

Connecting Developing Country Firms to Tourism Value Chains

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Tourism is a Growing Sector

International tourist arrivals grew from 277 million in 1980 to 1.035 billion in 2012



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Walking you through this presentation



- ❖ The role of tourism for developing countries
- ❖ The tourism value chain
- ❖ Connecting to the tourism value chain: difficulties developing country suppliers face
- ❖ Overcoming obstacles: Aid for Trade flows to the tourism sector
- ❖ Conclusions



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The role of tourism for developing countries

- Tourism is one of the **top three exports** for the majority of developing countries;
- Tourism is the **lead export** for at least 11 LDCs;
- LDCs and other low income countries often highlight the importance of the tourism sector in their **development strategies**;
- The vast majority of LDC **Diagnostic Trade Integration Studies** highlight tourism as a priority sector for growth and exports.



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The role of tourism in developing countries

Tourist arrivals, annual average per country within a given income group, 2000-2010.

| | Average annual arrivals | | Increase |
|-------------|-------------------------|------------|----------|
| | 2000-2005 | 2006-2010 | |
| LDC | 175,283 | 340,304 | 94% |
| OLIC | 1,075,222 | 1,765,133 | 64% |
| LMIC | 1,280,856 | 2,205,571 | 72% |
| UMIC | 3,083,032 | 4,352,434 | 41% |
| OECD | 13,116,150 | 14,676,835 | 12% |

ODA to tourism as share of total ODA

0.5 % in 2011
27 % growth
06-11

Source: World Bank.

Tourist arrivals, annual average per country within a given income group, 2000-2010.

| | Average annual arrivals | | Difference | Increase |
|-------------------|-------------------------|-----------|------------|----------|
| | 2000-2005 | 2006-2010 | | |
| Cambodia | 1,190,000 | 1,982,000 | 822,000 | 71% |
| Laos | 309,000 | 1,237,600 | 928,600 | 301% |
| Mozambique | 470,600 | 1,368,500 | 897,900 | 191% |

Source: World Bank.

The role of tourism in developing countries

Tourism sector's contribution to GDP, by income group
(percentage)

| | 2000-2005 | | | 2006-2011 | |
|------|-----------|-------|--|-----------|-------|
| | direct | total | | direct | total |
| LDC | 3.65 | 8.85 | | 4.07 | 10.05 |
| OLIC | 2.73 | 7.27 | | 4.31 | 10.44 |
| LMIC | 4.21 | 10.36 | | 4.50 | 11.50 |
| UMIC | 6.35 | 17.56 | | 6.29 | 17.95 |

ODA to tourism as
share of total ODA

0.5 % in 2011
27 % growth
06-11

Source: WTTC estimates.

