Africa Growth Initiative
at BROOKINGS

Africa's tourism potential

Trends, drivers, opportunities, and strategies

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DECEMBER 2018

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Acknowledgements
The author would like to express his sincere appreciation to the people who have made this work possible or provided improving feedback, including anonymous reviewers. Special thanks to Dr. Brahima S. Coulibaly and Dr. Eyerusalem Siba for their insightful comments. The author is also grateful to Merrell Tuck-Primdahl, Christina Golubski, Joshua Miller, Molli Ferrarello, David Batcheck, Dhruv Gandhi, Nirav Patel, Mariama Sow, Amy Copley, Christina Constantine, Zezhou Cai, Genevieve Jesse, and Wilfried Youmbi.

This report was made possible in part by a grant from the Carnegie Corporation of New York (Andrew Carnegie fellowship) and the David M. Rubenstein fellowship at the Brookings Institution.

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Table of Contents

Executive Summary

The tourism industry is playing an increasingly important role in the global economy, contributing 5 percent of gross domestic product (GDP), 30 percent of service exports, and 235 million jobs. Indeed, each year, approximately 1 billion people travel internationally. By 2030, consumer spending on tourism, hospitality, and recreation in Africa is projected to reach about $261.77 billion, $137.87 billion more than in 2015. From 1998 to 2015, service exports, including of "industries without smokestacks" such as tourism, have grown about six times faster than merchandise exports in Africa.

Given these trends, the travel and tourism industry has significant potential in Africa, notably due to the continent's richness in natural resources and its potential to further develop cultural heritage, e.g., music. However, except in a few countries, such as Mauritius and Seychelles, where the tourism sector's share of the economy is particularly large, tourism in Africa is still at an early stage of development and strongly connected with more general and longstanding development challenges, including infrastructure and security.

Aware of the potential for tourism, most countries in the region have already drafted strategic plans to develop the sector as an economic opportunity and development catalyst. For example, Gambia, Kenya, South Africa, and Tanzania are all putting significant efforts into advancing travel and tourism development. Botswana, Mauritius, Rwanda, and South Africa are particularly working hard to improve their business environment for tourism investment.

The African Union and sub-regional communities have also put tourism at the top of their agendas. For example, the African Union has endorsed the continent's Tourism Action Plan (TAP) developed by the New Partnership for Africa's Development (NEPAD), renamed African Union Development Agency (AUDA). The TAP recognizes tourism development among priority sector strategies of AUDA across Africa and aims to make Africa the destination of the 21st century. The 15 members of the Economic Community of West African States (ECOWAS) have introduced a visa policy that enables free movement of people across member states, offering a larger market to international travelers.

While improvements have been achieved in various areas, especially at the local level, much more needs to be done by both the public and the private sectors to fully tap Africa's potential in the tourism industry. This report starts with an overview of tourism development in Africa and explores some of the key constraints that have prevented this sector from maturing. It identifies important stakeholders and potential opportunities for its future development. It also provides illustrative examples of countries representative of different trajectories of tourism development. Finally, with attention to current major policy reforms, the report draws conclusions about the future of the tourism sector in Africa.

The report aims to offer business leaders an overview of Africa's biggest opportunities and risks in the tourism sector, discussing trends, drivers, perspectives, and strategies for effective investment. It also provides policymakers with some solutions related to the areas that need to be improved to attract private investors, accelerate tourism development, and contribute to growth and poverty alleviation, facilitating the fulfillment of the Sustainable Development Goals and the African Union's Agenda 2063.

1

Background facts and trends

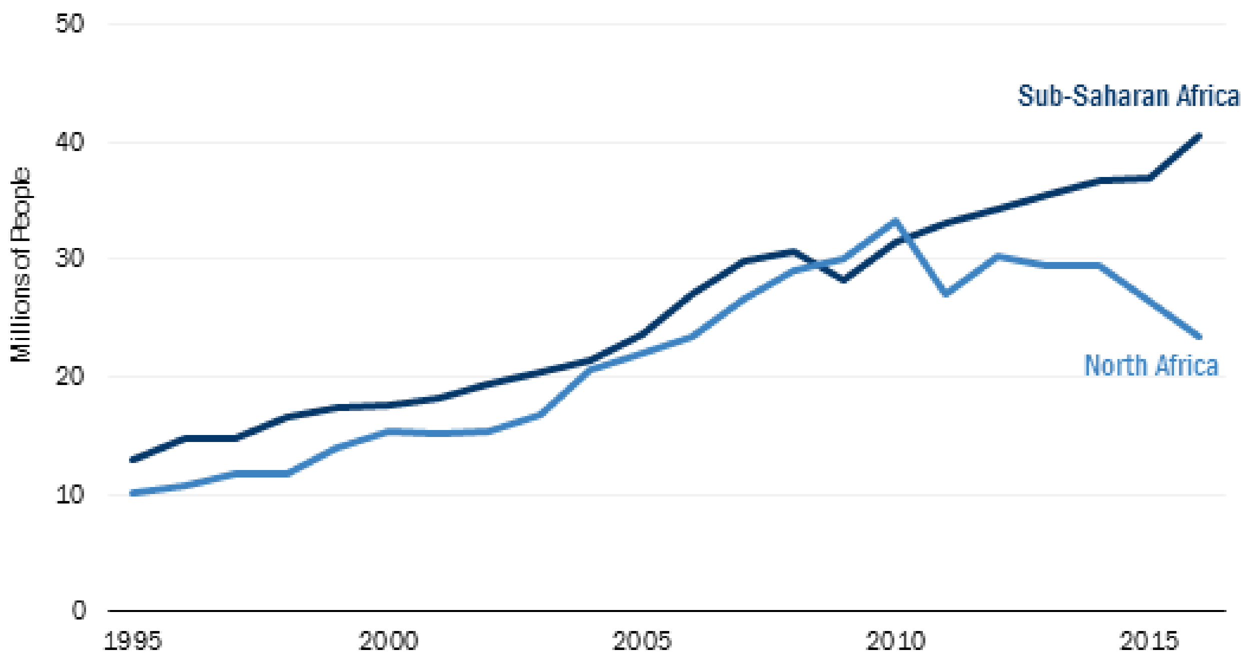
Since the 1950s, the global market for international travel and tourism has exhibited uninterrupted growth. After the end of the Cold War, the sector accelerated more rapidly than the global economy, with an average annual growth rate of 4.1 percent between 1995 and 2010.[1] It was during this period that Africa experienced its initial boom in tourism. Africa's tourism-based revenues increased by more than 50 percent in the 1990s—from $2.3 billion to $3.7 billion[2]—while the total number of international arrivals on the continent ballooned by roughly 300 percent, from 6.7 million in 1990 to 26.2 million in 2000.[3]

These trends have continued into the 21st century, bolstered by a period of impressive economic growth and improvements in political stability and openness across the continent. In fact, during the global financial crisis of 2007-2008, Africa was the only region in the world that continued to experience growth in the tourism industry: arrivals in the region increased by 3.7 percent in 2008-2009, compared to the net decline of 4.3 percent in the rest of the world.[4] The African Development Bank (AfDB) estimates that, in 2015, Africa received 62.5 million visitors, contributed 9.1 million direct jobs in travel and tourism sectors, and generated $39.2 billion in international tourism receipts.[5]

While the international tourist arrivals on the whole continent increased by nearly 36 million between 2000 and 2017, the sub-Saharan region has experienced the lion's share of this growth (24.7 million).[6] For one thing, prior to the turn of the century, North Africa already had a relatively well-developed tourism industry. In 1995, the five northern countries, Algeria, Egypt, Libya, Morocco, and Tunisia received nearly as many international visitors annually as the 48 sub-Saharan countries combined—10.5 million versus 13 million, respectively. Second, since 2011, perceptions of political instability and insecurity associated with the Arab

1 World Bank (2011, p. 1).
2 Fayissa et al. (2008, abstract).
3 UNWTO (2018, p.3).
4 World Bank (2011, p.2).
5 AfDB (2016b, p.4).
6 Calculated by the author based on data in UNWTO (2018, p.3).

Figure 1. International tourism arrivals in sub-Saharan Africa and North Africa, 1995-2016



Source: World Development Indicators, 2018.

Spring and terrorism have made the region a less popular destination. Thus, as illustrated in Figure 1, while sub-Saharan Africa's tourism continues to grow, the size of the sector in North Africa is on the decline.

There is marked variation within the sub-Saharan African region as well, with Eastern and Southern Africa attracting the vast majority of visitors, mostly from Europe and the United States. Unsurprisingly, then, in terms of GDP share, the tourism markets of eastern (4.5 percent) and southern Africa (3.0 percent) are relatively well-developed compared to the western (2.1 percent) and central (1.7 percent) ones.[7] In terms of both the number of arrivals and the value of tourism receipts, Africa's most popular destinations are currently Egypt, Kenya, Morocco, South Africa, and Tunisia.

