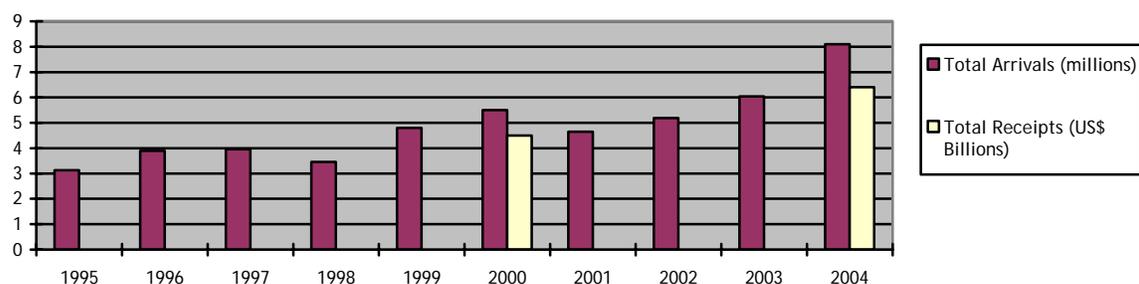
### D3.1 Marketing

Effective marketing can have a significant impact on tourist demand in a particular destination. In Kenya international arrivals in 2004 increased by 30%, after €22 million was spent on its destination marketing funded by an EC programme<sup>59</sup>, air capacity from different markets increased and an improved product was offered. It reflects the need to incorporate a multi-dimensional approach into strategy when attempting to increase volume.

Institutionally, destination marketing tends to be financed by public bodies, such as the national tourism board in St Lucia, or sub-regional boards, such as ASEAN tourism. Government has the ability to convene a diverse and multi-stakeholder sector behind a national strategy. It is vital that tourism boards have a robust appreciation for the importance of marketing and the ability to out-source the delivery of a destination marketing strategy to an appropriate organization, if they have insufficient capacity.

#### Box D2: Marketing and Tourism Arrivals and Receipts in Egypt

Tourism in Egypt represents 45% of the country's foreign exchange earnings. Responses to 9/11 and regional instability have included a top-up destination marketing budget of €33 million, subsidised flights, hosting top 400 media personalities, attending all significant tourism fairs and enhancing the country's tourist website. There has also been heavy investment by both government and the private sector in the tourist infrastructure, with millions spent promoting Egypt as a destination in neighbouring Arab countries, and now attracts more than 19% of tourists from the region. As a result of this, Egyptian tourism receipts have risen by over 50% from 2000 to 2004, despite the 9/11 dip in 2001. Egypt has a diverse tourist product with 16 categories of products, from Graeco-Roman Egypt, to Diving Resorts to Therapeutic Tourism. It has increased the volume of arrivals by targeting it's marketing towards intra-regional tourism without alienating it's existing markets.



Source: Kings Valley Masterplan, Theban Mapping Project 2004 & WTO Commission for the Middle East, Syria, April 2004

Internet marketing is a cheap and effective means of promoting a destination to a larger and more diverse audience (See Box 3). A growing number of tourists book online, with 52% of total online bookings being holiday-related and 19% of package holiday makers booking their holidays online<sup>60</sup>. It is estimated that half of all flights and hotels are booked online, with an

<sup>59</sup> Ashley, C. & Elliot, J.(2003) "Just Wildlife? or a Source of Local Development" *Natural Resource Perspectives no.85*. ODI

<sup>60</sup> Rowe, M. (2005) "Let your fingers make the booking" *The Independent*. 23<sup>rd</sup> August, 2006. The Independent News and Media Limited

increase in package holidays offered by affiliate companies like Expedia, Opodo, Travelocity etc<sup>61</sup>. Marketing online also has its constraints, particularly within developing countries, and infrastructure, human resources, technological constraints often need to be overcome first.

### Box D3: Using the Internet as a tool of Destination Management Systems

Research has been done by UNCTAD Information Economy Report (2005) on the potential of government and tourism providers to utilise the internet to market their product directly to consumers. This is in response to an increasing number of tourists using the internet to research their destination, book tickets, compare prices etc. It is also a great portal through which developing countries with limited market funding can promote their destination and implement a coherent destination management strategy. There are four levels within the ICT Destination Management Systems:

- Level 1: information dissemination on tourism products and services.
- Level 2: plus online reservation facilities.
- Level 3: plus customer database management to improve marketing of the destination globally.
- Level 4: plus strategic management of the destination.