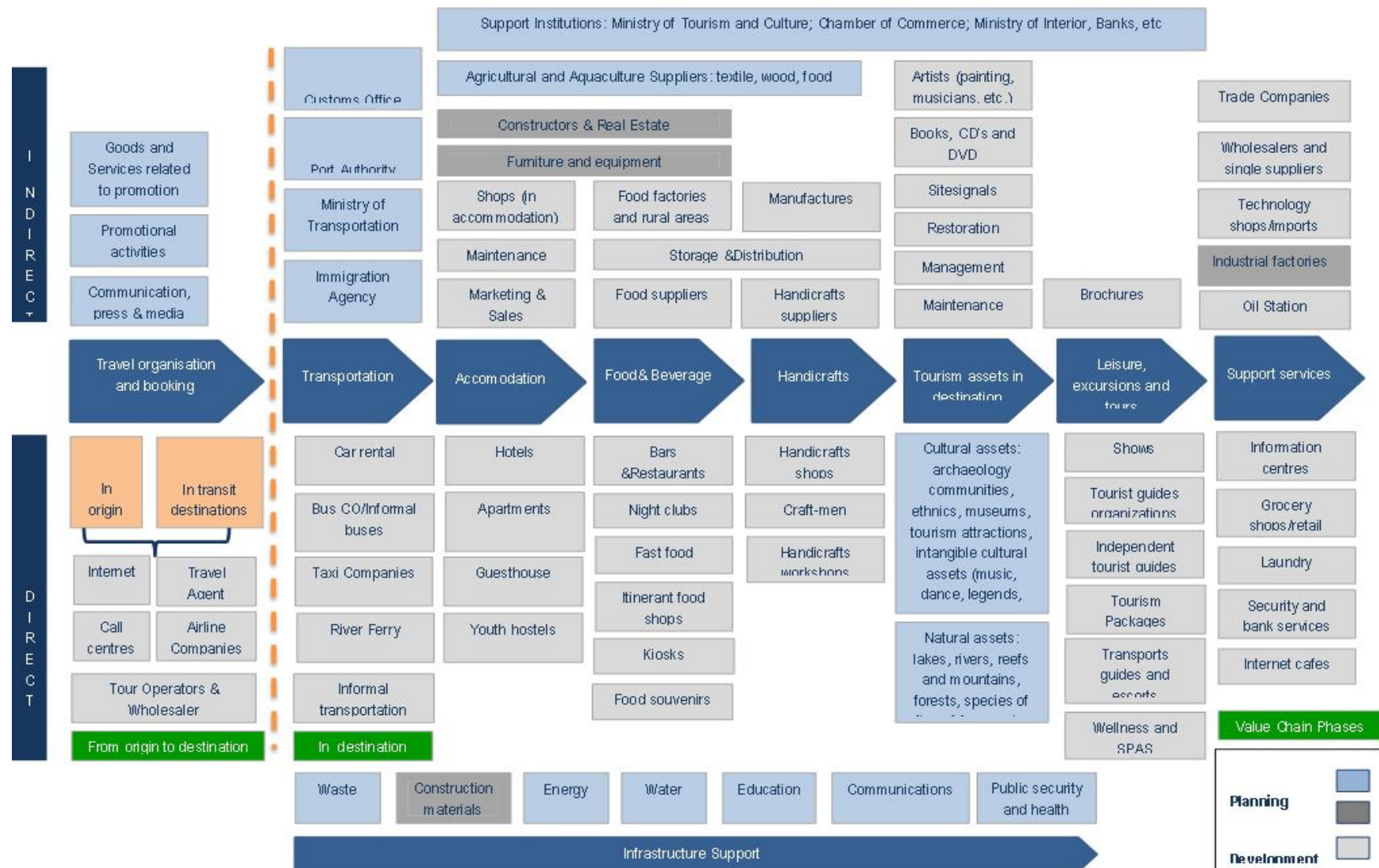
Tourism sector's contribution to employment, by income group
(percentage)

| | 2000-2005 | | | 2006-2011 | |
|------|-----------|-------|--|-----------|-------|
| | direct | total | | direct | total |
| LDC | 3.03 | 7.67 | | 3.41 | 8.72 |
| OLIC | 2.50 | 6.30 | | 3.54 | 8.95 |
| LMIC | 3.80 | 9.41 | | 4.07 | 10.38 |
| UMIC | 6.29 | 16.76 | | 6.29 | 17.31 |

