



International Tourists Arrivals in Africa: Do Issues of Good Governance Matter?

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Abstract

Political stability, good governance, and an enabling business environment provide the foundation for tourism growth. Promotion of good governance in Africa, it is believed, has the potential to enhance the image and attractiveness of the continent to international tourists and thereby increase international tourists' arrivals. However, the issue of good governance and its effect on the demand for tourism in Africa has not been very much explored. This study, therefore, investigates the effect of governance institutions on international tourists' arrivals in Africa. Annual data from 1996 to 2014 on a panel of 41 destination countries in Africa has been used for the analysis. Two estimation techniques,

a fixed-effects panel estimator with contemporaneous effects only, and a dynamic generalized method of moments estimator, are utilized to test the effect of various measures of good governance on international tourists' arrivals. Both models show strong evidence that good governance matters as far as international tourists' arrivals and share of Africa in global arrivals are concerned. Good governance institutions promote international tourism in Africa. If African countries can attain at least the average score of 36.66 percentile, it will result in a very significant improvement in international tourists' arrivals and Africa's share in global arrivals.

Introduction

The tourism sector can act as a catalyst for growth and development of developing countries. According to the World Bank Tourism Report (World Bank, 2013), tourism can provide an economic base for a country or a region whose only development options are its cultural and natural resources, whether coastal, mountain, or wildlife or a combination of these. It is an acceptable fact that tourism is one of the few industries in which many developing countries actually have a comparative advantage over developed countries in terms of cultural heritage, climate, wildlife, etc (Yunis, 2004). Therefore, it can be an effective tool to boost economic growth at the local, national and regional levels. The sector has been identified as one of the key sectors that African countries could take advantage of to help build up the much-needed international reserves, since the sector could generate the scarce foreign exchange. It is believed that proper packaging of tourists' products in Africa and enhancement of the continent's attractiveness to international tourists through implementation of appropriate policies in the member countries could increase international tourists' arrivals and receipts in Africa.

Across sub-Saharan Africa, destinations are finding that political stability, good governance, and an enabling business environment provide the foundation for tourism growth (UNCTAD and UNDP, 2008). The impact of terrorism on the tourism industry, for example, can be great and devastating especially for many developing countries where tourism serves as the primary export industry. The repercussions are enormous, far-reaching and are felt in many other tourism-related industries such as the airlines, hotels, restaurants, and shops that cater for the tourists. The tourism sectors' contribution to the economies of many countries is so great that any downturn in the industry is a cause of major concern for many governments. Promotion of good governance in Africa, it is believed, has the potential to enhance the image and attractiveness of the continent to international tourists, and thereby increase international tourists' arrivals. The issue of good governance and international tourism demand is an area which is not very much explored in Africa. The good governance issue has become a topical one in Africa. The effects of good governance on the economies of Africa cannot be underestimated. It is common knowledge that good

governance promotes socio-economic development. Good governance indicators such as rule of law, freedom of expression and association, low levels of corruption, among others, help to unleash the economic potential of the citizens and that helps to boost economic growth. More importantly, since in Africa a significant number of the tourists come for business purposes, good governance indicators could have the potential to promote business tourism. Moreover, the prevailing freedoms in the tourists' destination countries would go a long way to affect the welfare of the potential tourists positively. This could make those destinations more attractive.

However, these governance indicators that could affect the welfare of the tourists in the destination country have either been ignored in the tourism demand equation by many researchers, completely or at best only one aspect of good governance has been considered. In the tourism industry now, there is a strong advocacy by many scholars for safety in destinations. Most importantly, safety on vacation has become an expected requirement for any visitor in a tourist destination. Destinations that are perceived to have an unsafe reputation can suffer substitution by alternative destinations that are perceived as safer for tourists. The image of the destination is damaged by acts of terrorism, political instability and crimes committed against the tourism industry. These acts also instill fear in potential tourists.

In a study of Ghana, Bentum-Ennin (2014a) found that civil liberties and political rights are very significant factors as far as international tourists' arrivals are concerned. One of the gaps in the study is that it focused on a specific country, Ghana. No study with a continental coverage using such measures of good governance has been undertaken in Africa. Therefore, this study provides a novel contribution to the existing literature. Moreover, the study dwells much more on the effects of governance institutions on international tourists' arrivals. In addition to civil liberties and political rights, the study uses more measures of good governance such as control of corruption, rule of law, political stability and absence of violence/terrorism, efficiency of regulation, government effectiveness, voice and accountability. Improvement in these good governance indicators may enhance the image and attractiveness of the host nation to international tourists and vice versa.

There has been some systematic improvement in the scores on some good governance indicators for many countries in Africa. It is believed that this state of affairs could send good signals to would-be/potential tourists about the serene political atmosphere and freedoms that exist in the host countries, whereas deterioration or a curtailment of political rights and civil liberties may send bad signals to potential tourists. As Richter and Waugh (1986: 231) put it: "Tourism is frequently an early casualty of internecine warfare, revolution, or even prolonged labor disputes. Even if the tourist areas are secure (...) tourism may decline precipitously when political conditions appear unsettled. Tourists simply choose alternative destinations." Hall and O'Sullivan (1996: 117) also note that: "Perceptions of political instability and safety are a prerequisite

for tourist visitation. Violent protests, social unrest, civil war, terrorist actions, the perceived violations of human rights, or even the mere threat of these activities can all serve to cause tourists to alter their travel behavior”.

Methodological review

Causal methods have dominated the studies on tourism demand. They can further be divided into single equation methods, systems of equation methods and panel data methods. The single equation model has been used in studies of tourism demand for numerous countries and periods, and posits that demand is a function of several determining variables. The estimated equations permit the calculation of the sensitivity of demand to changes in these variables. One of the advantages of this approach is that it can be used to determine the extent to which a change in any of them alters tourism demand, quantified by calculation of the relevant elasticities. The elasticity value can be calculated for different durations of time, thereby showing the difference between the short-run and long-run responsiveness of demand to changes in the variable under consideration. This may be useful for policy purposes, indicating, for example, the time within which any appropriate countervailing policy adjustment should take effect.