The study showed that most developing countries destination management systems stop at level 1, due to various constraints such as, lack of ICT infrastructure, human capacity, and lack of awareness of ICT potential. Consequently, many fail to maximise the potential of the internet to place their destination on the map, even though they have websites up. Utilising a destination management system should work from an informative site, to one that is strategic. (see Table 2).

Good examples of tourist boards utilising the internet to promote their destination are [South Africa](#) and [St. Lucia](#), which have both achieved level 4 of the DMS pyramid. Their websites have achieved international appeal through their website design and navigation, depth of information and have achieved level four of the DMS pyramid.

#### *Key Services and functions of an online Destination Management System*

Services & Functions of a DMS	Informative	Strategic
General Information	Information on destination Practical information	Content available in the languages of destinations' main existing and potential tourism markets; Presentation can differ to match different targeted tourism markets.
Management of Information on tourism products and services	Accurate description of the products and services available; Information on activities; Contacts of national travel agencies, transport companies	Suggestion ideas for holidays Itinerary planning; Real-time dynamic/ customized packages; Information search by key word, category, geographical location, etc;- Market optimization and yield management.
Customer management functions	Customer database management; Communication with customers	Market research and impact analysis; Marketing campaigns.
Reservation functions	Bookings	Online payment; Security of transactions.

Source: UNCTAD Information Economy Report 2005, Chapter 4.

<sup>61</sup> Meacham, J. (2004) "Online Travel Takes Off" *Revenue*. Issue 3

### *D3.2 Access*

Varying the source of flights can open up a destination to new markets, as well as intensifying an existing market. However, it is absolutely essential to ensure the increase of flights is aligned with a good marketing strategy, and having adequate infrastructure in place to support a growth in tourist arrivals. Civil aviation authorities and immigration control can and should work with tourism boards to keep access in line with national strategy.

A study done by InterVISTAS-ga<sup>2</sup> Consulting<sup>62</sup> suggests that increasing accessibility through liberalizing air services, can generate benefits for consumers, shippers and the local population. The study also highlights the restrictive nature of bilateral air services which can stifle air travel and tourism, and indirectly, economic growth and the creation of employment. When comparing pre- and post- liberalization air traffic growth on a global scale, post-liberalization exceeded pre-liberalization by between 12-35%, and there was a corresponding increase in economic output and job growth.

Kenya and Egypt have improved their international tourism arrivals by timing their increase in airline capacity, with **strengthening** their marketing and promotion and an enhanced product. Kenya has recently committed another £7 million to marketing the destination, with particular focus on new markets such as Eastern Europe as well as, existing markets, such the Western Europe and America<sup>63</sup>. The Kenyan Tourism Board plans to spend a few days promoting Kenya in France, to coincide with a new flight between Nairobi and Paris. Recently Kenyan tourism has benefited from increased marketing to attract greater numbers and are looking to continue that trend.

### *D3.3 Diversification*

Over the last few years, the global tourism industry has seen growth in other less-traditional types of tourism such as eco-tourism and cultural-tourism. Developing a portfolio of different tourism products can increase the appeal of a destination to a range of clientele as well as a potential increase in volume of numbers. Destinations that can combine, for example, a beach holiday with a cultural product or heritage product, can often increase the length of stay. Luxor in Egypt, attracts tourists interested in their cultural products, however, as they can also spend some time on the beach, they have a longer average stay in comparison to other cultural-based destinations<sup>64</sup>.

Diversifying products can improve the marketability of a destination, by putting it on the world map. For example, St Lucia's Jazz Festival was developed in 1992 as a marketing tool, by the tourism board to promote St Lucia's visibility overseas. Fourteen years on, St Lucia is renowned for being host to one of the top world festivals, and attracts tourists outside of festival season. By expanding beyond the beach holiday product, through developing quality niche markets alongside mass tourism, places like Montreaux and St Lucia, were able to move from a seasonal tourist product, to a year-round product<sup>65</sup>.

