

CONTRIBUTION OF TOURISM TO POVERTY ALLEVIATION

PRO-POOR TOURISM AND THE CHALLENGE OF MEASURING IMPACTS

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For Transport Policy and Tourism Section
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UN ESCAP

November 2004

PREFACE

This paper has been prepared by Dr. Walter Jamieson of the Travel Industry Management School at the University of Hawaii and Dr. Harold Goodwin of the International Centre for Responsible Tourism at the University of Greenwich with the collaboration of Dr. Christopher Edmunds of the East West Center in Hawaii.

The paper builds on previous ESCAP work namely the “Seminar on Tourism and Poverty Reduction” held in Bangkok (2001), a monograph, Poverty Alleviation through Sustainable Tourism Development, New York: United Nations Economic and Social Commission for Asia and the Pacific (2003), “The Challenges of Urban Tourism and Poverty Reduction, Regional Workshop on Urban Tourism and Poverty Reduction” held in Colombo, Sri Lanka (2002) and the Seminar on Poverty Alleviation through Sustainable Tourism Development, held in Katmandu, Nepal (2003). One of the recommendations emanating from the Katmandu seminar was to carry out more research on measuring impacts and to convene an experts' seminar to develop and agree on a regional approach to measuring tourism impacts.

The paper builds on the work of several groups and individuals and acknowledges the important contributions of the Pro-Poor Tourism Partnership composed of Caroline Ashley, Harold Goodwin and Dilys Roe. It also draws heavily on the research and community based technical aid work of the Urban Environmental Management Project led by Walter Jamieson that was based at the Asian Institute of Technology from August 1998 – August 2003. Portions of the paper were presented at the Expert Group Meeting on Measuring and Assessing the Impact of Tourism Initiatives on Poverty Alleviation held in Bangkok from October 4-5, 2004 and has been amended to reflect discussion at that meeting.

The paper summarizes some of the key ideas and issues in tourism related poverty reduction before addressing the measurement of poverty reduction initiatives and the development of indicators. There is a growing literature and experience in the field and the paper attempts to summarize some of the key ideas and approaches.

1. BACKGROUND

Before the issue of developing a methodology and indicators for pro-poor tourism is addressed a number of conceptual issues will be discussed in this section in order to set a framework that establishes the nature of the challenge facing tourism development as a tool for poverty reduction.

1.1 Introduction

Traditionally the impact of tourism has been measured in terms of its contribution to Gross National Product and employment created. Often tourism's overall impact on the economy is estimated by looking at the effect of tourism expenditures through direct, indirect and induced spending using a multiplier effect approach. Tourism growth is most often measured through increases in international arrivals, length of stay, bed occupancy, tourism expenditures and the value of tourism spending.

However, none of these measures provide any means of determining the scale of the impact on the poor or even the trends which result from overall growth or decline on the poor. While in the literature there are references to the importance of tourism in the Least Developed Countries (LDCs), developing countries, rural and marginalized areas there is very little consideration of the impact of tourism on the poor.

The case for tourism development as a way of bringing about economic development in a region or country has generally been made in general terms with a focus on economic modernization and economic growth. The assumption has been that any tourism development will eventually benefit the poor through the "trickle down" effect. There can be no doubt that tourism development does employ those in the lower social and economic classes but there is a growing body of evidence that tourism development enriches local elites, international and expatriate companies and generates low paying and low status employment. In addition, poorly planned and managed tourism can destroy ecological systems, raise the cost of living for local people and damage social and cultural traditions and lifestyles.

Until recently those engaged in tourism development have not sought to demonstrate the impacts of tourism on poverty reduction – the focus has been on macro economic impact and its potential to bring economic growth to poor and marginalized individuals and communities rather than on measuring and demonstrating specific impacts on poverty.

In the development community the focus of most interventions has shifted from identifying ways in which economic growth in developing countries can contribute to overall development to a much more specific focus on the reduction in poverty. There has been a growing realization that economic growth may not necessarily reduce poverty and that policy commitments to reduce poverty can only be achieved if there is a specific and concerted effort to raise the well-being of the poor in developing countries. Within tourism planning and development there has also been a growing realization that tourism development may not be alleviating poverty and that pro poor tourism policies and practices must be developed. A clear manifestation of this new policy focus at the international and regional level can be seen in the policies

and programs of various international organizations such as the WTO, ESCAP and ADB.

The millennium development goals are the most recent and explicit statement of this commitment with an explicit focus on reducing the numbers of people living in extreme poverty (defined as those living on less than 1USD per day). It is widely recognized in the literature that poverty is multi-faceted. The poor have low incomes and lower levels of consumption than those who are not living in poverty. The poor are characterized by their lack of purchasing power in the market and by human underdevelopment, they are generally socially excluded and have minimal access to education, health and other forms of social welfare enjoyed by others in their society who are not poor; they suffer relative deprivation and are generally marginalized in the decision making processes. They generally lack marketable skills and have few employment opportunities. The poor lack access to savings and capital and generally experience high levels of vulnerability to changes in market conditions. The result is that their basic needs are not met and do not have a state of well-being. Their condition is sometimes referred to as “ill-being”.

A broader focus to tourism related poverty reduction is important because it emphasizes the multi-faceted nature of poverty and the relevance of looking at the broad range of impacts which tourism may have on livelihoods which are discussed later in the paper.

1.2 Pro Poor Tourism

Development economists and policy makers use the language of pro-poor to differentiate between economic development in general and forms of economic development which impact positively on the lives of poor people and which enable them to rise out of poverty.

Pro-poor tourism is used to refer to interventions that specifically focus on addressing poverty – which move beyond “trickledown” theory and generates net benefits for the poor. Pro-Poor Tourism (PPT) is not a specific tourism product or sector, it is an overall approach designed to unlock opportunities for the poor.

Tourism is pro-poor if it provides

- Economic gain through the creation of full or part-time employment or the development of SME opportunities through sales to tourism businesses or to tourists.
- Other livelihood benefits such as access to potable water, roads which bring benefits to poor producers through, for example, improved access to markets, improved health or education etc.
- Opportunities and capacity for engagement in decision-making in order that the poor are able to improve their livelihoods by securing better access to tourists and tourism enterprises.

In order to make a sound case for the benefits of tourism to the poor and poor communities there is a need to move beyond the language of multipliers and ‘trickledown’ and to identify specific benefits to poor individuals and communities. If claims are made about, for example, facilitating local community access to the

tourism market and building on and complementing existing livelihood strategies, there is a need to be able to identify which poor individuals and communities have benefited and by how much. This will require reliance on accountancy rather than on economics and to report in detail on the specific poverty impacts of tourism initiatives which are claimed to make a contribution to poverty reduction. In addition, there is a need to be able to identify specifically which poor people benefit and by how much. Where these benefits are not specifically financial and cannot easily be translated into financial terms there is a need to use auditable quantitative methods. This analysis will be particularly important in convincing the development agencies and banks that tourism really can make a contribution to poverty reduction.

When assessing the positive impacts of tourism initiatives on the livelihoods and welfare of poor people the analysis must identify and report on any negative impacts which may result from initiatives for example through loss of access to grazing or water or through loss of access to beaches for fishing. These negative impacts need also to be assessed and measured in order to ensure that the net benefits of any initiative is honestly reported.

Box 1 provides a useful perspective on how to target the poor through tourism development.

Box 1. Targeting the Poor through Tourism Development
<p>A key challenge faced in efforts to achieve poverty reduction through tourism development initiatives is insuring that the benefits of such efforts accrue to the poor. There are two types of targeting errors: 1) failing to deliver benefits to the poor (Type I error), and 2) benefit accrual to the non-poor (Type II error). The targeting efficiency refers to the share of total project/program benefits going to the targeted population, and because there are always economic incentives for both poor and non-poor to seek to capture the benefits of tourism development initiatives, targeting efficiency is nearly always less than 100 percent.</p> <p>There are a few basic types of targeting mechanisms used to target benefits. Administrative targeting seeks to identify who is eligible for a particular benefit through interviews and collecting information about the economic status of individuals that express interest in taking part in a poverty reduction initiative. Administrative targeting can be time consuming and increase project costs (through associated data collection and paperwork), and can deter participation by imposing costs in applying and stigmatizing applicants (leading to Type I targeting error). Self-targeting seeks to structure benefits of projects or programs so that only the truly needy will have an incentive to take part. For example, public-sponsored emergency jobs programs will offer wages below market wage rates in order that only those individuals unable to get regular employment will have an incentive to take part. Geographic targeting focuses development efforts on poor areas/localities under the assumption that the poor will tend to benefit from development in their area. The accuracy of geographic targeting depends upon how small an area is targeted—the smaller the jurisdiction defined the higher the targeting efficiency tends to be.</p> <p>In efforts to reduce poverty through tourism development, all three types of targeting can be used. For example, a publicly supported training/apprenticeship program for hotel workers could apply self-targeting or administrative targeting. However, geographic targeting would appear to be the targeting mechanism most generally applicable to general tourism development efforts that seek to reduce poverty. With this form of targeting, identifying areas with tourism potential that also have high poverty incidence is used to achieve poverty reduction.</p>

1.3 The Causes and Manifestations of Poverty

To use tourism as an effective tool for poverty reduction it is important to understand the root causes of poverty and determine an appropriate point of intervention in the vicious circle of poverty. The World Development Report 2000/2001 (2001) identifies the primary causes of poverty as:

- Lack of income and assets to attain basic necessities – food, shelter, clothing and acceptable levels of health and education. The lack of assets are described as lack of good health, skills necessary for employment, land/housing, access to basic infrastructure, savings or access to credit, social assets such as network of contacts and reciprocal obligations, which can be called on in time of need.
- A sense of being powerless and unheard in the various social institutions. These concerns include unfair sociological conditions where the poor are faced with inhuman treatment, lack of protection against violence, intimidation and lack of civility and predictability in their interactions with public officials.
- Vulnerability to adverse shocks, linked to an inability to cope with them. The poor are susceptible to various risks of health, natural or human made hazards and are incapable of recovering speedily from these shocks economically, socially, physically and emotionally.

