Tourism is an important driver of economic growth around the world. While Europe remains the most visited continent in the world, Asia Pacific and Africa had the highest growth rates in visitors over the decade spanning 2005–14. With a wide array of animals and picturesque landscapes, Africa has long captured the imagination of international leisure travellers. In more recent years, the growing diversity of experiences in countries such as South Africa has helped fuel a record number of visitors. While the economic importance of tourism to Africa is a central characteristic throughout the continent, there is variance in its profile at both the regional and country levels. North Africa is the most vibrant tourism destination on the continent. Southern Africa has the second largest total tourism receipts behind North Africa, with its relatively high leisure spending. Central Africa, meanwhile, has the most underdeveloped tourism industry in the world.

Keywords: Tourism, international leisure travel, North Africa, southern Africa, Central Africa, industry

1. Introduction
Tourism is an important driver of economic growth around the world, supporting an estimated 277 million jobs, generating US$7.6 trillion in indirect revenue, and supplying 9.8 per cent of global GDP in 2014.¹ Its direct effect on global GDP was 3.1 per cent, which exceeded the automotive (1.2 per cent) and chemical (2.1 per cent) manufacturing industries, while placing it on a similar footing as the banking (3.2 per cent) and education (3.4 per cent) sectors. Moreover, the dynamism of the industry is not confined to any one region:
Europe remains the most visited continent in the world, accounting for 51 per cent of all international tourist arrivals in 2014, but Asia Pacific and Africa had the highest growth rates in visitors over the decade spanning 2005–14.

With a wide array of large animals and picturesque landscapes available in many countries, Africa has long captured the imagination of international leisure travellers interested in exploring regions such as the Maasai Mara, the Serengeti, or Kruger National Park. In more recent years, the growing diversity of experiences in countries such as South Africa has helped fuel a record number of arrivals; Africa’s 55.7 million visitors in 2014 were a historical apex. Table 4.1 provides context for the contribution of tourism to Africa’s economy—its direct effect on GDP, its share of total exports, and its contribution to foreign direct investment (FDI) are all higher than the global average.
Table 4.1. Global economic impact of tourism in 2014

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>Africa</th>
<th>Americas</th>
<th>Asia Pacific</th>
<th>Europe</th>
<th>Middle East</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International arrivals (millions)</strong></td>
<td>1,133</td>
<td>55</td>
<td>181</td>
<td>263</td>
<td>581</td>
<td>51</td>
</tr>
<tr>
<td><strong>Average annual growth rate in arrivals (2005–14)</strong></td>
<td>3.8%</td>
<td>5.4%</td>
<td>3.5%</td>
<td>6.1%</td>
<td>2.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td><strong>Direct effect on GDP</strong></td>
<td>3.1%</td>
<td>3.4%</td>
<td>2.9%</td>
<td>3.0%</td>
<td>3.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td><strong>Total effect on GDP</strong></td>
<td>9.8%</td>
<td>8.1%</td>
<td>8.4%</td>
<td>9.2%</td>
<td>9.2%</td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>Direct effect on total employment</strong></td>
<td>3.6%</td>
<td>3.0%</td>
<td>3.7%</td>
<td>3.7%</td>
<td>3.6%</td>
<td>3.2%</td>
</tr>
<tr>
<td><strong>Total effect on employment</strong></td>
<td>9.4%</td>
<td>7.1%</td>
<td>9.6%</td>
<td>8.5%</td>
<td>9.0%</td>
<td>7.6%</td>
</tr>
<tr>
<td><strong>Visitor spending share of total exports of goods and services</strong></td>
<td>5.7%</td>
<td>8.0%</td>
<td>7.0%</td>
<td>5.2%</td>
<td>5.6%</td>
<td>4.6%</td>
</tr>
<tr>
<td><strong>Tourism investments as share of total investments</strong></td>
<td>4.3%</td>
<td>5.9%</td>
<td>4.5%</td>
<td>3.7%</td>
<td>4.7%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>
While the economic importance of tourism to Africa is a central characteristic of the continent, there is variance in its profile at both the regional and country levels. Buoyed by the strength of the Egyptian and, to a lesser degree, Moroccan, Algerian, and Tunisian markets, North Africa is the most vibrant tourism destination on the continent as measured by visitors, overall spending, leisure tourism spending, and capital investments. Southern Africa has the second largest total tourism receipts behind North Africa, with its relatively high leisure spending driven by attractions in South Africa, which had the continent’s second highest tourism revenue in 2014 behind Egypt. West and Central Africa are both relatively insulated markets—foreign visitor spending accounted for only 15.9 per cent of overall tourism spending in West African countries, which is the second lowest in the world and the lowest in Africa. Central Africa, meanwhile, has the most underdeveloped tourism industry (as measured by total tourism receipts) of anywhere in the world.

The importance of the industry in East Africa is especially striking. While there are many African countries where total tourism receipts as a percentage of total exports of goods and services exceeded both the global (5.7 per cent) and continental (8 per cent) averages in 2014, Rwanda (24.5 per cent of exports), Tanzania (23.4 per cent), Uganda (17.1 per cent), and Kenya (16.5 per cent) are among the most reliant on tourism (WTTC 2015). As a region, East Africa is the most reliant of any African region on foreign visitors, with foreign visitor spending accounting for 61.4 per cent of total tourism revenue in 2014 (WTTC 2015).