The quality of product is fundamental in sustaining the appeal of a destination. Developing a wide range of low quality products, may lead to bad publicity, which can have lasting damaging

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<sup>62</sup> InterVISTAS-ga<sup>2</sup> Consulting (2006) "Executive Summary" *The Economic Impact of Air Service Liberalization*

<sup>63</sup> Otieno, J. "KTB to spend Sh970 million on marketing tourism" *The Nation (Nairobi)* 30<sup>th</sup> August 2006

<sup>64</sup> Mann, S. *Ethiopia In Makeda's Footsteps Towards a Strategy of Pro-Poor Tourism Development* Submitted to the Ethiopian Government by the World Bank

<sup>65</sup> Meyer, D. (2006) "Caribbean Tourism, local sourcing and enterprise development: Review of the literature" *Pro-Poor Tourism Partnership Working Paper No 18*. The Travel Foundation and PPT Partnership

effects on a destination's reputation. An increasing number of tourists using the internet to research a destination read other visitors reviews of a destination, on websites such as tripadvisor.com, and potentially base part of their decision-making on these consumer reviews. Actively striving towards high-quality products as well as a diverse range of products does well to boost a destination's image.

Diversifying product types is an important strategy to broaden the market, reducing vulnerability and over-dependence on one market source.

#### *D3.4 Governance (and policy-making)*

Government can act as a mediator and facilitator between stakeholders for improved resource management and ensuring that benefits to the poor are maximized. Aligning tourism as a sector with a complementary national strategy can strengthen linkages and help sustain the tourism product. Clear guidelines and regulations enable governments to align strategies without acting as a deterrent for viable private sector initiatives.

Enhancing the enabling environment, by improving infrastructure, accessibility, financial systems, can make an area more attractive to investors. Establishing accountable, transparent and clear methods of attracting investment, can influence the type of investors are attracted.

In Tunisia, regulation seeks to attract Tunisian investors by giving them tax breaks<sup>66</sup>. Tunisian regulations initially encouraged investment, and led to an increase in tourism receipts. However, Tunisia's tourist industry was badly affected by September 11<sup>th</sup>, with their European arrivals dropping by 20%<sup>67</sup> and suffers from deep structural problems that were not considered when the heavy investment in the tourism was happening in the mid-1990s<sup>68</sup>. Increased air access has not compensated for the rise in number of hotel beds and lower occupancy rates and a slow-down in investment is taking place in Tunisia. Investors are deterred by the high-levels of bureaucracy involved in accessing tax incentives. Foreign companies have found it less complicated to contract rooms in Tunisian-owned hotels rather than own the asset themselves, and so have no strong ties to the destination. Combined with a strongly tour-operator driven form of tourism, this can result in a very foot-loose sector.

Government action can enhance the tourist product by enforcing quality standards. Incentives and tax-breaks can be used to motivate the tourism industry to continuously work on improving their product, whilst awards can be used to recognise private sector achievements. For example, policies need to be well thought out as otherwise their implementation may cause little effect, and in some cases be more detrimental.

In South Africa, the Black Economic Empowerment Charter was implemented as a form of affirmative action to address redistribution along the lines of race. Whilst it benefits blacks who already have assets, it still excludes the poorest, by focusing on the elite thus failing to address a decrease in income inequality<sup>69</sup>, helping to create a class of rich, black shareholders. This example is of a policy that is successfully de-racialising the tourist sector through black economic empowerment, but is not directly reducing poverty, indicates the importance of being clear about objectives at the outset.

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<sup>66</sup> "The Foreign Investor's Guide to Tunisia", Tunisian Ministry of Development and International Cooperation (2003)

<sup>67</sup> WTO (2006) *Compendium of Tourism Statistics 2006 Edition*, WTO

<sup>68</sup> Ashley, C. and Mondher, S. *The Role of Foreign investment in Tourism in Tunisia*. (2006) Submitted to UNCTAD

<sup>69</sup> Davis, S. (2006) "All in SA do not reap tourism benefits", *Mail & Guardian Online*, 12<sup>th</sup> July, 2006

Implementing bad policies can be damaging and failing to implement good policies is obviously ineffective and both result in a waste of resources. Government must factor capacity into their policy-making and implementation, and avoid falling prey to "quick-fix" solutions. Developing and committing to long-term strategies is a must to create an enabling environment within which the tourism sector can flourish.