While these are the immediate causes of poverty, there are more global causes of poverty as well, which encompass issues such as national and regional economic growth, inequality of income distribution and instability in governance. The common understanding is that with overall economic growth incomes increase and poverty is reduced. However conclusions should not be made to extrapolate that the economic impacts accruing to the larger society make their way to the poor.

To bring about a change in the conditions of poverty it is essential to attack it at both the local, national and global levels. At the local level poverty manifests itself in the form of ill health and poor access to good medical facilities, illiteracy, irregular income, informal employment, lack of freedom to choose a desired quality of life, lack of land tenure for housing, lack of basic infrastructure, etc. while at the national level it can be measured in terms of GDP. The framework for poverty reduction put forward by the World Bank in the World Development Report 2000/2001 (2001) emphasizes economic development along with promoting opportunities, facilitating empowerment and enhancing security. As a tool for poverty reduction the challenge that remains is to see how and where tourism can intervene in providing better opportunities, empowerment and security to the poor at the local level and boost economic growth at national and regional levels.

1.4 Potential Positive and Negative Impacts of Tourism

The impacts of tourism on poverty are discussed in Poverty Alleviation through Sustainable Tourism Development, New York: United Nations Economic and Social Commission for Asia and the Pacific (2003) but for purposes of this paper can be identified using the following categories:

Positive Economic Benefits

- Creation of SME business opportunities, which provide employment and earnings from the sales of goods and services
- The creation of direct employment in formal sector businesses by the poor.
- The development of collective benefits where a community gains from concession or lease agreements with formal sector enterprises or from user fees for passing through a village or visiting a community forest.
- Charitable donations from tourism businesses or from tourists.

Negative Economic Impacts

- Pressure on services and facilities necessitating increased investment
- Increased cost of living for local people

Positive Non-Economic Impacts

- Opportunities for capacity building, education and training.
- Improvements in health, education and other forms of well-being.
- Net positive environmental impacts which benefit the poor, for example by improved access for grazing for their livestock.
- Improved socio-cultural status through community recognition and increased pride and self confidence which can be defined and reported in concrete terms.
- Reduced vulnerability through for example livelihood diversification which can be reported at the household level.

Negative Non-Economic Impacts

- Culture becomes a commodity
- Local traditions & ways of life are negatively impacted
- Traditional residents are displaced
- Increases in crime
- Increases in pollution
- Degradation of the environment

Policy Process

- Empowerment of the poor through effective engagement in the policy and planning process in their locality.
- Increased participation in decision making which benefit poor people in specific and definable ways.
- Partnerships with the private sector which benefit poor people in specific and definable ways.

1.5 Barriers to Tourism Related Poverty Reduction

There are a significant number of barriers to effectively using tourism development as a tool for poverty reduction. These barriers include:

- A lack of government programs targeted to the tourism informal sector which plays an essential role in providing tourism services and has the significant potential of helping to reduce poverty especially in urban areas.
- Within the Asian context there is very little recognition of the potential of tourism development by aid agencies. One of the challenges is too work with these agencies to demonstrate the essential role that tourism can play in

helping to address key development issues such as poverty, gender, trafficking of women, infrastructure and the provision of health services.

- Few if any tourism and poverty officials have any education or training in using tourism as a poverty reduction tool.
- As in many instances the poor are lack access to credit which is essential in helping them to participate in the tourism economy.
- Governments as well as nongovernmental organizations lack the organizational capacity to respond to the opportunities provided by tourism development.
- The poor are very often have limited access to tourism infrastructure and assets.
- Governments and in particular regions and communities lack essential market knowledge to allow them to develop pro tourism strategies and products based on sound market information.
- Outdated regulations and red tape make it impossible at times to develop innovative products and services.
- Often the areas with the highest levels of poverty lack the necessary transportation and communications infrastructure essential to meeting the needs of the tourism industry.

The challenge is to overcome these barriers involving all of the key stakeholders and employing a range of policies and development policies and practices

1.6 Key Stakeholders

There is now ample evidence to understand the role that key stakeholders tourism can play in increasing in the quality of life of individuals and communities. While the emphasis is on government led interventions stakeholder analysis would strongly support the position that a range of stakeholders must be involved in the intervention process. The key stakeholders include the following actors as can be seen in Figure 1.



Figure 1: Key Stakeholders

The Poor

Very often the poor, who are the recipients of tourism policies and plans, are excluded from the process. It is essential that the poor be seen as key stakeholders that must be involved in all phases of policy planning as well as implementation. One recognizes the challenge of ensuring that this occurs but there are now a number of well-

developed community development practices that are well-suited to ensuring the participation of the poor in the poverty reduction process using tourism as a key policy tool.

Private Sector

The private sector has a complex set of relationships involving international companies, national enterprises and a myriad of local tourism businesses. It is obvious that each tourism enterprise brings with it a set of guiding principles and business practices that in some cases may be highly supportive of tourism as a tool for poverty reduction while others may not see this as part of their business agenda. International companies may have different stakes and interest in helping to alleviate poverty through their activities. Therefore in discussing the private sector it is important to differentiate not only in terms of differing scales of geographic activity and ownership but also in terms of the nature of the companies themselves. In some instances the company may see it as part of their responsibility to help alleviate poverty while others may seek to direct their social responsibilities in other areas.

Various Levels of Government

While poverty can be seen to be manifested as a local and individual problem it is clear that national government policies have a significant influence on how tourism can be used as a tool for development. Provincial and local governments also have a role to play in poverty reduction but often through the implementation of national policies.

International Aid Agencies and Development Organizations

Most aid agencies have not identified tourism as a major focus of their development activity. In fact, over a period of time there has been significant opposition within some organizations about the legitimacy of providing aid for tourism purposes. There are hopeful signs of this changing given that tourism has the potential, as the largest industry in the world, to help in reducing poverty. In light of this the World Tourism Organization and the United Nations Conference on Trade and Development have recently signed an agreement taking a new initiative "Sustainable Tourism as a tool for Eliminating Poverty" (ST-EP), with the purpose of exploring a framework that could facilitate the involvement of the community of donors and secure multi-stakeholder support for the poverty reduction policies. It must be remembered that the focus of the development aid should not be solely to build hotels and fund national airlines but rather to support the process of development of the country by supporting capacity building, infrastructure development and in small and medium sized business creation.

Non-Governmental Organizations

There are a number of nongovernmental organizations that can have a significant influence on tourism development as it relates to poverty reduction. They range from rural development organization, groups concerned with conservation of cultural and natural heritage and organizations dealing with business development issues. There are few if any nongovernmental organizations within most countries specifically concerned with pro poor tourism but there are a number of entities that have a significant stake in helping to ensure that tourism does reduce poverty. The poor perceive that there is a widespread crisis in governance given that they are excluded from participating in decision-making processes. Given that tourism is a service and

people oriented industry they argue that this is one sector where the poor can have easier access to the process of decision-making.

The Tourist

There are a growing number of tourists who seek to improve the conditions of the destinations they visit. The tourist must be provided with opportunities to directly participate in the poverty reduction process and must be made aware of the opportunities that exist for increasing the well-being of the residents of an area. It is important that tourists are made aware of the direct impact of their spending especially in the opportunities for the charitable giving.

2. TOURISM RELATED POLICY AND PLANNING POVERTY REDUCTION INTERVENTIONS

2.1 Introduction

The tourism industry and the development community are still at a very early stage of understanding what will actually work most effectively in reducing poverty through tourism development. It is clear that we are in a period of testing to determine what actually works, always taking into account the significant differences in policy making and implementation in many countries. The levels of development of the country, the structure of the governments and the political systems, the maturity of the tourism industry, the degree of empowerment at the local level are only some of the factors that affect how policy initiatives can be implemented. In the background note prepared by the UNCTAD secretariat for the High Level Meeting on Tourism and Development in the LDCs (2001) the need for an appropriate policy framework and policy environment to boost pro poor development is clearly articulated. It states that countries that have been unsuccessful in integrating tourism as a tool for economic development have usually had inadequate or non-existent poverty led tourism policy frameworks.

Given the influential role of policy making it is clear that an important first step towards ensuring the role of tourism in reducing poverty is in the development of an appropriate policy and plan making environment. A number of policy suggestions are presented below that need to be further assessed and tested before they can be seen to be part of the “toolkit” of tourism planners and development workers. The policy and planning alternatives are presented at a glance in Figure 2.



Figure 2: Potential Pro Poor Tourism Policies & Planning Approaches

Coordination of a Pro Poor Tourism Inter Ministerial Coordinating Framework

In order for different ministries and policy makers to begin to understand the important role that tourism can play in poverty reduction and to put into place pro poor development strategies it is recommended that the concept of national level

inter-ministerial working groups be established. These working groups would seek to co-operate with all ministries who have a common objective in reducing poverty. The group would be responsible for determining priority actions, obtaining funding and monitoring development in order to be in a position to determine what works most effectively within a particular situation.