With tourism representing a very significant source of exports and foreign investment in Africa, the industry will continue to be a major economic engine moving forward. While there are opportunities, some characteristics of the global industry can impede Africa’s development if policy makers do not recognize and design strategies to alleviate many constraints for firms and other stakeholders. This chapter explores the overall landscape of the tourism industry and how it influences Africa’s competitiveness. It first uses the Global Value Chain (GVC) framework to focus attention on important global dynamics before elaborating the implications of those trends for African actors. It then discusses two approaches used to assess tourism competitiveness: (1) econometric analyses of the determinants of demand; and (2) the identification of upgrading trajectories that have been observed in tourism GVCs around the world. The chapter concludes by outlining policy interventions that can be employed to eliminate the barriers that countries frequently face when attempting to improve their positions in tourism value chains.

2. Global Tourism: A Value Chain Approach
The GVC methodology has been used to analyse the tourism industry in various regions of the world. While different types of travel have been described, this chapter is most interested in two broad categories that have distinct actors and
global characteristics: leisure and business tourism. Leisure tourism can be defined as any trip where the tourist travels internationally for recreation. Although there are many different types of leisure tourism (sun, sand, and surf; environmental or eco-tourism; adventure; cultural; etc.), the term does not describe travel to visit friends or relatives. Business tourism involves travel internationally for professional reasons. It includes visits to see clients, scouting trips for potential investment opportunities, and travel for conferences. The conferences segment—Meetings, Incentives, Conferences, and Exhibitions (or MICE)—of business travel is included in the (p.71) business tourism GVC. The following sections outline the organization of both the leisure and business tourism GVCs before pivoting to an analysis of the African tourism industry.

2.1. Leisure Tourism GVCs

Building upon distinctions outlined by Christian and Nathan (2013), the leisure tourism GVC can be divided into three categories of actors: consumers (or end markets), distribution intermediaries, and service providers. Lead firms assemble and package individual services into cohesive travel experiences. Their power derives from the ability to draw on the capabilities of large, global networks of service providers, while also having direct access to consumers or travel agents (Christian 2013). Most often, these actors are distribution intermediaries such as online portals, tour operators and Destination Management Companies (DMCs), although in some cases, powerful individual service providers such as international airlines and hotels may act as lead firms by bundling and selling tourism products. The identity, power, and linkages among actors depend on the distribution channels that consumers use to access the product. The dynamics associated with each are outlined below. Table 4.2 includes a description of each actor.

Direct Booking Distribution Channel

Consumers may choose to bypass distribution intermediaries and book directly with service providers. Examples include leisure tourists who book vacations directly through service provider websites (Delta or Marriott, for example) or research excursions independently. In these instances, the flow of consumer money proceeds straight from the customer to international airlines and domestic transport, lodging, hospitality, and excursion businesses.

Online Package Distribution Channel

The ‘Online Package’ distribution channel accounts for the industry’s most dynamic growth in the last decade. While the global industry is largely fragmented, the emergence of online portals Expedia and Priceline has led to an industry evolution. These two companies had combined sales of approximately US$100 billion in 2014 and have posted the highest growth rate of any intermediary in all distribution channels in the last five years. Their emergence
has encouraged consolidation. That trend is likely to continue, with Expedia purchasing rival Orbitz in 2015.

(p.72) (p.73) **Package Booking Distribution Channel**

The ‘package booking’ distribution channel includes a network of travel agents, global tour operators, inbound tour operators, and DMCs. Beyond questions of physical infrastructure and in-person communication, a key differentiator between online agencies and the traditional network of travel agents, tour operators, and DMCs is the latter’s ability to sell itinerary-based tour packages; thus far, online agencies have largely been unable to replicate this practice. Depending on the location, travel agents, tour operators, and DMCs further distinguish themselves by assisting with visa applications and the acquisition of wildlife and park permits.

Intermediaries in all distribution channels rely on service providers for many of the experiences that travellers associate with tourism products. The broad categories include international and domestic transport, lodging, hospitality, and excursions. In terms of unit costs, the most significant inputs are airline flights and lodging. The consumer usually encounters international and domestic transport first before engaging hotels, restaurants, and other destination-specific attractions. The individual service providers have ranges of quality and scale, as well as different degrees of vertical and horizontal integration. Some products and services fit into multiple segments; restaurants or food and beverage can be considered in both hospitality and excursions. Many excursion experiences, especially related to eco-tourism, are offered through local guides.

Globally, these distribution channels and categories of actors directly supported roughly 105 million jobs in 2014 and indirectly sustained an estimated 277 million jobs (WTTC 2015). There is a wide variance in the value-creation potential as well as the skill levels associated with each group of workers across the value chain. Table 4.2 provides an overview of the major jobs and skills levels associated with each. The highest employment opportunities are regularly found in the service-provider segment of each chain, although these jobs are often lower skilled.

