

Foreword

Small states face a unique set of development challenges posed by their small size, narrow production and export bases, and susceptibility to climate change impacts. These factors influence and shape policy responses and the approach these countries take to address their sustainable development concerns. With over half of Commonwealth members comprising small developing states, the Commonwealth Secretariat has extensively researched their peculiar development challenges and helped countries explore the available opportunities for enhancing their development outcomes. Sustainable and inclusive economic growth is seen as an important plank in the strategy for achieving improved development outcomes for these countries. Due to their geographical location, the tourism sector in many of these countries plays a significant role, contributing to economic activity including government revenue and employment.

In recognition of the importance of the tourism sector and its potential catalytic role in these economies, the Commonwealth Secretariat and the World Bank commissioned three studies to explore the transmission mechanisms of tourism to the development of small states. These studies are: *Tourism and Inclusive Growth in Small Island Developing States (SIDS)*; *Cruise Ship Tourism in Small States*; and *Local Tourism Supply Chains in Small States*. These studies were presented and discussed at the Commonwealth Secretariat's 2012 Second Global Biennial Conference on Small States. This report presents the material findings from these studies and feedback received from the Biennial Conference.

The central research question of these studies relates to how the economic impacts of tourism are transmitted through the economies of SIDS. Further to this question is how initial tourism expenditure in a small economy translates into changes in local incomes through direct, indirect, and induced channels. The study also explores how tourism affects and changes local livelihoods in the host communities in SIDS.

The report concludes with two principal recommendations. First, there is an urgent need to address data gaps, as the existing data lack the level of granularity required for policy-makers to make effective and informed policy decisions to minimise economic leakage and to maximise value-added contributions from tourist consumption. Second, there is a need to develop locally-owned/operated niche tourism markets that promote and support local producers and suppliers. Given the glaring capacity constraints that these countries face, the international community can play a role in supporting their ongoing efforts in these areas.

This report offers a unique and focused set of contributions to better understand the value and impact of an important services sector in small developing states. It

provides valuable information and insights for policy-makers in small states, regional and international organisations, tourism industry stakeholders, experts, academics and students of development economics.

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