Training National and Local Policy Makers

In order to ensure that the new tourism development and management policies are effectively oriented towards poverty reduction it is important to train the policy makers and decision makers at national and local levels, especially in less developed countries.

Pro Poor Tourism Development Zones

In order for a country to begin to orient investment towards the reduction of poverty there is a need to delineate poverty reduction development zones. All evidence strongly suggests that poverty alleviation needs to be targeted to both urban and rural areas. Within these zones there should be encouragement and support for investment that provides tourism jobs and a higher quality of life for the poor. The zones should have the following characteristics:

- High poverty levels
- A location where the government is seeking to encourage tourism for development purposes and cross-economic linkages
- A situation where tourism can contribute to local economic growth
- An opportunity for environmentally friendly forms of tourism to be developed that can contribute to cultural and natural resource preservation, conservation and sustainable use
- The existence of a plan for a well-developed human resource development strategy
- Political integrity, allowing for effective communications and decision-making
- A marketing study that identifies the tourism potential of the area and defines specific tourism products and market segments
- A cluster of developed or potential attractions available for tourism consumption e.g. natural resource based, cultural or built environment elements
- A community or region that is in a position to provide the services demanded by tourists
- There must be an existing or planned means for moving people into and out of a zone with minimum disruption

Box 2 discusses a new tool for understanding tourism and poverty linkages from a spatial/geographic perspective.

Box 2. Poverty maps: A new tool that can provide valuable insight into tourism and poverty linkages

The decade long emphasis on poverty reduction in international development efforts gave impetus for research into new methods for identifying the poor. Poverty maps provide small area estimates of the poverty, with the scale or minimum size of the areas covered by a poverty map varies depending upon data availability. There are a few methods used to generate poverty maps. Researchers from the World Bank and collaborating educational institutions developed the most widely applied approach that we will briefly explain. This approach combines data from the C&E (or LSM) survey data with data from national population census in order to extrapolate the rigorous estimates of household income and

poverty status calculated from C&E/LSM surveys to the entire population using a regression model derived from variables common to the C&E/LSMS data and the population census. This overcomes the chief limitation of poverty estimates generated from C&E/LSMS data—namely, the inability to generate small area poverty estimates due to their national coverage and relatively small sample sizes—while taking advantage of the rigor of the poverty estimates that can be generated from these data. Poverty maps have been developed for a number of Asian countries at scales from state/province to municipal level.

Researchers from the Ministry of Agriculture and Rural Development, the International Food Policy Research Institute, and Sussex University have developed poverty maps for Vietnam.¹ A number of pertinent observations regarding the linkages between tourism development and poverty can be offered based upon consideration of the maps developed and reported by this team of researchers. First, overlaying the map showing the poverty incidence at the commune/municipal level with a map of the main tourism destinations in the country suggests the poverty reducing impact of some tourist locales (e.g., Sapa, Dien Bien Phu, Nga Trang) in remote rural areas that otherwise feature high rates of poverty is clear—a promising finding in terms of the potential for tourism development to reduce poverty. Comparing these two maps also makes clear that poverty rates in the tourist destinations that attract the greatest number of tourists (e.g., the cities of Hanoi and Ho Chi Minh) have the lowest incidences of poverty—a much less encouraging finding. Another map in the report shows the geographic distribution of poverty defined in terms of the number of poor (rather than the poverty incidence in each locality). Considering this map along side the location of tourist destinations, it is clear that the great number of poor persons in Vietnam reside in areas close to the major tourism centers, but suggests that targeting the poor in these areas will be more difficult due to their small share in the total population.

Assistance for Small and Medium-Sized Tourism Enterprises

Small and medium-sized enterprises (SME) face a number of obstacles both in terms of their original establishment as well as in their ongoing operations. There must be recognition that the small-scale tourism related businesses can have an important impact on poverty reduction.

In many countries there is a lack of access to technical expertise and credit at reasonable interest rates due to which many new businesses find it difficult to obtain the necessary capital to start. Governments should support the creation of tourism oriented small and medium-sized enterprises. Policies should be designed to assist the poor in the development of enterprises or in some cases support the development of an enterprise with employment of the poor as its central focus. What are required are micro-credit funds to be used by both the formal and informal sectors.

Guiding enterprises, bicycle rental operations, small restaurants, retail operations meeting the diverse needs of the tourist, the creation of small transportation outfits and providing accommodation are a few examples of SMEs that can be created. The accommodation business provides several opportunities for poverty reduction. Initially development can be in the form of a homestay where a portion of a dwelling is rehabilitated to meet the accommodation needs of tourists. This can be expanded possibly into a stand-alone small-scale inn or lodge. Very often the capital outlay is minimal, but there is a clear need for technical expertise and access to small amounts of money to finance construction and the purchase of equipment. Governments should be concerned with providing capacity building, helping in the development of

¹ Minot, Nicholas, Bob Baulch, and Michael Epprecht (2003) “Poverty and inequality in Vietnam: Spatial patterns and geographic determinants.” IFPRI Donor Report, 86 p.—available through the web at <http://www.ifpri.org/divs/mtid/dr/200312map/dr200312mapall.pdf>.

business plans, providing credit through its own funds and most importantly providing advice to small-scale enterprises.

Reinvestment in Community/Poverty Projects

Governments should seek to adopt policies in the case of new tourism development projects or in the expansion of present ones that contain explicit strategies for reinvesting portions of an enterprise's profit into the community. This can be done using a community development corporation that would seek to build positive relationships between a project and its community. In fact, one could argue that this is only good business and would encourage a community to maintain and improve the local environment and to be good hosts to the visitors.

Pro Poor Tourism Demonstration Projects

Demonstration projects should be established in order to increase knowledge of the poverty/tourism relationship. In effect this suggests that the most effective way of gaining more knowledge is through "learning by doing". These projects must have a significant level of local and national participation and be designed in such a way that the learning can be effectively extracted from the demonstration process. Too often demonstration projects are very inward looking and not concerned with developing lessons and knowledge for applicability in other situations.

Defining New Pro Poor Tourism Markets

Domestic tourists are particularly important clients for self-employed sellers and owners of small establishments in developing economies. Budget and independent tourists and backpackers are also more likely to use less expensive guesthouses, homestays, transport and eating services provided by local people. They tend to stay longer at a destination than group tours and interact more with the local economy, but they often spend less per day. Destinations should look very carefully at the backpacker market since in effect they can become an important source of the income that is suited to the tourism infrastructure of an area.

Monitoring

To ensure that the policies are properly implemented and whether they are yielding the desired results it is important to put into place a monitoring system. Since poverty manifests itself at the local level it is most appropriate to measure the impacts and monitor the process of poverty reduction through tourism from that level. A formal feedback process at the local level to the national and regional levels should be established to enable readjustment of policies to suit the pro poor tourism development. Impact monitoring is essential to convince a range of stakeholders of the potential of tourism in poverty reduction. There needs to be a careful development of monitoring indicators at the local level. Realizing the importance of the need for monitoring indicators, has initiated preliminary work to develop these indicators.

Lessening Tourism Economic Leakages

In some developing economies anywhere from 50 – 75% of tourism expenditures do not remain in the destination country (OECD 2001). In others higher levels of the tourism expenditures do remain in the country but are not necessarily directed to the poor. Leakage occurs due to the use of imported skilled labor and luxury products, repatriation of profits by owners of tourism establishments and the considerable

amount of money spent on marketing, transport and other services based on the originating country. What is important from a poverty perspective is not simply how much remains in the country but how much stays within a particular destination.

It is hoped that the import of products and services at the initial stages of tourism development may trigger the entrepreneurial spirit of local people to provide locally produced goods and services. This has not only economic benefits but also helps to ensure a unique visitor experience. It is clear that increasing the local content of goods and services will not occur without the support and encouragement of government policy.

Governments can develop domestic policies that are designed to lessen the level of leakage from international tourism through:

- The provision of incentives to reinvest profits and potential cash transfers that would otherwise be invested abroad
- The enhancement of the capacity of tourism destinations for intensifying the production of goods and services required by the tourism sector
- The provision of incentives to domestic investors to expand participation in tourism (OECD 2001)

At the Expert Group Meeting on Measuring and Assessing the Impact of Tourism Initiatives on Poverty Alleviation held in Bangkok a number of specific interventions were identified by the participants and can be found in Appendix 1.

2.2 Targeting the Poor

Poverty is a relative concept and in identifying the poor people who are to benefit from a particular tourism intervention it is important to apply an appropriate definition of poverty for the area where the intervention is to take place. The United Nations Millennium Goals (these can be viewed at www.developmentgoals.org/Poverty.htm) define two different poverty thresholds:

- More than a billion people live on less than a per capita consumption of \$1 a day – this is the most challenging target agreed by the UN – to halve the number of people living on less than 1USD per day by 2015.
- The United Nations agreed to a poverty line of \$2 per day.

In establishing a target population for any particular tourism intervention it is important to identify the particular groups which the project is intended to assist in bringing out of poverty. It is also important to be open and transparent in identifying and declaring the target population and its relative level of poverty in local and dollar terms.

