

# COASTAL TOURISM AND ECONOMIC INCLUSION IN INDIAN OCEAN RIM ASSOCIATION STATES

Christian M Rogerson, Alex Benkenstein & Nahashon Mwongera



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Cover image: A vendor leads a camel carrying two children along the beachfront in Mombasa, Kenya, on Thursday, 23 November 2017 © Luis Tato/Bloomberg via Getty Images



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## EXECUTIVE SUMMARY

The inclusiveness of tourism development is coming under close academic and policy scrutiny, including in policy debates within the Indian Ocean region through the Indian Ocean Rim Association (IORA). Coastal and marine tourism is recognised as a vital Blue Economy sector by IORA countries and in the IORA Action Plan 2017–2021. South Africa, which serves as IORA chair from 2017–2019, has been at the forefront of recent debates around economic inclusion and tourism.

The core focus of this study is to investigate the potential for expanded economic inclusion through promoting the participation of local entrepreneurs as small and medium-sized enterprises (SMEs) in the coastal and marine tourism sector in IORA states, thereby contributing to an equitable and sustainable Blue Economy in the region. The study involved desk-top research on coastal and marine tourism, with a particular focus on economic inclusion and SME development aligned with international 'good practice' in coastal tourism. The results were triangulated with a series of expert consultations with key stakeholders in South Africa and Kenya, the two countries used as case studies.

Coastal tourism is not a homogenous category. There are different forms of coastal tourism that service different market segments, each with varying potential for economic inclusion and SME development. Across IORA states the economy of coastal tourism is dominated by mass tourism involving the movement of large numbers of international tourists to often all-inclusive enclave beach resorts. This form of tourism is inimical to inclusive development, as local entrepreneurs are typically excluded from the benefits of the tourism value chain, which is dominated by powerful external (usually international) firms.

By contrast, other forms of coastal tourism have firmer and more secure entry points that enable local people (including marginalised groups such as women and youth) to participate in the globalised industry of tourism. The low-budget sector of international tourism and the markets offered by domestic and regional tourists are appropriate entry points for the start-up and growth of locally owned SMEs. Such forms of tourism are often neglected in tourism planning in favour of international tourists. Yet targeting the budget tourism sector can build on the skills of the local population, enhance self-reliance and develop the confidence of community members in dealing with outsiders, all of which are signs of empowerment.

Within the mass international tourism model the greatest opportunities for economic inclusion lie not in direct participation in the tourism sector but in opening up opportunities for SMEs to engage within the supply chains of coastal accommodation establishments, such as food inputs. Critical

intervention levers could be to improve market information, enhance suppliers' access to finance, and address infrastructural shortcomings. These include 'hard' (storage, transport logistics, access to water) and 'soft' infrastructure (improving the organisational capacity of farmers and establishing standards and guidelines to expand market access). Financial support is necessary but not sufficient, as coordinated interventions are needed to support local entrepreneurs in participating in local supply chains in coastal settings.

This discussion paper emphasises the need for improved data to monitor economic inclusion in coastal communities and strengthened research capacity to provide evidence-based analysis supporting improved planning for economic inclusion targeting marginalised groups.

South Africa, in partnership with other IORA members, should encourage engagement on the issue of inclusive coastal and marine tourism within IORA structures and programmes, including the IORA Academic Group, the Indian Ocean Rim Business Forum and the Working Group on Trade & Investment.

Finally, South Africa and other IORA members should ensure that issues related to economic inclusion are given prominence in the programme of the Core Group on Tourism and, in the longer term, within a Working Group on Tourism, should such a structure be established. This also relates to creating opportunities for peer learning between IORA member states, drawing from the challenges and successes experienced within specific national contexts relating to economic inclusion in coastal and marine tourism.

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## AUTHORS

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## INTRODUCTION: COASTAL TOURISM AND THE CHALLENGES OF ECONOMIC INCLUSION

In the face of growing global inequality there is mounting concern that the tourism sector can be ‘exclusive’ in its character, operations and impacts.<sup>1</sup> Hence, the inclusiveness of tourism development processes is increasingly coming under close academic and policy scrutiny. At the global level, inclusion is one of the core principles behind the UN Sustainable Development Goals agreed to in September 2015. The importance of tourism for transformative and inclusive growth was confirmed by the UN Conference on Trade and Development (UNCTAD) in its 2017 report on economic development in Africa.<sup>2</sup> While the precise definition of ‘economic inclusion’ in tourism is not uncontested,<sup>3</sup> Scheyvens and Biddulph note that it ‘can be understood as the involvement of marginalised or less powerful

- 1 Scheyvens R & R Biddulph, ‘Inclusive tourism development’, *Tourism Geographies*, 2017, pp. 1–2.
- 2 UNCTAD (UN Conference on Trade and Development), *Economic Development in Africa Report 2017: Tourism for Transformative and Inclusive Growth*. Geneva: UNCTAD, 2017.
- 3 Butler G & CM Rogerson, ‘Inclusive local tourism development in South Africa: Evidence from Dullstroom’, *Local Economy*, 31, 1-2, 2016, pp. 264–281.

groups in the production of tourism and the sharing of the benefits of tourism'.<sup>4</sup> South Africa has been at the forefront of recent debates around economic inclusion and tourism. In 2015 the country's minister of tourism declared that 'tourism is not only about the activity of tourism', rather 'it is about inclusive economic growth and the better life that it creates for those most in need'.<sup>5</sup>