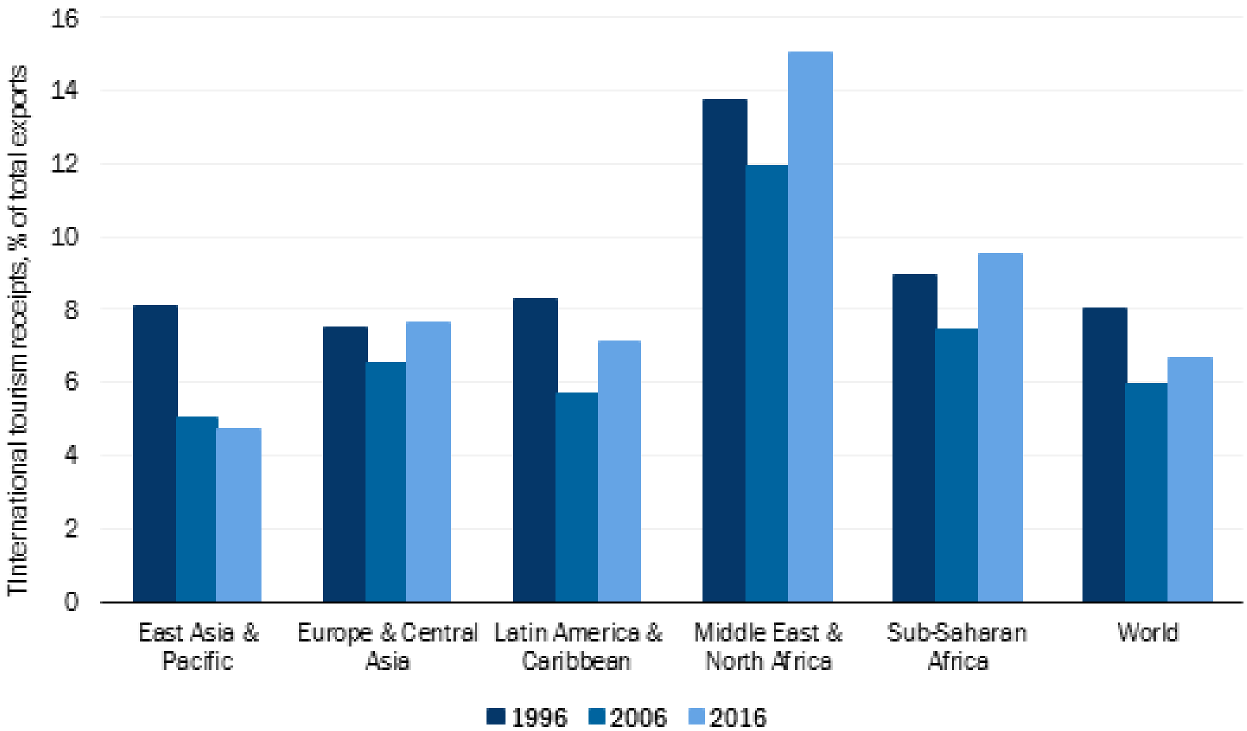
At the same time, in comparison with other world regions, Africa's tourism industry remains relatively underdeveloped. Of the 1.2 billion people traveling internationally in 2016, only 58 million arrived in Africa—roughly 5 percent of the world's inbound tourism.[8] Despite more than doubling over the past 20 years, the sector continues to lag behind other developing regions in terms of the number of tourists received per year (Figure 2). Moreover, the size of sub-Saharan Africa's market in terms of the export share of receipts—defined as spending by international incoming travelers, including payments to national carriers for international transport—from tourism has remained relatively stagnant over the past two decades, as the industry has grown at a similar rate to that of the region's economy as a whole (Figure 3).

Thus, looking to the future, there is substantial room for growth in Africa's travel and tourism market, particularly in light of current sectoral growth patterns, as international tourists are increasingly interested in developing countries as travel destinations. The emerging market share of

7 Average between 2011 and 2014, see UNCTAD (2017, p. 23).

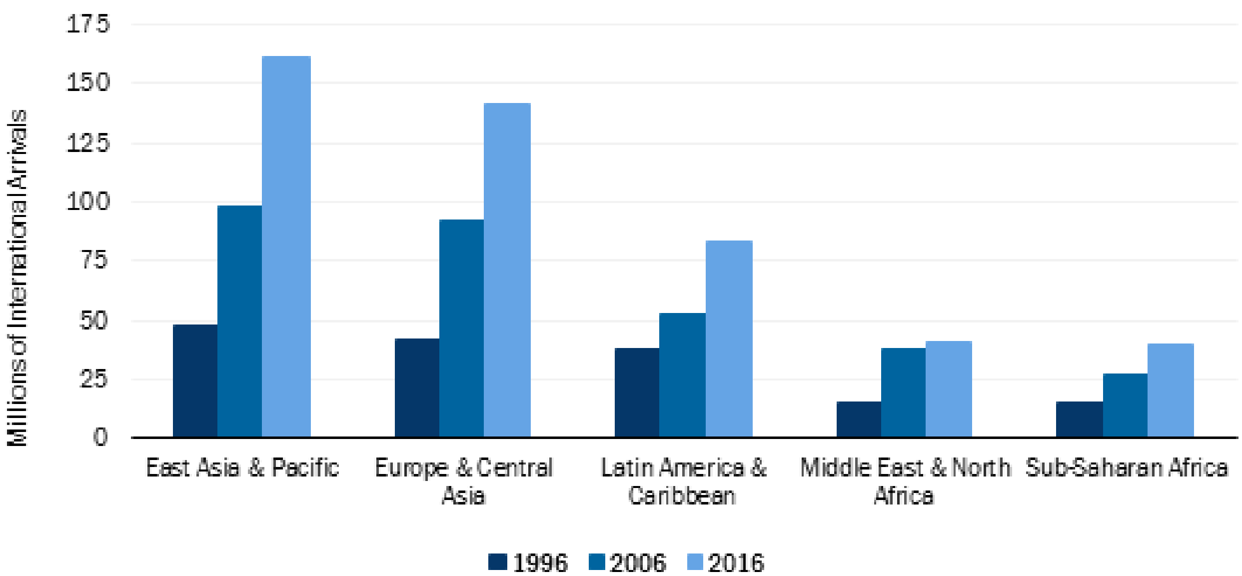
8 UNWTO (2017, p. 12).

Figure 2. Comparison of the number of tourists visiting developing regions each year, 1996-2016



Source: World Development Indicators, 2018. Note that high-income countries are excluded from all regions.

Figure 3. Comparison of export share of tourism receipts across developing regions, 1996-2016



Source: World Development Indicators, 2018
Note: High-income countries are excluded from all regions, except world average.

world tourism increased from 32 percent in 1990 to 45 percent in 2017.[9] Analysts predict that the majority of international travelers, an estimated 57 percent, will prefer emerging and developing countries as their destination of choice by 2030, especially driven by the growth in the adventure and nature tourism subsectors.[10]

Given that the economic and political environment in Africa continues to improve, many of the benefits of this promising trend in emerging and developing countries are likely to accrue to the African continent, specifically. In fact, now, Africa's tourism industry is growing faster than its economy as a whole and, unlike in other economic sectors, the majority of countries in sub-Saharan Africa—at least 33 of 48 countries—have demonstrated the capacity and political will to improve and expand their tourism sector by incentivizing investment, attracting finance, and easing restrictions on movement.[11] If current trends continue unabated, the number of arrivals on the continent is expected to reach 85 million by 2020 and 134 million by 2030.[12]

9 Calculated by the author based on data in UNWTO (2018, p.3).

10 UNWTO (2017, p.14).

11 World Bank, "Africa's Tourism Set to Boost Economic Growth, Create New Jobs, and Now Outpace Other Regions for New Tourism Investment," October 3, 2013 (http://worldbank.org/en/news/press-release/2013/10/03/africa-tourism-economic-growth-new-jobs-tourism-investment).

12 UNWTO (2016, p.15).

2

Importance of the sector to Africa's growth

In all of the world's emerging economies, tourism is one of the primary industries driving growth and job creation. Even a decade ago, tourists were already spending $295 billion every year in developing countries—which amounts to roughly three times total overseas development assistance to the developing world in 2007—and interest in under-explored and remote travel destinations continues to rise. This signals enormous potential for tourism-driven development in Africa's emerging markets over the long term.