**Table 4.2. Major job profiles and skill levels in tourism value chains**

<table>
<thead>
<tr>
<th>Position</th>
<th>Description</th>
<th>Education/Training</th>
<th>Skill level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution Intermediaries</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Position</td>
<td>Description</td>
<td>Education/Training</td>
<td>Skill level</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Global Tour Operator</td>
<td>Manufacturers and wholesalers. Together with DMCs, they purchase services from individual providers and assemble them into leisure tourism products. Access to consumers and knowledge of local market is most significant value addition.</td>
<td>Technical certification/Bachelor's degree for owner or management</td>
<td>Medium/High</td>
</tr>
<tr>
<td>Inbound Tour Operator/DMC</td>
<td>Both inbound tour operators and DMCs can aggregate domestic services and sell to foreign distribution intermediaries. They are differentiated by customers: companies where the majority of sales are directly to consumers are inbound tour operators; DMCs rely on global tour operators to provide the majority of clients and serve as ground-handlers.</td>
<td>High school diploma/technical education</td>
<td>Medium/High</td>
</tr>
<tr>
<td>Travel Agent</td>
<td>Retailers who largely sell package tours. As a primary point of contact with consumers, they create trust that the experience will conform with expectations.</td>
<td>Certification programme/technical education</td>
<td>Medium</td>
</tr>
<tr>
<td>Service Providers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lodging Management</td>
<td>Responsible for hotel operations, budgets, supervising quality standards, hiring and training, enforcing policies, and monitoring profitability.</td>
<td>Bachelor's degree/management training</td>
<td>Medium/High</td>
</tr>
<tr>
<td>Airline Agents</td>
<td>Responsible for sales and customer service including reservations, check in, and missing baggage.</td>
<td>High school diploma/on-the-job training</td>
<td>Medium</td>
</tr>
<tr>
<td>Position</td>
<td>Description</td>
<td>Education/ Training</td>
<td>Skill level</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Lodging Front Office</td>
<td>Responsible for check in and check out, customer feedback and assistance, and managing reservations and room assignment.</td>
<td>Technical diploma or certificate programme/on-the-job training</td>
<td>Medium</td>
</tr>
<tr>
<td>Restaurant/ Bar Staff</td>
<td>Operate local restaurants. Coordinate food supplies. Prepare and serve restaurant clients.</td>
<td>Technical diploma or certificate programme/on-the-job training</td>
<td>Medium/Low</td>
</tr>
<tr>
<td>Retail</td>
<td>Offers tourist products such as artisanal crafts and souvenirs for tourists to buy.</td>
<td>No formal education/on-the-job training</td>
<td>Medium/Low</td>
</tr>
<tr>
<td>Local Guides</td>
<td>Lead local excursions to location-specific sites. Often must be certified.</td>
<td>Certificate programme/on-the-job training</td>
<td>Low/Medium</td>
</tr>
<tr>
<td>Drivers</td>
<td>Responsible for transporting visitors to and from airports, hotels, and sites. Most are licensed.</td>
<td>No formal education/on-the-job training</td>
<td>Low/Medium</td>
</tr>
<tr>
<td>Housekeeping</td>
<td>Responsible for cleanliness, room preparations, laundry, inventory, and maintenance.</td>
<td>No formal education/on-the-job training</td>
<td>Low/Medium</td>
</tr>
</tbody>
</table>

Source: Authors’ illustration based on Christian et al. (2011) data.

2.2. Business/Conference Tourism GVC

Business tourism GVCs can be divided into the same categories as the leisure tourism GVC: consumers, distribution intermediaries, and service providers. There is further overlap between the two chains, with many of the same service providers and distribution intermediaries active in both. There is also frequent spillover, with business travellers regularly extending trips to experience local sights.

There are, however, important differences in the identity, characteristics, and value-addition propositions of the lead firms in the leisure and business tourism value chains. The ‘Online Package’ distribution channel is used less frequently (p.74) in the business tourism segment compared with leisure. Instead, the lead firms in business tourism are Travel Management Companies (TMCs), which offer travel management and analytical services that are designed to help
clients reduce costs during trips and overall demand for travel. Compared to leisure, the global market is highly consolidated, with four leading TMCs as measured by annual revenue: American Express Global Business Travel, Carlson Wagonlit Travel, BCD Travel, and HRG Worldwide (Travel Weekly 2015).

Depending on demand for travel to a location, TMCs will either open wholly owned subsidiaries or joint ventures, or pursue partnership arrangements in new markets to manage client travel. Partnership arrangements are the most common (Daly and Guinn 2016). There are significant differences in the skill sets and licences that are required for local firms to participate in the business tourism chain. To ensure adherence to company travel guidelines, TMC affiliates are expected to collect different kinds of information for the parent company, much of which requires some level of training. Additionally, International Air Transport Association (IATA) certification is an obligatory step for TMC partners.6

Finally, the MICE segment is an important component of the business tourism value chain, providing a high value-added opportunity to increase overall arrivals. There are two primary distribution channels for conference events: (1) Host organizations may have internal departments that assist with the planning of large and medium-scale meetings, allowing them to perform many of the logistical preparations internally; and (2) consumers may engage conference specialists or convention bureaus to stage events. National, regional, or local convention bureaus can be instrumental in pursuing conference opportunities. These bodies often depend on organizations such as the International Congress and Convention Association (ICCA), the Society of International Travel Executives (SITE), Meetings Professional International (MPI) and the Professional Conference Management Association (PCMA). Globally, ICCA is the most prominent industry association, providing more than 1,000 public- and private-sector actors with access to the marketplace of worldwide MICE events. ICCA gathers information about meetings that rotate among at least three countries and attract a minimum of 50 participants.