This paper examines economic inclusion and coastal tourism in Indian Ocean Rim Association (IORA) member states. Within Blue Economy debates across these states tourism is viewed as a major employment sector, part of the economic diversification strategies of several states, and a source of valuable income for coastal communities. Coastal and marine tourism is specifically recognised as a vital Blue Economy sector by IORA member states, with the IORA Action Plan 2017–2021 isolating the theme of 'tourism and cultural exchanges' as one of its key priority areas.<sup>6</sup> The first IORA leaders' summit hosted by Indonesia in March 2017 was held under the theme 'Strengthening Maritime Cooperation for a Peaceful, Stable and Prosperous Indian Ocean'.<sup>7</sup> The resulting Jakarta Declaration on the Blue Economy, issued in May 2017, provides 26 recommendations as well as principles for developing and applying Blue Economy approaches to sustainable development and enhancement of socio-economic benefits, particularly for coastal communities in the region.<sup>8</sup> Women's economic empowerment is an ever more prominent theme in IORA and a specific focus on gender dimensions is therefore central to the broader discussion of economic inclusion in coastal tourism in IORA states.<sup>9</sup>

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- 4 Scheyvens R & R Biddulph, 'Tourism and inclusive development: Call for papers', TRINET (Tourism Research Information Network), 23 October 2015, [trinet-l@lists.hawaii.edu](mailto:trinet-l@lists.hawaii.edu), accessed 8 September 2018.
  - 5 South Africa, Department of Tourism, 'Speech delivered by the Minister of Tourism at the launch of the Tourism Incentives Programme', 10 March 2015, [www.tourism.gov.za/AboutNDT/Ministry/News/Pages/Hanekom\\_TIP.aspx](http://www.tourism.gov.za/AboutNDT/Ministry/News/Pages/Hanekom_TIP.aspx), accessed 8 September 2018.
  - 6 IORA (Indian Ocean Rim Association), 'Promoting coastal and marine tourism: Tourism and cultural exchanges', 10 May 2018, <http://www.iora.int/en/events-media-news/news-updates-folder/promoting-coastal-and-marine-tourism>, accessed 20 May 2018.
  - 7 Attri VN, 'Socio-economic development in IORA: Relevance of shared socio-economic pathways (SSPs) for climate change impact', *Journal of Indian Ocean Rim Studies*, 1, 1, 2017, pp. 107–137.
  - 8 tralac (Trade Law Centre), 'Declaration of the Indian Ocean Rim Association on the Blue Economy in the Indian Ocean region', 8 September 2015, <https://www.tralac.org/news/article/8036-declaration-of-the-indian-ocean-rim-association-on-enhancing-blue-economy-cooperation-for-sustainable-development-in-the-indian-ocean-region.html>, accessed 20 May 2018.
  - 9 Rimmer SH, 'The future of women's economic empowerment in the Indian Ocean region: Governance challenges and opportunities', *Journal of the Indian Ocean Region*, 13, 1, 2017, pp. 4–24; Kotze JS & N Bohler-Muller, "'Let's talk about sex": The state of gender in IORA for a future agenda', *Journal of the Indian Ocean Region*, 14, 2, 2018, pp. 130–151. Space limitations preclude a full discussion of tourism and women's economic empowerment. For a fuller exposition of IORA's engagement with women's economic empowerment, see IORA, 'Women's economic empowerment', <http://www.iora.net/en/priorities-focus-areas/womens-economic-empowerment>, accessed 12 September 2018.

This paper investigates the potential for expanded economic inclusion through the participation of small and medium-sized enterprises (SMEs) in the coastal and marine tourism sector of IORA states. It addresses, in particular, the specific commitment made in the IORA Action Plan to ‘Strengthen regional cooperation for the promotion of SMEs’, under the trade and investment facilitation priority area, in the context of efforts to contribute to an equitable and sustainable Blue Economy in the region.<sup>10</sup> The research project is anchored to the standard and generally accepted definitions of coastal and marine tourism. As clarified by Hall:<sup>11</sup>

The concept of coastal tourism embraces the full range of tourism, leisure, and recreationally oriented activities that take place in the coastal zone and the offshore coastal waters. These include coastal tourism development (accommodation, restaurants, food industry, and second homes), and the infrastructure supporting coastal development (eg, retail businesses, marinas and activity suppliers). Also included are tourism activities such as recreational boating, coast- and marine-based ecotourism, cruises, swimming, recreational fishing, snorkelling and diving. Marine tourism is closely related to the concept of coastal tourism but also includes ocean-based tourism such as deep-sea fishing and yacht cruising.

The major work undertaken for this report was Internet-mediated desk-top research on coastal and marine tourism with a focus on economic inclusion and SME development. The aim of the research was to identify critical scholarly debates in coastal and marine tourism and policy takeaways from international good practice concerning economic inclusion and SME development in coastal tourism, with a specific (albeit not exclusive) focus on the 21 IORA member states.

Key sources were leading journals in tourism, marine studies and Indian Ocean studies. Complementary information was mined from various international agencies engaged with tourism, most notably the UN World Tourism Organization (UNWTO), World Bank and UNCTAD. Useful additional material on IORA was secured at the third Tourism Experts Meeting for the Establishment of the IORA Core Group on Tourism held in Durban, May 2018.<sup>12</sup> Finally, the paper was informed by a series of expert consultations with key stakeholders in South Africa and Kenya.

Following the introductory section, the paper provides a profile of tourism in IORA states and offers a picture of the state of coastal and marine tourism. It then reviews

10 The terminology related to small enterprises varies widely. In South Africa this sub-sector is frequently referred to as small, medium and micro-sized enterprises (SMMEs), while in Kenya the term micro, small and medium-sized enterprises (MSMEs) is typically employed. This paper uses the term small and medium-sized enterprises (SMEs), which is most commonly employed in the international literature and also reflects the usage within IORA documentation.

11 Hall CM, ‘Trends in ocean and coastal tourism: The end of the last frontier?’, *Ocean & Coastal Management*, 44, 9-10, 2001, p. 602; see also B Garrod & S Gossling (eds), *New Frontiers in Marine Tourism: Diving Experiences, Sustainability, Management*. London: Routledge, 2008.

