

COASTAL TOURISM AND ECONOMIC INCLUSION IN INDIAN OCEAN RIM ASSOCIATION STATES

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EXECUTIVE SUMMARY

The inclusiveness of tourism development is coming under close academic and policy scrutiny, including in policy debates within the Indian Ocean region through the Indian Ocean Rim Association (IORA). Coastal and marine tourism is recognised as a vital Blue Economy sector by IORA countries and in the [IORA Action Plan 2017–2021](#). South Africa, which serves as IORA chair from 2017–2019, has been at the forefront of recent debates around economic inclusion and tourism.

Across IORA states the economy of coastal tourism is dominated by mass tourism involving the movement of large numbers of international tourists to often all-inclusive enclave beach resorts. This form of tourism is inimical to inclusive development, as local entrepreneurs are typically excluded from the benefits of the tourism value chain. By contrast, other forms of coastal tourism have firmer and more secure entry points that enable local people (including marginalised groups such as women and youth) to participate in the industry. The low-budget sector of international tourism and the markets offered by domestic and

regional tourists are appropriate entry points for the start-up and growth of locally owned small and medium-sized enterprises (SMEs). There is also significant potential to enhance SME involvement in niche tourism markets such as eco-tourism, adventure tourism or cultural tourism.

INTRODUCTION

With growing global inequality there is mounting concern that the tourism sector can be ‘exclusive’ in its character, operations and impacts.² Hence, the inclusiveness of tourism development processes is increasingly coming under close academic and policy scrutiny. South Africa has been at the forefront of recent debates around economic inclusion and tourism. In 2015 the country’s minister of tourism declared that ‘tourism is not only about the activity of tourism’, rather ‘it is about inclusive economic growth and the better life that it creates for those most in need’.³

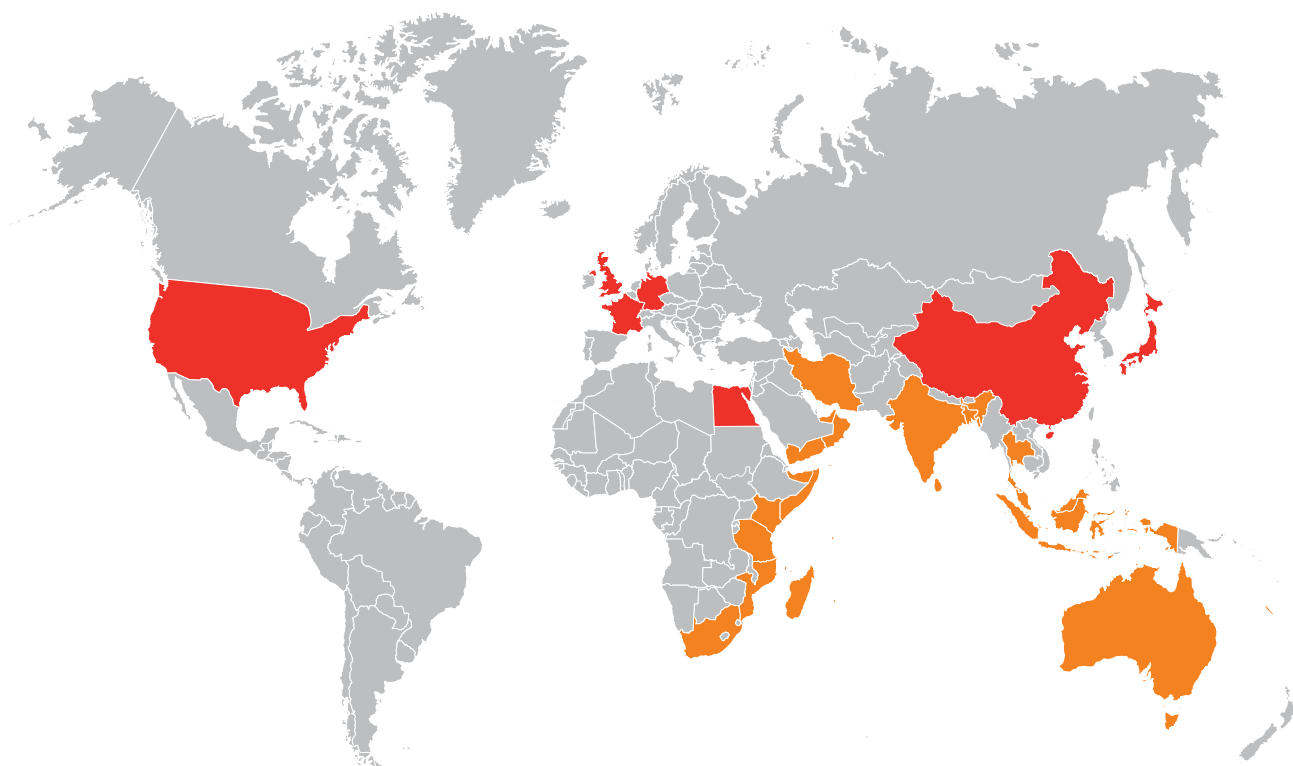
This policy briefing examines economic inclusion and coastal tourism in IORA states in the context of South Africa’s chairing of IORA from 2017–2019. It is based on a longer discussion paper that explores the theme of inclusive coastal tourism in greater depth, titled *Coastal*

