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Tourism global value chains and Africa

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Abstract: As Africa continues to attract record numbers of international arrivals, there are industry undercurrents that influence the continent's participation in tourism value chains. African tourism is characterized by high foreign demand, which elevates the position of global lead firms and increases leakages of tourism spending out of local economies. This paper identifies some of the variance that can be seen in different regions and countries across the continent, highlighting the policy interventions that can be implemented to increase efficiency and facilitate economic upgrading.

Keywords: tourism, Africa, global value chains

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Acronyms

ASA	Air Service Agreement
DMC	Destination Management Company
EAC	East African Community
GDS	General Distribution System
GVC	Global Value Chain
IATA	International Air Transport Association
ICCA	International Congress and Convention Association
LCC	Low-cost carriers
MICE	Meetings, Incentives, Conferences and Exhibitions
MPI	Meetings Professional International
PCMA	Professional Conference Management Association
PCOs	Professional Conference Organizers
PPP	Public–Private Partnership
RCB	Rwanda Convention Bureau
RDB	Rwanda Development Board
SITE	Society of International Travel Executive
TMC	Travel Management Corporation
UNWTO	United Nations World Tourism Organization
WTTC	World Travel & Tourism Council

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; while Europe remains the most visited continent in the world, accounting for 51 per cent of all international tourist arrivals in 2014, Asia Pacific and Africa had the highest growth rates in visitors over the decade spanning 2005–2014.

Table 1: Global economic impact of tourism in 2014

	World	Africa	Americas	Asia Pacific	Europe	Middle East
International arrivals (millions)	1,133	55	181	263	581	51
Average annual growth rate in arrivals (2005–2014)	3.8%	5.4%	3.5%	6.1%	2.8%	4.7%
Direct effect on GDP	3.1%	3.4%	2.9%	3.0%	3.4%	2.7%
Total effect on GDP	9.8%	8.1%	8.4%	9.2%	9.2%	7.4%
Direct effect on total employment	3.6%	3.0%	3.7%	3.7%	3.6%	3.2%
Total effect on employment	9.4%	7.1%	9.6%	8.5%	9.0%	7.6%
Visitor spending share of total exports of goods and services	5.7%	8.0%	7.0%	5.2%	5.6%	4.6%
Tourism investments as share of total investments	4.3%	5.9%	4.5%	3.7%	4.7%	6.8%

Source: UNWTO (2015); WTTC (2015).

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 1 above 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.

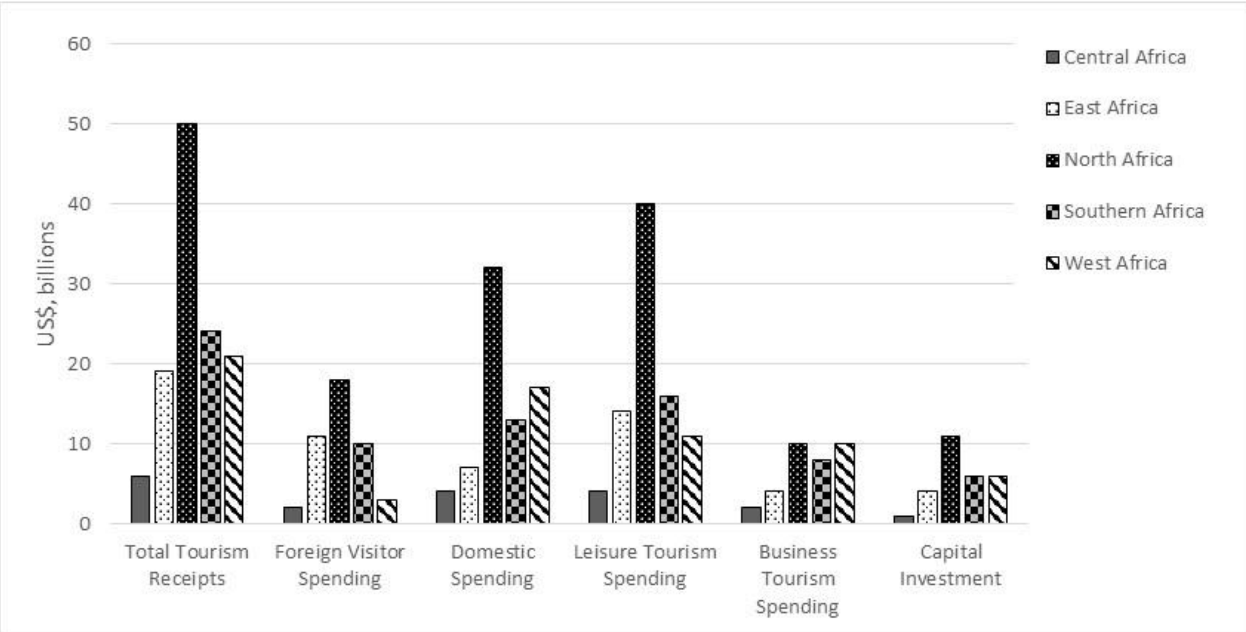
While the economic importance of tourism to Africa is a central characteristic throughout the continent, there is variance in its profile at both the regional and country levels. Buoyed by the strength of the Egyptian and, to a lesser degree, Moroccan, Algerian, and Tunisian markets, North Africa is the most vibrant tourism destination on the continent as measured by visitors, overall spending, leisure tourism spending, and capital investments.[2] Southern Africa has the second