12 Attri VN, ‘The Role of Marine Tourism in IORA: The Pathways Ahead’, Paper presented at the third Tourism Experts Meeting for the Establishment of the IORA Core Group on Tourism, Durban, 6–8 May 2018.

the state of coastal tourism and economic inclusion, including the role of SMEs in the sector and the impact of coastal and marine tourism on marginalised groups in need of inclusion. The subsequent sections provide case studies of challenges and opportunities related to economic inclusion in the tourism sectors of South Africa and Kenya, after which the paper draws together policy lessons from insights on mainstreaming SMEs in marine and coastal tourism. Finally, it provides a summary of key report findings and makes recommendations about future pathways concerning coastal tourism and economic inclusion.

## COASTAL TOURISM AND THE IORA AGENDA

The contribution of certain components of the Blue Economy – fisheries, offshore oil and gas or aquaculture – can be measured with a relative degree of accuracy. By contrast, measuring the contribution of tourism and assessing its impact across countries is problematic for several reasons. The tourism sector does not fit standard industrial classifications; rather it is a diffuse industry that comprises interacting segments such as transportation (international and domestic), accommodation, intermediaries (such as tour operators and travel agents), catering services, retail (such as souvenirs) and local attractions and activities. In addition, differing definitions are applied in countries for classifying ‘tourists’ (day visitors as opposed to overnight visitors). Generally weak systems of data collection (particularly in countries of the Global South) result in unreliable or unavailable tourism data for many nations. With these caveats in mind, this section seeks to provide a profile of tourism in IORA states and offer a picture of the state of coastal tourism.

The UNWTO data is usually cited as a baseline for measuring international tourism and the relative contribution of tourism to gross domestic product (GDP). Table 1 provides a situation analysis of the state of tourism in IORA states using the most recent UNWTO data.<sup>13</sup> The UNWTO projects that the volume of international tourism is expected to increase worldwide by an average 3.3% a year from 2010 to 2030, which would result in 1.4 billion international tourists by 2020 and 1.8 billion by 2030.

Several points must be noted about Table 1. First, the UNWTO’s international tourism data relates to all destinations and not simply to coastal destinations. Second, the data reveals an extraordinary range in the number of international tourists and estimated tourism receipts across the 21 IORA states. The much higher ranking of Australia in receipts compared to total arrivals is indicative of the high average spend of that country’s cohort of international tourists as compared to, for example, that of Mozambique. Third, several IORA destinations have recently experienced considerable volatility in international tourism arrivals because of political instability, civil conflict or terrorism. Fourth, the accuracy of data on tourism’s contribution to GDP must be treated with caution as offering only the broadest sketch across the IORA states. Nonetheless, it shows that several countries (such as Seychelles, Mauritius, Thailand, Malaysia and Madagascar)

13 UNWTO (UN World Tourism Organization), *Tourism Highlights*. Madrid: UNWTO, 2017.

**TABLE 1 INTERNATIONAL TOURISM IN IORA COUNTRIES (IORA RANKING IN BRACKETS)**

COUNTRY	LENGTH OF COASTLINE IN KM	INTERNATIONAL TOURISM ARRIVALS 2016	INTERNATIONAL TOURISM RECEIPTS IN \$ MILLION	TRAVEL & TOURISM INDUSTRY % GDP	TRAVEL & TOURISM PROJECTED GDP ANNUAL GROWTH RATE, 2013–2022
Australia	25 760 (2)	8 263 (8)	32,423 (2)	2.6 (16)	3.4 (16=)
Bangladesh	580 (16)	125 (19)	175 (17)	2.1 (18)	6.1 (4=)
Comoros	340 (19)	24 (20)	40 (20)	No data	No data
India	7 000 (3)	14 569 (4)	22,427 (3)	2.0 (19)	6.4 (2)
Indonesia	54 716 (1)	9 963 (7)	11,349 (7)	3.1 (12)	5.3 (9)
Iran	3 180 (7)	4 942 (9)	3,868 (9)	2.2 (17)	5.7 (7)
Kenya	536 (17)	1 114 (14)	824 (14)	4.8 (7)	5.2 (10)
Madagascar	4 828 (4)	293 (18)	307 (16)	5.9 (5)	5.1 (11)
Malaysia	4 675 (5)	26 757 (2)	18,074 (6)	7.2 (4)	4.4 (12=)
Mauritius	177 (21)	1 275 (13)	1,572 (12)	11.3 (2)	4.4 (12=)
Mozambique	2 470 (10)	1 639 (12)	108 (18)	3.2 (11)	6.1 (4=)
Oman	2 092 (11)	1 897 (11)	1,540 (13)	3.0 (14)	5.4 (8)
Seychelles	491 (18)	303 (17)	414 (15)	21.2 (1)	4.3 (14)
Singapore	193 (20)	12 913 (5)	18,386 (5)	5.3 (6)	3.4 (16=)
Somalia	3 025 (8)	No data	No data	No data	No data
South Africa	2 881 (9)	10 044 (6)	7,910 (8)	3.0 (13)	3.9 (15)
Sri Lanka	1 340 (15)	2 051 (10)	3,518 (10)	3.9 (10)	6.1 (4=)
Tanzania	1 424 (14)	1 104 (15)	2,135 (11)	4.5 (8)	6.2 (3)
Thailand	3 219 (6)	32 588 (1)	49,871 (1)	9.0 (3)	6.7 (1)
United Arab Emirates	1 448 (13)	14 910 (3)	19,496 (4)	4.0 (9)	3.1 (18)
Yemen	1 906 (12)	367 (16)	100 (19)	2.9 (15)	2.4 (19)

Notes: For most countries arrivals and receipt data is for 2016 (but when unreported for 2016, the most recent available data is included), for India international tourism arrivals are increased by the inclusion of day visitors, which would not be classed as tourism in most countries.