Tourism and Economic Inclusion in Indian Ocean Rim Association States.

Within Blue Economy debates across IORA states, tourism is viewed as a major employment sector, part of the economic diversification strategies of several states, and a source of valuable income for coastal communities. Coastal and marine tourism is specifically recognised as a vital Blue Economy sector by IORA countries, with the IORA Action Plan 2017–2021 isolating ‘tourism and cultural exchanges’ as one of its key priority areas.⁴ The action plan also calls on IORA member states to ‘[s]trengthen regional cooperation for

the promotion of SMEs’ under the trade and investment facilitation priority area. IORA’s Jakarta Declaration on the Blue Economy, issued in May 2017, provides 26 recommendations as well as principles for developing and applying Blue Economy approaches to sustainable development and enhancement of socio-economic benefits, particularly for coastal communities in the IORA region.⁵ Women’s economic empowerment is an ever more prominent theme in IORA and a specific focus on gender dimensions is therefore central to the broader discussion of economic inclusion in coastal tourism in IORA states.⁶

FIGURE 1 IORA MEMBER STATES AND DIALOGUE PARTNERS



- IORA member states** ■ Commonwealth of Australia, People’s Republic of Bangladesh, Union of Comoros, Republic of India, Republic of Indonesia, Islamic Republic of Iran, Republic of Kenya, Republic of Madagascar, Malaysia, Republic of Mauritius, Republic of Mozambique, Sultanate of Oman, Republic of Seychelles, Republic of Singapore, Federal Republic of Somalia, Republic of South Africa, Democratic Socialist Republic of Sri Lanka, United Republic of Tanzania, Kingdom of Thailand, United Arab Emirates and Republic of Yemen
- Dialogue partners** ■ China, Egypt, France, Germany, Japan, the UK and the US.

COASTAL TOURISM IN IORA STATES: DIVERSITY AND DATA GAPS

A review of tourism statistics across the 21 IORA member states reveals an extraordinary range in the number of international tourists and estimated tourism receipts. The much higher ranking of Australia in receipts compared to total arrivals is indicative of the higher average spend of that country's cohort of international tourists as compared to, for example,

that of Mozambique. Furthermore, several IORA destinations have recently experienced considerable volatility in international tourism arrivals because of political instability, civil conflict or terrorism. The accuracy of data on tourism's contribution to gross domestic product (GDP) must be treated with caution as offering only the broadest sketch across the IORA states. Nonetheless, it highlights that several countries (such as Seychelles, Mauritius, Thailand, Malaysia and Madagascar) record significant contributions

TABLE 1 INTERNATIONAL TOURISM IN IORA COUNTRIES (IORA RANKING IN BRACKETS)