3. Africa and the Global Tourism Industry
The organization of the tourism GVC provides a context for understanding how tourism may drive export growth in Africa and the steps that can be taken (p. 75) to improve the continent’s position in the tourism GVC. Various characteristics of the African tourism industry vis-à-vis the global landscape are worth accentuating. These include the following:

1. The traditional ‘Package Booking’ distribution channel has proven to be more durable in Africa than elsewhere
2. Low domestic demand for African tourism elevates the position of global lead firms.
3. The pre-eminence of global lead firms influences the linkages vs. leakages dynamics observed in Africa
4. Business tourism constitutes a greater share of overall tourism receipts in Africa than in other locations
5. Government policy encourages bottlenecks among critical service providers that impair African tourism.

The following sections address each dynamic in greater detail.

3.1. Package Booking

While the ‘Online Package’ distribution channel has gained in importance as Expedia and Priceline have become the largest two companies in the travel industry as measured by annual revenue, the ‘Package Booking’ distribution channel remains an entrenched feature of African leisure tourism. Data on the experience of travellers in a cluster of East African Community (EAC) countries highlight this feature. A survey of visitors to Uganda reported that 21 per cent of leisure tourists were part of package tours, with nearly 80 per cent of those package tourists indicating that they preferred to travel independently when outside Uganda (World Bank Group 2013). In Tanzania, a recent study of leisure visitors reported that 75.3 per cent were part of packaged tours (Tanzania National Bureau of Statistics 2015).

The ‘Package Booking’ distribution channel continues to be popular for multiple reasons (Daly and Guinn 2016). These include: (1) The appeal of itinerary-based travel in a region where wildlife and parks are attractive products; (2) the general unfamiliarity of international tourists with the continent; (3) concerns about the ability of inbound operators to deliver quality products; and (4) the difficulties associated with organizing domestic transport and other services independently.

3.2. Global Lead Firms

With lead firms earning their position partially through their access to consumers, the source of demand has implications for the composition and characteristics of tourism value chains. Domestic consumers allow national or regional businesses to improve their position by eliminating the need to network and share profits with global distribution intermediaries. In a study comparing Asian and Africa markets, Christian and Nathan (2013) noted that tourists tend to use tour operators based in their home region because of trust issues. ‘In Asia’, the authors wrote, ‘domestic tourists far outnumber foreign tourists, resulting in a stronger position for national tour operators, who do not have to rely on sub-contract relationships with global tour operators to receive clients’ (p. 15).

That is not the case in Africa, especially regions that depend heavily on foreign demand. While foreign spending represents roughly 28 per cent of tourism...
receipts around the world in 2015, it accounted for almost 38 per cent of total tourism spending in Africa (see Table 4.3). In individual countries where there is a strong base of domestic tourism—nations such as China, Japan, Germany, Mexico, the United States, the United Kingdom, France, and Italy—foreign spending represents 10–30 per cent of total tourism revenue.
### Table 4.3. Breakdown of global foreign and domestic visitor spending, 2015

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Tourism Spending</th>
<th>Foreign Visitor Spending</th>
<th>Domestic Spending</th>
<th>Foreign Visitor Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>4,729</td>
<td>1,309</td>
<td>3,420</td>
<td>27.7%</td>
</tr>
<tr>
<td>Africa</td>
<td>124</td>
<td>47</td>
<td>77</td>
<td>37.8%</td>
</tr>
<tr>
<td>Americas</td>
<td>1,493</td>
<td>297</td>
<td>1,196</td>
<td>19.9%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>1,426</td>
<td>386</td>
<td>1,040</td>
<td>27.1%</td>
</tr>
<tr>
<td>Europe</td>
<td>1,552</td>
<td>507</td>
<td>1,046</td>
<td>32.6%</td>
</tr>
<tr>
<td>Middle East</td>
<td>133</td>
<td>72</td>
<td>61</td>
<td>54.4%</td>
</tr>
</tbody>
</table>

Note: All figures US$ billions.

*Source: WTTC (2015).*
Local tour operators in certain African locations are constrained by low levels of domestic demand for tourism. East Africa is among the global regions most dependent on foreign visitor spending (61.2 per cent of total spending). Kenya and Tanzania have long been prominent destinations in safari circuits, with national parks such as the Maasai Mara in Kenya and the Serengeti in Tanzania receiving North American and European visitors in high volume. More recently, locations in Rwanda have become mainstays on the itineraries of high-end, luxury clients who consider the country’s mountain gorillas a ‘bucket list’ experience. However, most of these Western visitors use lead firms such as Abercrombie & Kent, Cox & Kings or Wilderness Safaris, which are based outside the region.

3.3. Linkages vs. Leakages

The pre-eminence of global lead firms has implications for the value captured by domestic actors who participate in the chain. With foreign tour operators, hotel companies, and investors often controlling supply chain decisions and procurement opportunities, linkages between tourism and supporting industries sometimes remain underdeveloped. The pro-poor tourism literature advanced by Mitchell and Ashley and similar researchers investigates linkages in extensive detail. Mitchell and Ashley (2010) conducted a broad literature review and estimated that the empirical evidence suggests that roughly 25–33 per cent of total tourism revenue is captured by the poor in developing countries through direct earnings and indirect multipliers in the supply chain.

Although tourism and agricultural industries have a complicated relationship that is sometimes characterized by competition for land rights (Torres and Momsen 2011), there are also thick ties between the two. Mitchell and Ashley (2009) mapped the flow of tourism expenditures throughout the Ethiopian economy. According to the analysis, Ethiopian tourists spend roughly US$55 million on food and beverages; of this, hotels purchased US$16 million from 6,300 domestic producers to support an estimated 25,000 farm jobs.