Source: UNWTO (UN World Tourism Organization), 'Compendium of Tourism Statistics: Data 2012–2016', 2018, <http://statistics.unwto.org/content/compendium-tourism-statistics>, accessed 10 May 2018

record significant contributions of international tourism to GDP. In relative terms, the countries where international tourism contributes the smallest proportions of GDP are Iran, India, Bangladesh and most probably Somalia, for which no data is available. Fifth, the UNWTO data for future growth in terms of the contribution of international tourism to GDP points to the fastest growth potentially occurring in Thailand, India, Tanzania, Mozambique and Sri Lanka. By contrast, the more

mature international tourism destinations of Australia, South Africa, Singapore and the United Arab Emirates – as well as conflict-ridden Yemen – are projected to record the lowest rates of expanded contributions by international tourism to national GDP. Sixth, it is important to recognise that a substantial (but often unknown or unrecorded) proportion of this expanding economy of ‘international tourism’ is accounted for by regional tourism. Several studies stress the recent

### A substantial proportion of this expanding economy of ‘international tourism’ is accounted for by regional tourism

upsurge in intra-regional travel, particularly in Asia but also in sub-Saharan Africa.<sup>14</sup> Arguably, this growth in regional tourism and its impact on particular countries are ignored in analyses of international tourism figures. Across Asia the proliferation of budget airlines has massively boosted intra-regional flows of tourists, with the clearest examples that of Malaysia–Singapore–Indonesia. Seventh, the absence of international statistics makes it difficult to determine the share of coastal and marine tourism in global tourism or the precise contribution of coastal and marine tourism in IORA states.<sup>15</sup> Nevertheless, the critical economic importance and developmental potential of coastal tourism in several IORA states is well documented.<sup>16</sup> Finally, the significance of domestic tourism in coastal destinations is often overlooked. The conditions for economic inclusion in coastal and marine tourism communities is analysed in the next section.

## COASTAL TOURISM AND ECONOMIC INCLUSION

At the outset it is necessary to recognise there are various different forms of coastal tourism that service different market segments, with different ramifications for economic inclusion and SME development. Simply put, prospects for economic inclusion and SME development are not homogenous. Instead, they must be understood as differentiated variously between, for example, the impacts of coastal tourism focussed on international as opposed to regional or domestic tourists, of luxury high-end tourism versus budget forms of tourism, or between mass as opposed to alternative forms of tourism.

In recent years an exclusive focus on long-haul mass international tourism has been questioned, with many observers pointing to the considerable potential of

14 For example, Ghimire K (ed.), *The Native Tourist: Mass Tourism Within Developing Countries*. London: Earthscan, 2001; Cohen E & SA Cohen, ‘A mobilities approach to tourism from emerging world regions’, *Current Issues in Tourism*, 18, 1, 2015, pp. 11–43.

15 Dwyer L, ‘Emerging ocean industries: Implications for sustainable tourism development’, *Tourism in Marine Environments*, 13, 1, 2018, pp. 25–40.

16 Attri VN, 2018, *op. cit.*

the markets offered by regional and domestic tourists. The planning bias against domestic tourism is also closely linked ‘with the preoccupation of many governments to move tourism “upscale” and to maximise foreign exchange earnings’.<sup>17</sup> This said, on a global basis the economy of coastal and marine tourism ‘is dominated by mass tourism, involving the movement of large numbers of people on standardised packaged tour holidays’.<sup>18</sup> Within IORA states the best examples of such mass coastal tourism are found in ‘integrated’ beach tourism resorts in the coastal areas of Kenya, Thailand, Malaysia, Indonesia and Mauritius. Dwyer identifies several benefits from the growth in this form of coastal and marine tourism, which typically involves large groups of international tourists in search of a ‘sea, sun and sand’ destination (3S tourism).<sup>19</sup> Nevertheless, in the view of Scheyvens and Biddulph all-inclusive beach resorts represent exactly ‘the opposite of what we see as inclusive tourism’.<sup>20</sup> All-inclusive resorts catering to packaged international travel groups<sup>21</sup>

result in enclaves which are out of bounds to the local population, they limit opportunities for local entrepreneurs to benefit by selling goods and services to tourists, and they result in high levels of leakage to foreign hotel chains and travel agents.

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### Local suppliers and SMEs face significant barriers to meeting the standards set by hotels and are shut out from value chains associated with international tourism

As a result of consumers’ demand for quality and standards, the principal suppliers in tourism value chains are international hotel firms or tour operators ‘with sufficient power to govern the value chain’.<sup>22</sup> Local suppliers and SMEs face significant barriers to meeting the standards set by hotels and are shut out from value chains associated with international tourism. This also applies in open resorts, where local entrepreneurs should have more opportunities to access tourists.<sup>23</sup> As illustrated by the South African and Kenyan case studies, SMEs are also negatively

17 Scheyvens R, ‘Poor cousins no more: Valuing the development potential of domestic and diaspora tourism’, *Progress in Development Studies*, 7, 4, 2007, p. 307.

18 Dwyer L, ‘Coastal and marine tourism in the Indian Ocean Rim: Challenges and opportunities’, *Journal of Indian Ocean Rim Studies*, 1, 1, 2017, p. 41.

19 Dwyer L, ‘Globalisation of tourism: Drivers and outcomes’, *Tourism Recreation Research*, 40, 3, 2015, pp. 326–339.

20 Scheyvens R & R Biddulph, 2017, *op. cit.*, p. 2.

21 *Ibid.*, p. 2.

22 Hampton M & J Jeyacheya, *Tourism and Inclusive Growth in Small Island Developing Countries*. London: The Commonwealth Secretariat, 2013, p. 16.

