UNITED NATIONS
UNCTAD

Speaking points for
Supachai Panitchpakdi
Secretary-General of UNCTAD

ITC World Export Development Forum (WEDF) at UNLDC IV:

"Private Sector Engagement with LDCs for Tourism-led Growth and Inclusive Sustainable Development"

Istanbul, 10 May 2011

AS PREPARED FOR DELIVERY

Excellencies,
Distinguished delegates,
Ladies and Gentlemen,

I would first of all like to thank you for giving me the opportunity to speak at this meeting. The World Export Development Forum this year focuses our attention on the engagement of the private sector in LDCs and, in particular, on the tourism sector, a $3 billion-a-day global business. The worldwide contribution of tourism to gross domestic product (GDP) exceeds 5 per cent and its annual turnover has been growing at a faster pace than GDP. Tourism could therefore make an important contribution to broad-based economic growth in LDCs, generating increased income, foreign exchange earnings, economic diversification and employment.

Despite having been hard-hit by the recent economic and financial crisis, the tourism sector continues to be among the most dynamic in the world economy. Demand for tourism services fell abruptly in mid-2008, and from mid-2008 to mid-2009, all regions, with the exception of Africa, recorded declines in international arrivals. Overall, international arrivals in 2009 fell to 880 million, down by 4 per cent from 2008.

However, the UN World Tourism Organization (UNWTO) has reported that tourism returned to growth in the last quarter of 2009 and that growth continued in 2010. In part, this recovery can be credited to measures – be they fiscal, monetary or marketing support to the tourism sector – that many countries implemented to stimulate their economies and restore growth. The UNWTO forecasts that growth in the tourism sector is expected to continue in 2011 but at a slower pace, with international tourist arrivals predicted to grow between 4 and 5 per cent - a rate slightly above the long-term average.

That is the situation globally, but what about in the LDCs? Tourism is already the main source of foreign exchange for half of LDCs, where it can account for up to 40 per cent of GDP. International tourism is among the top three foreign exchange earners for as many as 23 of the 49 of the LDCs. For 7 LDCs it is their single largest revenue earner, inducing significant income-multiplier effects. By boosting per capita income, tourism has been a decisive factor supporting graduation from LDC status for countries such as Cape Verde, Maldives and Samoa. Two other small island LDCs (Tuvalu and Vanuatu) are also regarded as potential graduation cases in the light of progress that has been, to a large extent, fuelled by tourism growth.

Growth supported by the development of tourism can occur at an impressive pace: in the United Republic of Tanzania, where gross tourism receipts accounted for less than 10 per cent of total export earnings in the mid-1980s, by the middle of the current decade it has risen to become the country's top export earner outperforming other services categories and accounting for over 35 per cent of total goods and services exports. The development of tourism has been identified as an important factor in at least 10 LDCs reaching the graduation thresholds over the next decade, and tourism can be singled out as a distinct "graduation factor" in at least three LDCs.

Tourism offers many opportunities for income and employment generation in local communities, in particular, through linkages to the local economy. Among other things, these include infrastructure services such as energy, telecommunications and environmental services, and a range of linkages with sectors supplying services consumed by tourists, such as retail, recreational, cultural, hospitality and health services. However, these linkages may not emerge automatically and will require government support and intervention to ensure that the benefits of tourism and of any foreign investment in the sector achieve their maximum development impact.

Currently, in a number of LDCs and other countries with limited economic diversification, including Small Island Developing States (SIDS) the majority of revenues from tourism do not go to local operators but to foreign firms. For example, in Gambia and the Lao People's Democratic Republic studies have found large shares of tourists' expenditures are absorbed by international tour operators, foreign airline companies and foreign-owned hotels and restaurants. Value chain analyses indicate that the pro-poor share of tourism expenditures (i.e. that which goes to the local poor population) was only 14 % in Gambia and 27 % in Lao PDR. Whilst foreign investment and presence in the tourism sector can bring valuable benefits, in terms of employment, knowledge, training and human resource upgrading, careful attention needs to be paid by policymakers as to how to increase the pro-poor impacts of tourism expenditures.

Furthermore, policymakers must also consider the environmental impacts of tourism. Pressures on land use as well as waste generation can become significant problems for some LDCs, especially remote island communities. This is also true for the high levels of water and energy use which the tourism industry is known for. Such use may exceed local sustainable limits and displace other economic and social uses of limited water and energy supplies. Again, strong regulatory and government support will be required to ensure tourism develops in a sustainable manner, consistent with local needs.