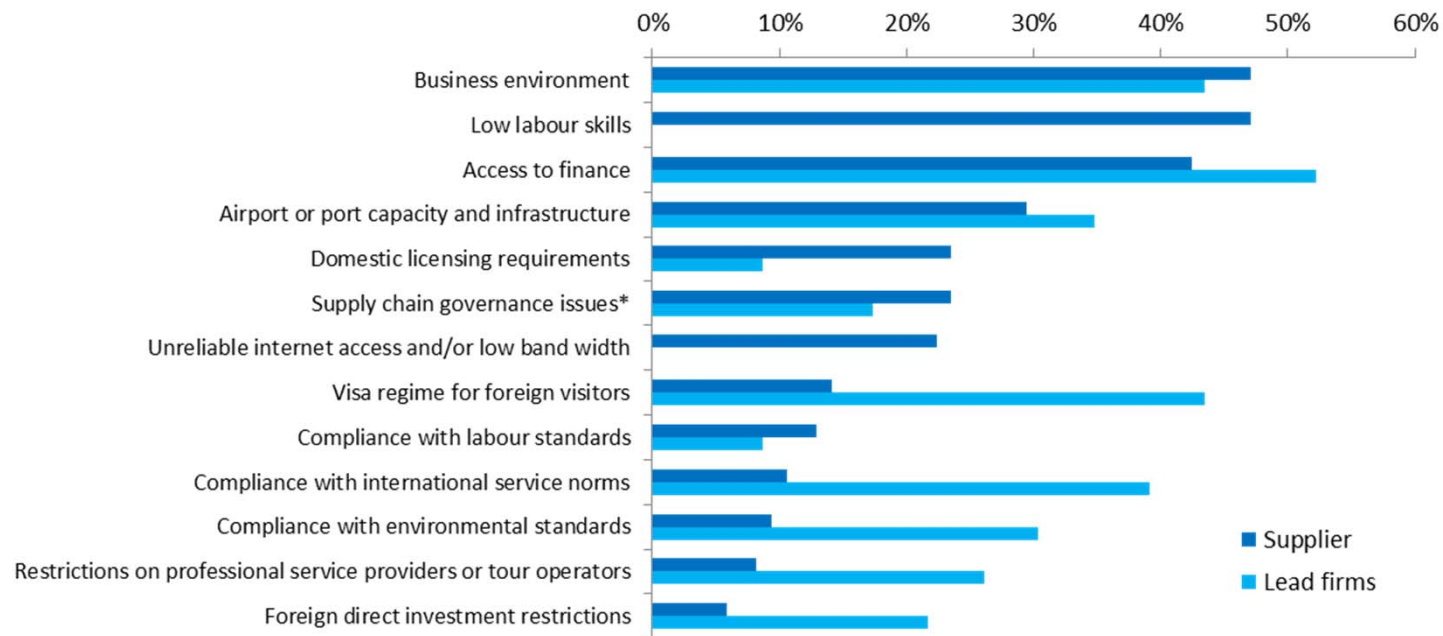


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The tourism value chain: many linkages to other sectors of the economy