It is preferable to make an assessment of the income per head of the target population before the commencement of the intervention (sometimes referred to as benchmarking) and then to report the changes in the income of individuals and dependent households at appropriate stages in the project cycle of the intervention. In making post hoc assessments of the poverty impacts it is important to be rigorous in ensuring that real change in the livelihoods of defined individuals and beneficiary groups are reported transparently. It is much more difficult to do this retrospectively

and it is important that the claims made are based in reality and, to the greatest extent possible, verifiable.

As experience has clearly demonstrating in order to adequately monitor and report the poverty impacts of a tourism intervention project is not without costs. The reliability of the claims will be reliant upon the integrity and transparency of the original assessment of the degree of poverty experienced by the target population and the reporting of the changes to their livelihoods brought about by the intervention. It is important to recognize that the target population may change as the intervention evolves and it is important that these changes are reported.

Undertaking this kind of monitoring and reporting is important to the process of deciding which projects to support and in measuring progress against the objectives set for the intervention. Policy makers and funding agencies need:

- To take responsibility for ensuring that projects are targeted to reduce poverty for defined groups of beneficiaries.
- Providing the necessary funding for the reliable assessment of poverty impacts by identifying the situation prior to the intervention, during the project and at the conclusion of the intervention.
- Ensure that interventions designed to be pro-poor are focused on delivering net benefits to the defined beneficiary group.
- Be realistic in understanding that interventions will also benefit other groups; and to recognize that tourism is a business and that sustainable businesses need to be profitable.

2.3 The Livelihoods Approach

While there are a number of possible conceptual frameworks and constructs that can be used to determine how best to intervene in the poverty reduction process one accepted approach is the livelihoods approach. Livelihood analysis is a methodology, which can be used to analyze the contribution that different forms of tourism might make to the livelihoods of the poor. The advantage of livelihood analysis is that it provides a methodology that looks at the positive and negative impacts of a particular form of tourism development upon the livelihoods of the poor.

Applying a livelihoods approach enables the assessment of the impacts of tourism initiatives on the different livelihood strategies of individuals and households in a particular area. It recognizes that not all individuals and households will experience the same positive and negative impacts. As the poor generally lack access to the employment market, they generally have a diverse set of livelihood strategies designed to minimize risk and to reduce their vulnerability. These strategies are often applied at the household level with men, women and children engaging in a wide range of activities, some of them subsistence activities which cannot easily be assigned a cash value, to sustain themselves.

The maximization of livelihood benefits requires an understanding of what people most need and want (their livelihood priorities) and of the complex ways in which different tourism options affect livelihoods directly and indirectly. Local peoples' decisions about how and whether to engage in pro-poor tourism initiatives will be shaped by the anticipated impacts on their livelihoods and those they most want.

Careful planning and design, based on an understanding of local livelihoods and engagement with all sections of the local community, can greatly enhance the positive impacts of tourism initiatives on the economy and poverty.

The 'livelihoods' approach is a form of systematic analysis that seeks to assess the many issues that affect how the poor put their living together and sustain their families and goes beyond what is often thought of as 'economic' (earnings) or 'social' (health, culture) to address livelihood security. An assessment of tourism's impact on local people depends not only on its direct costs and benefits, such as profits and jobs generated but on how these relate to the various household needs and how they affect other household strategies.

While the livelihoods approach is generally, but not exclusively applied in rural environments, it is relevant in any situation where a defined community is considering engaging in tourism and where this will be one among a number of livelihood strategies. The technique is also useful in identifying potential linkages between tourism and other livelihood activities.

Since livelihood strategies differ between households and between men and women, there is no single answer to what will optimize livelihood impact for the poor in a community. In most situations some will lose and gain more than others.

The livelihood assets of a community that can be considered using the livelihood building blocks:

- Financial Capital – cash on hand or which can be borrowed
- Human Capital – the skills base of particular individuals and groups
- Natural and Cultural Capital – the resources of the environment available to individuals and the group: water resources, forest, arable land, pasture, rivers and lakes, wildlife, historic buildings, archaeology, traditional lifestyles etc.
- Physical Capital – buildings, machinery, equipment
- Social Capital - the social cohesion of a group and the strength of its networks.

These categories are useful in thinking through the impacts of a particular tourism initiative on poor people and their community. The methodology is particularly useful in identifying conflicts with other livelihood strategies or negative impacts.

The livelihood assets have to be seen in the context of the vulnerability of the particular community to external shocks (for example drought, flooding or the consequences of disease or crime or increased tourism numbers), seasonality (harvesting and planting, tourism arrivals) and trends (particularly market trends).

Different groups and individuals will adopt different livelihood strategies seeking to minimize their vulnerability whilst maximizing a diverse range of livelihood outcomes:

- Cash & subsistence incomes
- Increased well-being
- Improved food security
- Sustainable use of natural and cultural resources.

Livelihood impacts can include

- Indirect and induced employment effects
- Collective income earned from lease fees, rentals, equity dividends paid by the tourism operations, percentages paid on turn over etc. These forms of earnings are valued as one of the few sources of *community* income – to spend on shared investments (infrastructure, for example schools, wells and grinding mills). It is particularly important to consider collective income opportunities for village and agricultural trails and other forms of tourism experience where a whole community bears the impacts but only a few may otherwise receive benefits.
- SME opportunities for the supply of goods and services to tourists (crafts, guiding, storytelling etc.)
- Infrastructure gains through access to infrastructure developed for tourists; shared use (e.g. of roads, water), or extension of facilities during construction. New or improved roads enable poor communities to take their produce to market at lower cost and often to achieve higher returns on their products.
- Increased health care brought about by shared access to health facilities or program developed due to tourism, use of transport (e.g. lodge vehicle) and communications (e.g. telecommunications) for medical emergencies.
- Donations by tourists and/or operators for community assets – schools, water supplies, medicine and medical equipment. .
- Social capital through access to additional information; social capital may increase or decrease depending upon the way in which the community is engaged in decision making about tourism development.
- A revaluation of local culture. Tourism is often welcomed for valuing local culture. It can encourage young people to take a more positive view of their heritage and to engage with it, this engagement may assist in keeping cultures alive and in ameliorating the impacts of urban-drift. However, it may also create problems of commercialization, acculturation, dissatisfaction and alienation.
- Tourism development often requires improvement in local security. Actions to increase security for tourists can be of great benefit to local people.

3. DEVELOPING A MONITORING METHODOLOGY AND INDICATORS

3.1 Methodology

Experience from the AIT projects and the Pro-Poor Tourism Partnership's research and case studies identifies that the collection of data is difficult unless this activity is made part of the intervention strategy. In order to collect reliable and useful data it is essential that interventions are focused on particular poverty impacts and particular individuals and communities. In any methodology the following issues must be addressed:

- Care needs to be taken to exclude poverty impacts which may be coterminous with the intervention but not a result of it.
- It must be recognized that generally it takes time for significant impacts to result from a tourism initiative because of lead times and seasonality. The reporting framework needs to be extensive enough to capture the results throughout a year and to test sustainability by assessing the situation two years after the intervention is complete.
- Project proposals should include the methodology to be used to collect data on each of the anticipated positive impacts and to report any negative impacts.
- It is also important to use the livelihoods approach to report negative as well as positive impacts.
- Collect baseline data on the incomes and livelihood strategies of the target group of poor beneficiaries since only in this way can improvements in livelihood and the poverty impact be measured.

In assessing negative impacts the following considerations can be employed:

- Attempt to identify value of losses in natural capital in cash terms using replacement costs or resultant loss of income measures.
- Determine if the tourism intervention has brought conflict and therefore undermined social cohesion.
- Has the specific tourism intervention increased vulnerability in any way, for example by reducing the diversity of livelihood strategies?

3.1 Developing the Monitoring System

The monitoring of tourism performance ensures that tourism interventions contribute to attaining poverty reduction objectives. It is important that the necessary funding for the reliable assessment of poverty impacts by identifying the situation prior to the intervention, during the project and at the conclusion of the intervention. There also must be a high level of realism in understanding that interventions will also benefit other groups; and to recognize that tourism is a business and that sustainable businesses need to be profitable.

Monitoring will only be effective if it is structured within a framework that takes into account all of the necessary components of ensuring a reliable way of assessing the effectiveness of various pro-poor tourism policies and practices. A possible monitoring framework is presented in Figure 3.

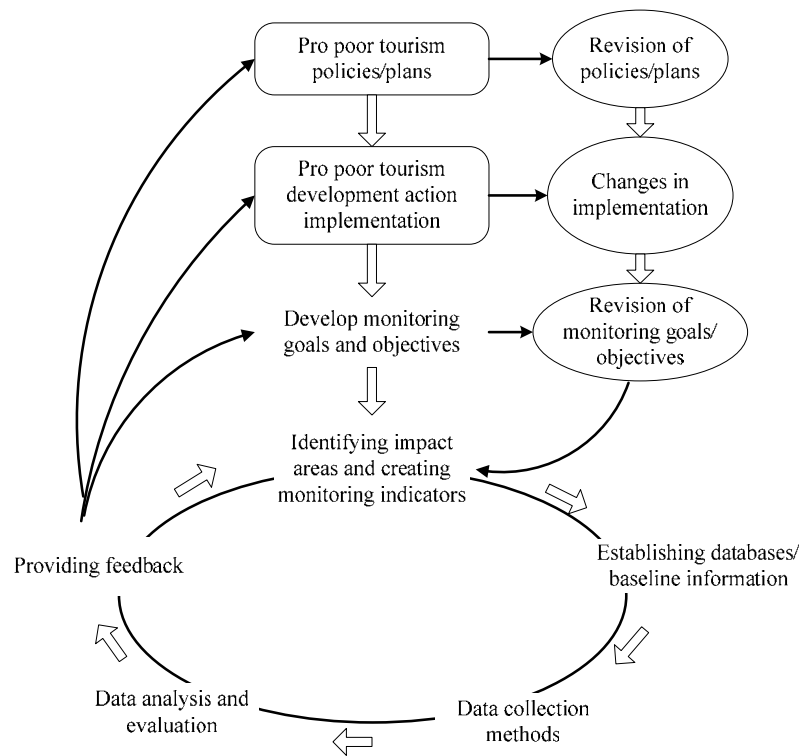


Figure 3: Possible Monitoring Framework

3.3 Using Indicators to Measure the Effectiveness of Different Policy and Planning Interventions

The purpose of identifying indicators in this paper is to assist decision-makers in determining the effectiveness of various approaches used to alleviate poverty through tourism development.

