Chapter 13
Tourism Development in Least Developed Countries: Challenges and Opportunities

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ABSTRACT
Effective tourism strategies of a developing country can create revenue generating opportunities (tax revenues) and provide sustainable employment for semi-skilled or unskilled workers. Such tourism development strategies require systemic thinking and comprehensive investment portfolio strategies regarding the tourism industry as a whole, i.e. going beyond investing in hotels, but also including transportation infrastructure, catering, restaurants, safe water, financial system etc. In other words, the destination countries need to review their tourism value & supply chains and identify structural impediments to the full utilization of their tourism assets and facilities. This chapter shows how Least Developed Countries (LDCs) can define their tourism sector development and suggests a framework which can be used by a LDC to assess its tourism development potential. It can also be used by potential investors interested in investing in an LDC’s tourism sector who need to understand the broader context of doing business in LDCs.

INTRODUCTION
Effective pro-business tourism strategies can create income generating business opportunities for the tourism industry while, at the same time, provide employment needed to absorb large numbers of semi-skilled or unskilled workers in developing and in Least Development Countries (LDCs). A government’s coherent cross-sector tourism strategy offers investment incentives to
foreign tour operators and provides local service providers ample opportunities to link up to with the supply and value chains and to develop possibilities to integrate with the global tourism industry.

Tourism development strategies require investments in the tourism infrastructure itself, i.e. good road and transportation conditions, access to safe water, control of law and order, provision of trained and motivated work force, availability of efficient banking facilities etc. All these physical and social infrastructure factors, as well as sustainability approaches to business, should be part of a holistic tourism development strategy of a developing country.

The objective of this chapter is twofold. On one hand, this chapter aims to help an LDC country answer the question: How to put in place a proper policy framework that attracts investments by foreign tourism operators while, at the same time ensures that benefits of these foreign direct investments have a positive sustainable impact on its population development? On the other hand, this chapter intends to help tourism operators from developed countries understand the concerns, needs and strategic objectives that an LDC host country has which by definition are not the same as the strategies of a private sector tourism operator from a developed country. Finally, this chapter provides guidance for both private sector tourism operators and LDC governments to achieve mutually beneficial agreement when negotiating an in-bound investment deal.

GLOBAL HOSPITALITY AND TOURISM BUSINESS LANDSCAPE

Main message: Tourism is an important contributor to GDP, employment and international appreciation of a country and its culture – regardless of its level of development. Tourism can also serve as driver for increased demands for other products and services in the countries and trigger quality improvement and upgrading of their supply chain and related value creation. Tourism creates opportunities for both, the destination country, especially the LDCs and private sector tourism operators/investors of developed countries.

Impact of Global Hospitality and Tourism Industry

Services account for an increasing share in global trade, in particular if measured in value added terms. In particular, hospitality and tourism emerged as one of the most dynamic and fastest growing industries worldwide representing about 6% of international trade in goods and service and accounting for 30% of the world’s export of commercial services. Globally, tourism also ranks fourth as an export category, after fuels, chemicals and automotive products (United Nations World Tourism Organization, 2010).

Travel & Tourism’s direct contribution to world GDP and employment in 2012 was US$ 2.1 trillion (2012 prices) and 101 million jobs (World Travel and Tourism Council, 2013). Taking account of its combined direct, indirect and induced impacts, the total economic contribution in 2012 was US$ 6.6 trillion in GDP (2012 prices). This represented 260 million jobs, US$ 760 billion in investment (2012 prices) and US$ 1.2 trillion in exports (2012 prices). This total contribution represents 9% of total economy GDP in 2012, 1 in 11 jobs, 5% of total economy investment and 5% of world exports.

Overall, global travel & tourism direct contribution to GDP grew by a 3.2% in 2012, faster than growth of the world economy as whole, which was 2.3% for this period. In terms of employment, including those working in the industry’s supply chain and supported by the spending of their employees, the industry increased by 4.0 million jobs in 2012.

It is worthwhile noting that while travel & tourism GDP growth slowed throughout 2012 and was weaker than forecast one year ago, visitor exports exceeded expectations, rising 4.7% year
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