Many South African safari lodges also have relatively strong linkages with the domestic food supply chain. Rogerson (2012) surveyed eighty lodges in six distinct regional clusters to examine local sourcing of eight food categories: (1) vegetables; (2) fruit; (3) eggs; (4) dairy products; (5) meat; (6) luxury goods; (7) tinned goods; and (8) dried goods. The average sourcing distance was the shortest for fruit, eggs, and vegetables. Considering the robust demand from each location for all three goods—each lodge, for instance, ordered 250 kilograms of vegetables per week—the potential benefit for domestic actors in each industry is significant.

While 77.5 per cent of the population of lodges in the Rogerson study were owned by South African companies, backward linkages between tourism and agribusiness persist in markets with foreign lead firms. Spray and Agarwal
(2016) studied linkages in the tourism industry in Rwanda, which is characterized by high degrees of foreign visitor spending and ownership. Only 3 per cent of the total imports from tourism were from the agriculture, forestry and fishing sectors, which suggests local sourcing suffices to some degree. Instead, the largest imports in the tourism industry in Rwanda were related to construction: base metals, machinery, mineral products, and stone and cement.

3.4. Business Travel

Globally, 23.4 per cent of the roughly US$4.7 trillion spent on tourism in 2015 was for business travel. However, the figure was far higher in Africa than in any other region in the world—30 per cent of total tourism spending on the continent, compared to 25 per cent in North America, 23 per cent in Europe, 22 per cent in Asia Pacific, and 18 per cent in the Middle East. The significance of business travel becomes more apparent if one analyses individual country data. Sixteen of the top seventeen countries in the world with the largest share of business travel in their overall tourism portfolio are African nations (WTTC 2015).

The demand demographics associated with business travel are generally domestically or regionally oriented. This promotes the opposite dynamic to the one in leisure tourism GVCs—whereas the lack of local demand inhibits the development of domestic businesses in leisure, high local spending promotes the development of local and regional companies that offer inbound and outbound services to business clients. Satguru is one of the more prominent examples. The TMC, which began in Kigali in 1989, has expanded its services to 43 African countries with more than 800 total employees and moved its world headquarters to Dubai. Satguru serves as a Carlson Wagonlit partner in 19 countries in Africa and accounts for more than 50 per cent of airline bookings in multiple markets (Daly and Guinn 2016).

A high share of business travel is, in some cases, reflective of a low demand for leisure tourism. However, the emerging MICE segment of business travel presents opportunities to increase arrivals and drive spillovers into the leisure chain. Within Africa, South Africa is the leading provider of international association meetings. South Africa’s success is partially driven by its wide network of public and private actors that have ICCA membership. South Africa has 24 ICCA members and had 531 ICCA meetings during the period from 2011 to 2015, far surpassing its peers (see Table 4.4).
Table 4.4. Leadings sites for international association meetings in Africa, 2011-15

<table>
<thead>
<tr>
<th>Country</th>
<th>ICAA Members</th>
<th>ICCA Events by Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>South Africa</td>
<td>24</td>
<td>84</td>
</tr>
<tr>
<td>Morocco</td>
<td>1</td>
<td>23</td>
</tr>
<tr>
<td>Egypt</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>Kenya</td>
<td>4</td>
<td>30</td>
</tr>
<tr>
<td>Tunisia</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Tanzania</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>Ghana</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Rwanda</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1</td>
<td>12</td>
</tr>
</tbody>
</table>

Note: (—) indicates data unavailable.

3.5. Bottlenecks among Service Providers

The most prominent service providers are lodging and airlines. Each segment of the chain has supply constraints in Africa. Lodging has two distinct profiles in the leisure and business chains; while small lodges and camps close to national parks are prevalent in leisure, the lodging sector in the business tourism value chain is populated by larger hotel companies. The more notable regional companies include Serena Hotels, which is based in Nairobi, and Protea Hotels, which is a South African-based company that was recently purchased by Marriott.

Government policies sometimes restrict the availability of leisure accommodation. In a comparison between popular leisure tourist destinations in Kenya and Uganda, Christian (2015) noted that a liberal concession policy towards new properties allowed hotels to proliferate in Mombasa, while in Murchison Falls National Park in Uganda, tight control by the Uganda Wildlife Authority over the distribution of new licences favoured the embedded power structure and created a scarcity of new developments.

There are significant bottlenecks surrounding the airline industry as well, with government policy again playing a role. In a review of the EAC’s aviation market, Schlumberger and Weisskopf (2014) noted that the emergence of low-cost carriers (LCCs) could bolster tourism value chains by increasing usage of secondary airports, distributing traffic more evenly throughout the year, and offering lower off-peak fares. A critical step towards the development of new carriers is the deregulation of domestic and regional air markets. Although regions in Africa are broadly committed to the Yamoussoukro Decision to liberalize air travel, some rely on bilateral accords between states to accomplish the targets outlined in that agreement.

4. Assessing Tourism Competitiveness

As the economic benefits associated with tourism have become more widely recognized, researchers have attempted to identify the factors that enhance national or regional performance in the industry. There are different methodological approaches that influence findings. This section of the report summarizes two major ones used by social scientists. The first involves the econometric modelling favoured by economists. The second highlights the qualitative and quantitative approach employed by researchers who use the GVC methodology.