23 Shaw BJ & G Shaw, ‘Sun, sand and sales: Enclave tourism and local entrepreneurship in Indonesia’, *Current Issues in Tourism*, 2, 1999, pp. 68–81.

affected by a lack of access to financial capital hindering their participation in such value chains, as well as a range of other constraints related to skills, capacity, market access and standards. Although the economic linkages arising from international tourism are often viewed as limited because larger and international suppliers capture the market, this is not always the case. Improved opportunities for local entrepreneurs arise particularly in destinations that diversify the tourism product from 3S to also include eco-tourism, adventure, culture, heritage and even culinary tourism products. These new initiatives can be viewed as ‘alternative’ or niche tourism products that, albeit smaller in scale than those offered by mass tourism all-inclusive resorts, offer promising avenues for SME development and thus enhance prospects for greater inclusion, especially of marginalised groups.

Arguably, under the mass tourism beach model usually associated with 3S international tourists, one of the most promising avenues for SME development arises from initiatives aimed at building supply chain linkages in order to extend food supplies to coastal hotels and other accommodation establishments, thereby expanding opportunities for local agricultural producers. Hence, the focus is on SMEs to capture the indirect as opposed to the direct benefits arising from tourism expansion or, as highlighted in South Africa’s tourism strategy, to develop opportunities across the tourism value chain. Initiatives to strengthen local value chains between tourism and agriculture are pursued in several countries so that small-scale farmers (who, in many cases, are from marginalised groups) can benefit from tourism development.<sup>24</sup> Some of the most innovative and successful pro-poor tourism initiatives for linking high-end accommodation establishments with local farmers are in the Caribbean. These projects expand the supply of local food products to offer distinctive local cuisine offerings alongside standardised ‘Western’ cuisine options.<sup>25</sup> Similar principles can be applied to securing a deeper engagement of local fishing communities to supply fresh seafood to coastal accommodation establishments.

Another variant of mass tourism that is conventionally linked to international tourism arrivals is the fast-growing economy of cruise tourism, which by definition focuses on coastal destinations. Cruise tourism is one of the most controversial components of international tourism, with some observers seeing it as possibly ‘the most difficult sector to target to improve the level of income that remains in the local economy’.<sup>26</sup> For its supporters, cruise tourism offers host destinations

24 Torres R & J Momsen, ‘Challenges and potential for linking tourism and agriculture to achieve pro-poor tourism objectives’, *Progress in Development Studies*, 4, 4, 2004, pp. 294–318; Pillay M & CM Rogerson, ‘Agriculture-tourism linkages and pro-poor impacts: The accommodation sector of coastal KwaZulu-Natal, South Africa’, *Applied Geography*, 36, 2013, pp. 49–58.

25 Thomas-Francois K, Van Massow M & M Joppe, ‘Service-oriented, sustainable, local food value-chain: A case study’, *Annals of Tourism Research*, 65, 2017, pp. 83–96; Thomas-Francois K, Joppe M & M van Massow, ‘Improving linkages through a service-oriented local farmers–hotel supply chain: An explanatory case in Grenada’, *Tourism Planning and Development*, 15, 4, 2018, pp. 398–418.

26 Hampton M & J Jeyacheya, 2013, *op. cit.*, p. 59.

the opportunity to participate in one of the most dynamic and fastest-growing elements of international tourism, as well as for upgrading existing infrastructure in destinations. Local economic benefits from the arrival of cruise ships can impact a range of onshore businesses, including small retail, catering, transport, ground handling and handicraft enterprises. However, a more 'responsible' cruise tourism sector is necessary to ensure sustainable development in host destinations, including opening up greater opportunities for local entrepreneurs.<sup>27</sup> The dominant business model of international cruise enterprises is directed at maximising on-board expenditures, often with minimal time in destinations. This approach reduces local expenditures and opportunities for local entrepreneurs. Although the data is contested, cruise passenger expenditure is far lower in both relative and absolute terms than that of international tourists who use local accommodation.<sup>28</sup> Overall, the all-inclusive cruise ship model of tourism, which is expanding in IORA states, is not creating sufficient local linkages because cruise ships provide most services on board.

By contrast, other variants of coastal tourism offer firmer and more secure entry points that enable local people to participate in the globalised tourism industry.<sup>29</sup>

### The low-budget sector of international tourism and domestic and regional tourists offer appropriate entry points for the start-up and growth of locally owned SMEs

The low-budget sector of international tourism and domestic and regional tourists, in particular, offer appropriate entry points for the start-up and growth of locally owned SMEs.<sup>30</sup> Scheyvens makes the important observation that governments<sup>31</sup>

interested in promoting poverty-alleviation through tourism need to recognise that people from poorer communities who do not have the skills, networks or resources to cater for higher-end tourists can often provide goods and services to lower-end tourists and they can do this by utilising local resources rather than needing outside capital.

In relation to international tourists, the youth or backpacker segment offers considerable opportunities. Across the coastal areas of Asia small-scale accommodation

27 Klein R, 'Responsible cruise tourism: Issues of cruise tourism sustainability', *Journal of Hospitality and Tourism Management*, 18, 1, 2011, pp. 107–116.

28 Hampton M & J Jeyacheya, 2013, *op. cit.*, p. 74.

29 Hampton M, 'Entry points for local tourism in developing countries: Evidence from Yogyakarta, Indonesia', *Geografiska Annaler*, 85B, 2, 2003, pp. 85–101.

30 Scheyvens R, *Tourism for Development: Empowering Communities*. Harlow: Prentice Hall, 2002a.

31 Scheyvens R, 2007, *op. cit.*, p. 313.

establishments for backpacker tourists have mushroomed, with generally low capital requirements as compared to hotels for mass tourism.