[1] The global and regional statistics cited in this paper 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/

[2] For this paper, North Africa includes: Algeria, Egypt, Libya, Morocco, Niger, Sudan, and Tunisia. Central Africa includes: Angola, Cameroon, Central African Republic, Chad, the Democratic Republic of Congo, Gabon, and the Republic of Congo. East Africa encompasses: Burundi, Comoros, Ethiopia, Kenya, Madagascar, Mauritius, Mozambique Reunion, Rwanda, Seychelles, Tanzania, and Uganda. Southern Africa includes Botswana, Lesotho,

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. Finally, 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). Figure 1 illustrates the economic profile of the tourism industry throughout Africa. From left to right, the bars in each cluster represent Central, East, North, Southern and West Africa.

Figure 1: Economic profile of tourism within African regions



Source: authors' calculations based on WTTC (2015).

This variance has implications for the economic consequences of tourism in different regions. 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 continent (8 per cent) averages in 2014,[3] Rwanda (24.5 per cent of exports), Tanzania (23.4 per cent), Uganda (17.1 per cent), and Kenya (16.5 per cent) are all among the most reliant on tourism (WTTC 2015).[4]

Malawi, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe. Finally, West Africa contains: Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Ivory Coast, Mali, Nigeria, Senegal, Sierra Leone, and Togo.

[3] International tourism receipts are 'expenditures by international inbound visitors, including payments to national carriers for international transport. These receipts include any other prepayment made for goods or services received in the destination country. They also may include receipts from same-day visitors, except when these are important enough to justify separate classification' (UNWTO 2015).

[4] In addition to the EAC nations, the complete list of countries that exceeded the African average of 8 per cent (tourism as a share of total exports) in 2014 included: Sao Tome and Principe (64.5 per cent), Cabo Verde (52.7 per cent), Seychelles (35 per cent), Mauritius (27.4 per cent), Morocco (25.1 per cent), Madagascar (18.1 per cent), Egypt (16.9 per cent), Sudan (16.1 per cent), Tunisia (14.1 per cent), Liberia (13.2 per cent), South Africa (9.6 per cent), and Namibia (9.1 per cent) (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 paper 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 its attention on important global dynamics before elaborating the implications of those trends for African actors.[5] It then discusses two approaches used to assess tourism competitiveness: (1) econometric analyses of the determinants of demand; and (2) identifying upgrading trajectories that have been observed in tourism GVCs around the world. The paper concludes by outlining policy interventions that can be employed to eliminate the barriers that countries frequently face when attempting to improve their positions in the tourism value chain.

2 Global tourism: a value chain approach

The GVC methodology has been used to analyse the tourism industry in various regions of the world.[6] While different types of travel have been described, this paper 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 business tourism GVC.