COUNTRY	LENGTH OF COASTLINE IN KM	INTERNATIONAL TOURISM ARRIVALS 2016	INTERNATIONAL TOURISM RECEIPTS IN \$ MILLION	TRAVEL & TOURISM INDUSTRY % GDP	TRAVEL & TOURISM PROJECTED GDP ANNUAL GROWTH RATE, 2013–2022
Australia	25 760 (2)	8 263 (8)	32,423 (2)	2.6 (16)	3.4 (16=)
Bangladesh	580 (16)	125 (19)	175 (17)	2.1 (18)	6.1 (4=)
Comoros	340 (19)	24 (20)	40 (20)	No data	No data
India	7 000 (3)	14 569 (4)	22,427 (3)	2.0 (19)	6.4 (2)
Indonesia	54 716 (1)	9 963 (7)	11,349 (7)	3.1 (12)	5.3 (9)
Iran	3 180 (7)	4 942 (9)	3,868 (9)	2.2 (17)	5.7 (7)
Kenya	536 (17)	1 114 (14)	824 (14)	4.8 (7)	5.2 (10)
Madagascar	4 828 (4)	293 (18)	307 (16)	5.9 (5)	5.1 (11)
Malaysia	4 675 (5)	26 757 (2)	18,074 (6)	7.2 (4)	4.4 (12=)
Mauritius	177 (21)	1 275 (13)	1,572 (12)	11.3 (2)	4.4 (12=)
Mozambique	2 470 (10)	1 639 (12)	108 (18)	3.2 (11)	6.1 (4=)
Oman	2 092 (11)	1 897 (11)	1,540 (13)	3.0(14)	5.4 (8)
Seychelles	491 (18)	303 (17)	414 (15)	21.2 (1)	4.3 (14)
Singapore	193 (20)	12 913 (5)	18,386 (5)	5.3 (6)	3.4 (16=)
Somalia	3 025 (8)	No data	No data	No data	No data
South Africa	2 881 (9)	10 044 (6)	7,910 (8)	3.0 (13)	3.9 (15)
Sri Lanka	1 340 (15)	2 051 (10)	3,518 (10)	3.9 (10)	6.1 (4=)
Tanzania	1 424 (14)	1 104 (15)	2,135 (11)	4.5 (8)	6.2 (3)
Thailand	3 219 (6)	32 588 (1)	49,871 (1)	9.0 (3)	6.7 (1)
United Arab Emirates	1 448 (13)	14 910 (3)	19,496 (4)	4.0 (9)	3.1 (18)
Yemen	1 906 (12)	367 (16)	100 (19)	2.9 (15)	2.4 (19)

Notes: For most countries arrivals and receipt data is for 2016 (but when unreported for 2016, the most recent available data is included), for India international tourism arrivals are increased by the inclusion of day visitors, which would not be classed as tourism in most countries.

Source: UNWTO (UN World Tourism Organization), 'Compendium of Tourism Statistics: Data 2012–2016', 2018, <http://statistics.unwto.org/content/compendium-tourism-statistics>, accessed 10 May 2018

of international tourism to their GDP. A substantial (but often unknown or unrecorded) proportion of this expanding economy of 'international tourism' is accounted for by regional tourism. Several studies stress the recent upsurge in intra-regional travel, particularly in Asia but also in sub-Saharan Africa.⁷ Arguably, this growth in regional tourism and its impact on particular countries are ignored in analyses of international tourism figures. The absence of international statistics also makes it difficult to determine the share of coastal and marine tourism in global tourism or the precise contribution of coastal and marine tourism in IORA states.⁸ Nevertheless, the critical economic importance and developmental potential of coastal tourism is well documented for several IORA states.⁹

COASTAL TOURISM AND ECONOMIC INCLUSION: GETTING THE MODELS RIGHT

There is a variety of coastal tourism models that service different market segments, with unique ramifications for economic inclusion and the development of SMEs. Simply put, the prospects for economic inclusion and SME development are not homogenous. Instead, they must be understood as differentiated variously between, for example, the impacts of coastal tourism focussed on international as opposed to regional or domestic tourists, of luxury high-end tourism versus budget forms of tourism, or between mass as opposed to alternative forms of tourism.