The benefits local economies experience when they encourage backpacker tourism are multiple.<sup>32</sup> Backpackers have wider geographical spend patterns and, as they do not demand luxury, spend more on locally produced goods and services – with positive local economic multiplier impacts. More importantly, backpacker facilities are typically modest and require less capital than other forms of accommodation, which allows local entrepreneurs ease of entry into the tourism economy. Indeed, beyond economic benefits there are vital non-economic benefits – particularly for women, youth and other marginalised groups – that arise from backpacker and other forms of budget tourism.<sup>33</sup> Targeting budget tourism can build on the skills of the local population, enhance self-reliance and develop community members' confidence in dealing with outsiders, 'all signs of empowerment'.<sup>34</sup>

The opportunities outlined for budget forms of tourism often also apply to domestic or regional tourism. Many domestic tourists similarly do not demand luxury standards and will spend more on locally produced goods (such as food)

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### The local multiplier effects of small-scale forms of tourism directed at domestic tourists can be strong, as stronger linkages with the local economy are more likely than with higher-end, mass tourism

and services (such as homestays) than other categories of tourists. Overall, the local multiplier effects of small-scale forms of tourism directed at domestic tourists can be strong, as stronger linkages with the local economy are more likely than with higher-end, mass tourism. This form of tourism can also result in a wider spread of economic benefits in local communities, as formal qualifications are not needed to run such enterprises and individuals (including those from marginalised groups) with little capital or training can provide the desired services or products.

The discussion isolates two different pathways for the economic inclusion of marginalised groups in coastal and marine tourism, including women and youth. These are: as suppliers of direct inputs to tourism accommodation services linked to high-end or middle-range accommodation establishments catering mainly (but not exclusively) to the demands of international travellers; and as direct participants by establishing small-scale tourism businesses targeting budget tourism, such as

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32 Hampton M, 'Backpacker tourism and economic development', *Annals of Tourism Research*, 25, 1998, pp. 639–660; Scheyvens R, 'Backpacker tourism and Third World development', *Annals of Tourism Research*, 29, 1, 2002b, pp. 144–164; Rogerson CM, 'Backpacker tourism: Policy lessons for South Africa from international experience', *Africa Insight*, 37, 4, 2008, pp. 27–46.

33 Hampton M, 2013, *op. cit.*

34 Scheyvens R, 2002a, *op. cit.*, p. 158.

accommodation for international backpackers or for domestic or regional travellers, as well as targeted niche tourism markets such as eco-tourism, adventure tourism or culinary tourism.

## COASTAL TOURISM IN SOUTH AFRICA: CASE STUDY

The latest statistics show that the tourism sector in South Africa directly employs about 686 000 workers and contributes just under 3% of GDP.<sup>35</sup> Moreover, tourism has outperformed other key sectors in job creation, adding just over 40 000 net new jobs to the economy from 2012 to 2016.<sup>36</sup> As noted in the introduction to this paper, there has long been an emphasis on inclusive growth in South Africa's

### Greater inclusivity has been identified as one of the two core strategic imperatives for South African tourism

tourism sector. Indeed, along with sustainability, greater inclusivity has been identified as one of the two core strategic imperatives for South African tourism, with South Africa's minister of tourism stating in 2015 that the impact of tourism should be gauged not just through the number of international tourist arrivals but also through the measurement of 'how inclusive [tourism] growth is, and how many more marginalised people and communities we are bringing into the mainstream'.<sup>37</sup> Economic inclusion in South Africa's tourism sector must also be considered in the broader context of the country's history of race-based social, economic and political exclusion, as well as current efforts to address the legacy impacts of this period through the promotion of opportunities for black South Africans.<sup>38</sup>

Ensuring broad-based benefits is one of the key pillars of the National Tourism Sector Strategy 2016–2026 (NTSS).<sup>39</sup> This is supported by the Amended Tourism Sector Broad-based Black Economic Empowerment Sector Code, which emphasises ownership, management control, skills development, enterprise and supplier

35 Statistics South Africa, 'How important is tourism to the South African economy?', 26 March 2018, <http://www.statssa.gov.za/?p=11030>, accessed 15 July 2018.

36 *Ibid.*

37 Hanekom D, 'Welcome Address' (speech delivered at Local Government Tourism Conference, 30–31 March 2015), 2015, [www.tourism.gov.za/aboutndt/ministry/news/pages/derek-hanekom\\_LGI](http://www.tourism.gov.za/aboutndt/ministry/news/pages/derek-hanekom_LGI), accessed 15 July 2018.

38 The term 'black South African', as defined in the Amended Tourism Broad-Based Black Economic Empowerment Sector Code, refers to South African citizens who form part of the African, Coloured and Indian population groups.

39 South Africa, Department of Tourism, 'National Tourism Sector Strategy (NTSS) 2016–2026', November 2017, [https://www.gov.za/sites/default/files/National%20Tourism%20Sector%20Strategy%20NTSS%202016-2026\\_a.pdf](https://www.gov.za/sites/default/files/National%20Tourism%20Sector%20Strategy%20NTSS%202016-2026_a.pdf), accessed 15 July 2018.

development, as well as socio-economic development.<sup>40</sup> The NTSS highlights the need to focus on marginalised groups, particularly women and the youth. Access to finance is noted as a key constraint to ensuring broad-based benefits in the tourism sector. In addition to facilitating access to finance for potential new entrants in the sector, the NTSS also emphasises other enterprise development efforts, including training, mentorship and business incubation. It is envisioned that inclusive growth opportunities will be supported across the tourism value chain. Many of South Africa's poor reside in rural areas, where economic opportunities are few and infrastructure is often inadequate. For this reason, the NTSS calls for a review of the National Rural Tourism Strategy in order to better link this with transformation and community benefit priorities.<sup>41</sup>