Certain features of the leisure and business tourism GVCs have special relevance for African stakeholders. The 'Package Booking' distribution channel that is outlined in the leisure tourism section is particularly prominent in Africa, with foreign visitors often accessing safari, eco-tourism, and surf and sand products through entrenched networks of actors that have strong ties to one another. The region also relies on business travellers to a higher degree than other locations, which elevates the importance of the dynamics of business tourism, while also providing opportunities for actors within the business tourism chain to drive spillover into leisure. The following sections outline the organization of both the leisure and business tourism GVCs before pivoting to an analysis of the African industry.

2.1 Leisure tourism GVCs

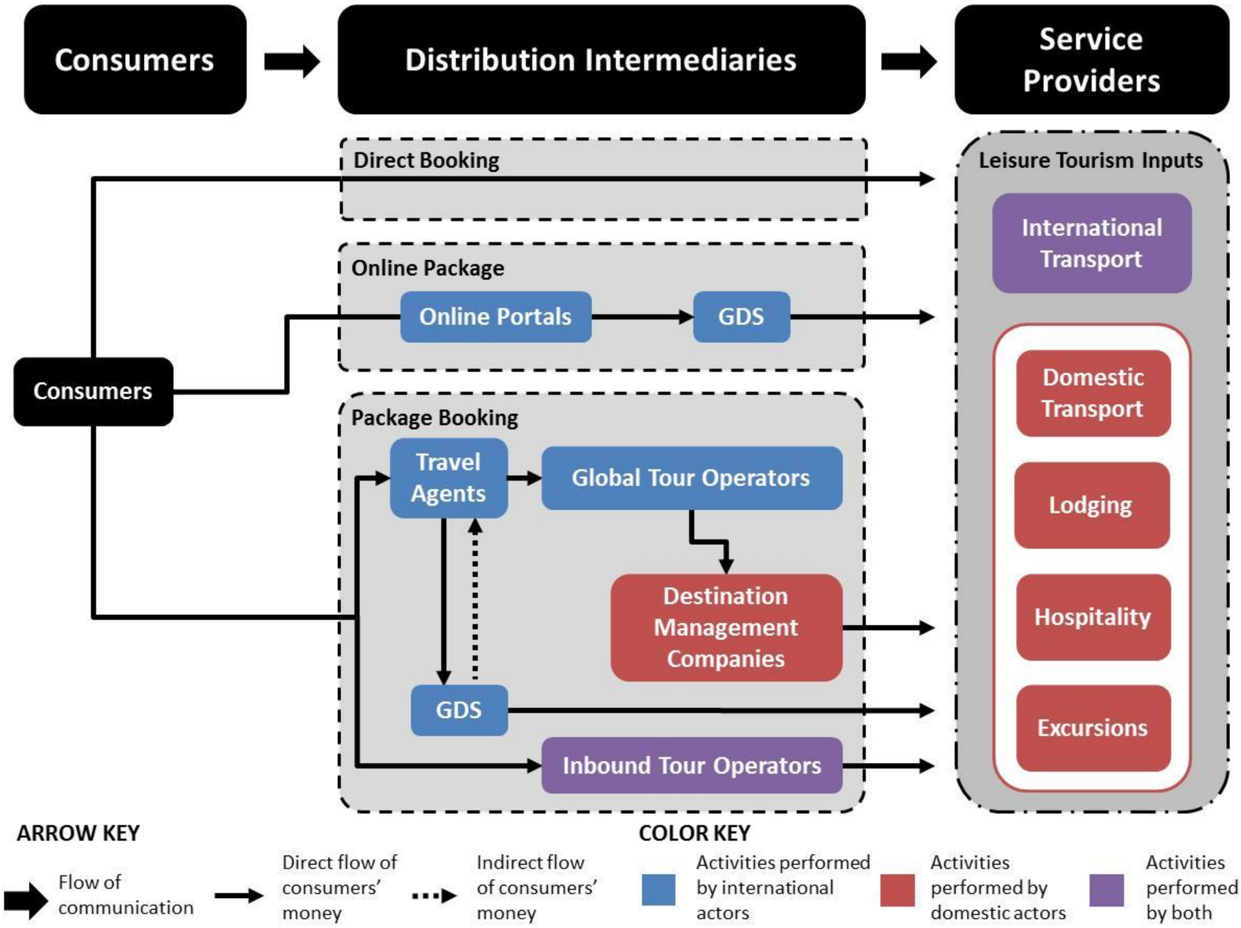
Building upon distinctions outlined by Christian and Nathan (2013), the leisure tourism GVC can be divided into three categories of actors: consumers (or end markets), distribution intermediaries, and service providers. The identity, power, and linkages among these actors depend on the

[5] 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). The value chain describes the full range of activities that firms, workers, and supporting institutions perform to bring a product from conception through production to end use.