Single equation models often used in tourism forecasting empirical studies include Autoregressive Distributed Lag Models (ADLM), Error Correction Models (ECM), Time Varying Parameter (TVP) models and various combinations of these models (Song and Li, 2008). According to Hilaly and El-Shishiny (2008), the ECM can capture the short-run and the long-run dynamics when cointegration occurs. Li et al. (2006) asserts that TVP models are often used when there are structural changes in data or when constant coefficients are too restricted. The TVP model accommodates the changing behaviour of tourists, for example due to economic circumstances, whereas fixed-parameter models do not have this ability (Song and Witt, 2000). When the coefficients are estimated with the TVP, the more recent data have a stronger influence than data further back into the past (Hilaly and El-Shishiny, 2008:4).

Salleh et al. (2007) state that the ADLM can be used when the time series available is relatively short. The ADLM includes a lagged dependent variable, lagged independent variables, and contemporaneous independent variables as regressors (Song and Witt, 2000:74). The inclusion of too many explanatory variables may result in multicollinearity and, as a result, high standard errors which may lead to invalid test statistics (Song and Witt, 2000). The ADLM benefits from the inclusion of lagged values of the explanatory variables and independent variables because it takes time for certain changes to take effect, and this is taken into consideration with this specification. It is also possible to estimate both long-run relationships and short-run relationships if cointegration is present (Divisekera and Kulendran, 2006). In such a case, the ADLM is expanded to include an error correction model specification.

In contrast to the first approach, the system of equations model is not very popular, and it requires the simultaneous estimation of a range of tourism demand equations for the countries or types of tourism expenditure considered.

Panel data analysis has also appeared in tourism demand research (Eilat and Einav, 2004; Munoz, 2006; and Naude and Saayman, 2005). The panel data models that were used in the literature are pooled logit regression, the generalized method of moments (GMM) procedure of Arellano and Bond (1991), generalized least squares (GLS) panel data regressions, and ordinary least square (OLS) panel data regressions comprising fixed and random effects models. Using a panel data approach has several advantages. It allows a combination of cross-sectional and time series data (Song and Witt, 2000). In addition, panel data give more informative data, more variability, less collinearity among the variables, more degrees of freedom and more efficiency (Baltagi, 2001). This study uses a dynamic panel model. The benefit of such model is that it contains a lagged dependent variable which can be used to measure tourists' habit persistency or word-of-mouth

Conclusions and policy implications

It has been noted that political stability, good governance, and an enabling business environment provide the foundation for tourism growth. Promotion of good governance in Africa, it is believed, has the potential to enhance the image and attractiveness of the continent to international tourists, and thereby increasing international tourists' arrivals and Africa's share in global arrivals. However, the issue of good governance and its effect on the demand for tourism in Africa has not been very much explored. This study, therefore, investigates the effect of governance institutions on international tourists' arrivals in Africa. Annual data ranging from 1996 to 2014 on a panel of 41 destination countries in Africa has been used for the analysis. Two estimation techniques, a fixed-effects panel estimator with contemporaneous effects only and a dynamic generalized method of moments estimator, are utilized to test the effect of various measures of good governance on international tourists' arrivals and Africa's share in global arrivals.

The results indicate that consistent with earlier studies, increases in incomes of the originating countries (rest of the world) boost international tourism in Africa. The level of development in the destination countries has a contemporaneous effect on international tourists' arrivals in Africa. However, the effect is not significant in the dynamic model. Furthermore, the word-of-mouth effects have been positive since the coefficient of the lagged dependent variable is positive. This signifies an informal advertisement for Africa which is positive. This means that the experiences tourists get and the kind of treatment tourists receive in Africa significantly affect inflow of tourists in a positive way. It encourages more tourists into the continent.

Also, the results of the study show strong evidence that good governance matters as far as international tourists' arrivals and Africa's share of global arrivals are concerned. Governance institutions in Africa have effects on international tourists' arrivals and Africa's share of global arrivals. The existence of good institutions has a positive impact on both the number of international tourists' arrivals and the share of Africa in global arrivals. This implies that bad institutions are deterrent to international tourists' arrivals in Africa. Authorities in Africa should, therefore, continue to make more conscious efforts to strengthen governance institutions to function efficiently if Africa were to remain very attractive and competitive as far as international tourism is concerned.

Contemporaneously, rule of law has the strongest effect. This is followed by government effectiveness, political stability and absence of violence/terrorism, control of corruption and voice and accountability in that order. Government effectiveness, however, exerts the greatest impact on international tourists' arrivals and Africa's share of global tourism in both the short-run and long-run. This means that international tourists are very much concerned with the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Bureaucracy and red-tapes breed inefficiency and corruption in public and civil service and these are likely to deter all categories of tourists, especially business tourists. The result is not surprising given that in Africa, a significant number of tourists come for business purposes.

The simulation results indicate that if all countries in Africa are able to at least attain the average score of 36.66 percentile on the governance index, it will have a very significant positive impact on international tourists' arrivals and Africa's share of global tourism in both the short and the long-run. The African Union and various sub-regional blocs in Africa should step up their effort at ensuring that member countries pass relevant legislations to promote good governance and also adhere to good governance practices. Policy actions need to be geared towards improving government effectiveness, promoting political stability and accountability, and deepening civil liberties and political rights. All these will go a long way to maintain and enhance relative competitiveness enjoyed by individual destinations in Africa and also help maximize gains from international tourism.

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