On a global basis the economy of coastal and marine tourism 'is dominated by mass tourism, involving the movement of large numbers of people on standardised packaged tour holidays'.¹⁰ This mass tourism approach built around inclusive 'sea, sun, sand' (3S) offerings has been criticised as contributing to 'enclave' tourism, which marginalises local populations, limiting opportunities for local entrepreneurs to benefit through selling goods and services to tourists, and resulting in economic benefits' largely being captured by foreign hotel chains and travel agents.¹¹

As a result of consumers' demand for quality and standards, the principal suppliers in tourism value chains are international hotel firms or tour operators 'with sufficient power to govern the value chain'.¹² Local suppliers and SMEs confront significant barriers

to meeting the standards set by hotels and are shut out from value chains associated with international tourism. This also applies in open resorts, where local entrepreneurs should have more opportunities to access tourists.¹³ SMEs are also negatively affected by the lack of access to financial capital hindering their participation in such value chains, as well as a range of other constraints related to skills, capacity and market access.

Although the economic linkages arising from international tourism are often viewed as limited, this is not always the case. Improved opportunities for local entrepreneurs arise particularly in destinations that diversify the tourism product from the 3S model to also include eco-tourism, adventure, culture, heritage and even culinary tourism products. These new initiatives can be viewed as 'alternative' or niche tourism products that, albeit smaller in scale than those offered by mass tourism all-inclusive resorts, provide promising avenues for SME development and thus enhance prospects for greater inclusion, especially of marginalised groups.

BOX 1 INSIGHTS FROM SOUTH AFRICA AND KENYA

Coastal tourism is an important contributor to economic development and employment in South Africa and Kenya, with both countries hoping to develop this sector further in the context of efforts to promote sustainable Blue Economy strategies. These countries have relatively well-developed policies and government agencies that seek to support small enterprise development broadly and within the tourism sector in particular. In South Africa, for example, the Tourism Enterprise Partnership has invested more than ZAR 550 million (\$38.86 million) in tourism development, trained over 25 000 SME operators and employers and mentored over 450 tourism SMEs in the 2000–2015 period. In Kenya economic inclusion of marginalised groups is facilitated by the Youth Enterprise Development Fund, the Women Enterprise Fund and the Uwezo Fund. Tourism and SME development also feature in the integrated development plans of county (Kenya) and municipal (South Africa) governments.

Despite the existence of various programmes and institutions aimed at fostering more inclusive tourism,

current and potential SME operators in the sector continue to face a range of challenges. In Kenya, for example, the vast majority of tourism SMEs operate as informal businesses, limiting their ability to access finance and training opportunities. Coastal areas in both Kenya and South Africa also face pressures from a variety of user groups, as well as broader social, economic and environmental pressures. In this context, economically vulnerable groups become marginalised. Coordination, both between levels of government (national, provincial/county and local) and between agencies with a funding or capacity building mandate, remains a significant challenge in Kenya as well as South Africa. Finally, in both countries access to finance is a major challenge for SMEs in the tourism sector, but there is an equally urgent need for expanded business advisory and incubation services, as well as training and technical services.

Arguably, under the mass tourism 3S model one of the most promising avenues for SME development arises through initiatives aimed at building supply chain linkages in order to extend food supplies and other inputs or services to coastal hotels and other accommodation establishments. Hence, the focus is on SMEs to capture the indirect as opposed to the direct benefits arising from tourism expansion or, as highlighted in South Africa's tourism strategy, to develop opportunities across the tourism value chain. Initiatives to strengthen local value chains between tourism and agriculture are pursued in several countries so that small-scale farmers (who, in many cases, are from marginalised groups) can benefit from tourism development.¹⁴