[6] 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).

distribution channels that consumers use to access the product. Figure 2 provides an illustration, tracing both the communication flows and consumer expenditures through the chain. The three shaded boxes in the centre of the diagram depict the main distribution channels. The blue, purple, and red boxes under the 'Distribution Intermediaries' and 'Service Providers' headings highlight the actors who help to produce tourism experiences. The shaded box under 'Service Providers' includes the most common inputs that help create leisure consumer experiences. While there are varying degrees of vertical integration between segments of the chain, Figure 1 is intended as a representative example at the broadest level.

Figure 2: The leisure tourism GVC



Note: Information flows are represented by the thick black arrows at the top; communication travels from the consumers to the distribution intermediaries to the service providers. The solid and dashed lines with smaller arrows indicate the flow of consumer money through the chain. Direct flow of expenditures represents payments for services directly related to the consumers' tourism experience. Indirect flow of expenses represents back-end transactions where payment between companies is not based on consumers' experiences.

Source: Daly and Guinn (forthcoming).

Lead firms in the leisure tourism GVC assemble and package individual services into cohesive travel experiences. The power of lead firms 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 the distribution intermediaries that populate the 'Online Package' and 'Package Booking' distribution channels, 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. Online portals, tour operators, and Destination Management Companies (DMCs) are among the most prominent lead firms. The dynamics associated with each distribution channel are outlined below. Table 2 includes a description of each actor.

Direct booking distribution channel

Consumers may choose to bypass distribution intermediaries and book directly with service providers (see 'Direct Booking' channel). 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. The global industry is fragmented, with the largest ten distribution intermediaries (measured by revenue) accounting for just 31 per cent of what was a US$821 billion industry in 2014 (Euromonitor International 2015a, 2015b). However, 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 announcing in 2015 that it planned to purchase rival Orbitz.

Package booking distribution channel

The 'Package Booking' distribution channel includes a network of travel agents, global tour operators, inbound tour operators, and DMCs.[7] 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.[8] 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.

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[7] The GDS box in Figure 2 represents General Distribution Systems. GDSs have been called the 'ineluctable middlemen' of the travel industry (*The Economist* 2012). Online portals and travel agents use GDSs to access the complete inventory of airfares and hotel rooms, while airlines and hotels use GDSs to sell most their products. While they are a supplementary feature of the leisure tourism value chain, GDSs are a central component of business tourism; a survey of corporate agencies reported that 100 per cent of them used GDSs to book clients' travel (ASTA, 2014).

[8] See Christian (2013), Christian and Nathan (2013), and Christian et al. (2011) for representative examples of the categories of service providers in previous tourism GVC studies.

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 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 2: Major job profiles and skill levels in tourism value chains

Position	Description	Education/Training	Skill level
Distribution Intermediaries			
Global Tour Operator	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.	Technical certification/ Bachelor's degree for owner or management	Medium/High
Inbound Tour Operator/DMC	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.	High school diploma/technical education	Medium/High
Travel Agent	Retailers who largely sell packaged tours. As a primary point of contact with consumers, they create trust that the experience will conform with expectations.	Certification programme/technical education	Medium
Service Providers			
Lodging Management	Responsible for hotel operations, budgets, supervising quality standards, hiring and training, enforcing policies, and monitoring profitability.	Bachelor's degree/ management training	Medium/High
Airline Agents	Responsible for sales and customer service including reservations, check in, and missing baggage.	High school diploma/ on-the-job training	Medium
Lodging Front Office	Responsible for check in and check out, customer feedback and assistance, and managing reservations and room assignment.	Technical diploma or certificate programme/ on-the-job training	Medium
Restaurant/ Bar Staff	Operate local restaurants. Coordinate food supplies. Prepare and serve restaurant clients.	Technical diploma or certificate programme/ on-the-job training	Medium/Low
Retail	Offers tourist products such as artisanal crafts and souvenirs for tourists to buy.	No formal education/ on-the-job training	Medium/Low
Local Guides	Lead local excursions to location-specific sites. Often must be certified.	Certificate programme/ on-the-job training	Low/Medium
Drivers	Responsible for transporting visitors to and from airports, hotels, and sites. Most are licensed.	No formal education/ on-the-job training	Low/Medium
Housekeeping	Responsible for cleanliness, room preparations, laundry, inventory, and maintenance.	No formal education/ on-the-job training	Low/Medium