In summary, increasing visitor numbers generally leads to an increase in tourism receipts. This can be achieved through a carefully balanced combination of marketing strategies, improved accessibility, diversifying products available and establishing adequate infrastructure. Government can play a vital role in designing destination marketing strategies, creating enabling environments, protecting rights and attracting investments. Governments should be mindful of their capability and give as much effort and attention to implementation as to creating strategy and making policy.

#### D4 Increasing Expenditure per Tourist

Increased expenditure can be either through an increase in tourist expenditure. There are three approaches of increasing expenditure per tourist, which will be considered in this section.

##### *D4.1 Targeting high-end markets*

Improving standards and the quality of product to attract high-end tourists, is often based on the assumption that high-end tourists generate more out-of-pocket expenditure. Some destinations lack the infrastructure to attract high-end tourists and should rather focus on attracting budget travelers.

Although high-end tourists self-evidently spend more than budget travelers, the impact on the local economy - and particularly poor people within the local economy - may not reflect the difference in total holiday expenditure. In destinations with strongly developed local economic linkages, there is mounting evidence that whilst high-end tourists spend more on accommodation than others, their discretionary expenditure on all other items is rather similar to mid-range and budget travelers. In Luang Prabang, in Laos, for instance, high-end and budget total expenditure is very similar. However, over half of high-end travel budgets are spent on accommodation - leaving rather less for the types of expenditure which our value chain analysis indicates have more profound pro-poor impacts.

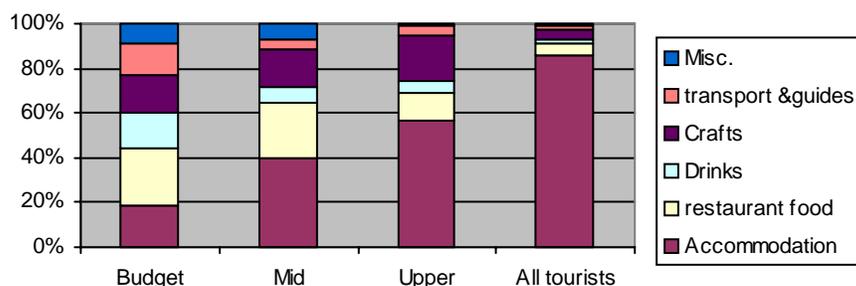
**Table 3: Rough estimates of Receipts into LPB from tourism, \$ per sub-chain per year**

Spendby sub-chain <sup>1</sup> :	Budget	Mid	Upper	All tourists	% of total <sup>3</sup>
Accommodation	1,697,818	1,253,550	5,730,872	8,682,240 <sup>2</sup>	39%
Restaurant food	2,437,447	763,380	1,278,392	4,479,218	20%
Drinks	1,393,642	241,067	556,688	2,191,397	10%
Crafts	1,632,416	516,573	2,061,522	4,210,511	19%
transport & Guides	1,297,562	126,273	401,517	1,825,352	8%
Misc.	795,280	232,649	93,488	1,121,416	5%
Total	9,254,165	3,133,492	10,122,478	22,510,135	100%
% of total	41%	14%	45%	100%	

Source: Ashley 2006 (ODI SNV Working Paper)

Note: the results are presented as rough estimates, in the absence of valid data concerning differences in expenditure patterns by segment.

Figure 2: Structure of Spend for tourists visiting Luang Prabang, based on Table 3



Budget travelers tended to be greater in volume and spend more on food and beverages, transport, guides, which are more likely to involve direct impact on the local economy. This highlights the importance of having a diversified tourism product to entice travelers with a range of budgets<sup>70</sup>.

The government of Botswana in the 90's pushed tourism as an engine for growth to reduce the reliance on diamond exports<sup>71</sup>. Focusing on a "high-value, low volume" approach, the strategy sought to maximize the economic impact of tourism, whilst minimizing the negative social and environmental impact. In practice, this has resulted in a high level of foreign-ownership of the tourism product, high leakage and enclave resorts that do not spread the benefits of tourism effectively to the local population. More recently, main tourist attractions have failed to grow, and there are attempts to consider means to diversify the tourist product being currently offered.

Mauritius banned charter flights in the 1970s in an attempt to maintain a top-end tourism product. However, the government is now reconsidering elements of their previous strategy to enhance the linkages between tourism and the local economy.