As the sector became incorporated into the debate about global dependency in the 1970s and 1980s, a number of scholars were skeptical of the potential for tourism to have a positive impact beyond strict measures of growth and export earnings.[13] Many argued that the nature of tourism relies on small and short-term investments from foreign visitors, which are volatile and prone to extreme shocks during times of political or health crises, and which often exacerbate problems of cultural appropriation and environmental degradation with little direct benefits for local communities.[14] Opponents of this negative view point to its failure to acknowledge the flexible specialization of the tourism industry, as well as variation in states' abilities to capitalize on gains from tourism.[15]

In general, scholars and policymakers agree that encouraging the development of a robust tourism industry has a direct, positive impact on economic growth by promoting investment in diverse, productive sectors across the economy, such as in construction, infrastructure, local manufacturing, and consumer markets.[16] The macroeconomic benefits of tourism include an increase in foreign exchange earnings, state revenues, and domestic consumption.[17] Numerous case studies have demonstrated the ways in which this mechanism has played out in middle-income countries over

13 For more on this debate, see De Kadt (1984).

14 Butler (1980); Britton (1982); De Kadt (1984).

15 Poon (1989, 1993); Urry (1990); Milne and Pohlmann (1998); Milne and Ateljevic (2001).

16 Sequeira and Nunes (2008).

17 Balassa (1978); Schubert et al. (2011).

the past 40 years, such as in Greece[18] and Spain[19] yet the positive effects on growth are potentially even higher in low-income countries.[20]

There are a number of mechanisms to account for tourism's positive contribution to the economy. For one thing, tourism provides much-needed diversification of countries' export earnings away from a dependence on agricultural and primary commodities, thereby contributing to broader patterns of economic modernization. Meanwhile, in comparison to other economic sectors, such as manufacturing, the tourism industry requires relatively low levels of inputs of capital and expertise—resources that tend to be scarce in developing economies—thereby creating an abundance of space for small- and medium-sized enterprises (SMEs) to thrive. Given the relative absence of large corporations as domestic investors in many of the world's emerging markets, and especially those in Africa, SMEs are poised to serve as vital drivers of economic growth and the rise of an African middle class.[21]

There are also substantial benefits from tourism that accrue at the local level, including improvements in income distribution, regional development, and employment opportunities for remote and low-skilled workers, which both directly and indirectly impacting poverty levels.[22] Compared to other sectors, tourism also provides a disproportionately high number of jobs for women, who are often difficult to integrate into the formal economy in developing countries. A recent study by the U.N. World Tourism Organization concluded that, in the global hotel and restaurant industry, women often outnumber men and receive equal pay. In sub-Saharan Africa, where women are significantly more likely to be poor and employed in the informal economy, women manage a majority of all hospitality businesses; in Ethiopia, Lesotho, and Mali, they manage at least 80 percent of them.[23]

In addition, Fayissa, Nsiah, and Tadasse (2008) have found strong support for the causal relationship between tourism receipts and economic growth, and Lee and Chiang (2013) have shown that the sub-Saharan African saw a larger growth from tourism 1990 and 2002 than any other non-OECD regions. One African country in particular, Mauritius, has capitalized on its shift toward a tourism-dependent economy in order to reduce dependence on its agricultural staple—sugar—and has consequently achieved rapid economic growth.[24] In terms of social development and poverty alleviation, Briedenhann and Wickens (2004) have shown the effectiveness of South African communities in achieving indigenous ownership and capitalizing on the tourism boom through clustering and cooperation.

As of yet, however, the trend does not seem to bear out across the African continent in terms of variation in levels of economic development. According to Figures 4 and 5, there is no clear relationship between the volume of annual tourism receipts, nor the degree of export-dependence on tourism, and the level of GDP per capita. Although the region's largest tourist markets are also on the higher end of the spectrum in terms of income levels (Figure 4), there is too much variation among countries with relatively small tourism industries to reach a clear conclusion. Thus, much of this is likely because the tourism industry has only recently begun to grow in Africa and still remains relatively under-developed and concentrated in a handful of key markets. Where significant growth has occurred in Africa, as in Morocco and Tunisia, Bouzahzah and El Menyari (2013) have shown that

18 Dritsakis (2004). Among case studies in Asia, the findings seem to be more mixed. Oh (2005) concludes that tourism growth, in fact, fails to demonstrate a causal link with economic expansion in the case of South Korea when tested against various lag selections, suggesting that the relationship between tourism and development might be more cyclical than previous studies have argued. This is echoed by Chen and Chiou-Wei (2009), although they find that even though a cyclical relationship holds for South Korea, the linear effect of tourism on growth holds in Taiwan. However, Kim et al. (2006) find evidence that the effect is also cyclical in Taiwan.

19 Balaguer and Cantavella-Jorda (2002); Nowak et al. (2007).

20 Lee and Chiang (2008); Eugenio-Martine et al. (2004). See also Sequeira and Nunes (2008), who find that tourism contributes to growth in countries of all income levels.

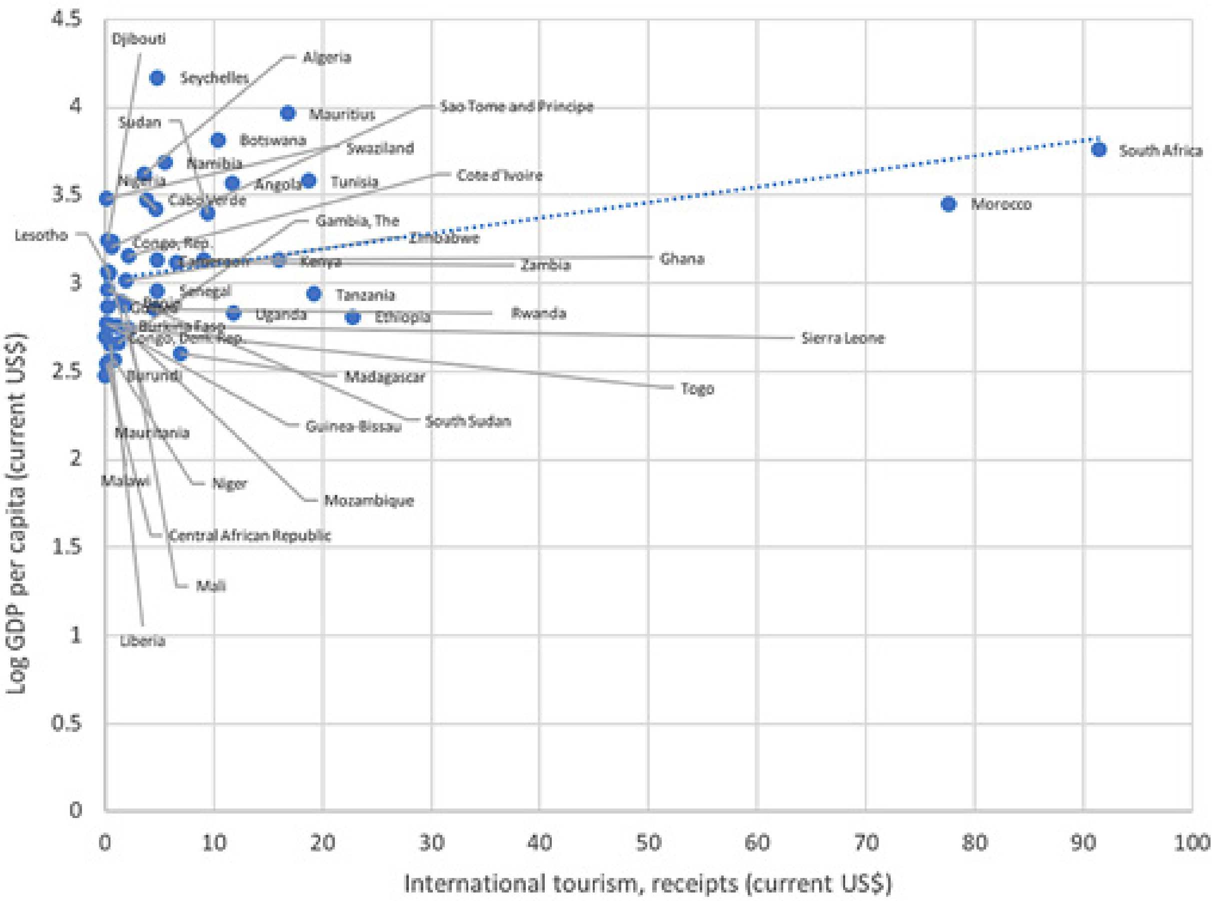
21 UNDP (2011, p.4); AfDB (2016, pp. 13-17).

22 Ashley and Mitchell (2009). Ashley and Mitchell identify three key "pathways" in which tourism can benefit the poor: direct earnings through formal and informal employment, indirect and induced effects where tourism expenditures impact the non-tourism economy through supply-chain linkages, and dynamic impacts on the economy. See also Dieke (2003).

23 World Bank (2011, p.3).

24 Durbarry (2004).

Figure 4. Relationship between the size of the tourism sector and GDP per capita in 54 African countries (2015)



Source: World Development Indicators, 2018.
Note: Data for international tourism receipts ($100 million) are from 2015, or most recent Central African Republic (2013), Republic of Congo (2014), and Senegal (2014).