Source: Christian et al. (2011), authors.

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 some 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 both the leisure and business tourism value chains. The 'Online Package' distribution channel is used less frequently in the business tourism segment compared with leisure. Expedia, the distribution intermediary with the highest annual revenue in 2014, reported that 10 per cent of its sales were for business travel, against 90 per cent for leisure (*Travel Weekly* 2015). 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. This is partially driven by the different expectations of the consumer. Whereas consumers in the leisure tourism GVC are individuals who experience the product and are interested in maximizing their travel experiences, consumers in the business tourism GVC are companies that purchases travel products on behalf of their employees and hope to minimize expenses. 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. Together, these four companies account for 89 per cent of the business with the largest global corporate travel accounts as clients and they generated close to US$100 billion in revenue in 2014 (*Business Travel News* 2014; *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 forthcoming). 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.[9]

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; (2) Consumers may engage conference specialists or convention bureaus to stage events. Many of the leading TMCs have MICE divisions, although these often capture small percentages of overall revenues. National, regional, or local convention bureaus can also 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.

[9] IATA is the global trade association for the airline industry and represents over 260 airlines worldwide; airlines and leading GDS only issue international tickets to IATA accredited agents.

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 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; and

(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,[10] 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 packaged 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). In Kenya, packaged holidays accounted for 39 per cent of leisure travel retail sales in 2013, which was the highest of any single category (Euromonitor International 2015d).

The 'Package Booking' distribution channel continues to be popular for multiple reasons (Daly and Guinn forthcoming). 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.

[10] Neither Expedia nor Priceline are especially active in Africa. Although international receipts accounted for 41 per cent of Expedia's sales in 2014, the company's market share among distribution intermediaries on the African continent was less than 0.1 per cent (Euromonitor International 2015a). Depending on the country, Flight Centre and Travelstart are two online portals that have a significant presence inside Africa, although both companies are mostly geared towards booking outbound flights and not bundling domestic leisure tourism products.

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 (highlighted in the global section). '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).

Table 3: Breakdown of global foreign and domestic visitor spending, 2015

Region	Total Tourism Spending	Foreign Visitor Spending	Domestic Spending	Foreign Visitor Percentage
World	4,728.8	1,308.9	3,419.9	27.7%
Africa	123.7	46.7	77.0	37.8%
Americas	1,493.1	297.0	1,196.1	19.9%
Asia Pacific	1,426.3	386.0	1,040.3	27.1%
Europe	1,552.5	506.7	1,045.8	32.6%
Middle East	133.2	72.5	60.7	54.4%

Note: All figures US$ billions.

Source: WTTC (2015).

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 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.

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 (see Table 4). EAC countries such as 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 countries' 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.

Table 4: Percentage of foreign visitor spending in total tourism revenue, 2015

Region	Foreign Visitor Share of Total (%)	Total Tourism Spending (US$, millions)	Foreign Visitor Spending (US$, millions)
Caribbean	71.4	35,659	25,455
Eastern Europe	62.7	76,507	47,963
Central America	61.5	22,279	13,706
East Africa	61.2	19,227	11,761
Middle East	54.4	133,225	72,518
Southern Africa	43.9	24,871	10,922
Southern Europe	43.4	365,818	158,929
Nordic	39.4	83,058	32,721
North Africa	35.7	50,499	18,045
Caucasus	32.6	58,096	18,964
Central Africa	30.4	6,662	2,027
Central Asia	29.7	8,263	2,451
East Asia	27.6	1,159,852	319,682
Oceania	26.2	115,944	30,432
Western Europe	25.6	961,185	245,871
South Asia	19.7	141,314	27,820
North America	18.5	1,201,742	222,911
West Africa	15.9	21,208	3,366
South America	13.7	229,596	31,445

Source: authors' calculations based on WTTC (2015).