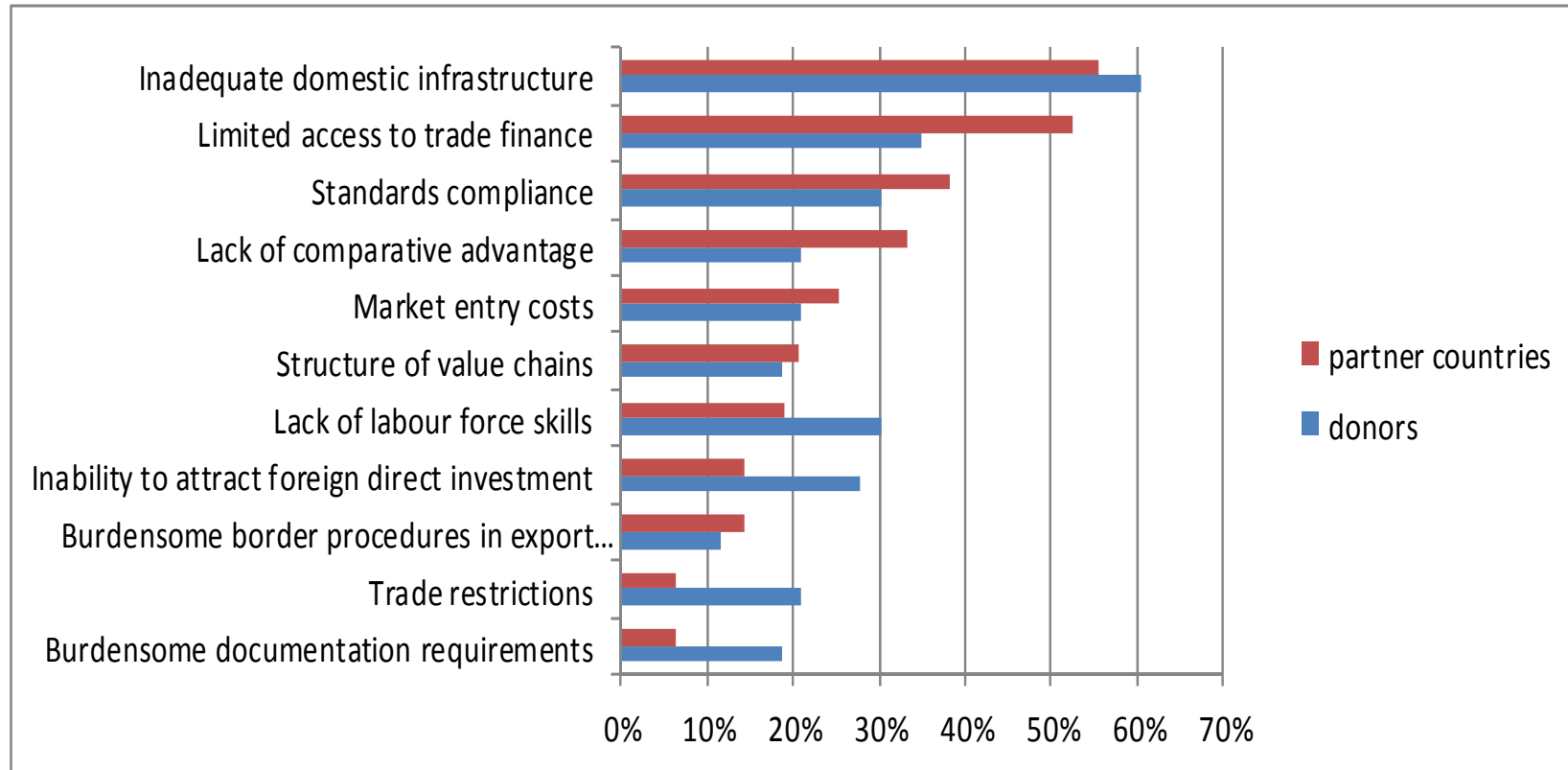


Main operational difficulties for suppliers: suppliers' and lead firms' views



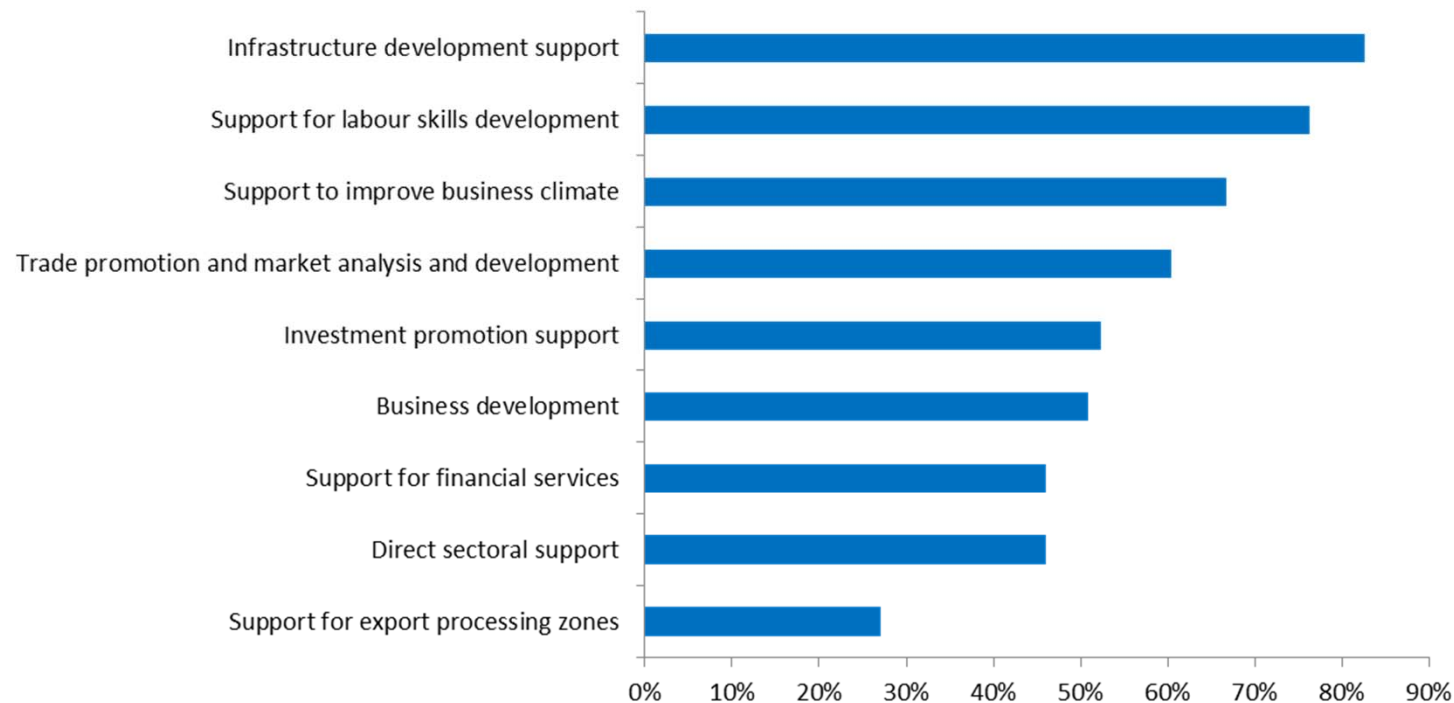
Source: Joint OECD-WTO-UNWTO monitoring survey