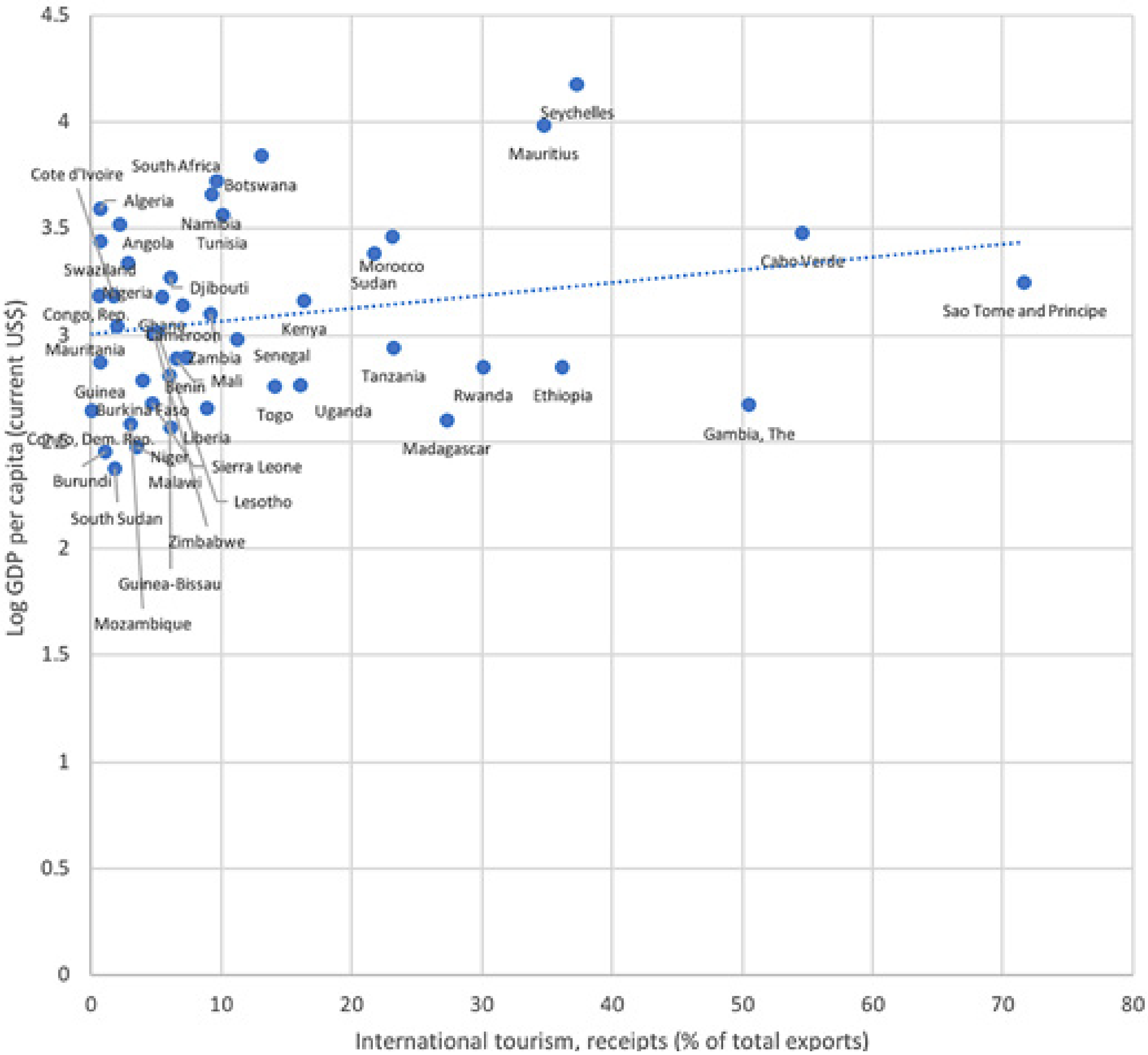
it might be more an effect of increasing levels of economic development rather than an independent driver of growth.

However, many African countries that have previously been considered unattractive tourist destinations due to political instability, violence, or health crises have already managed to transform their images through successful tourism campaigns: For example, Rwanda features its population of endangered mountain gorillas, Mozambique its beaches, and Ethiopia its ancient cultural attractions from the Abyssinian period.[25] It remains to be seen, though, whether these countries will experience the expected economic boon from tourism in the coming years, as has been the case in Mauritius. From the perspective of African governments and development organizations, though, the positive role of tourism is clear—it represents a vital pathway to overcome challenges of development related to foreign exchange earnings and central government debt.[26] The World Bank and U.N. World Tourism Organization predict that tourism will be one of the main drivers of economic growth in Africa over the coming decade. An increasing number of countries, then, have made tourism a central pillar of their economic development and reform programs over the near future, such as

25 World Bank (2011, p.4).

26 Sinclair (1998).

Figure 5. Relationship between export dependence on tourism and income levels in 54 African countries (2016)



Source: World Development Indicators, 2018.
Note: Data for international tourism receipts (% total exports) are from 2016, or most recent available in Benin (2015), Burkina Faso (2015), Cameroon (2015), Congo(2014), Cote d'Ivoire (2015), Guinea-Bissau (2015), Liberia (2015), Mali (2014), Niger (2015), Senegal (2014), Sierra Leone (2015), Togo (2015).

Kenya's Vision 2030, Tanzania's Vision 2025, and Uganda's Vision 2040.[27] Brookings scholars such as John Page (2018) and Brahima Coulibaly (2018) have highlighted tourism among the industries without smokestacks (such as ICT-based services, agro-industry, and horticulture) that can serve as development escalator. Industries without smokestacks have three key features that make them good escalators: tradability and exportability, higher productivity, labor-intensive (absorption of a high number of moderately skilled workers). They also benefit from economies of scale, agglomeration, and technological change. For example, service exports grew more than six times faster than merchandise ports between 1998 and 2015, showing that they could be excellent drivers of economic transformation.

27 Okello and Novelli (2014, p.54).

3

Building upon the key drivers of tourism growth in Africa

Despite market challenges related to the recent decline in oil prices and political instability and violence in North Africa, arrivals are expected to continue increasing by as much as 5 percent each year, and the region is projected to increase its share of the global tourism market from 5 percent to 7 percent by 2020.[28] In fact, the Travel and Tourism Competitiveness Report 2015 by the World Economic Forum found that Africa's travel and tourism industry is remarkably resilient to economic shocks and well equipped to continue offering positive investment opportunities, even in countries that have relatively low levels of wealth and human capital.[29]

Indeed, Africa's emerging markets are currently characterized by opportunities for new economic partnerships, diversifying market linkages, and increasing foreign investment and access to international capital. Because of these processes, the continent exhibits a rising middle class with more interest in domestic travel, while improvements in development and stability are making the region substantially more attractive to international visitors than in the past. In this light, market analysts agree that the tourism industry provides one of the best opportunities for capitalizing on the rise of Africa in coming years.

In the future, growth in Africa's tourism industry will primarily be driven by two factors: globalization and infrastructure.

Globalization

Globalization is leading to the increase in movement of people everywhere. As in other sectors, there has been a surge of interest in Africa from China. More and more, Chinese travelers are

28 Lee Mwiti, "20 Staggering Facts about Tourism in Sub-Saharan Africa, Including Some Real Star Performers," Mail & Guardian Africa, August 12, 2014 (http://mgafrica.com/article/2014-08-11-20-staggering-facts-about-tourism-in-sub-saharan-africa-including-some-innovative-things-countries-are-doing.%20On%201/30/2017).

29 World Economic Forum (2015, p. 23).

choosing to visit the "magic continent" most frequently during October national holiday. Angola, Kenya, South Africa, and Zimbabwe and have especially benefited due to being granted Approved Destination Status[30] for outbound Chinese tour groups since 2004. As a result, the number of Chinese visitors to South Africa quadrupled between 2003 and 2005. The World Tourism Organization predicts that China will be the world's largest source of tourists by 2020, and an expansion of the special status to more countries—beyond the 20 African countries—will allow Africa to profit from this trend.[31]

Business-related travel presents another opportunity for the hotel and restaurant for rapid growth of on the continent, particularly because business travelers tend to be more affluent and less seasonal than leisure tourists are. There has been a surge of discoveries of minerals and hydrocarbons in Africa in recent years, and most mining companies tend to book long-term hotel accommodations for their employees. Recognizing these trends, the Industrial Development Corporation invested more than $8 billion in 10 African countries in 2015 in developing not only mining capabilities, but also tourism and related infrastructure, such as the Park Inn in Cape Town, South Africa.[32] Meanwhile, global players like Accor, Starwood, Intercontinental, and Kempinski are planning to increase their investment in African cities that have the most potential to develop dynamic business activities.[33]

Intra-African travel is also projected to increase dramatically over the next few decades, as increasing average income levels and job security are contributing to the emergence of a stable and growing middle class on the continent. The governments of Ghana, Kenya, and Zimbabwe have already started promoting domestic travel through marketing campaigns and the improvement of transport infrastructure. Meanwhile, more than 10 million Africans already travel across regional borders every year. South Africa dominates intra-regional travel, accounting for 47 percent of visitors, but other regions like East Africa, and countries like Nigeria and Zimbabwe are poised to increase their market share. There is potential for keen investors to capitalize on this trend by creating low-cost tourism services that cater to the African market, especially for those who travel repeatedly for business or to visit family.[34]

In global terms, tourist demand is increasing most rapidly in the nature and adventure, culture and history, and health and wellness subsectors. Given these trends, the potential for expansion of the tourism market is especially high in Africa due to its abundance of natural assets, such as beaches, wildlife, cultural heritage, and adventure opportunities.

Countries that are serious about making themselves targets for tourism investment are those that are seeking to initiate reforms aiming at enhancing cultural heritage, cities, beaches, and coasts, improving wildlife conservation, facilitating visa and reducing permitting restrictions, among others.