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 80 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 (prepared foodstuffs, including beverages and tobacco, were the largest single food import category). Instead, the largest imports in the tourism industry in Rwanda were related to construction: base metals, machinery, mineral products, and stone and cement.

Linkages between the construction industry and tourism have also been investigated by researchers. The construction of two major projects in Rwanda—the Marriott and the Radisson Blu Hotel and Convention Center—boosted demand for construction materials, most of which were sourced from China (Spray and Agarwal 2016). The projects in Rwanda were subject to well-publicized delays, with the contractors based first in China and then Turkey (Daly and Guinn forthcoming). Even in cases where foreign contractors are used, construction workers have been shown to benefit from tourism projects. In Cape Verde, Mitchell (2008) estimated that the tourism industry accounted for roughly 18,000 construction full-time equivalent construction workers as part of the island's tourism boom, with earnings of roughly US$50 million per year.

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 17 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 forthcoming).

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. This industry association provides access to international association meetings. Table 5 lists the African countries that hosted the highest number of ICCA meetings in 2015. South Africa has 24 ICCA members and had 531 ICCA meetings during the period from 2011 to 2015.

Table 5: Leadings sites for international association meetings in Africa, 2011–2015

Country	ICAA Members	ICCA Events by Year				
		2011	2012	2013	2014	2015
South Africa	24	84	97	118	124	108
Morocco	1	23	23	30	36	36
Egypt	2	22	18	17	13	22
Kenya	4	30	29	38	24	19
Tunisia	0	8	12	18	7	17
Tanzania	2	15	16	12	6	16
Ghana	0	15	10	17	6	13
Rwanda	1	2	—	4	5	13
Ethiopia	3	10	7	8	5	12
Nigeria	1	12	7	12	6	9

Note: (—) indicates data unavailable.

Source: ICCA (2015).

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 accommodations. 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.

Amendments to Air Service Agreements (ASA) are generally not formalized in an expedient fashion, and Schlumberger and Weisskopf's analysis of the bilateral regimes in the EAC specifically described them as being 'restrictive'. Without expansive agreements, the fees and taxes on departures within the EAC are often exorbitant. Comparisons of flights between Nairobi-Dar es Salaam and Nairobi-Zanzibar indicated that they were double or triple the cost of flights between similarly spaced Asian locations serviced by LCCs.

Schlumberger and Weisskopf (2014) are pessimistic about the emergence of LCCs in Africa, at least in the short term. Beyond liberalization of the market, multiple factors have prevented LCCs in the EAC from gaining traction, including the following: (1) prominent market distortions, including the power of state-owned carriers and the restrictive bilateral agreements; (2) substandard air transport and air traffic control infrastructure; (3) mediocre safety and security records; (4) high input costs, especially fuel and airport taxes; and (5) low demand owing to minimal tourism consumption.

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 (see Table 6). The five most important negative factors identified in the study were: high crime rates; fuel prices; hotel prices; CO_2 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.

Table 6: Determinants of global tourism demand

Variable	Category	Coefficient	Elasticity
Positive Factors			
Government expenditures on tourism industry	Economic Conditions	0.9320	7.1531
Stringency of environmental regulation	Environmental Sustainability	0.6365	5.6312
Service-mindedness towards visitors	Labour Skills and Training	0.4350	5.3819
GDP per capita	Economic Conditions	0.0002	5.3178
Quality of airline services	Tourism and Related Infrastructure	0.2311	3.3987
Number of operating airlines	Tourism and Related Infrastructure	0.0369	2.6955
Creative industries exports	Natural and Cultural Resources	0.6723	2.3558
Number of five- and four-star hotels	Tourism and Related Infrastructure	0.3620	2.2422
Level of staff training	Labour Skills and Training	0.3250	2.2147
Education index	Labour Skills and Training	0.9324	1.4930
Negative Factors			
Crime rate	Security, Safety, and Health	−0.0538	−4.9653
Fuel price level	Tourism Price Levels	−0.0234	−3.4558
Hotel price index	Tourism Price Levels	−0.0025	−2.7798
CO_2 emissions per capita	Environmental Sustainability	−0.0002	−2.3933
Visa requirements	Government Policies	−0.0630	−1.2010
Corruption index	Security, Safety, and Health	−0.1265	−1.1403
Unemployment rate	Economic Conditions	−0.0420	−0.8470
HIV/AIDS	Security, Safety, and Health	−0.0040	−0.5410
Time required to start a business	Government Policies	−0.0075	−0.3461
Airport density	Tourism and Related Infrastructure	−0.0035	−0.2591

