

Summary

Tourism is a key sector in most small island developing states and in many other small states, contributing to GDP, government revenue and employment. This report considers the effects of tourism as they work through the economy through the main channels, both direct and indirect. It examines land-based and cruise tourism, and explores how the local supply chain can be enhanced as part of an inclusive growth strategy.

SIDS and small states have characteristics that differentiate them from other economies. Inclusive growth is predicated upon broad-based growth across all sectors of an economy, includes low- and middle-income groups and has a distributional aspect that aims to reduce income inequality. Development strategies for these small nation states are further complicated by significant and challenging data gaps. Until recently inclusive growth has not been associated with tourism and economic development, especially in SIDS and small state tourism policy-making. This report examines the challenges of tourism and uses available data taken mainly from four SIDS that provide robust statistics, Jamaica, Maldives, Mauritius and Seychelles,¹ and highlights the direct channels through which tourism contributes to the national economy. These channels are its contribution to GDP and government revenue, visitor expenditure and direct employment. The report concludes that policies must favour local businesses and create employment.

The indirect channels are also discussed, with a specific focus on economic leakages, backward and forward linkages, and multipliers. For SIDS and other small states considering inclusive growth, the key question is how to maximise economic linkages to other sectors and how to minimise economic leakage. The operational challenges facing tourism, particularly in SIDS, are illustrated in the Seychelles case study. This demonstrates the need to analyse the local political economy and illustrates challenges for inclusive growth from hosting international hotels in a small economy with limited human resources, and supply chain issues that limit significant backward linkages.

As noted above, the data gaps are significant, and the collection of better data is one of two key recommendations for policy-makers made by this report. The data that do exist lack the level of granularity that is required to minimise economic leakages and maximise value-added contributions from tourism. The second recommendation is to develop locally owned and operated niche tourism markets that promote and support local producers and suppliers.²

The report's recommendations give policy-makers in governments and international agencies a firmer foundation for the formulation of evidence-based policy to facilitate inclusive growth strategies for tourism in SIDS and other small states.