In term of wildlife conservation, some African governments have adopted creative policy solutions to save the dwindling populations of elephants and rhinoceros, among others, because of their value as an attraction to affluent safari travelers. For example, in Uganda, with the help of conservation groups, state-funded projects include the construction of fences made of beehives to stop elephants encroaching onto local farms or painting the horns of live rhinoceros bright pink in order to deter poachers.[35] Governments should adopt new and creative policies for all kinds of problems related to the conservation of land and wildlife in order to increase the profitability of tourism.

Reducing restrictions on visa and permits to enter countries helps facilitate freer movement of people, thus enabling the tourism sector. For

30 ADS is arrangement between the Chinese Government and other countries, which allows Chinese tourist to visit partner countries in tour groups—

31 Ayenagbo (2015, p.176).

32 Industrial Development Corporation, "Africa Poised for Tourism Success," May 9, 2016 (https://idc.co.za/home/media-room/articles/858-africa-poised-for-tourism-success.html).

33 World Bank (2011, p.7).

34 World Bank (2011, p.8).

35 Pete Jones, "Western Uganda: Crop-Raiding Elephants Call for Plan Bee," the Guardian, June 6, 2012 (https://theguardian.com/global-development/2012/jun/06/western-uganda-crop-raiding-elephants-bees).

example, Rwanda has profited from implementing relatively simple and inexpensive visa requirements compared to its neighbor, the Democratic Republic of the Congo (DRC), in order to attract visitors interested in the mountain gorilla population that straddles the border of the two countries. In response to stagnating tourism growth rates in recent years, the government of Mauritius recently relaxed its visa requirements for more than 30 African countries, thus increasing its revenues from intra-regional travel.[36] It borrowed the idea from the East African Community, where the tourism market has benefited immensely from the freedom of movement granted to citizens of Kenya, Tanzania, and Uganda.

Infrastructure

Improvements in public goods provision go hand-in-hand with infrastructure investment. In contrast with medium-income countries, where levels of social development (i.e., health services) and GDP per capita seem to determine tourism growth, low-income countries have been shown to become travel destinations only when they achieve adequate foundations of infrastructure and education.[37]

Necessary investments include power and water supply, waste management, and transport.[38] One factor that will contribute substantially to the growth in Africa's tourism market will be the increase in airline travel. Although it is currently home to 15 percent of the world's population, sub-Saharan Africa has just 4 percent of the world's scheduled airline seats, and air travel tends to be more expensive than in other developing and emerging regions.[39] In fact, air travel in Africa is twice as expensive as that in Latin America and four times that in the United States. In addition, it is often characterized by unreliable service and complex itineraries.

Due to the high cost of airfare and utilities and a heavy reliance on imported goods and services, tours in sub-Saharan Africa are estimated to cost travelers 25-35 percent more than those in other parts of the world. In addition, it is more expensive to develop hotels in countries with higher import duties and weaker infrastructure—such as Angola, Ghana, and Nigeria—causing these high costs to be passed on to consumers.

So far, substantial progress has been made in certain areas. For example, improved air access to tourist destinations in Africa is being driven by factors that include:

Implementation of the Yamoussoukro Decision (YD). Also called the Open Skies for Africa initiative, the YD was signed by 44 African countries in 1999, agreeing to liberalize intra-African movement, such as by allowing non-national airlines to land and take passengers to a third country—known as the "fifth freedom" of the air.[40] As a result, a country like Nigeria, which does not have its own national airline, has seen a massive increase in traffic volume and reduction in the cost of air travel. New direct routes have emerged as well, such as the Lagos-Casablanca route that has cut travel time down by more than 75 percent.[41]

Low-cost carriers (LCC)—Defined as airlines that do not provide most traditional services, LCCs are therefore able to provide lower fares. Other emerging regions have improved economic efficiency and interconnectivity using LCCs. For example, a new Johannesburg-Lusaka route was created in 2006 via partnership between an LCC, kulula.com, and Zambian Airways, which increased traffic volumes in the region while bypassing new state permitting and air service agreements. Small charter flights with low overhead help travelers access remote destinations that are otherwise difficult—or even dangerous—to reach by road. In the past, these kinds of flights have been pro-

36 AfDB (2016a, p.19).

37 Eugenio-Martin et al. (2004).

38 Christie and Crompton (2001, p.26).

39 Lee Mwiti, "20 Staggering Facts about Tourism in Sub-Saharan Africa, Including Some Real Star Performers," Mail & Guardian Africa, August 12, 2014 (http://mgafrica.com/article/2014-08-11-20-staggering-facts-about-tourism-in-sub-saharan-africa-including-some-innovative-things-countries-are-doing.%20On%201/30/2017).

40 Lee Crawfurd, "On African Airlines," African Development Bank Group, December 20, 2013 (https:// afdb.org/en/blogs/industrialisation-and-trade-corner/post/on-african-airlines-12723/).

41 Adefolake Adeyeye, "Understanding Africa's Slow Growth in Intra-Regional Air Transport," NTU-SBF Centre for African Studies, AfricaBusiness.com, June 1, 2016 (http://africabusiness.com/2016/06/01/africa-intra-regional-air-transport/).

hibitively expensive in Africa due to political and regulatory intervention, but there is evidence that the situation is changing.42

Airline network cooperation. In 2016, Ethiopian Airlines and RwandAir announced a new partnership that grants each airline the right to operate freely in the other's market space, taking advantage of the "fifth freedoms" initiative. Passengers can now use either provider's hub to reach a third destination or country more easily. Ethiopian Airlines has become a dominant force on the continent by pursuing this strategy, and it has similar alliances with Malawi Airlines and Togo's ASKY.[43]

42 Shea, Griffin. 2017. "10 budget airlines changing Africa's skies." CNN, June 15. https://www.cnn.com/travel/article/10-budget-airlines-africa/index.html.

43 Adefolake Adeyeye, "Understanding Africa's Slow Growth in Intra-Regional Air Transport," NTU-SBF Centre for African Studies, AfricaBusiness.com, June 1, 2016 (http://africabusiness.com/2016/06/01/africa-intra-regional-air-transport/).

4

Key non-African players

In Africa, as in other emerging markets, the development of a market for tourism has required substantial amounts of foreign direct investment (FDI) to build up the necessary infra- and superstructures, such as hotels, charter services, and airline access.[44] For example, in South Africa, primary foreign direct investors come from European countries such as the United Kingdom, Germany, Netherlands, the United States, and France. These countries are also the primary markets of international visitors to the region, suggesting a strong correlation between countries interested in visiting and sources of direct investment. Different investment markets exhibit variation in their preferences for different subsectors of tourism—for example, French companies tend to focus their investment on wineries, U.K. and U.S. investors build up safari and adventure tourism, and German buyers prefer holiday homes.[45]

At the moment, the majority of investment continues to come from individual developers, and there are relatively few tourism consortiums operating on a large scale in Africa. However, Tourvest Holdings, a South Africa-based tourism group with operations extending across the continent, and major international hotel chains like Intercontinental are already planning to increase their investments in Africa.[46] From 2012 to 2016, in terms of investment of hotel chains (regional and international) in Africa, both the number of hotels and rooms in the pipeline roughly doubled, increasing from 177 to 365 and from 34,326 to 64,231, respectively.[47] Table . shows the top hotel chains that are investing in Africa in 2018.

If the investors, consultants, lenders, and other parties involved can make these deals come to fruition, the pipeline of the future will bring about much-needed expansion of Africa's hotel industry and tourism sector.[48]

44 Chen and Devereux (1999, pp. 216-217); Snyman and Saayman (2009, p.49).

45 Snyman and Saayman (2009, p. 52).

46 Industrial Development Corporation, "Africa Poised for Tourism Success," May 9, 2016 (https://idc.co.za/home/media-room/articles/858-africa-poised-for-tourism-success.html).

47 AfDB (2016b, p. 44).

48 AfDB (2016b, p. 49).

Table 1. Top hotel chains investing in Africa, 2018

Hotel Chain	Hotels under construction	Rooms under construction	Change on 2017
Hilton	24	6687	17%
Radisson Blu	25	5473	2%
Marriott	16	3438	14%
Fairmont	8	2977	66%
Hilton Garden Inn	17	2818	31%
Sheraton	9	2013	18%
Four Points	13	2006	-8%
Swissôtel	4	1961	65%
Meliá Hotels & Resorts	6	1935	-21%
Golden Tulip	9	1662	251%

Source: W hospitality (2018, p. 24)[49]

49 W Hospitality Group (2018) "Hotel Chains Development Pipelines in Africa" https://w-hospitalitygroup.com/wp-content/uploads/2018/06/W-Hospitality-Group-Hotel-Chain-Development-Pipelines-in-Africa-2018-2.pdf