It is commonly understood that indicators are useful to:

- To assist decision-makers in determining the effectiveness of various approaches used to alleviate poverty through tourism development.
- It is important to note that even interventions that seek to reduce poverty may in fact at times have the opposite effect.
- Mitigate or revise policy instruments in order to achieve the desired incomes
- Learn from the measurement process how best to achieve success in other initiatives.

Ideally there are number of users of indicators including public authorities, civil servants, academics and research institutions, NGOs, the general public and specialists. It is understood that indicators can be used at various stages of the planning and development process but it is important to consider that they must be reported on regularly based on the needs and capacities of the intended users.

3.4 Quantifying Impacts

Earlier in this paper the possible positive and negative impacts of tourism were identified. In this section the quantification of several possible impacts that will help to gauge the success or failure of various initiatives are discussed in order to illustrate the type of analysis that is required in order to develop a set of indicators.

Impacts	Quantification
<p>SMEs: Describe pro-poor impacts which might include establishing new SMEs, improving market access for existing SMEs, creating new complementary products, securing sales to tourism businesses of food, agricultural produce, soft furnishings, uniforms, provision of guiding, laundry or other services. For capital intensive projects distinguish between the initial development/ construction phase and the operational phase.</p> <p>As part of this process it would be important to assess the impact of various initiatives on existing SMEs. In some instances it may actually make it difficult for existing SMEs to grow given the nature of a possible initiative.</p>	<ul style="list-style-type: none"> ▪ Calculate the increase in net earnings for people defined at the commencement of the intervention as poor. This will be the case for both existing as well as new SMEs that are created. <p>(It is important to measure the earnings after deduction of direct costs for inputs and any interest payments. This requires that the net increase is calculated based on the difference between current and pre-intervention earnings for poor people. Generally data over a full year is required to account for seasonality and over a number of years to determine sustainability and capture subsequent growth.)</p>
<p>Employment: Describe the number of jobs created by category of employment, the people employed (particularly gender and age), any commitment or opportunities for further training and progression to better paid employment. Where the employment of non-poor workers in other employment takes place it is legitimate to count the income to any poor people who secure those jobs, but this should be reported separately as induced employment. For capital intensive projects distinguish between the initial development/ construction phase and the operational phase.</p> <p>The measurement of employment is important for both the negative as well as positive perspective. It may be that in some cases with increased competition that salaries actually decrease.</p>	<p><u>Direct employment</u></p> <ul style="list-style-type: none"> ▪ Report number of previously poor employees by job category, number of hours worked per week, gender and age group ▪ Report earnings per week and be careful to report accurately on any period when the wages fall or employment ceases because of seasonality. ▪ For each job report how it was created by the intervention and calculate the net benefit which is the net increase in earnings attributable to the project <p>(A year's data is required or a careful estimate of annual earnings. Only those jobs which can be demonstrably shown to result from the intervention should be counted.)</p>
<p>Collective Benefits: These might include lease fees, rentals, equity dividends paid by the tourism operations, percentages paid on turn over etc.</p>	<ul style="list-style-type: none"> ▪ Report details of the kinds of benefits and of their utility to the poor. ▪ Calculate the cash value in gross and per household terms for the poor producers. <p>(Calculate over a year to allow for seasonality.)</p>

<p>Charitable Giving/Donations: Report any charitable giving by the tourism enterprise, tour operators or tourists who visit the area. Think carefully about the extent to which these donations can be attributed to the tourism intervention</p>	<ul style="list-style-type: none"> ▪ Report the cash value of the donations which can be regarded as benefiting the poor and which can be attributed in whole or in part to the tourism intervention. ▪ Where the benefits go to the community as a whole try to calculate the household value and apportion them between poor and non-poor households to calculate the benefit to the poor. <p>(Calculate over a year to allow for seasonality.)</p>
<p>Capacity Building: Report the kinds of training and other forms of capacity building which result from the tourism intervention</p>	<ul style="list-style-type: none"> ▪ Calculate the cash value, as input value, of the training trying to distinguish between those costs which benefit the poor and those which benefit others. Count only those costs which benefit the poor. ▪ Calculate over the duration of the intervention and include anything contracted as a consequence of the project but which may be delivered later.
<p>Improvements in Well-being: These benefits include health, education, access to potable water, roads, telecommunications, increased security. Describe the benefits in detail and be careful to differentiate between those gains attributable to the tourism intervention and those which are merely coterminous.</p>	<ul style="list-style-type: none"> ▪ Where possible report the cash value of the resources which result from the tourism intervention and benefit the previously poor employees and/or the currently poor. (For example an eye clinic which takes place in a hotel as part of the CSR commitment of the hotel will have a calculable cash value at local prices. Be careful not to double count anything reported in another category.) ▪ Report where the provision of a new road or telecommunications enables the development of a new SME business or further employment.
<p>Changes in Environmental Quality: While there may be positive impacts from tourism development and immediate increases in well-being and income levels there may be negative impacts on the environment quality of a community or region. These impacts in fact can have long-term detrimental dimensions to poverty reduction especially if the local or regional tourism product depends on the quality of the environment and its attractiveness to tourists.</p>	<ul style="list-style-type: none"> ▪ It is important that tourism and poverty officials work with environment experts to establish baseline information on environmental conditions in a community or region. In order to ensure that various tourism initiatives especially those concerned with infrastructure do not bring negative environmental impacts careful monitoring by experts will be required. ▪ It is also important that various tourism facilities and operations are carefully monitored in order to ensure that environmental quality levels are maintained.
<p>Changes in Culture and Values: One of the potentially serious impacts of tourism and travel activity is negative impacts on the values and traditions of local people. As in the case of environmental quality there may be increases in certain dimensions of well-being and employment but these can be accompanied by negative changes in culture and values.</p>	<ul style="list-style-type: none"> ▪ Local people as well as cultural and sociological experts must be involved in the ongoing monitoring of tourism developments especially those with a pro poor tourism perspective. Any negative impacts defined by the community as well as experts must be identified and the necessary steps taken to change policy directions in order to respect important dimensions of community life.

<p>Changes in Cultural and Natural Resources: There is constant concern about the impacts of increased visitation on cultural and natural resources. In many situations the cultural and natural resources in a community are the major tourism assets of the local community. Increased use and/or poor management can have serious impacts on these resources with the result that local people eventually will be impacted when there are no longer tourists visiting their area due to resource deterioration./</p>	<ul style="list-style-type: none"> ▪ Cultural and natural resource experts must be involved in monitoring the impacts on the resources in a community. It must be recognized that there will always be impacts on a resource once visitation occurs but the challenge is to ensure the lowest possible level of impact. ▪ The management techniques used to protect the resources must be also monitored in order to ensure their effectiveness and where appropriate mitigation measures are put into place.
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3.5 Establishing Indicators

A series of indicators that will serve as a useful start to a larger process of creating a system of indicators to be used throughout the Asia-Pacific region is developed based on the impact and quantification table presented above. They are designed to meet the capacities of all of the countries in the region, recognizing differences in information gathering techniques, the level of training officials and communities and economic realities. It is recognized that some countries may have more sophisticated approaches to collecting data and analyzing it but clearly from a regional perspective it is important to have a set of indicators that all stakeholders can apply and use. These indicators will be also instrumental in helping to look at regional approaches and to developing a knowledge management system where lessons can be drawn and practices developed based on actual case studies.

These indicators are identified as a first step and are designed to start the process of collecting indicators for the Asia-Pacific region. .