#### D4.2 Increasing the average length of stay

Encouraging tourists to stay longer often involves increasing the range of products or activities and usually lends itself to destinations of larger countries with a geographically distributed and/or diversified tourism product, such as the Brazil, or within a sub-region, such as the ASEAN<sup>72</sup> tourism. Some destinations can also increase average length of stay, by targeting long-haul passengers who are more likely to stay for 14 nights, than medium-haul to short-haul passengers.

As such, the viability of increasing longer stay depends on the quality, range and type of products offered, as well as the overall holiday experience. The Gambia, for example, has a high number of repeat visitors, who although tending to stay longer during subsequent trips, their out-of-pocket expenditure is on average less than first-time package tourists<sup>73</sup>. However,

<sup>70</sup> Ashley, C. (upcoming), *Participation by the Poor in Luang Prabang Tourism Economy: Current Earnings and Opportunities for Expansion*. ODI SNV Working Paper

<sup>71</sup> Example taken from a country report on Botswana for *The Courier ACP-EU* no 198, May-June 2003, p. 63-63

<sup>72</sup> ASEAN member states have a single marketing destination management system for travel within the sub-region. Member states are: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Phillippines, Singapore, Thailand and Viet Nam.

<sup>73</sup> EMG (2005), *The Gambia Tourism Development Master Plan Technical Report No.3 Visitor Survey at Banjul Airport*

they tend to be philanthropic and give a lot of person-to-person aid, which can be injected into the local economy.

#### *D4.3 Increase quality of goods and services*

Improving the quality of goods and services can increase spending on these goods and services. From goods in local crafts shops, to quality of transport, to quality of staff in hotels, these are all goods and services, which invariably add to the quality of the tourism product, as well as help local populations to develop skills and improve incomes. A recent tourism value chain analysis in Ethiopia has highlighted the lack of discretionary expenditure resulting from the poor quality of local goods and services offered to tourists. The difficulty of using credit cards and exchanging currency anywhere except a small number of high-end hotels is estimated to be constraining tourist expenditure by an average of US\$100 per trip<sup>74</sup>.

Quality of goods and services can be regulated through the issuing of licenses and enforcement of minimum quality standards. Investing in training of the local producers or suppliers, can have positive effects, and lead to locals taking the initiative to continually improve their quality of product. An example of this is with communities of Huichol in Mexico, who wanted help marketing their product to a wider audience, and got support from the Mexican government, who sponsored art displays. The community then took the initiative of using the internet for marketing their art, increasing their sales<sup>75</sup>.

There are different ways in which increased expenditure per tourist can be achieved practically, by combining action in a range of areas, most of which government can have considerable influence.

#### *By improving the quality of tourist infrastructure*

- Introducing and enforcing minimum quality standards for products. This could include health and safety regulations for restaurants; financial service improvements, such as, being able to use internationally recognised credit or debit cards; applying the equivalent to an MOT for commercial vehicles, like taxis; and setting minimum standards for excursion companies. Maintaining the environment around tourist areas, like keeping the beaches clean and investing in proper waste management are also important aspects of maintaining the tourism product.
- Capability of government to invest in the quality of tourist infrastructure is limited at times, therefore being realistic about capacity, using incentives and regulations with more capable stakeholders, in order to develop or maintain the product might be necessary. Incorporating private sector investment into planning processes can be one way of tackling capability issues.

#### *Informing tourists what is available*

- Marketing strategies should include raising awareness of products available and disseminating information, within destinations to the tourists about "things to do", licensing, responsible tourism etc. ASEAN Tourism Board's website is a good example of how marketing a sub-region can raise awareness of the wide range of products, rather than relying on tour operators to market their product.

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<sup>74</sup> Global Development Solutions (2006) Op cit

<sup>75</sup> [www.mtnforum.org/resources/library/cbmt\\_02.htm](http://www.mtnforum.org/resources/library/cbmt_02.htm)

- Investing in developing and maintaining products such as, preserving heritage or places of interest, by establishing National Parks or setting up cultural excursions are good ways of diversifying products, facilitating environmental management or conservation schemes and improving product sustainability.