Note: Bootstrap regression results, sorted by elasticity.

Source: authors, based on Assaf and Josiassen (2012).

Tsionas and Assaf (2014) built upon this foundation to develop a dynamic Stochastic Frontier model to measure technical efficiency for tourism markets.[11] 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,

[11] Stochastic Frontier modelling prioritizes technical efficiency rather than capacity and capacity utilization and accommodates a range of inputs and outputs. Technical efficiency 'refers to the effectiveness with which a given set of inputs is used to produce an output. A firm or an industry (or country) is known to be technically efficient if it is able to produce the maximum output from a given quantity of inputs, such as labour, capital and technology. … The advantage of technical efficiency is that it relates to the overall tourism industry, and not just to a particular output of the industry (e.g. tourism arrivals). Hence, it is more in line with the multiple input/output definition of the tourism industry' (Tsionas and Assaf 2014: 24).

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 dynamics associated with Africa. Naudé and Saayan (2005) used both cross-section data and panel data in the period from 1996–2000 from 43 African nations to identify the factors that influenced demand for tourism on the continent. The variables were grouped into seven categories: income; relative prices; air travel cost; infrastructure and marketing; political stability; and personal safety, geography and health. While the authors detected substantial variation depending on the inbound and outbound country, there were four overarching conclusions: (1) political stability is especially important for 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.

There are a host of similar studies that investigate similar dynamics at a country level. Demand for South African tourism is correlated with income in outbound countries, and the country's sunny climate has a positive effect on arrivals (Saayman and Saayman 2008). In Tanzania, local tourism prices, tourist income and security considerations had a significant effect on demand between 1996 and 2006 (Bashagi and Muchapondwa 2009). Finally, Mauritius is dependent on tourists from Europe, America, and Asia who are sensitive to the island's transportation infrastructure (Khadaroo and Seetanah 2007).

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, while *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 different forms. *Product upgrading* describes the shift into the production into 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. C*hain 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 used local print media, billboards, and broadcast media inside Rwanda for marketing. Data provided by the park in 2015 indicated that it was on track to break its record number of total visitors (Daly and Guinn forthcoming).

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.

These marketing firms can be based inside the inbound country or in the external market where consumers are based. While there are only a handful of companies outside major African markets such as South Africa or Egypt that have the financial resources to outsource marketing to companies based in North America or Europe, there are alternative strategies. Five lodges in Uganda have banded together and formed the Uganda Lodge Collection to market their properties via a common website and social media profiles. 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 chain. 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 adding these responsibilities, they may also vertically integrate by adding lodges and/or restaurants. Services providers may functionally upgrade by adding 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 increasing 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).

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. TMCs evaluate potential partners based on the following characteristics: (1) IATA certification;[12] (2) high volumes of business traveller bookings through General Distribution Systems (GDS); (3) certified financial records; and (4) access to finance.

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.[13] Asia can also represent an end-market upgrade, despite the low volume of Asian visitors in most African destinations 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

[12] IATA certification allows travel agents to purchase international airfares. The application process is extensive, requiring interested parties to submit certified financial records, capital certificates, and banking records while also facilitating a site visit by IATA staff. It is also cost prohibitive for smaller travel agencies; African firms generally must pay application and entry fees of approximately US$2,000–2,500 in addition to smaller annual fees.

[13] Abercrombie and Kent offered a 'Signature Uganda' package on its US website in 2015 and a 'Classic Uganda' tour on its UK website. The two offerings both featured stops in Kibale National Park, Queen Elizabeth National Park and Bwindi Impenetrable National Park, and three of the four lodging venues were the same. Although international airfare was included for British travellers, it had to be purchased separately for Americans; the quoted price for the US consumer was, depending on the season, at least US$139 higher per day.