There is a broad range of public and private sector institutions that are engaged with supporting SME development in South Africa's tourism sector. These include the Small Enterprise Development Agency (SEDA), based in the Department of Small Business Development. SEDA was established in 2004 with the mandate to implement the government's small business strategy; design and implement a standard and common national delivery network for small enterprise development; and integrate government-funded small enterprise support agencies across all tiers of government. The Small Enterprise Finance Agency (SEFA) was established in 2012 to cater for small businesses requiring funding up to a limit of ZAR<sup>42</sup> 5 million (\$349,000). SEFA offers bridging finance, loans and asset finance, and funds working capital needs. Other government institutions engaged in supporting tourism development include the National Youth Development Agency, which helps South Africans between the ages of 14 and 35 to establish new businesses or access finance, and supports services to develop existing businesses; and the National Empowerment Fund, which offers financial and non-financial support to black empowered businesses.

One of the key vehicles to support SMEs in the South African tourism sector is the Tourism Enterprise Partnership (TEP). The TEP was initiated in 2000 as an initiative of the Business Trust, a collaboration of over 100 South African businesses seeking to work with the South African government to support enterprise development.<sup>43</sup> Owing to the success of the programme, the TEP became an independent organisation in 2008, supported with funding from the Department of Tourism and other sources. From 2000 to 2015 the TEP invested more than ZAR 550 million

40 South Africa, *Government Gazette*, 39430. Pretoria: Government of South Africa, 20 November 2015.

41 South Africa, Department of Tourism, 'Rural Tourism Strategy', April 2012, <https://www.tourism.gov.za/AboutNDT/Branches1/domestic/Documents/National%20Rural%20Tourism%20Strategy.pdf>, accessed 16 July 2018.

42 Currency code for the South African rand.

43 Tourism Enterprise Partnership, 'Tourism Enterprise Partnership: A Brief Overview', [http://restaurant.org.za/dedi279.nur4.host-h.net/wp-content/uploads/2016/12/Brief\\_Overview\\_TEP.pdf](http://restaurant.org.za/dedi279.nur4.host-h.net/wp-content/uploads/2016/12/Brief_Overview_TEP.pdf), accessed 16 July 2018.

(\$38.86 million) in tourism development, trained over 25 000 SME operators and employees, and mentored over 450 tourism SMEs.<sup>44</sup>

Another key source of funding for new tourism-related businesses is the Tourism Transformation Fund, a collaboration between the National Empowerment Fund and the Department of Tourism that supports the establishment and growth of black-owned businesses in the tourism sector.<sup>45</sup> The Department of Tourism has also sought to use other platforms to promote emerging tourism businesses: its Hidden Gems programme, for example, provides training and mentorship support to selected tourism SMEs to help them take part in the annual Africa's Travel Indaba, one of the largest tourism marketing events in Africa. The training and mentoring components of the programme are supported through collaboration with the Southern Africa Tourism Services Association (SATSA), which includes a six-week peer-to-peer mentorship by SATSA members. The programme has enabled 135 tourism SMEs to participate in the 2018 Travel Indaba, drawn from all nine provinces of South Africa.

While there is a relatively well-developed system of institutions, programmes and initiatives aimed at supporting SME development in South Africa's tourism sector, the focus on coastal and marine tourism as a particular sub-set of the broader tourism sector is relatively new. The impetus for a focus on marine and coastal tourism has emerged primarily from South Africa's prioritisation of the Blue Economy through Operation Phakisa. Modelled on Malaysia's 'Big Fast Results' Programme, Operation Phakisa is aimed at unlocking barriers to investment and promoting cross-departmental and multi-stakeholder cooperation, with a strong focus on job creation and economic growth. The first thematic 'Lab' under Operation Phakisa focuses on the Ocean Economy, particularly shipping, aquaculture, offshore oil and gas, harbour development, coastal tourism and ocean governance and protection services. The coastal and marine tourism Phakisa lab was convened over five weeks in April–May 2016. During this period 40 participants from more than 20 stakeholder organisations identified challenges and opportunities for the development of coastal tourism in South Africa. Subsequently, extensive consultations were conducted with sector bodies and other stakeholder groups during which priority areas and planned initiatives were further refined. This process resulted in the identification of six priority areas, namely marketing, events and routes; regulations and permitting;

44 Siddo S, 'Transforming the South African Tourism Industry through SMME Development', Presentation at the SANParks Tourism Investment Conference, 4 April 2017, <https://www.sanparks.org/assets/docs/events/tourism-investment-summit/transforming-the-south-african-tourism-industry-through-smme-development.pdf>, accessed 10 July 2018.

45 South Africa, Department of Tourism, 'Programme Guidelines: Tourism Transformation Fund', [http://www.nefcorp.co.za/Portals/0/Funding%20Solutions/Products%20&%20Services/336\\_Programme%20Guidelines%20for%20The%20Tourism%20Transformation%20Fund\\_6.pdf](http://www.nefcorp.co.za/Portals/0/Funding%20Solutions/Products%20&%20Services/336_Programme%20Guidelines%20for%20The%20Tourism%20Transformation%20Fund_6.pdf), accessed 10 July 2018.

research and spatial planning; beach precinct development and tourism safety; maritime tourism; and skills development.<sup>46</sup>

The strength of the Operation Phakisa Lab methodology lies in a clear delineation of strategic priorities, time-bound implementation targets, an inclusive consultation process, and a transparent operational arrangement for coordination and oversight, with a delivery unit established within the Department of Tourism reporting to the Oceans Economy Secretariat and the Phakisa Unit at the Department of Planning, Monitoring and Evaluation. Several challenges related to the effective promotion and governance of coastal and marine tourism in South Africa remain, however, as highlighted in a recent report developed by the University of KwaZulu-Natal for the Department of Tourism.<sup>47</sup> The report notes that, despite relatively well developed public and private tourism bodies at the national, provincial and municipal levels, there are challenges related to the coordination of governance systems in the context of South Africa's integrated coastal zone governance framework, as well as legislation related to environmental and marine resource governance. The integration of policies and programmes across national, provincial and municipal levels is also seen to be weak in certain cases, while knowledge about opportunities for capacity building and financing support is lacking among certain stakeholders. Tensions between various user groups within the coastal domain also present challenges to tourism development efforts.