Increasing expenditure per tourist is one way of increasing a destination's earnings. However, as with increasing volume, one cannot automatically assume it will increase pro-poor impact. Being able to attract high-end tourists, in order to increase tourism receipts or out-of-pocket expenditure does not guarantee an increased out-of-pocket expenditure. It depends on the quality of product and how well it's matched to the tourist, therefore, priorities should be focused around product development and maintenance to increase both tourism receipts and out-of-pocket expenditure. Government can help fulfill targets for increased tourism expenditure by investing in tourism infrastructure, setting regulatory standards for the industry and by offering training and support to local producers, looking to improve their products. Role of government should be geared towards investment in tourism infrastructure maintenance and development, setting minimum standards and providing training to enable producers to meet them.

## ANNEX E: Calculation of Gambian Tourism Value Chain

### Calculation of Gambian Tourism Value Chain

October 18th 2006

#### ASSUMPTIONS:

Length of stay (days)	10.8
2005 tourist arrivals	110,815
% package	84.0%
% of package during peak	73.0%
Cost high season package (£)	£650.00
Cost low season package (£)	£530.00
Cost high season flight (£)	£265.00
Cost low season flight (£)	£285.00
Cost of flight for non-package tourists	£400.00
Landing & pax handling fee (£)	£17.00
High season ground handler fee (£)	£15.00
Low season ground handler fee (£)	£7.00
High season room rent (£)	£19.00
Low season room rent (£)	£9.00
Tour operator, admin, insurance, marketing (£/Pax)	£30.00
Tour operator, destination support (£/Px)	£10.00
Tour operator sales commission (% on sales)	10%
Tour operator gross surplus low season	4.5%
Tour operator gross surplus high season	3.6%
Tourist tax	£5.00

#### Out of Pocket Expenditure

	Package	Non-Package
F&B	51.8%	39.9%
Shopping	14.0%	9.3%
Excursions	13.1%	4.0%
Accommodation	3.0%	25.2%
Local passenger transport	3.5%	4.2%
Guides	3.7%	1.2%
Recreation / entertainment	2.9%	4.8%
Cultural activities	0.1%	1.7%
Car hire	0.5%	1.2%
Other	6.5%	8.4%
Total	99.1%	99.9%
Average daily out of pocket expenditure (D)	1400	1850
D/£ rate of exchange	56.20	

#### Financial inputs to value chain

	£	D
Package tourists		
High season package	44,168,643	2,482,277,720
Low season package	13,320,406	748,606,832
Non-package air travel costs	7,092,160	398,579,392

Out-of-pocket package	25,043,401	1,407,439,152
Out-of-pocket non-package	6,303,441	354,253,392
<b>Total</b>	<b>95,928,051</b>	<b>5,391,156,488</b>

### Components of expenditure

#### *International tour operators*

(a) admin, insurance, marketing	2,792,538	156,940,636
(b) destination support	930,846	52,313,545
© sales commissions	5,748,905	323,088,455
(d) gross surplus	2,467,124	138,652,343
<b>Sub-total</b>	<b>11,939,412</b>	<b>670,994,979</b>
<b>Sub-total %</b>	<b>12.4%</b>	

#### *Airline companies*

<b>Sub-total cost of all package and non-package flights</b>	<b>32,262,236</b>	<b>1,813,137,654</b>
<b>Sub-total %</b>	<b>33.6%</b>	

#### *Landing & Passenger Handling*

Cost of for all tourists	1,883,855	105,872,651
Tourist tax on package arrivals	465,423	26,156,773
<b>Sub-total</b>	<b>2,349,278</b>	<b>132,029,424</b>
<b>Sub-total %</b>	<b>2.4%</b>	

#### *Ground handlers*

<b>Sub-total</b>	<b>1,109,879</b>	<b>62,375,184</b>
<b>Sub-total %</b>	<b>1.2%</b>	

#### *Accommodation*

Package tourists through package	16,658,048	936,182,279
Non-package tourists	1,588,467	89,271,855
Package tourists out-of-pocket	93,085	42,223,175
<b>Sub-total</b>	<b>18,339,599</b>	<b>1,067,677,309</b>
<b>Sub-total %</b>	<b>19.1%</b>	

#### *Food & Beverage*

Package	12,972,482	729,053,481
Non-package	2,515,073	141,347,103
<b>Sub-total</b>	<b>15,487,555</b>	<b>870,400,584</b>
<b>Sub-total %</b>	<b>16.1%</b>	