<p style="text-align: center;">Impacts (After the start of a policy intervention or plan)</p>	<p style="text-align: center;">Indicators</p>
<p>Increase or decrease in the number of SME's that are owned by the poor.</p>	<ul style="list-style-type: none"> ▪ Number of SME's owned by the poor that have been created. ▪ Decrease in the number of SME's that exist after the start of the policy intervention or plan.
<p>Increase or decrease in the employment of the poor within the tourism industry</p>	<ul style="list-style-type: none"> ▪ Number of previously poor employees now formally employed within the tourism industry. ▪ Increase in earnings per week <p>(A year's data is required or a careful estimate of annual earnings. Only those jobs which can be demonstrably shown to result from the intervention should be counted.)</p>

<p>Increase or decrease in lease fees, rentals, equity dividends paid by tourism operations, percentages paid on turn over etc.</p>	<ul style="list-style-type: none"> ▪ Cash value in gross and per household terms for the poor producers. <p>(Calculate over a year to allow for seasonality.)</p>
<p>Increase or decrease in charitable giving by tourism enterprises, tour operators or tourists who visit the area. (Think carefully about the extent to which these donations can be attributed to a tourism intervention.)</p>	<ul style="list-style-type: none"> ▪ Cash value of the donations which can be regarded as benefiting the poor and which can be attributed in whole or in part to the tourism intervention. <p>(Calculate over a year to allow for seasonality.)</p>
<p>Increase or decrease in the kinds of training and other forms of capacity building which result from a tourism intervention</p>	<ul style="list-style-type: none"> ▪ Calculate the cash value of the training. (Try to distinguish between those costs which benefit the poor and those which benefit others. Count only those costs which benefit the poor.)
<p>Increase or decrease in the benefits include health, education, access to potable water, roads, telecommunications, increased security.</p>	<ul style="list-style-type: none"> ▪ Where possible report the cash value of the resources which result from the tourism intervention and benefit the previously poor employees and/or the currently poor. (For example an eye clinic which takes place in a hotel as part of pro poor initiative will have a calculable cash value at local prices. Be careful not to double count anything reported in another category.) ▪ Report where the provision of a new road or telecommunications enables the development of a new SME business or further employment.
<p>Changes in environmental conditions including air and water quality and solid waste management.</p>	<ul style="list-style-type: none"> ▪ Increase or decrease in air quality standards ▪ Increase or decrease in water quality standards and the availability of water ▪ Increase or decrease in the solid waste management practices of the community
<p>Negative changes in the local community's values and traditions.</p>	<ul style="list-style-type: none"> ▪ Based on baseline information and participation by local communities and experts in unification of negative changes in values and lifestyles.

Positive changes in local traditions and lifestyles	<ul style="list-style-type: none"> ▪ Increase in local handicraft production ▪ Increase in local performances
Negative impacts on cultural and natural resources	<ul style="list-style-type: none"> ▪ Through the monitoring of natural cultural resources experts can identify negative impacts on cultural natural resources.

At the Expert Group Meeting on Measuring and Assessing the Impact of Tourism Initiatives on Poverty Alleviation held in Bangkok from October 4-5, 2004 a series of indicators were developed and are presented in Appendix 2.

3.6 Collecting and Analyzing Data

Once there is agreement on indicators there has to be an accepted means of collecting and analyzing the information. In order to do so following steps must be undertaken

- Compare the well-being of the poor before and after tourism development, baseline studies must be undertaken on agreed to indicators.
- Collect baseline data on the existing situation of the community/the poor/destination before tourism activities begin.
- There must be a determination of what specific databases and baseline information is to be collected depending on the specific community and destination.

There is no single method to gather all the information required to serve the evaluation process. Integrating participatory, qualitative and quantitative methods is seen as the best approach to collect relevant information using participatory, qualitative and quantitative methods.

There are a number of difficulties in using various measurement tools including:

- Assessing the impact of tourism versus other forces and policy improvements being instituted in a particular destination or region.
- The financial, training, administrative resources for collecting data.
- Identifying indicators that can be used for regional planning & development
- The availability, reliability and quality of data.

3.7 Using the Data

Once the data has been collected it is essential that the relevant stakeholders are in a position to use the data in order to learn from the experience gained and to improve pro poor tourism actions in the future. The feedback may consist of findings, conclusions, recommendations and lessons. A systematic feeding of monitoring data into a decision-making process is necessary to ensure tourism is being developed in a direction that generates benefits to the poor. Without this systematic feeding of information to keep stakeholders there can be no assurance that pro poor tourism practice will of old and improve.

Within the feedback process there needs to be an opportunity to develop mitigation measures that can be used to modify existing policies/plans or to develop new ones to

ensure tourism creates maximum positive impacts and minimum negative impacts on the poor.

4. CONCLUSIONS AND RECOMMENDATIONS

This paper has identified the impacts of tourism development on poverty alleviation and some of the policy interventions that can be considered as part of the planning and management process, who the stakeholders are, and some of the major barriers that exist to using tourism as an effective tool for poverty alleviation. It is clear that for tourism to become an effective poverty tool there needs to be a paradigm shift in the way that we think about tourism and the nature of the policies, plans and practices that are used in order to ensure the poor profit from the tourism development process.

This paper has also identified the process that could be used to assess impacts, issues in measurement and provided a set of impacts that can be measured and the means (indicators) for measuring them. It is important that a monitoring system that takes into account the capacity of various stakeholders is developed in order that policy makers can be in a position to determine the following

- What plans and programs have been successful?
- What made them successful?
- What are the essential lessons?
- What can be replicated?

The hope is that with this level of information there can be a much more effective process of poverty reduction using tourism development as a major tool.

4.2 Conclusions

The discussion in the paper as well as the experts meeting identified a number of conclusions that are essential in better understanding the relationship between tourism development and poverty reduction. Some of these conclusions include:

- The need for a high degree of public participation in tourism planning and management process.
- The importance of the commitment and quality of the community leadership.
- The importance of the community being aware of the positive and negative impacts from tourism.
- The importance of creating and maintaining the enthusiasm of a community in order to achieve success in poverty reduction.
- The essential role of self help in achieving success.
- The integral role of partnerships and cooperatives in achieving pro poor tourism objectives.
- The need to network with other committee based organizations.
- The need to receive support from various organizations (i.e. national & local government, academic and international organizations).
- The requirement that government plans and policies support tourism community development projects.
- The need to carefully consider the non-monetary benefits of tourism.
- Understanding that monitoring indicators must be developed based on who the user is.
- Gradual development is key to achieving successful community-based pro poor tourism. In fact, there is no evidence that significant investment in

infrastructure or other dimensions of community development are keys to success.

- The need to move beyond simple indicators to better understand the consequences of tourism development on the welfare of the poor. (This conclusion is further discussed in the Recommendations subsection as well as in Appendix 3.

4.3 Recommendations

The paper and the experts meeting have identified a number of knowledge management and development steps that must be explored in order to ensure a better understanding of pro poor tourism and how to measure its impacts. The steps include:

The Documentation and Development of Good Practices

- The development of a standard format for case studies
- The identification of good documentation examples
- The implementation of documentation projects
- The distribution of outputs of this documentation process

Potential Areas for Knowledge Development

Potential areas include:

- The need to develop a definition of the poor that can be positively impacted by tourism development. It is recognized that it will be very difficult to reach the poorest of the poor using many of the tourism interventions that have been discussed. This issue must be further explored in order to be able to conclusively determine the role of tourism in reducing poverty amongst the poorest of any society.
- The need to better understand the development and operation of pro poor micro, small and medium size tourism enterprises.
- The need to develop tourism policies and practices that ensure the equitable distribution of tourism benefits to the poor.
- The urgent need to work with urban poverty specialists who are concentrating on how governments, nongovernmental organizations and aid agencies can use tourism as an important tool in helping to improve the conditions of the poor living in urban areas. This is especially important given the growth patterns in many Asian countries.
- The need to establish a network on PPT to exchange information and knowledge
- The development of pro poor marketing techniques
- Approaches for developing pro poor products
- The design of different tourism stakeholder management and involvement structures
- Site management skills
- How to develop pro poor visitor management plans
- The development of impact assessment techniques stressing life cycle concerns
- Defining the role of women in pro poor tourism
- How to understand the role of various actors in pro poor tourism
- How to hold fundraising initiatives to help in the development of pro poor tourism products

- How to develop and implement tax incentives to support pro poor tourism initiatives.

Economic Research Program

It is recognized that in the initial stages of development simple and straightforward indicators must be developed and implemented. Given the level of sophistication of many of the member economies this will be a considerable task. However, in order to ensure a more sophisticated and reliable means of reporting of the impacts of tourism it is recommended that research and demonstration projects be developed to explore moving from more easily identify indicators to ones that are based on sound economic principles and concepts.

The research program would address some of the methodological shortcomings of efforts to capture tourism development impacts on poverty through easy-to-collect indicators. The research program would address three promising approaches to gaining a clearer understanding of tourism/poverty linkages. While each of these approaches would add considerable complexity to the task of tracking the poverty impact of tourism development as compared with single variable based indicators, they could offer far more reliable and convincing evidence of tourism development's net effect on poverty. This is because the more complex approaches have a greater capacity to address problems of attribution, the influence confounding factors, and are better suited for measuring both direct and indirect effects of tourism growth. We noted that the task of researchers interesting in pursuing work using one of the approaches outlined can generally benefit from use of existing modeling and data collection efforts, which can reduce the researcher's task to one of adapting existing models or data to consider issues of tourism and poverty. In virtually all the countries of Asia, there are economists and other social science researcher working in universities or specialized government research institutions that have expertise in the three approaches discussed. Accordingly, as a next step toward developing our understanding and measurement of tourism/poverty relations, we would recommend that researchers or policymakers interested in looking into the development of more complex analyses of tourism-poverty linkages begin by identifying existing in-country experts and building working relationships with them to pursue work in this area.

The nature of the research program that would support this type of development is further explored in Appendix 3.