4.1. Econometric Analysis

The need to add to the academic literature surrounding the factors that determine tourism performance has been recognized by a handful of economists (Crouch and Ritchie 1999, 2005; Blanke and Chiesa 2009). While organizations such as the WTTC publish annual Travel and Tourism Competitiveness rankings that score individual countries based on major
categories of variables, those metrics do not test actual performance against measurable data points. Several studies have attempted to fill the breach.

Assaf and Josiassen (2012) used regression analysis to rank the determinants of tourism performance at a global level and score individual countries. The most important five positive factors were: government expenditure on tourism; GDP per capita; the quality of airline service; the service-mindedness of the population towards foreign visitors; and the stringency of environmental regulations in the tourism industry. The five most important negative factors identified in the study were: high crime rates; fuel prices; hotel prices; CO₂ emissions per capita; and visa requirements. The authors then ranked the 20 countries as the best and worst performers. While no African countries were in the top category, Senegal, Chad, Madagascar, Kenya and Gambia ranked as the lowest five performers in the world. Mauritius and South Africa were also in the bottom 20.

Tsionas and Assaf (2014) built upon this foundation to develop a dynamic stochastic frontier model to measure technical efficiency for tourism markets. Tsionas and Assaf (2015) then extended the methodology by exploring the persistence of technical efficiency over short- and long-term time horizons. The latter study used a variety of quality indicators broadly grouped in three categories (infrastructure, human resource, and natural and environmental) as well as inputs such as hotel capacity, capital investment in tourism, and total number of tourism employees. They then analysed them against outputs such as international tourism arrivals, domestic tourism receipts, international tourism receipts, and average length of stay. Data constraints prevented many African countries from being ranked; however, Mauritius, Madagascar, Kenya, Morocco, and Tanzania were the most technically efficient African markets, while Gambia, Libya, Mozambique, Chad, and Senegal were the most inefficient.

While Tsionas and Assaf provided a dynamic model for global tourism performance, they did not concentrate on the characteristics associated with Africa. Naudé and Saayman (2005) used both cross-sectional and panel data in the period from 1996–2000 for forty-three African nations to identify the factors that influenced demand for tourism on the continent. While the authors detected substantial variation depending on the inbound and outbound country, there were four overarching conclusions: (1) political stability is especially important to American travellers; (2) communication infrastructure as measured by internet usage is a significant consideration for all travellers; (3) the urbanization rate has a positive correlation with tourism arrivals; and (4) travel to Africa is not as price sensitive as developed markets.
4.2. Upgrading in the GVC Literature

Upgrading in the GVC literature describes how actors can improve competitiveness and increase benefits from participating in global industries. There are both economic and social dimensions to upgrading: *economic upgrading* describes how firms or countries can add value to production or move into higher value activities; *social upgrading* encapsulates improvements in measurable standards (type of employment, wages, working hours, and social protections) and the enabling rights of workers (rights to collective bargaining, freedom of association, and non-discrimination) (Barrientos et al. 2011).

Economic upgrading includes a variety of forms. *Product upgrading* describes the shift into the production of higher value products or services. *Process upgrading* includes improvements in the efficiency of the production systems such as incorporating more sophisticated technology. *Functional upgrading* is when actors acquire new functions or abandon existing ones to increase overall competitiveness. *Chain upgrading* is when firms or countries move into new—but often related—production activities by leveraging existing capabilities (automotive parts manufacturers generating aerospace material is an example). Finally, *end-market upgrading* describes incursion into new market segments (Gereffi 2005; Gereffi and Fernandez-Stark 2016; Humphrey and Schmitz 2002).

The concept of upgrading provides a useful foundation as African stakeholders consider how to encourage the development of the tourism industry while recognizing some of the organizational features and determinants of demand outlined in previous sections. The following section outlines examples of upgrading that have been observed in Africa.

**Product Upgrading**

Improvements to leisure tourism products that appeal to local and regional customers can help empower the position of domestic distribution intermediaries by providing access to customers without having to rely on sub-contractual relationships with global lead firms. An instructive example can be found in Rwanda, where the Rwanda Development Board (RDB) formed a Public–Private Partnership (PPP) in 2009 with African Parks, which is a conservation NGO based in South Africa, to manage Akagera National Park. Since taking over, African Parks has implemented several product upgrades, which boosted visitor traffic by 130 per cent, mostly by increasing the number of Rwandans travelling to the park. Specific strategies and upgrades have included improving road infrastructure to ensure that visitors can see wildlife from their car (management believes that residents prefer driving safaris), keeping the entry fee low for Rwandans and EAC members, and implementing an expansive marketing campaign. Instead of online advertising, African Parks (p.82) used local print media, billboards, and broadcast media inside Rwanda. Data provided
by the park in 2015 indicated that it was projected to break its record number of total visitors (Daly and Guinn 2016).

**Process Upgrading**

Given the durability of the ‘Package Travel’ distribution channel in Africa, domestic distribution intermediaries must be able to forge relationships with global tour operators to access customers. An important process upgrade for leisure tourism business is either to outsource marketing efforts to an external firm or to improve its internal communications skills. Outbound tour operators and DMCs connect most frequently through travel and tourism trade fairs or communication through email. To present their products in the most favourable light, inbound tour operators and DMCs sometimes hire external companies to help sell their products and improve websites. Additionally, tourism boards regularly assist by contracting with outside marketing firms to create location-specific marketing products.

