

## Chapter 5

### Summary and Recommendations

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#### 5.1 Introduction

The conceptual framework that underpins this report has been developed by the World Bank and applies the concept of inclusive growth to tourism in SIDS. In particular, the notion that has been used here is that the impact of tourism on SIDS can best be expressed by considering in turn direct, indirect and induced channels. This final chapter draws upon the results of the desk-based research, the country case study of Seychelles, and technical and specialist advice from professors at the Universities of Birmingham and Bournemouth. The chapter ends with policy recommendations and suggestions for future work on tourism and inclusive growth strategies.

#### 5.2 How to analyse tourism to foster inclusive growth in SIDS

The central research question of this study is: How are the economic impacts of tourism transmitted through SIDS economies? This question has two components: first, how does initial tourism expenditure in the small economy translate via economic linkages to changes in local incomes? Can this be seen through direct, indirect and induced channels? Second, and clearly associated with this, how does tourism affect and change local livelihoods in SIDS host communities?

Inclusive growth relative to tourism is an approach that requires long-term development, as it aims to distribute economic and ‘other’ benefits from tourism more widely (across island society) and more broadly (across the island’s industries) (Ianchovichina and Lundstrom 2009). ‘Other’ benefits refer to non-income factors, such as continuous professional development (CPD), that help raise productivity levels within a workforce. In addition, further training and experience lead to higher levels of professionalism, and over time this can reverse the trend of foreign workers occupying key positions. This is commonly noted with international hotels and resorts in SIDS, where chief executive officers and the senior management team are typically from Asia or Europe.

In the case of one particular small island state, Seychelles, training in tourism-related sectors through the Seychelles Tourism Academy is limited to customer service and lower management skills. The results of this relatively new academy show a poor uptake of jobs (25 per cent of graduates only) in the industry, suggesting that the type of training and experience offered needs to be diversified to attract high-achieving and motivated individuals; to inspire and motivate entrepreneurship and innovation; and to reverse the employment trend in tourism towards low wages and long hours, especially for local workers.

For tourism to make a wider contribution to inclusive growth in SIDS, policy changes may be necessary. These fall into three broad areas: enabling factors, social well-being

and the overall political economy. These clearly overlap and connect with each other. As noted in the first chapter, the literature suggests that enabling factors for inclusive growth include local infrastructure, specifically its extent and quality. Basic infrastructure, such as transport and reliable power supplies, allows SMEs to flourish, while more specific tourism-related infrastructure, such as hotel development, encourages 'clustering' of tourism services to capture the benefits of proximity and agglomeration economies (Kim and Wicks 2010). Policy-makers in SIDS need to support investment in basic infrastructural development (especially in rural or isolated areas), in addition to well-considered, planned tourism infrastructure development.<sup>60</sup> The exact form that this takes will be both island and location specific, but could include carefully targeted development to support tourism sectors that retain more of the tourist spend in the island economy, such as some types of cultural and heritage tourism, independent travellers, and some forms of eco-tourism and other niche markets. In comparison, large-scale expenditure on infrastructure for the cruise sector may not be the best use of scarce finances. As noted earlier, with one exception, a low proportion of tourist expenditure in the cruise sector is retained in SIDS.

Social well-being is a second area of policy concern when considering how to facilitate inclusive growth from tourism. Clearly, small island societies that have growing inequality and worsening income distribution across both rural and urban areas face significant disadvantages in attempting to encourage inclusive growth. The implication for SIDS policy-makers is that tackling marginalisation and social inequality must be a fundamental priority in attempts to foster inclusive growth, rather than a minor supplementary aspect that can be considered at leisure. This is reinforced in the literature concerning the key role of social capital in SIDS (Baldacchino 2005). This applies not only to inclusive growth in general, but is relevant to inclusive growth linked to tourism development in SIDS. Tourism, perhaps more than most other economic sectors, is predicated upon a stable and safe host society. Rising inequalities and the associated levels of social tensions and possibly crime act against tourist perceptions of the holiday destination as a safe, stable place. Given the intense and growing competition between destinations, international perceptions are of great significance. In addition to the societal argument, worsening social problems may also create problems for start-up SMEs that wish to enter the tourism business. Gini coefficients can be used to show the distribution of income within SIDS; however there is a serious lack of such data. In this report we collate Gini coefficients from selected SIDS (Appendix 2, Table A2.11), but the overall lack of these data from other SIDS is an ongoing problem.

Finally, the local overall political economy is also of great relevance to setting policy directions for SIDS governments. This necessitates a more holistic approach to strategic tourism policy in recognition of the interconnection and interactions between different economic sectors, the impacts of particular fiscal and economic policies, and the wider external geopolitical environment outside the actual SIDS. For instance, while some small states have programmes to assist low-income households or business start-up facilities for new SMEs, other government actions, such as particular fiscal policies, can act in the opposite direction as a disincentive to new businesses. To follow the approach of inclusive growth in SIDS for tourism, policy-makers also

need to consider how to help middle-income households benefit from the tourism industry. This is not as simple as it first appears and poses substantial challenges for SIDS governments.

### 5.3 Policy recommendations and areas of future work

Having discussed some of the challenges facing policy-makers concerning inclusive growth and SIDS tourism, this report ends with two overarching recommendations that are priorities for tourism development. Further, more detailed, recommendations are listed in Appendix 5.

#### 5.3.1 Recommendation 1

In several places in this report it has been noted that reliable and useable tourism data from SIDS is lacking in many areas. There are some exceptions, notably in Mauritius, Maldives and Jamaica, which have generated particularly useful data that is available for analysis; these, however, are the exceptions. One major step forward in enabling a better understanding of SIDS' existing tourism activities and planning for future development with inclusive growth, would be increased funding for the collection and publication of reliable tourism statistics. This needs to go beyond the basic data requested by the UNWTO, for instance on international arrivals. Given human resource constraints in many SIDS, the lack of data is not just a financial issue, but also stems from small statistics units within SIDS governments and tourism departments. It is recommended that SIDS governments, in combination with international development agencies, should prioritise the collection of statistics from the tourism sector to underpin inclusive growth strategies for tourism.

#### 5.3.2 Recommendation 2

There is evidence that inclusive growth tourism is a viable alternative route for SIDS that complements, and is complemented by, the existing tourism industry. While there are fundamental issues that currently limit the opportunities for inclusive growth, examples of good practice are noted throughout this report that maximise national assets and strengths that are often overlooked. The result not only offers SIDS tourism industries a more diverse product range, but can offer a new lease of life to the local workforce, declining industries (e.g. agriculture), costly conservation work (e.g. protected sites) and the creative industries (including cultural heritage). With inclusive growth in mind, there is a genuine need for progressive development. It is recommended that basic groundwork is completed to gain a full understanding of national assets (other than sun, sea and sand) that offer alternative, small-scale and locally-produced tourism products. Basic groundwork could include the compilation of an inventory of natural, cultural and heritage assets, and impact assessments to monitor changes, as well as gains and losses.

## 5.4 Concluding remarks

This report explores tourism and inclusive growth in SIDS and small states. It was developed from a desk study, with supplementary material drawn from a country visit to Seychelles to ground the study with examples from a tourism-dependent small island state. The report has shown, despite the overall lack of reliable and robust statistical data for most SIDS, that certain observations can be made. For most SIDS tourism remains a key economic activity, an important contributor to GDP, a main source of government revenue and a significant generator of employment. The report makes two key recommendations for the successful development of inclusive growth strategies for tourism in SIDS. If these recommendations are acted upon, government and international development agencies will have a far firmer base for the development of evidence-based policy to facilitate inclusive growth tourism strategies.