5

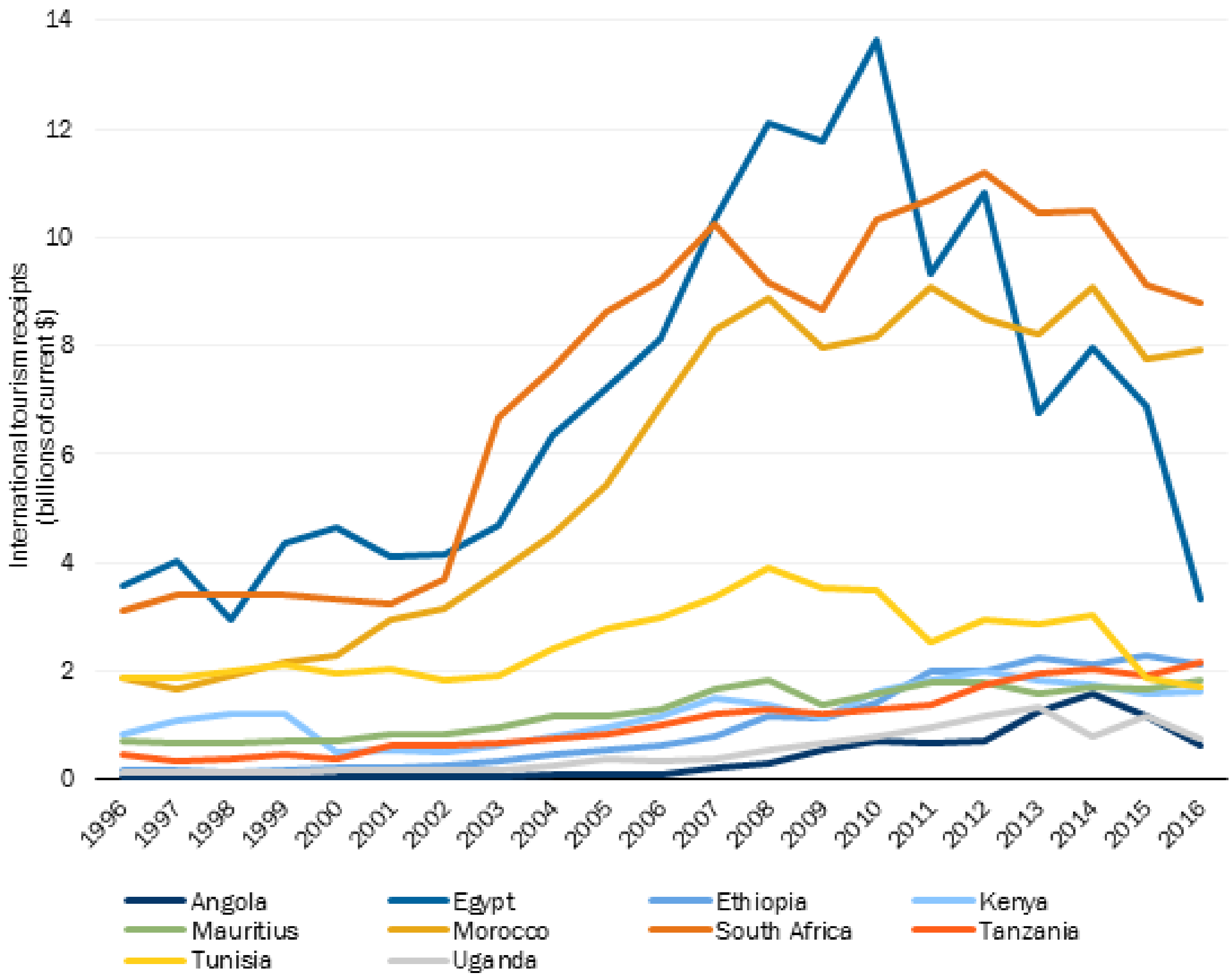
Opportunities presented by the tourism industry

At present, there are just 10 countries in Africa that receive $1 billion or more per year in tourism revenues, signaling enormous potential for market growth across the continent (see Figure 4 and Table 2). Indeed, the region's natural endowments as well as untapped cultural and historical resources offer numerous opportunities to attract visitors. At the same time, however, in light of the relatively low-income levels of most Africans, industry growth presently depends to a large extent on attracting visitors from other world regions. Beyond the potential for capitalizing on natural and cultural endowments, therefore, the strongest candidates for investment are those countries with well-developed travel infrastructure, relatively open international movement policies, and an attractive environment for starting a tourism-related business.

As of 2011, the primary countries receiving tourism-focused foreign investment in Africa were South Africa ($6.1 billion), Kenya ($404 million), Ghana ($270 million), and Uganda ($165 million).[50] As Figure 4 shows, however, some of the region's largest markets for tourism have exhibited declining tourism revenues in recent years, especially the North African countries and South Africa. Meanwhile, a handful of frontier markets are becoming increasingly attractive destinations for tourists and investors alike by recognizing the potential for tourism-driven development, incentivizing investment in the sector, and building up necessary travel infrastructures. Table 3 summarizes the global ranking of Africa's top tourism markets across various indicators of tourism market readiness: Morocco, South Africa, Kenya, and Mauritius seem to offer particularly promising investment opportunities.

50 Lee Mwiti, "20 Staggering Facts about Tourism in Sub-Saharan Africa, Including Some Real Star Performers," Mail & Guardian Africa, August 12, 2014 (http://mgafrica.com/article/2014-08-11-20-staggering-facts-about-tourism-in-sub-saharan-africa-including-some-innovative-things-countries-are-doing.%20On%201/30/2017).

Figure 6. Growth in tourism-related revenues in Africa's largest markets, 1996-2016



Source: World Development Indicators, 2018

Table 2. Summary of key tourism indicators for top African markets

	Annual Tourism Receipts (billion US$)	GDP share of tourism (% total exports)	Arrivals, millions	Air passengers, millions	Hotels in the pipeline
Angola	0.63	2%	0.40	1.48	
Egypt	3.31	10%	5.26	11.84	18
Ethiopia	2.14	36%	0.87	8.24	
Kenya	1.62	16%	1.27	4.85	8
Mauritius	1.82	35%	1.28	1.59	
Morocco	7.92	23%	10.33	7.74	31
South Africa	8.81	10%	10.04	19.74	13
Tanzania	2.16	23%	1.23	1.18	
Tunisia	1.71	10%	5.72	3.61	12
Uganda	0.77	16%	1.32	0.05	9

Source: World Development Indicators, 2018, Africa Tourism Monitor (2015). All data are from 2016.

Table 3. World ranking on Travel and Tourism Competitiveness Indicators, 2017

Indicators /Country	South Africa	Morocco	Egypt	Tanzania	Ethiopia	Tunisia	Kenya	Mauritius	Uganda	Angola
Overall Ranking	53	65	74	91	116	87	80	55	106	136
Prioritization of tourism	59	35	37	45	115	48	21	4	99	140
Business environment	21	49	78	102	118	66	70	24	87	136
International openness	110	91	102	64	97	76	70	59	69	141
Price competitiveness	43	47	2	34	64	9	74	116	60	13
Natural resources	23	47	97	8	69	94	15	102	44	106
Cultural resources	19	41	22	86	70	83	77	109	79	122
Air transport infrastructure	46	63	58	106	11	85	72	56	121	114
Ground/sea infrastructure	59	60	82	102	90	95	70	27	117	140

Source: World Economic Forum Travel and Tourism Competitiveness Report 2017. Note that figures for Angola are from the 2015 Report.

Morocco

Morocco has been called the "new star of emerging markets among overseas property developers" for a number of reasons.[51] Not only has the country been less affected by the political turmoil related to the Arab Spring compared to its neighbors, but the government has also actively and strategically prioritized the tourism industry as a tool of development—initially as part of its Vision 2010, later updated and included in its Vision 2020.[52] In general, the goal of the program is to increase the number of annual visitors to Morocco from 4.3 million in 2000 to 20 million by 2020. In 2013, Morocco surpassed Egypt as the primary tourist destination in North Africa. It now receives more than 10 million visitors each year—the second most on the continent, behind South Africa.

The impact of government-led tourism development has been twofold. First, as part of a broader global trend labeled "Riad fever," foreign capital investment has flocked toward Morocco's historical centers—especially Marrakech, Fez, Meknes, Casablanca, and Rabat—many of which have medinas that have been classified as UNESCO World Heritage Sites.[53] Second, the government has sought to extend its tourist attractions beyond the cultural centers to include coastal beach resorts. Notably, a multilateral agreement was signed in December 2006 liberalizing international air travel between Morocco and the European Union member states.[54]

As a result, the combination of natural and cultural resources, as well as the friendly business environment, make Morocco exceptionally appealing for tourism investors.[55] At the same time, however, Morocco does not exhibit the same degree of price competitiveness as some of its North African counterparts, and there remains substantial room for improvement in areas that could benefit from direct policy reform, such as international openness (see Table 3).[56]

Kenya

With just over 1 million visitors per year and less than $2 billion in annual revenues (see Table 2), there is enormous room for expansion in Kenya's tourism sector. Like neighboring Tanzania, Kenya is a particularly attractive market for investment in light of its natural attributes, it is ranked 15th on the measure that evaluates natural capital, especially its popular safari parks and UNESCO World Heritage sites. And, although there is substantial room for improvement, it scores much better than its east African neighbor, Tanzania in the quality of its travel-related infrastructure and the environment for doing business in tourism (see Table 3).