**Functional Upgrading**

There are numerous examples of functional upgrading within Africa’s tourism value chains. Christian (2013) outlined the traditional trajectory in leisure tourism value chains: distribution intermediaries often begin as service providers (local guides) before becoming local tour operators, and then they progress to DMCs and finally inbound tour operators. While adopting these responsibilities, they may also vertically integrate by adding lodges and/or restaurants. Services providers may functionally upgrade by including capabilities in the other input categories; hotels and lodges can add restaurants (and vice versa) or offer tours to guests.

Steps taken by the Rwandan government illustrate how countries can attract FDI that can facilitate functional upgrading. This can have the dual effect of increasing the value captured by domestic businesses while also augmenting the supply of key inputs. Wilderness Safaris, a Botswana-based tour operator that specializes in luxury safaris, entered a joint-venture agreement with Albizia, which is the parent company of Thousand Hills and Amber Expeditions, two DMCs and inbound tour operators based in East Africa. Together, both groups approached Horizon Group, an equity firm based in Kigali that is wholly owned by the Rwandan government, to provide financing for investments in Rwanda. Those conversations led to the formation of Imizi, a lodge holding company whose shareholders are Albizia, Wilderness Rwanda and Horizon Group. In 2015, Wilderness Safaris then announced that it planned to build two properties in Rwanda that will open in 2017. As part of the arrangement, Wilderness Safaris will provide sales and marketing assistance for Albizia’s tour operations (Wilderness Holdings 2013).
(p.83) Chain Upgrading
Accessing the business tourism GVC can provide reliable revenue streams for leisure tourism distribution intermediaries by serving as affiliates of TMCs. There are, however, potential barriers to entry for new actors. There is a high degree of monitoring and control exerted by TMCs over their domestic affiliates, especially in the early stages of the relationship. Whereas links in the leisure tourism value chain develop through marketing and networking efforts, relationships in the business tourism GVC depend on quantifiable data and certifications.

The MICE sector also provides opportunities for diversification. Conference tourism has its own unique characteristics, with networks of conference specialists, conference associations, and Professional Conference Organizers (PCOs) serving as the primary distribution intermediaries. PCOs overlap in responsibilities with DMCs or the domestic partners of TMCs; however, there are skills that require additional training. One of the reasons for the divergence is the scale of conference events. Whereas distribution intermediaries in the leisure and business value chains rarely deal with large groups, MICE events can attract hundreds or thousands of delegates, which presents logistical challenges that are on a scale not generally encountered in the leisure tourism GVC.

End-Market Upgrading
The ability to tap into North American markets represents end-market upgrading for African countries, with tour operators in some cases charging more for American customers for similar packages. Despite the low volume of Asian visitors in most African destinations, Asia can also represent an end-market upgrade for the following reasons: (1) China is the top source market for outbound tourists in the world and increased its spending by 27 per cent in 2014 compared to the previous year; and (2) tour operators report that Indian and Chinese consumers often travel at different times of the year than European and North American clients, providing business during slow seasons.

5. Policy Recommendations
The tourism industry has been a popular topic among international organizations and academics, which has led to a wide range of recommendations for policy interventions that focus on various areas, including: infrastructure provision; regulating markets such as aviation; setting quality, training, and environmental standards; developing border policy; and stimulating tourism demand and investment (OECD 2014). Employing a GVC perspective for the analysis provides insights that both reinforce the traditional orthodoxies and (p.84) offer unique perspectives. Holistic approaches that improve the position of distribution intermediaries and service providers should be prioritized. Although service providers regularly offer the largest opportunity for employment in each chain,
it is the distribution intermediaries who often control the sector’s upgrading potential by facilitating links with end markets.

Policy makers can play a role in helping to overcome barriers that can inhibit the upgrading described in the previous section. These constraints can be broadly aggregated into the following categories:

• **Access to consumers:** Distribution intermediaries in many regions in Africa are dependent on foreign consumers; travellers in these regions are most likely to use global tour operators to arrange packages in the region. This obstacle can be partially mitigated through both demand- and supply-side strategies. On the demand side, efforts can be made to facilitate product upgrades that appeal to African travellers, such as the ones employed by African Parks at Akagera National Park after the RDB outsourced management to the group (see Product Upgrading section). On the supply side, tourism boards can perform direct outreach to consumers in critical markets through travel and trade shows or concentrated marketing campaigns among African-focused travel agents. Tourism boards also play a role in boosting the communication skills of domestic tour operators or travel agents through professional development events and other training.

• **Skills training:** Management, organization, communication and computer skills are critical for distribution intermediaries and service providers that seek to upgrade their position in the chain. There are international programmes designed to teach these skills to students, with the UNWTO.TedQual certification programme being perhaps the most prominent example. The certification process for UNWTO.TedQual targets hospitality institutions and evaluates schools based on the quality of their tourism instruction, training, and research programmes. However, Africa only has two schools that have earned certification—Utalii College in Kenya and the Hotel and Tourism Training Institute Trust in Zambia. Governments can play a role in either exploring the creation of hospitality programmes at existing institutions, or providing funding mechanisms and scholarships for domestic students to study in Kenya or Zambia.