While there has been significant interest among IORA members in developing cruise tourism markets, research suggests that this tourism model holds particular challenges for inclusive tourism. By contrast, other variants of coastal tourism offer firmer and more secure entry points that enable local people to participate in the globalised tourism industry.¹⁵ The low-budget sector of international tourism and domestic and regional tourists, in particular, provide appropriate and accessible entry points for the start-up and growth of locally owned SMEs.¹⁶ It has been argued that governments¹⁷

interested in promoting poverty-alleviation through tourism need to recognise that people from poorer communities who do not have the skills, networks or resources to cater for higher-end tourists can often provide goods and services to lower-end tourists and they can do this by utilising local resources rather than needing outside capital.

In relation to international tourists, the youth or backpacker segment offers considerable opportunities. Backpackers have wider geographical spend patterns and, as they do not demand luxury, spend more on locally produced goods and services – with positive local economic multiplier impacts. More importantly, backpacker facilities are typically modest and require less capital than other forms of accommodation, which allows local entrepreneurs ease of entry into the tourism economy. Indeed, beyond economic benefits there are vital non-economic benefits – particularly for women, youth and other marginalised groups – that arise from backpacker and other forms of budget tourism.¹⁸ Targeting budget tourism as a model can build on the skills of the local population, enhance self-reliance and develop the confidence of community members in dealing with outsiders.¹⁹

The opportunities outlined for budget forms of tourism often also apply to domestic or regional tourism. Many domestic tourists similarly do not demand luxury standards and will spend more on locally produced goods (such as food) and services (such as homestays) than other categories of tourists. Overall, the local multiplier effects of small-scale forms of tourism directed at domestic tourists can be dynamic, as there are likely to be stronger linkages with the local economy than in higher-end, mass tourism. This form of tourism can also result in a wider spread of economic benefits in local communities, as formal qualifications are unnecessary to run such enterprises and individuals, including those from marginalised groups, can provide the desired services or products with little capital or training.

CONCLUSION

Inclusive tourism is a pressing issue for the IORA region in terms of its ambitions to develop a sustainable regional Blue Economy. Of the nine African IORA member states,

five are least-developed countries (LDCs), while non-LDC countries such as Kenya and South Africa also face significant challenges in terms of inclusive and environmentally sustainable development, employment generation and economic growth. The IORA Action Plan and the broader reform processes of this regional institution provide key opportunities for South Africa, in partnership with other IORA member states, to ensure that inclusive tourism becomes a central component of the regional Blue Economy agenda. This briefing therefore makes the following recommendations:

- Given the diversity of tourism models and national contexts, local solutions are necessary that are grounded in an evidence-based understanding of the opportunities and challenges facing marginalised groups in particular localities. In supporting inclusive tourism, emphasis should be placed on three areas, namely domestic and regional tourism; niche tourism markets (eco-tourism, adventure tourism, cultural tourism); and support across the tourism value chain (eg, support for small-scale farmers to supply agricultural products to tourism establishments).
- Improved access to finance is an imperative, yet it is not a panacea for inclusive tourism. Instead there is a need for coordinated interventions that include, for example, the establishment of tourism business incubators, skills training programmes for local entrepreneurs and dedicated support programmes enabling women and youth participation.
- South Africa chairs IORA from October 2017 to October 2019. It thus has an opportunity to promote engagement on inclusive tourism by IORA structures such as the IORA Academic Group, the Indian Ocean Rim Business Forum and the Working Group on Trade and Investment.
- Tourism development initiatives must be responsive to the range of challenges relating to the sustainable development of coastal and marine tourism as a whole, including:
 - » lack of (or inappropriate) planning for coastal area development and management;
 - » governance issues;
 - » poor integration of policies and programmes across national, provincial and municipal levels of government;

- » tensions between various user groups within the coastal domain;
- » limited innovation;
- » access to finance for enterprise development;
- » absence of data for monitoring; and, above all,
- » the threats posed to coastal destinations from social and environmental pressures, including climate change.

ENDNOTES

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