Main obstacles to greater participation of national companies in value chains, partner and donor responses



Source: Joint OECD-WTO-UNWTO monitoring survey

Most effective forms of Aid-for-Trade support, partner country responses



Source: Joint OECD-WTO-UNWTO monitoring survey

AfT tourism disbursements per DAC income group (US\$ thousand)

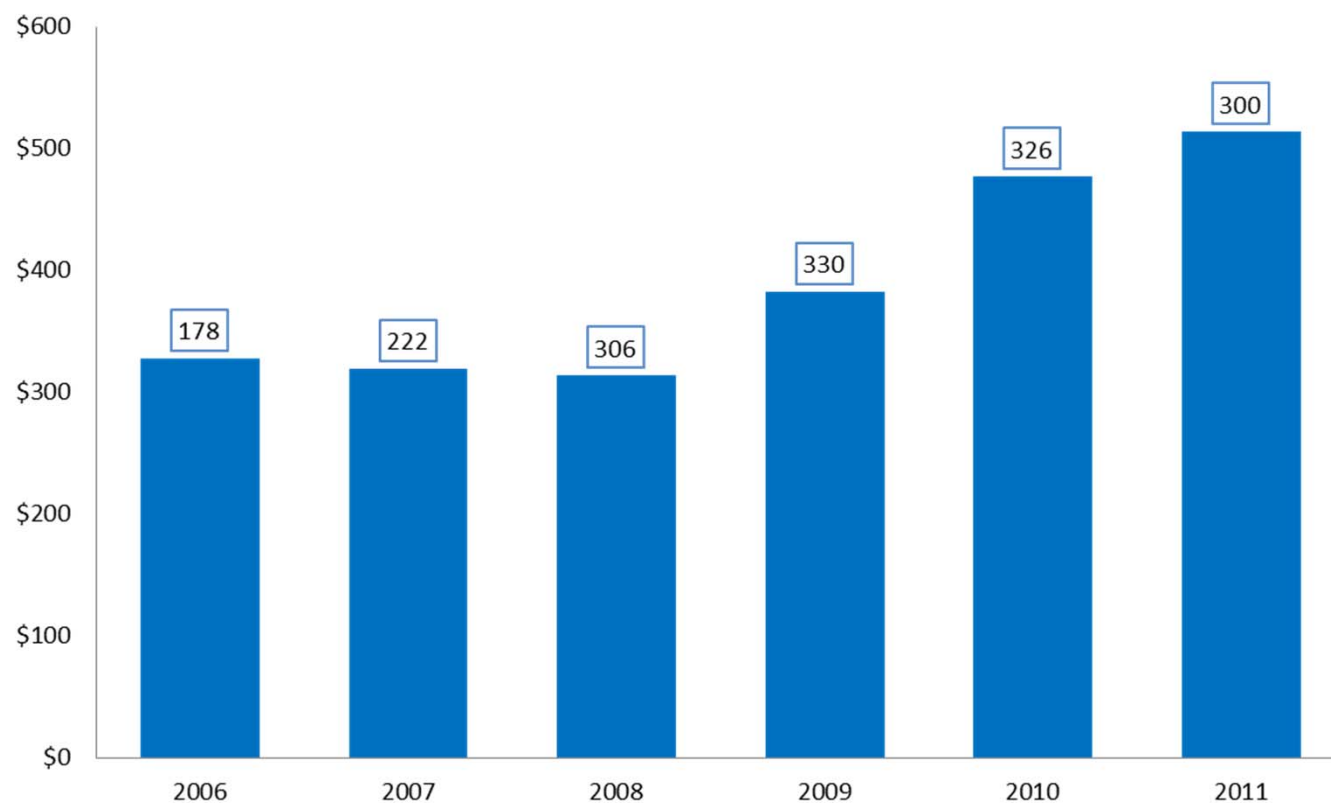
| Group | Sum of disbursements | | | | | | Percentage of disbursements | | | | | |
|------------------------------|----------------------|-------|-------|--------|--------|--------|-----------------------------|------|------|------|------|------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| LDCs | 6975 | 8880 | 9655 | 13083 | 48668 | 34300 | 12% | 13% | 10% | 10% | 31% | 22% |
| LMICs | 17700 | 20448 | 28384 | 32949 | 47428 | 37128 | 30% | 29% | 30% | 26% | 31% | 24% |
| MADCTs | 443 | 1669 | 585 | 501 | 368 | | 1% | 2% | 1% | 0% | 0% | |
| Other LICs | 5367 | 3030 | 3364 | 1259 | 2739 | 2195 | 9% | 4% | 4% | 1% | 2% | 1% |
| Part I unallocated by income | 6169 | 7730 | 11939 | 23749 | 8225 | 11696 | 11% | 11% | 12% | 19% | 5% | 8% |
| UMICs | 21604 | 29018 | 41971 | 54599 | 47932 | 68710 | 37% | 41% | 44% | 43% | 31% | 45% |
| Grand Total | 58259 | 70775 | 95899 | 126140 | 155360 | 154029 | 100% | 100% | 100% | 100% | 100% | 100% |