Perhaps most significantly, the Kenyan government has actively prioritized the tourism sector as a driver of growth, scoring higher on the measure that evaluates the extent to which a given country has made tourism a priority than any other country in sub-Saharan Africa (21st worldwide). Roughly, 7 percent of the annual government budget is allocated toward developing the tourism industry, including effective marketing campaigns and policy reforms that have improved efforts at conservation and environmental sustainability.[57]

Mauritius

Until recently, the small island nation of Mauritius had been largely dependent on exports of its agricultural staple crop, sugar. Due to progressive and forward-thinking policy planning by the government, however, its economy has since diversified into specialized markets—especially textiles and services.[58] Today, Mauritius is one of

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51 Lee (2008).

52 Ernoul (2009); Minca and Borghi (2009); Scherle (2011).

53 Lee (2008).

54 Dobruszkes and Mondou (2013, p.24).

55 UNWTO (2016, p.11).

56 World Economic Forum (2017, p.41).

57 World Economic Forum (2015, pp. 19-20).

58 Durbarry (2004).

the largest African markets for tourism receipts by volume, receiving more than 1 million visitors every year—roughly the same as Kenya. Now, tourism is one of the country's primary industries, accounting for more than 30 percent of total export earnings—about $1.68 billion in 2015 (see Table 2)—and 16 percent of government investment.

Recognizing the importance of the sector, the Mauritian government scores higher than any other country in Africa for its prioritization of tourism (4th worldwide, see Table 3) and has generated a relatively well-developed ground and sea travel infrastructure. However, there is much room for improvement in air infrastructure, the primary means of reaching the country, as well as in the business environment for investing in tourism,[59] environmental sustainability and conservation.

South Africa

The tourism sector boomed as the country hosted the 2010 World Cup, generating an enormous project in the construction of stadiums with the capacity to hold major events, festivals, and conferences, with the potential to attract further business and entertainment-related travel in the future. Although the size of the sector has declined from its peak during the World Cup, South Africa's tourism sector remains the largest on the continent by volume, with total revenues valued at more than $9 billion in 2015 and roughly 9 million visitors arriving in the country every year (Table 2).

In particular, the "Big 7" wildlife marketing campaign has been extremely effective, which promotes both the "Big 5" animals common to many safari-promoting countries—lions, leopards, elephants, rhinos, and buffalos—with the addition of whales and great white sharks. According to the World Economic Forum, South Africa now receives the highest global ranking (53rd) among all African countries for averaged natural (23rd) and cultural (19th) resources (see Table 3).

Although the South African economy has suffered setbacks in recent years, with inflation rates outpacing per capita income growth, the resulting weakness of the rand against major international currencies has been a positive development in terms of price competitiveness, which is already among the most favorable on the continent (and ranked 43rd worldwide).[60] From the perspective of investors, according to the Travel and Tourism Competitiveness Report (2017), South Africa's tourism business environment (21st in the world) is "characterized by little red tape and modest administrative burden and relatively good infrastructure compared to neighboring countries." Domestic hospitality businesses have thrived in the country, the largest of which—Tourvest Holdings—now has operations extending across the African continent.[61]

On the other hand, however, the most significant barrier to growth in South African tourism is its existing travel restrictions: It is ranked 110th in the world for international openness, (Table 3) and, even more worrisome, there are indications that border regulations could become even more stringent with the passage of new immigration laws in the near future. This is in spite of recent reforms in the visa application process that improved Africa access to travelers from China, in the aim to create a substantial boom in the volume of Chinese tourists to the country, according to South Africa's minister of tourism. Meanwhile, there is substantial room for improvement in the degree to which the government prioritizes conservation of its valuable natural resources, with only 6.5 percent of total land currently protected. A clear and progressive policy position that prioritizes the interests of the tourism sector will be a significant determinant of South Africa's ability to remain competitive and to continue attracting high levels of tourism-related FDI in the future.[62]

59 World Economic Forum (2017, p.43).

60 "Travel in South Africa" 2015, Euromonitor

61 Industrial Development Corporation, "Africa Poised for Tourism Success," May 9, 2016 (https://idc.co.za/home/media-room/articles/858-africa-poised-for-tourism-success.html).

62 Snyman and Saayman (2009, pp. 55-56).

6

Challenges and risks to the development of tourism in Africa

Some of the primary challenges to investing successfully in Africa's tourism sector include:

Infrastructure and institutions

African ministries for tourism tend to be under-funded, requiring donors or investors to step in and fill the gaps. In some cases, donor-driven development can be extremely effective—for example, an "anchor development" site in Tunisia received initial stimulus from Western donors, which ultimately led to the buildup of a destination that now receives 7 million tourists each year and accounts for 7.5 percent of annual GDP.[63]

Although there is some variation, even the more developed African destinations face problems related to unsafe roads, inadequate water supply and sanitation, poor access to hospitals and other emergency services, expensive and inconsistent electricity, and inadequate construction procedures. Indeed, one of the major challenges for tourism businesses in Africa, especially those working in more remote destinations like safari lodges, is how to ensure safe, reliable, and affordable access for clients. While domestic movement is most often restricted by the quality of roads and public transit infrastructure, international access is often constrained by complicated and expensive visa procedures, as well as poor development of the aviation industry.

On the other hand, tendencies for bribery and corruption in the public sector can often lead to mismanagement of funds. In the DRC, spontaneous changes in fees can cause the cost of landing an aircraft to fluctuate from $1,000 to over $12,000 with little warning. Almost 75 percent of tourism companies operating in Kenya have

63 Lee Mwiti, "20 Staggering Facts about Tourism in Sub-Saharan Africa, Including Some Real Star Performers," Mail & Guardian Africa, August 12, 2014 (http://mgafrica.com/article/2014-08-11-20-staggering-facts-about-tourism-in-sub-saharan-africa-including-some-innovative-things-countries-are-doing.%20On%201/30/2017).

reported having to make “informal payments” in order to facilitate business, a trend that is common across the region.[64]

Environmental and security risks

In the absence of effective coordination and management of environmental conservation policies, the natural assets that bolster Africa’s potential for tourism development are likely to deteriorate. The continent is facing a widespread problem of deforestation and the potential extinction of its most popular wildlife species due to habitat loss and poaching. Despite some recognition and collaboration by African governments to address these problems, most countries in the region perform well below the international average in terms of environmental sustainability.[65]

Many businesses are finding creative solutions to these problems. One of which is the use of solar panels, which reduces contributions to carbon emissions, while also limiting reliance on unreliable electricity supply chains and lowering operational costs.[66] The tourism industry is responsible for about 5 percent of anthropogenic carbon emissions in Africa, and the share is growing. Given that climate change will pose a major impediment to the global tourism industry in the coming decades, the rise of eco-tourism is a promising pathway to build positive feedback loops between tourists and environmental preservation.

Other risks for tourism businesses operating in Africa are political instability and insecurity. This problem has been most acutely illustrated in North Africa in recent years, where international news coverage of events related to the Arab Spring and several terrorist attacks on tourist destinations has led to a substantial decline in international arrivals, especially in Tunisia and Egypt.

The U.S. State Department has issued more travel warnings for countries in Africa than any other region over the past two decades. Although the most frequent offenders are not considered major tourist destinations—Algeria (13), DRC (10), Burundi (12), and Chad (9)—fears that insecurity might spill across borders often lead travelers to avoid the region altogether. The impact can also be direct: A travel warning issued in 2014 for Kenya, which prohibited U.S. government employees from visiting the shore, caused significant decline in the country’s coastal tourism industry. Media coverage of events like the 2014 West African Ebola outbreak, mainly concentrated in Guinea, Liberia, and Sierra Leone, often contribute to negative public perceptions of the entire continent.[67]

Economic risks

Related to the problems of lack of infrastructure and economic mismanagement is the high cost of doing business in Africa, which is particularly acute in the tourism sector due to importance clients give to the price-value ratio. Within the region, it is more expensive to develop a hotel in countries with higher import duties and weaker infrastructure for construction projects—such as Angola, Ghana, and Nigeria—and these high costs are passed on to consumers. Where travelers face higher costs, they expect a higher quality of experience, but many tourist destinations and attractions in Africa remain poorly managed. Most international hotel chains are run as local franchises and, thus, rely on domestic capital and local staff, which necessitates improvements in local capacity.[68] The low quality of customer service is often attributed to the lack of education levels in the region in general, and the absence of hotel and restaurant management training courses in particular. This could hinder the further development of the industry by potentially driving consumers away.

64 Lee Mwiti, “20 Staggering Facts about Tourism in Sub-Saharan Africa, Including Some Real Star Performers,” Mail & Guardian Africa, August 12, 2014 (http://mgafrica.com/article/2014-08-11-20-staggering-facts-about-tourism-in-sub-saharan-africa-including-some-innovative-things-countries-are-doing.%20On%201/30/2017).

65 World Economic Forum (2015, p.19).

66 Industrial Development Corporation, “Africa Poised for Tourism Success,” May 9, 2016 (https://idc.co.za/home/media-room/articles/858-africa-poised-for-tourism-success.html).

67 AfDB et al. (2015, pp.42-43).

68 World Bank (2011, p.6).

African countries use less local content than countries in other developing and emerging regions; countries like Tanzania import most of their hotel furniture from China—contrast this with the Dominican Republic, which fulfills over 90 percent of its local tourism needs domestically. Improving the profitability and appeal of tourism in Africa will require the development of local value chains, including manufacturing of large-scale and craft products and access to loans for small- and medium-sized businesses.