• **Concession, investment and management policies:** As Christian (2015) noted in her study of Kenyan and Ugandan tourism investment regimes, government policies affect which governance models take root. Minimal investment regulation has been observed in Kenya, encouraging overdevelopment in certain locations, and thereby weakening the negotiating position of domestic service providers with distribution intermediaries. (p.85) Kenya’s approach to tourism investments and concession areas contrasts with EAC peers such as Uganda and Rwanda. In Uganda, the Uganda Wildlife Authority
exerts significant control over development in and around national parks, limiting the number of concession agreements that are disbursed. While this reduces overall employment, it empowers the position of the service providers that are active in the country. In Rwanda, the government, through the RDB, takes an aggressive approach to cultivating PPPs with conservation-focused organizations that have allowed Rwandan distribution intermediaries to functionally upgrade through agreements with global lead firms.

- **Infrastructure:** Infrastructure throughout African markets is a well-known impediment. The constraints associated with air travel—prominent market distortions, mediocre safety records, high input costs, among others (Schlumberger and Weisskopf 2014)—were highlighted earlier in the chapter, and road quality also remains a prominent concern in many locations. Additionally, Naudé and Saayman (2005) detailed how connectivity to the internet and communication infrastructure are important considerations for travellers to Africa from all continents.

- **Institutionalization:** Formal institutions such as ministries of tourism and tourism boards can encourage coordination that ensures that stakeholder interests are aligned. Rwanda provides an illustrative example of the benefits of formalizing institutions to attract large-scale meetings. The RDB used a loan through the World Bank to contract with the Business Tourism Company, a firm based in South Africa, and to craft a MICE strategy that was completed in 2014. That document led to the creation of the Rwanda Convention Bureau (RCB). The RCB has helped to attract more events by joining ICCA, the industry association that provides public- and private-sector actors with access to the marketplace of worldwide MICE events. The nascent efforts have led to a quantifiable increase in conferences; Rwanda had thirteen ICCA events in 2015 (see Table 4.4), which was more than its aggregated total from 2006–11. Its 2016 calendar included high-profile World Economic Forum and United Nations Environment Programme events.

- **Strengthen linkages with domestic industries:** Underdeveloped linkages between tourism and sectors such as agriculture and construction can inhibit industry development and limit the economic benefits associated with tourism. South Africa has taken a proactive role in addressing these concerns through its Fair Trade in Tourism South Africa and its Responsible Tourism guidelines that seek to maximize local economic benefits (Spenceley et al. 2002). As part of the effort to increase linkages and reduce leakages, the South African Department of Environmental Affairs and Tourism set guidelines for responsible sourcing—purchases that are made from businesses within 50 kilometres. While adherence to the targets has
been uneven (Merwe and Wöcke 2007), the initiative provides a foundation that can be enhanced by addressing the poor communication and mistrust that sometimes characterizes the relationship between food supply decision-makers, intermediary supplier organizations, and local producers (Rogerson 2012).

6. Conclusion
This chapter has identified some of the most prominent features of African tourism, employing a GVC framework to ground its analysis. While the traditional ‘Package Booking’ distribution channel remains strong on the continent, the limited domestic demand for tourism in Africa requires domestic actors to rely on global tour operators to provide customers, which provides those companies with a high degree of market power. It also poses risks that weak backward linkages with supporting industries will cause the economic gains associated with tourism to accrue to foreign actors.

Business tourism is also a significant component of travel to Africa—the percentage of business tourism revenue as part of overall tourism revenue is greater in Africa than in any region in the world. While the high share of business tourism is in some cases a reflection of low demand for leisure products, business tourism provides at least two opportunities for African nations: (1) the demand demographics associated with business travel are generally domestically or regionally oriented, which allows for the emergence of domestic companies; and (2) the emerging MICE segment of business can be targeted to increase arrivals and drive spillovers into the leisure chain.

Policy interventions can be used to increase efficiency and facilitate economic upgrading. This chapter identified six areas where stakeholders can focus attention: (1) access to consumers; (2) skills training; (3) concession, investment, and management policy; (4) infrastructure; (5) institutionalization; and (6) linkages with domestic industries. Although these challenges cut across Africa, nations and regions should prioritize prescriptions that align with individual profiles.

There is variation in the tourism footprint that can be observed in different regions and countries across Africa. East Africa’s reliance on the industry is notable, and South Africa is a leader in institutionalization. With tourism likely to remain a critical source for African exports and FDI, understanding these characteristics, as well as the dynamics associated with the global industry and how it links with local actors, is a critical consideration for improving overall competitiveness in the continent.

(p.87) References

Bibliography references:


Notes:

(1) The global and regional statistics cited in this chapter are compiled by the World Travel & Tourism Council (WTTC) and the United Nations’ World Tourism Organization (UNWTO). The WTTC data can be accessed from the WTTC website: http://www.wttc.org/datagateway/.


(3) The GVC framework has been developed over the past two decades by a global network of researchers from diverse disciplines to understand how globalization has changed a variety of industries (Barrientos et al. 2011; Gereffi 1999, 2005; Gereffi et al. 2005; Humphrey and Schmitz 2002; Kaplinsky 2004, 2010). It provides a holistic view of how industries are organized by examining the structure and dynamics of different actors involved (Gereffi and Fernandez-Stark 2016).

(4) Michelle Christian has published many research papers on the tourism industry using a GVC lens (Christian 2013, 2015; Christian and Nathan 2013; Christian et al. 2011).

(5) Daly and Gereffi (2017) provides a graphical illustration of leisure tourism value chain: see Figure 2.

(6) IATA is the global trade association for the airline industry and represents over 260 airlines worldwide.