AfT tourism disbursements per geographical region (US\$ thousand)

| Region | Percentage of disbursements | | | | |
|-----------------------|-----------------------------|-------|-------|------|-------|
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| Africa | 21% | 24% | 32% | 40% | 20% |
| America | 36% | 25% | 22% | 24% | 30% |
| Asia | 23% | 23% | 21% | 21% | 23% |
| Europe | 6.6% | 18.4% | 15.7% | 6.5% | 4.2% |
| Middle East | 6.6% | 5.4% | 5.1% | 6.9% | 17.9% |
| Oceania | 4.3% | 2.8% | 1.4% | 1.0% | 4.3% |
| Bilateral Unspecified | 2.3% | 1.9% | 2.0% | 1.0% | 0.8% |
| Grand Total | 100% | 100% | 100% | 100% | 100% |

Source: OECD
Creditor Reporting
System

Average spending per tourism project (US\$ thousand)



Source: OECD Creditor Reporting System



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Conclusions

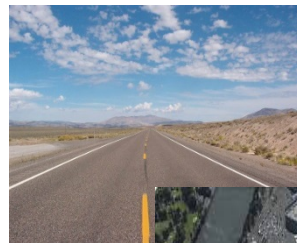
- The tourism sector is an important and growing sector with important spill-overs to the rest of the economy;
- The tourism sector is employment intensive and its significant potential to contribute to growth and poverty reduction is increasingly recognized;
- In many countries covered by the OECD-WTO-UNWTO Monitoring Survey, the tourism sector is explicitly highlighted in national development plans.
- For LDCs, the number of Tier 2 tourism projects is growing.



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Conclusions

- Availability and quality of infrastructure – together with effective government regulations – plays a key role for the development of the tourism sector ...
- ... so does security in destination countries and the smoothness of visa schemes.
- Suppliers surveyed identify the weak business environment, lack of access to finance and lack of access to skilled labour as major bottlenecks for growth and for linking into global value chains.



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Conclusion

To fully exploit the tourism sector's potential, the sector's multiple linkages into the rest of the economy need to be carefully managed.

The sector's development would benefit from:

- Strengthened co-ordination among different national stakeholders at the local, regional and national level;
- Close public/private sector cooperation;
- More effective regulations.
- More comprehensive aid projects that are larger in size;
- Greater co-ordination among international agencies in aid for trade delivery, for instance, through the 9-agency U.N. Steering Committee on Tourism Development (SCTD).



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