#### *Shopping*

Package	4,173,932	234,574,970
Non-package	586,220	32,945,565
<b>Sub-total</b>	<b>4,760,152</b>	<b>267,520,536</b>
<b>Sub-total %</b>	<b>5.0%</b>	

#### *Excursions*

Package	4,207,291	236,449,778
Non-package	327,779	18,421,176

<b>Sub-total</b>	<b>4,535,070</b>	<b>254,870,954</b>
<b>Sub-total %</b>	<b>4.7%</b>	
<i>Local Transportation</i>		
Local Passenger transport	1,141,264	64,139,013
Car hire	200,858	11,288,236
<b>Sub-Total</b>	<b>1,342,122</b>	<b>75,427,249</b>
	<b>1.4%</b>	
<i>Other discretionary expenditure</i>	3,318,336	186,490,475
	3.5%	
<b>TOTAL</b>	<b>99.5%</b>	

## ANNEX F: Calculation of Pro-Poor Impact of Tourism Expenditure

**Accommodation:** Pro-poor impact estimated from wages paid to non-managerial staff (assumed from *Quid Pro Quo* report to be 85% of D81.6m total wages (estimated from the Hotel Manager Survey finding of an average labour cost per room of D27 200 multiplied by 3 000 rooms) = £1.2m or D69.4, or 7% of total expenditure on accommodation of £18.3m or D1,067m)

**Food & Beverages:** Tourist expenditure surveys indicate that about £15.5m (D870m) is spent on F&B each year. The main pro-poor impact is the purchase of food from the agricultural sector and informal sector F&B sales. The best estimate of hotel and restaurant wholesale food purchases is from the survey of 13 hotels that spend £1.7m (D93.2m) on F&B annually. Inflating this figure to take account of the fact that our survey only covered 62% of Gambia's total hotel beds and the *Quid Pro Quo* estimate that 47.6% of F&B purchases in the Gambia are in hotels - with the rest being in independent restaurants - implies an annual F&B spend by hotels and restaurants together of £5.6m (D313m). Adjusting this F&B total to exclude beverages (42% of total F&B purchases by tourists and unlikely to directly benefit the poor) implies a total food purchases by hotels and restaurants of £3.2 (D178). Evidence from the hotel surveys and the Gambia is Good project suggest about 45% of food supplies are locally sourced and adding informal sector F&B sales (fruit and juice sellers with an annual turnover of £0.24m or D13.5m estimated from the *Improving Access to the Informal Sector* survey) suggests a pro-poor impact of some £1.7m (£94m) - or some 11% of tourist spend of F&B.

The wages earned by non-managerial restaurant workers have been excluded at this stage because the data are not available and hotel staff data did not distinguish between staff working in accommodation and restaurant businesses. In addition, the wages earned by non-managerial staff working in the Gambian beverage sector have been excluded due to a lack of data.

**Shopping:** The pro-poor impact of shopping is based upon tourist expenditure surveys indicating total annual tourist retail sales of D267m (£4.7m). *Quid Pro Quo* estimates 73% of total retail sales are in gifts and souvenirs (with 10% in cosmetics and 17% in clothing). On the basis of detailed survey information Harold Goodwin and Adama Bah in *Improving access to tourism for the informal sector* estimate 69% of total gifts and souvenir sales are in the informal sector - implying total informal sector gift and souvenir sales of D134m or £2.4m a year - 50% of total retail sales.

**Excursions:** Tourist expenditure surveys indicate that tourists spend £4.5m or D255 on excursions in The Gambia. Harold Goodwin and Adama Bah in *Improving access for the informal sector to tourism in The Gambia* have estimated that 25% of this expenditure goes to the informal sector - some £1.1m or D63m. [In addition the wages of the non-managerial workers of the inbound tour operators working primarily on organising excursions should be added].

**Local Transportation:** Local transportation expenditure is estimated to be D75m or £1.3m per year in tourist expenditure surveys. Surveys suggest that 85% of transportation expenditure accrues to taxis. In The Gambia it is assumed that all taxi drivers are informal sector enterprises and if we add the assumption that 50% of turnover is required to run the vehicle, this leaves 50% for the driver as pro-poor benefit - £0.6m D32m.