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 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.[14]

- **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 & 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 can allow for varying governance models to 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. 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

[14] Nimble marketing programmes can also help distribution intermediaries respond to external shocks. Distribution intermediaries in many African markets reported sales slumps in 2015 and 2016 because of the outbreak of the Ebola virus and security concerns prompted by attacks by extremist groups. With both examples, counter-narratives can be constructed to fight misperceptions.

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 (see Process Upgrading section). Finally, Assaf and Josiassen (2012) found that stringency of environmental regulations was one of the largest determinants of global tourism. While some African countries lack capacity to nurture natural resources, outside organizations such as African Parks can provide management assistance.[15]

- **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 paper, and road quality also remains a prominent concern in many locations.[16] Additionally, Naudé and Saayan (2005) detailed how connectivity to the internet and communication infrastructure are important considerations for travellers to Africa from all continents. Such logistical challenges restrict end-market upgrading opportunities available to distribution intermediaries. The quality of Uganda's infrastructure compares unfavourably with neighbouring Rwanda (World Economic Forum 2015), which constrains the former's ability to access luxury customers because of higher input and opportunity costs. The drive from Kigali, Rwanda to see the mountain gorillas in Volcanoes National Park takes less than three hours on well-maintained highways; by comparison, visitors to Uganda must endure eight hours of travel in motor vehicles to see mountain gorillas in Bwindi Impenetrable National Park or use airplanes that depart once per day.

- **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 13 ICCA events in 2015 (see Table 6), which was more than its aggregated total from 2006–2011. Its 2016 calendar included high-profile World Economic Forum and United Nations Environment Programme events.

- **Weak 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

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[15] African Parks currently assists seven African governments: Malawi, Zambia, Central African Republic, the Democratic Republic of Congo, the Republic of Congo, Rwanda, and Chad.

[16] In Uganda, the country's recent Tourism Master Plan noted that potential leisure tourism products such as the Mountains of the Moon (mountaineering), islands in Lake Victoria (weekend getaways), and Mount Elgon and the Virungas (hiking and climbing) remain largely unexploited assets because of poor access conditions (UNDP 2014).

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).

National or regional investment departments can also play a role in ameliorating some of the challenges associated with the construction of capital-intensive projects. Specifically, there organization can create or maintain databases of qualified construction contractors, sub-contractors, and suppliers that investors can access before projects commence. On the supply side, national development boards can educate local firms about upcoming construction projects and assist networking efforts to assist foreign investors.

6 Conclusion

Despite a record number of international visitor arrivals in Africa in 2014, there are industry undercurrents that potentially limit the continent's participation in tourism GVCs. paper identified two types of tourism GVCs—leisure and business—and divided both into three categories of actors: consumers, distribution intermediaries, and service providers. In both chains, there are separate distribution channels that determine the identity of the lead firms and their governance over downstream actors.

Lead firms in the leisure tourism GVC assemble and package individual services into cohesive tourism experiences. Their power derives from their 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). Globally, the market is somewhat fragmented, with the 10 largest distribution intermediaries controlling 31 per cent of a US$821 billion industry in 2014. While that dynamic is beginning to evolve with the emergence of online portals such as Expedia and Orbitz, the traditional 'Package Booking' distribution channel remains popular for travellers to Africa because of the unfamiliarity of the market among many consumers and the priority given to itinerary-based travel in a market where safaris and other eco-tourism options are primary attractions.

The 'Package Booking' distribution channel has the most robust chain of actors, from travel agents to global tour operators, DMCs and service providers (transportation, hotels, excursions, etc.), with the potential for domestic businesses to enter the chain and benefit from meaningful participation in the GVC. However, 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 the risk 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 paper 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) weak linkages with domestic industries. Although these challenges cut across Africa, nations and regions should prioritize prescriptions that align with individual profiles.

This paper has identified some of the variance that can be seen in different regions and countries across the continent, including Central Africa's underdeveloped tourism industry, East Africa's reliance on foreign visitors, and South Africa's position as a leader in institutionalization through its high ICCA membership and its Responsible Tourism programme. 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.

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