Ladies and Gentlemen,

UNCTAD's Least Developed Countries Report 2010 suggested that a greater role for the State is essential for building productive capacity, for example in the tourism sector, as well as mobilizing domestic resources for investment. In this context, the State has an important role to play in guiding, coordinating and stimulating the private sector towards investment in national productive capacity. In the case of the tourism sector, as I have mentioned, ensuring that linkages are built, for example between a foreign company and local suppliers will help increase production, and hence employment and income. There are also a number of other areas that I would like to briefly highlight here, where the State could play an instrumental role in boosting the success of the private sector and attracting more private sector involvement:

1. The absence of competitive markets in LDCs can greatly hinder the development of linkages to the tourism sector. For instance, the presence of monopolies in the telecommunications or energy sector can result in high prices, poor quality and erratic delivery. Lack of competition in the financial services sector can also lead to high credit costs that raise investment costs for local tourism service providers. Equally, the absence of a competitive airline sector or domestic transport sector raises airfares and domestic travel costs.

2. Designing strategies to boost the bargaining power of smaller or domestically-owned airlines, tour operators and hotels in terms of their negotiations with larger foreign tour operators and travel agencies is aimed at strengthening their bargaining position and hence keeping more of the benefits of investment in the tourism sector in the country. Also, collaboration between competition authorities of both origin and destination countries can be strengthened, especially in areas where anti-competitive actions by firms in origin countries bear on consumer welfare in the host countries.

3. The redesign of tourism products, or the specific market being target by countries, can also minimize the negative impacts of tourism operations and activities on environmental resources. For example ecotourism based on small-scale, community-led tourism operations, is now estimated to account for as much as 20 per cent of the

international tourism market, and some LDCs, such as Uganda and Nepal, are already active in the ecotourism market. Governments have a role to play in setting a favourable policy and regulatory environment for eco-tourism. But the private sector has also come to realize that community buy-in of eco-tourism operations is essential in ensuring the protection of natural resources, which most of these activities are based on.

4. Inadequate infrastructure remains one of the biggest impediments to developing the tourism sector, maximizing its benefits and minimizing its negative externalities. Private companies could be more involved in the provision of infrastructure, which should also benefit local communities. Attracting foreign direct investment (FDI) remains an important objective for the sector, particularly in LDCs where domestic resources are often limited, where there is a lack of managerial know-how in the sector and where connectivity with the network of international tour operators is generally weak. Investment promotion agencies (IPAs) can play an important role in attracting FDI into the tourism sector. Last year, UNCTAD published a report, entitled “Promoting Foreign Investment in Tourism”, which gave practical guidance to countries on how to target foreign investors in the tourism sector in support of national development goals.

Government policies could also examine how trade and immigration policy could be used to reduce barriers to tourism trade. National policies could ensure the beneficial participation of foreign investors and firms in national tourism markets. They can also encourage tourist arrivals from regional and global markets. Finally they could be particularly useful in promoting the transfer and dissemination of technology, including ICT and green technology (such as that relating to renewable energy sources, efficient use of water and waste water treatments), to the mutual advantage of producers and users of tourism products.

The mainstreaming of tourism into national development and economic policymaking through a comprehensive national tourism strategy should include the involvement of all stakeholders particularly the private sector. The National Services Policy Reviews undertaken by UNCTAD, such as for Nepal and Uganda, assist countries in developing an integrated and holistic approach to tourism development. Some policies may continue to assign a key role for Government in the provision of tourism-related infrastructure, the regulation of cultural and environmental protection, and the establishment of a trading environment which is tailored to facilitate the inflow of investors and tourists to national tourism markets.

International organisations are also committed to support States and the private sector through capacity building. Such activities are one of the steps towards local ownership of sustainable tourism development. One example involves UNCTAD and the ITC which have joined forces to strengthen capacities in the tourism sector of Benin. Thanks to a pilot project targeting three communities, Benin can now count on a pool of tourism officials, from the public and the private sector, knowledgeable of sustainable tourism concepts, having benefited from concrete technical assistance activities.

The private sector can also contribute in areas such as the improvement of tourism education or the upgrading of quality standards for the tourism sector. Tourism sector stakeholders should be better involved in decision-making processes which have a major impact on the industry, such as employment, planning, investment, transport and taxation.

The private sector has a key role to play in tourism development in the LDCs, through investment, and improving the competitiveness, quality and sustainability of tourism services. Together with strong involvement and guidance from the State, the linkages between private investments in the tourism sector and local services, manufacturing and agriculture sectors can be strengthened.

I wish you all the best for your deliberations over the next two days.

Thank you.