APPENDIX 1:

Policy and planning interventions that were developed at the Expert Group Meeting on Measuring and Assessing the Impact of Tourism Initiatives on Poverty Alleviation Held in Bangkok from October 4-5, 2004

1. Common Interventions

Economic

- Integration of tourism related poverty projects into a larger set of local or regional planning and management policies and objectives.
- Country policies regarding fund mobilization and investment.
- Targeted regional development strategies for directing government and aid agency financial and technical assistance.
- Provision of subsidy/low interest loan programs to facilitate and support pro poor tourism i.e. the creation of small and medium-size enterprises.
- Tax exemptions for investments and donations.
- Market research and product development assistance to small and medium-size enterprises.
- Creation of SME banks for pro poor tourism activities.
- Overall marketing and promotion assistance and advice.
- Encouraging private business organizations to support the implementation of pro poor tourism development.
- Encouraging governments to work with all tourism stakeholders to lessen leakages that occur from tourism development.
- Creative use of non-tourism related existing governmental or projects (e.g. rural development funds, non-tourism related training funds, infrastructure projects etc.)
- Quality control for local products, services and delivery e.g. creation of pro poor tourism certification
- Promotional plans and programs e.g. launching a pro poor tourism year and provision of information on pro poor tourism activities.

Social

- Assistance in developing participatory approaches.
- the development of community involvement and awareness in tourism management
- Raising the awareness of various levels of government to support pro poor tourism.
- Technical aid in the form of planning and management advice and assistance on tourism planning and management, marketing, promotion and product development.
- Training in English, vocational and life skills by governments, the private sector, educational institutes, NGOs in order to facilitate the participation of the poor in the tourism sector.
- Provision of basic infrastructure and tourism facilities to support pro poor tourism development
- The mobilization of NGOs and the media in order to ensure that they actively support pro poor tourism initiatives.

2. Specific Interventions for Urban PPT

Economic

- Domestic input requirement in terms of local products and labor.
- Integration of arts and crafts into hotels and other tourism facilities.
- The creation of specific taxes that can be used for encouraging pro poor tourism development.
- Encouraging or requiring that hotels meet certain pro poor tourism criteria by hotel as part of a certification system i.e. % of employees who are poor.
- Developing a system where tourists are aware of facilities that use local products.

Social

- Provision of effective interpretation program to promote pro poor tourism activities.
- Private sector corporation through the use of:
 - Awareness raising
 - Tax incentives/funding
 - Pro poor tourism project awards
 - The identification of businesses that is willing to participate in PPT.
 - Direct contribution to the poor i.e. recyclable products, donation boxes etc.

3. Specific Interventions for Rural PPT

Economic

- Working directly with individuals or community groups in the development of tourism products that directly benefit the poor
- Linking with community development organizations and efforts as a way of maximizing the opportunities provided by a non tourism related development project.
- Upgrading the quality of local products through a certification program managed by government or a non governmental entity.
- Using existing delivery platforms for poverty reduction i.e. training programs.
- Introduce micro credit programs.
- Linking pro poor tourism projects in a circuit.

Social

- Identifying poor activist who can lead their communities in pro poor tourism development.
- Strengthen local empowerment.
- The provision of capacity building programs.
- Introducing cultural promotional program

Environment

- Investment in the improvement and conservation of natural and cultural environments.
- The establishment of monitoring program for assessing tourism impacts on natural, heritage and local resources.

APPENDIX 2:

Indicators that were developed at the Expert Group Meeting on Measuring and Assessing the Impact of Tourism Initiatives on Poverty Alleviation Held in Bangkok from October 4-5, 2004

1. Common Indicators for Urban and Rural Pro Poor Tourism

Economic

- % of employed poor people in tourism related enterprises/initiatives
- Number and type of jobs created by tourism activities
 - High and low seasons
 - Full-time and part time employment
- Diversification of jobs
- Number of businesses related to tourism started by the poor e.g. vendors, OTOP, community cooperatives and local services
- Amount of sales for community products
- Expenditure patterns of people employed in tourism
- Cost of food and consumer goods before and after tourism development
- Electricity consumption per capita before and after tourism development
- Income distribution within the community before and after
- % leakage in terms of accommodation, food and transportation
- Debt per capita before and after tourism development
- Land prices before and after tourism development

Social

- Human capital i.e. improvement in language or learning on traditional performance due to tourism influence
- % increased or decreased of crime
- Improved access to public infrastructure
- Improved access to social services/facilities
- Improved access to market by the poor
- Improved to land
- Number of local people with tourism related training
- Education levels of residents

Environmental

- Solid waste generation from tourism activities
- Level of wastewater pollution
- Level of air pollution from tour buses and vehicles
- Increased or decreased traffic problem

2. Specific Indicators for Urban PPT

Economic

- Number of initiatives between industry and the poor
- Tourism tax revenue
- Increase or decrease of purchases from local producers by the tourism industry
- % of the use of local products used in tourism enterprises
- Direct partnership by hotels
 - Donation of goods/recyclables

- % of services outsourced to local/ the poor
- Level of income security
- Land and housing prices

Social

- Level of safety and security

3. Specific Indicators for Rural PPT

Economic

- Income from alternative tourism programs operated by the poor/local
- Income level of the poor engaged in tourism business (before and after)
- Fair distribution of the proceeds from tourism development
- Number of locally and foreign owned tourism businesses.
- Revenue from pro poor tourism

Social

- Number of local people/the poor involved in program design and tourism planning and management
- Level of the poor's participation in the decision-making process
- Changes in community social structure
- Changes in local values and customs
- Changes in the behavior of the community
- Changes in local housing styles
- Changes in land ownership (non-resident/resident)
- Effectiveness of partnerships between central & local government, community and others.
- Level of community satisfaction with tourism
- Public conflict over pro poor tourism development

Environmental

- % species loss and change due to tourism activities
- Condition and level of damage to local attractions (either natural or heritage)
- Water quality

Visitor

- Needs, preferences and interests of visitors
- Perception of visitors in destination image
- Satisfaction levels with attractions, facilities and services at the community

APPENDIX 3:

The development of a research program to develop sophisticated reporting and modeling approaches to better understand tourism poverty linkages

Introduction

Simple indicators of tourism development impact on the poor can provide valuable insight to policymakers and heighten attention to this vital issue in tourism dependent economies. The list of indicators discussed in this report holds considerable promise in terms of providing practical measures of tourism development and its poverty effects. Although simple indicators tend to rely on loose causal connections between tourism developments and poverty outcomes—qualitatively bridging developments in the tourism sector and changes in the welfare of the poor—they provide a practical way of tracking changes in the incidence or depth of poverty associated with growth of tourism. The approach can also be justified as being consistent with the general approach embraced in the Millennium Development Goals.

Yet, as we work to develop and implement easy to collect impact measures, the shortcomings of such efforts to directly track tourism development and poverty linkages should be noted as well as the need for more sophisticated modeling approaches to better understand tourism-poverty linkages. In particular, more complex approaches are needed to capture indirect effects—as well as the direct effects—of tourism growth on the poor. Because tourism industry development tends to involve many sectors and brings about numerous changes in economies and societies, it can influence the welfare of the poor a variety of ways. This makes it important that efforts be initiated to enable assessment of the overall effect of tourism development on the poor (i.e., taking into account both the favorable and unfavorable effects of such development).

Efforts to link developments in the tourism sector to changes in poverty face a number of common problems that can be addressed through use of more advanced analysis or modeling techniques. First, identifying the poor objectively is difficult. Established definitions of poverty usually rely on poverty lines based on the expenditure required for an individual to purchase a basket of goods necessary to maintain a bare standard of living. Unfortunately, measuring individual or family expenditure is a laborious, time consuming, and costly process that usually requires the effort of National Statistical Offices (NSOs). Direct questioning of individuals and families about their economic situation are unreliable due to incentives for misrepresentation and subjectivity of poverty criteria in the absence of a clearly defined poverty line. Although there are simpler techniques based on identification of proxies for poverty status that show promise in applied analysis, these too rely on analysis of the full consumption and expenditure (C&E) survey for validation. This places a premium on poverty measures generated by NSOs. Second, attribution of changes in poverty to developments in the tourism sector over time is made difficult by the common presence of confounding factors (i.e., other coincident changes that also effect poverty and tourism sector outcomes). Different approaches of more complex examinations of tourism-poverty linkages address problems of attribution and the control of confounding factors in distinct ways, as we briefly discuss below.

Broad Options for Deeper Examination of Tourism-Poverty Linkages

Some fields of economics (namely, the fields of development and labor economics) and have long focused on the study of less developed economies and poverty, have developed a number of approaches to gain insight into the effect of growth of different sectors of an economy on the poor. While much of the existing work has focused on the role of agricultural sector development on growth and the distribution of wealth in poorer countries, the analytical techniques and models developed hold promise in terms of their adaptation to consider tourism development and poverty linkages. For purposes of exposition, we divide these analytical approaches and models into three groups, which will be referred to as: 1) ex post impact assessment studies, 2) econometric analysis of expenditure and income survey data, and 3) applied general equilibrium models. These approaches can be understood as providing different ways linking developments in tourism and developments in poverty.

A. Ex post impact assessment or evaluation studies

Evaluation studies examining tourism development initiatives can measure the impact of initiative on the poor and provide strong evidence regarding tourism-poverty linkages. Evaluation studies follow the experimental methodology of physical science research, which has been adapted and widely applied by various social science disciplines (i.e., it is not an approach particular to economics). Data collection to support evaluations must be planned prior to the start of the tourism development initiative and must track economic outcomes of households in the project area (i.e., where the development initiative is implemented—this group is usually referred to as the ‘treatment group’), and for households in an area that is not affected by the initiative but that is otherwise similar (a.k.a. the ‘control group’). One obstacle faced in evaluation studies intended to gauge the effect of a project on poverty is proper identification of the poor initially and correct tracking of changes in poverty status. Generally, geographic targeting based on available poverty estimates or income or asset survey approaches offer the best options for identifying and tracking the economic performance of the poor in evaluation studies.