7

Business strategies

Investing successfully in Africa's tourism industry requires identifying optimal locations for future growth in the first place. Research shows that the primary determinants for investors looking toward Africa's tourism market are infrastructure, government policy that enable a prosperous tourism sector, national and macroeconomic climate, competitiveness, and natural endowments.

Although tourism is mostly restricted to the private sector, the most lucrative countries for investment are those in which governments have explicitly targeted tourism as a sector to empower through policy reform. These countries are also the most likely to facilitate improvements in transport, utilities, and capital and land availability that will promote rapid growth in the sector. Well-informed investors can capitalize on a first-mover advantage by partnering with tourism ministries to target investment funds as they become increasingly available toward developing infrastructure around destinations with a high potential for growth, such as cultural attractions, beaches, or national parks.

Many tourism-focused governments are actively seeking to streamline the investment process by consolidating and providing information for potential investors related to accessing finance, zoning regulations, and tax breaks. For example, Tanzania held an investment promotion forum in 2002 that directly resulted in over $100 million in tourism investment over the following two years.[69]

In addition, strong linkages between the public and private sector are necessary to enable businesses to enter and operate effectively in the tourism industry, as coordination is required across multiple sectors, such as infrastructure, finance, education, and transport. Effective strategies depend on the following considerations:

Visa requirements

One of the most important strategies for the promotion of tourism is a country's current visa regulations. In contrast to other regions, African countries are not as visa-open vis-à-vis each other. For example, while visitors from North America need visas to travel to 45 percent of the countries on the continent, the figure is 55 percent for African travelers who themselves live on the continent.[70]

69 World Bank (2014, pp. 6-8).

70 AfDB (2016a, p.13).

However, there is significant variation across the continent. 75 percent of the most "visa-open" countries are located in East or West Africa.[71] East Africa allows free movement of citizens within the region and has favorable protocol for foreigners' eligibility to obtain visas on arrival. The smaller, landlocked or island African countries also tend to have less restrictive requirements in order to promote trade. It is not surprising that seven of the 10 most "tourism-ready" economies in sub-Saharan Africa are also among the most "visa-open" countries. In contrast, Central and North Africa are considered the most "closed" regions on the continent.

As the African Union's Agenda 2063 included a proposal to remove visa requirements for travel by Africans within the continent, there is a momentum underway with countries lifting visa requirements or adopting "visa on arrival" policies for Africans.

Investors that have favorable partnerships with the public sector should advocate visa reform to promote tourism, including visa-on-arrival policies, regional blocs or bilateral reciprocity visas, and multi-year or multi-entry visas. Other policy interventions that would ease the visa process include reducing the cost, the number of documents required, and processing time, as well as creating an online system for information and applications. Right now, only 13 African countries currently offer electronic visas (eVisas): Côte d'Ivoire, Egypt, Gabon, Guinea Bissau, Kenya, Lesotho, Nigeria, Rwanda, São Tomé and Príncipe, Sierra Leone, Uganda, Zambia, and Zimbabwe. [72]

Marketing

Building an effective tourism business in Africa requires creative solutions to accessing clients. The continent's electronic connectivity boom is one trend that is lowering costs and increasing access to domestic customers—15 percent of hotel room bookings, in Africa, are now made via mobile phone, and this figure is growing rapidly.[73] On the other hand, there is much room to increase online travel booking within Africa—in 2016, only 16 percent of travelers made their travel bookings through online travel agencies.[74]

After initial development, destination promotion is critical for attracting clients and financing. Some destinations are already ripe for positive marketing, such as those with particularly attractive endowments. Certain submarkets are highly receptive to different kinds of endowments, such as untouched beaches, active volcanoes, big game, or a variety of bird species.

Successful promotions are those that emphasize the attractive elements of a country's political and business climates, as well as specific endowments that set a destination apart from competitors.

Specific trends indicate that investors are most likely to acquire or develop property after they have already visited a destination, signaling the potential for tourism marketers to affect FDI and the importance of developing a positive feedback loop to grow the industry.

Building a positive image about the country is especially important where political violence, civil war, famine, or disease have occurred.[75] Rwanda is a great illustration of a country that emerges from a devastating genocide to become one of the most tourism-ready economies in Africa, building on the positive image of its fast economic recovery, and capitalizing on products with competitive advantages such as gorilla trekking.

Local content creation

Over the long term, working successfully in Africa's tourism market will depend on maintaining effective partnerships with the public sector and developing linkages with the local community. Since the profitability of tourism is reliant on an enabling policy environment and well-developed infrastructure, companies are advised to create

71 AfDB (2016a, p.13).

72 AfDB (2017, p. 12).

73 Industrial Development Corporation, "Africa Poised for Tourism Success," May 9, 2016 (https://idc.co.za/home/media-room/articles/858-africa-poised-for-tourism-success.html).

74 "The Sun Rises on Online Travel in Africa", EyeforTravel.com, Mar 6, 2017 (https://eyefortravel.com/revenue-and-data-management/sun-rises-online-travel-africa).

75 AfDB et al. (2015, pp.42-43).

positive feedback loops in order to maintain government commitment to supporting the industry, such as facilitating government access to economic rents that derive from tourism. It is also vital to identify and invest in the natural resources and cultural heritage sites on which tourism is dependent, as their preservation requires collaboration between the private and public sectors.

Supporting a basis for tourism also requires gaining support from the local community, which makes visitors feel welcome and contributes to the authentic experience that many travelers are looking for. Where collaboration with the local community has been poorly managed, the tourism industry has been associated with contributing to sociocultural crises, such as the spread of disease, rising crime rates, income inequalities, prostitution, and exploitation.[76]

Effective partnerships also emerge when businesses directly engage the local community in their activities, such as creating cultural experiences for visitors or investing in education and training exercises to increase local employment in the industry.[77] The rise of the "voluntourism" sector, where travelers do volunteer or community work while discovering new countries or engaging in tourism activities [78] is also offering increasing opportunities for African countries.

76 World Bank (2011, p.6)

77 World Bank (2014, p.6).

78 Ashley and Roe (2002, p.62).

8

Looking to the future

Africa is poised to capture the lion's share of future growth in global tourism due to its unique history and natural endowments. Beach and safari tourism, two of the most popular subsectors for international travelers, are already central features of the most developed tourist destinations on the continent, namely East and Southern Africa, and they are rapidly spreading to other regions. The nature and adventure tourism market is also becoming more saturated due to unique offerings like dune-boarding in Namibia, volcano trekking in the DRC, camel expeditions in Mali, lemur tracking in Madagascar, and whitewater rafting on the Nile in Uganda. In fact, this submarket is currently experiencing the most rapid growth in worldwide travel, and the relative under-development of the tourism industry in Africa makes the region particularly appealing to these kinds of travelers.

In addition, diaspora tourism, a unique subsector of African tourism, offers descendants the opportunity to visit historic sites and memorials and to experience the culture of their ancestors. Cultural heritage tourism is one of the fastest-growing markets worldwide; presently, roughly half of all international leisure travel has a cultural component. This sector has enormous potential in Africa due to its rich traditions in music, dance, art, and architecture, and it has already contributed to the development of burgeoning tourism markets in Ethiopia, Cape Verde, and Mali.[79]

When businesses are planned and managed wisely, tourism can enhance a sense of pride among local communities, generate economic activity and direct employment for locals, and preserve resources, historic sites, and traditional activities. All of this contributes to a positive feedback loop that bolsters the long-term sustainability and profitability of investment in Africa's tourism market.

At the moment, Africa's emerging economies are transitioning away from reliance on commodities and agriculture and towards sectors that offer more growth potential, such as services. This strategy has placed tourism squarely at the center of many countries' plans for future development. Even in the absence of high levels of education and vocational training, tourism provides relatively high levels of employment for women and young people, the demographic groups most in need of opportunities in Africa's formal sector over the next few decades. The industry also creates a large amount of space for small- and medium-sized enterprises, which are poised to be key drivers of economic growth on the continent with the projected rise of an African middle class.[80]

79 World Bank (2011, p.8).
80 AfDB (2016a, p.18).

Countries that recognize these advantages are already working to create policies and infrastructure that are more favorable to individuals and businesses interested in investing in tourism. In this light, the best opportunities for rapid growth in the coming years are likely to be countries that invest heavily in the development of transport services and utilities, improve access to finance and tax breaks, and ease their zoning regulations and visa requirements.

The tourism industry is also at the center of the objectives of the African Union Agenda 2063. Over the next 10 years, the World Travel & Tourism Council predicts that tourism will create at least 3.8 million new jobs on the continent—increasing the size of the industry by roughly 30 percent—and generate $33.5 billion in direct investment from the United States alone. Long-term projections estimate that arrivals on the continent will continue to grow by an impressive 4.4 percent through 2035—from 120 million to 280 million domestic and international travelers each year. All these signal enormous potential for returns to investment in tourism in the coming decades, and Africa is getting ready to reap the benefits.

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