By comparing economic outcomes among the poor in the treatment group with outcomes among the poor in the control group, evaluation studies can yield strong conclusions about the impact of a tourism development initiative on poverty for a particular tourism development project or program. Problems of attribution are solved through matching of treatment and control group characteristics, and any difference in economic outcomes over time can be attributed to the project/program (to the extent these two groups have identical characteristics aside from their participation in the project/program). Similarly, the problem of confounding factors is addressed by the matching of control and treatment group characteristics, and when there are changes or shocks to one group—besides the project/program being evaluated—multivariate regression techniques can be used to account for differences in the outcomes across the groups resulting from such changes so that the treatment effect can still be isolated. While evaluation study findings are generally limited to the particular project or program under study, the results from individual evaluations can be generalized to arrive at broader conclusions about tourism-poverty linkages.

B. Econometric Analysis

Econometric analysis of household C&E and income (or living standard measurement survey—LSMS) data that characterize household poverty status can provide valuable

insights into the effect of tourism development on poverty when data from the hundreds of questions typically asked in these surveys enables identification of households involved in tourism related economic activities. The strength of the approach rests upon its use of large-scale household expenditure and income surveys (or LSMS) and the broad range of household characteristics tracked in the data. As mentioned above, objective measurement of individual poverty status is difficult for several reasons (e.g., incentives for misrepresentation, detailed data required, etc.). Extensive research has shown surveys that rely on lengthy questionnaires that ask individuals (or households) about their consumption and expenditure behavior (as opposed to asking the individual about their sources of income) provide much more reliable estimates of total income than alternatives. To reduce measurement error, these surveys need to be carried out several times over the course of a year for each individual surveyed (to reduce inaccuracy due to poor recollection). Some countries have tracked the same households over time in successive years of surveys, which is particularly useful in enabling examination of poverty dynamics and sector change in the economy.

Unfortunately, the time and resources required for collecting valid expenditure and poverty measures generally makes collecting such information in the context of special studies of tourism and poverty infeasible. This makes analysis of such data periodically collected by NSOs in developing countries in Asia uniquely valuable data in efforts to study poverty in developing countries. The World Bank has led an international effort to encourage NSOs to conduct national C&E or LSMS surveys at least once every 3 to 5 years, and many of the developing countries in Asia have carried out more than one of these surveys during the past decade and made the individual/household data from these available to researchers.²

C&E and LSM surveys are designed to enable measurement of household expenditures and poverty status, but also collect information on the sectors from which households and individuals derive their income. Considerable information is generally collected about the main economic activities of households (e.g., their labor allocation and farming activities), but the information usually collected regarding tourism-related activities is generally scarce. This makes the task of identifying survey respondents that depend upon tourism-related activities for their livelihood difficult. Nonetheless, such individuals can be identified through their employment characteristics (e.g., occupation, sector of employment) and their involvement with tourism-related household enterprises. Once identified, multivariate statistical techniques can be applied to answer several questions of crucial importance in determining the 'pro-poorness' of tourism sector growth. For example: 1) what has been the contribution of tourism sector growth to changes in aggregate poverty incidence, 2) whether the poor tend to find employment in tourism-related enterprises, and 3) how the economic performance (and poverty status) of individuals deriving income from tourism employment or enterprise ownership compares to the performance of workers and enterprise owners in other sector.

² For a review of available data in particular Asian countries see: Asian Development Bank (2001). *Handbook for Integrating Poverty Impact Assessment in the Economic Analysis of Projects* (Appendix 3, pages 45 to 66), which can be downloaded for free through the World Wide Web at: http://www.adb.org/Documents/Handbooks/PIA_Eco_Analysis/default.asp. For the most up-to-date information on the availability of C&E and LSMS data, see the World Bank's website: <http://www.worldbank.org/lms/guide/select.html>.

C. Simulation modeling

One major shortcoming of direct measurement of indicators that loosely link developments in tourism to poverty is that these tend to focus on direct linkages and to neglect the indirect or secondary effects of tourism development on the poor. For example, while the number of small family owned enterprises that provide goods or services to tourists appears to be a good measure of pro-poor tourism potential and provides a proxy for possible participation by poor households in tourism, such simple measure reveals little about the broader influence of local tourism development on the poor (e.g., it reveals little about the effect of tourism development on other employment opportunities or the local cost of living). Another example: consider the number of low skilled jobs created by growth in hotels in a poor area. This also appears to be a promising proxy for pro-poor tourism because the poor seem likely to obtain some of these jobs (depending upon the existing level of unemployment and the share of the population that is poor). However, the increased employment of low skilled workers from poor households can bring other benefits (commonly referred to as multiplier effects) to the poor community through the added wealth and expenditures enabled by the wage income of newly employed workers in the hotels. So a simple single-variable-based measure cannot provide insight into possible multiplier effects of tourism development or the overall net effect of such development on the local economy and on the economic well being of less fortunate households in the community. To capture multiplier effects and the full repercussions of growth of a particular economic sector on the overall economy, economists generally rely on economy wide simulation models.

Economy wide simulation models vary in complexity and coverage. We will explain this point briefly and in as non-technical manner as possible. Input-output (I-O) tables represent perhaps the simplest economy wide models characterizing linkages between productive sectors of the economy. These linkages are captured in a simple two-dimensional table because production technology is assumed to require fixed ratios of inputs from other sectors to produce a unit of output. Analysis of I-O tables can reveal insights into the sectors most likely to grow along with growth in tourism due to their production linkages (or, conversely, the likely impact of growth in other sectors on tourism), but cannot directly address issues of poverty impact of sector growth.

Social Accounting Matrices (SAMs) are expansions of I-O tables that add to information about financial flows between productive sectors by characterizing flows between factor markets, households, enterprise and government accounts, and overseas trade while maintaining to simplifying assumption of fixed coefficients in describing linkages between sectors, factors, households, etc. Like I-O tables that represent the production relations between different sectors of an economy as a close system, SAMs capture a fuller range of economic interactions as a closed system. If one is able to identify tourism-related sectors among the sectors captured in the SAM and the poor in the economy (either through a labor class—for example, unskilled labor—or a category of households), then the model can be used to assess the overall impact of a particular sector's growth (or decline) on the economic welfare of the poor.

Although SAM's offer the simplest characterization of an economy (due to the model's simplifying assumptions), their construction is nonetheless very data intensive as information from National Accounts and the various economic surveys upon which National Accounts are based must be used to estimate the linkages between sectors, financial flows to different types of labor and capital, sources of income and destinations of expenditure of different categories of households, etcetera. Fortunately, nearly all the countries in Asia have developed I-O tables and SAMs, so the researcher's task in applying these models to consider the poverty impact of tourism rests in insuring models are up to date and adequately capture both tourism-related sectors and poor workers or households in their accounts. It warrants mention that Tourism Satellite Accounts (TSAs) are closest to I-O tables and are models that take considerable efforts to carefully capture the linkages between tourism related activities and other productive sectors. TSAs must be expanded to cover factors, households, and the other accounts typically covered in SAMs in order to be directly applied to study poverty impacts. Even in cases where TSAs are limited to characterization of production linkages, their analysis they can nonetheless be very useful in characterizing the complex multi-sector nature of the tourism sector when efforts are underway to apply a SAM model to consider the poverty effect of tourism growth.

Economists often relax I-O/SAM model assumptions that linkages between accounts are characterized by fixed coefficients (which for reasons we will not explain here, violates basic precepts of microeconomic behavior) and develop Computable General Equilibrium (CGE) models. The empirical basis of CGE models is similar to that of SAMs, but the complexity (i.e., number of parameters are required) of the model is much greater. For the purposes of this brief exposition, it is sufficient to note that CGE models provide the recommended approach for examining the overall effect of growth of particular sectors or other shocks to an economy on the macroeconomy and its many sectors and agents. SAMs have the advantage of greater simplicity, which makes it easier to discern the pathways through which the poor are effected from tourism growth, but CGE model simulations generally provide more realistic (although still far from precise) results regarding the likely effect of growth or other shocks—particularly if substantial growth or large shocks are considered—than simulations carried out using a SAM model. As was the case with the SAM models, in order to be useful in considering the poverty effects of tourism growth, CGE models must include productive sectors sufficiently disaggregated to enable identification of tourism-related sectors and categories of labor or households adequate for identifying (albeit loosely) poor households in the economy. Again, researchers seeking to apply CGE models to consider issues of poverty and tourism can generally rely on existing CGE models that have been developed for most economies in the Asia region.

Because the simulation models outlined above provide complete characterizations of the economy, once a validated and calibrated model is available, problems of attribution and confounding factors are addressed directly through the defined causal linkages between accounts incorporated into the model. The models' formulations give structure to the various confounding factors and define how these effect outcomes of interest. Of course, in practice models are imperfect and can reflect invalid assumptions or parameters, and can be influenced by factors not captured in

models. Such shortcomings should be considered in evaluating simulation results and model results should be interpreted with a clear recognition of their inherent imprecision.