## COASTAL TOURISM IN KENYA: CASE STUDY

Kenya's tourism sector is one of the country's main sources of foreign exchange. It is estimated that the tourism sector contributes about 10% to Kenya's GDP and accounts for 9% of direct and indirect employment. In 2017 Kenya received \$1.2 billion from 1 474 671 tourists, of whom 65.8% were international and 34.2% cross-border (regional).<sup>48</sup>

Tourism contributes to Kenya's economy through the economic activity and employment generated by backward and forward linkages in various sectors, including hospitality (hotels and restaurants); transportation (road, sea, airline and other passenger transportation services); booking services (travel agents and

46 The various initiatives identified under these six priority areas can be viewed at South Africa, Department of Tourism, 'Working Group Meeting of 29 May 2017: Report on the Coastal and Marine Tourism Working Group', 29 May 2017, [https://tkp.tourism.gov.za/Research/Research\\_Committee/ProjectDocs/Presentations/Mpumalanga%2029%20-%2030%20May%202017/CMT%20Working%20Group%20REPORT%20ver2.docx%20final.pdf](https://tkp.tourism.gov.za/Research/Research_Committee/ProjectDocs/Presentations/Mpumalanga%2029%20-%2030%20May%202017/CMT%20Working%20Group%20REPORT%20ver2.docx%20final.pdf), accessed 18 July 2018.

47 South Africa, Department of Tourism, 'The Governance and Coordination in Marine and Coastal Tourism: Challenges and Opportunities (Final Report)', University of KwaZulu-Natal, 2017, <https://tkp.tourism.gov.za/Documents/UKZN%20Final%20Report%20March%202017.pdf>, accessed 8 July 2018.

48 Kenya National Bureau of Statistics, *Micro, Small and Medium Establishments (MSME) Survey: Basic Report 2016*, <https://www.knbs.or.ke/2016-micro-small-and-medium-enterprises-msme-survey-basic-report-2/>, accessed 8 July 2018.

tour operators); meetings, conventions and exhibition events; and tourism-related leisure activities.

An estimated 60% of tourists spend time at the Kenyan coast. The Kenyan coastal region comprises six counties, namely Mombasa, Kwale, Kilifi, Lamu, Tana River and Taita-Taveta, with tourist accommodation concentrated in three areas: Mombasa North, Diani (in Kwale County) and Malindi (in Kilifi County).

Kenya's coastal and marine ecosystems are a repository of rich natural resources, including fisheries, terrestrial forests, mangroves, seagrass beds and coral reefs. The warm West Indian Ocean waters, white sand beaches, corals and tropical marine ecosystems are a drawcard for international and regional tourists. However, these ecosystems are threatened by over-exploitation, transformation and degradation of habitats, increasing coastal populations, pollution, and climate change.<sup>49</sup>

The country's coastal tourism is characterised by a high reliance on international mass tourism, which makes it vulnerable to external market conditions and has implications for the environmental impact of the sector.

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### **Coastal tourism is characterised by a high reliance on international mass tourism, which makes it vulnerable to external market conditions**

SMEs play a central role in the Kenyan economy, including within the coastal tourism sector, yet SMEs in the country's coastal tourism sector face numerous challenges. Over 80% of the SMEs in the coastal region are not registered, instead operating informally. Such operations often lack access to pertinent market information and networking opportunities. Challenges in achieving the necessary quality standards and, crucially, the ability to offer a reliable supply of products and services at an adequate scale impede the development and sustainability of these businesses. Given the small size of many SMEs operating in this sector, they are significantly less able to manage seasonal fluctuations in visitor numbers and are often hard hit when issues such as piracy or election violence cause temporary reductions in tourist numbers. As most SMEs have low operating budgets and limited access to funding, these businesses seldom invest significantly in research and product development, which hampers innovation and value addition. Access to funding is constrained owing to the high cost of credit, stringent collateral requirements, poor record keeping and inadequate financial management. Skills gaps relating to various aspects of business operations, including marketing, record keeping, budgeting, taxation and insurance matters, are widespread.

While there are various institutions and government programmes that seek to support SMEs and marginalised economic groups such as women, the youth or

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49 UNDP (UN Development Programme), *Sustainable Development in Kenya: Stocktaking in the Run-Up to Rio+20*, 2012, <https://sustainabledevelopment.un.org/content/documents/985kenya.pdf>, accessed 10 July 2018.

persons with disabilities, poor coordination has resulted in the duplication of efforts, and there are further challenges in awareness and uptake of such support opportunities. As a result, it is necessary to develop training curriculums and certification programmes targeted specifically at SME capacity development.

An important issue in terms of broader economic inclusion in the coastal tourism sector is the role of Kenyans from outside the coastal counties in establishing and operating businesses in the coastal region. In fact, local communities in coastal counties derive meagre benefits from tourism since their linkages with the coastal economy are weak. Many of the food, curios and other tourism-related services and products are supplied by Kenyans from other parts of the country. Local people mostly take on low-skill seasonal jobs. Coastal communities have traditionally depended on agriculture, fisheries and mangrove forests. These economic activities have become marginalised in the face of tourism's rapid development and increasing urbanisation.

Gender inequality in the coastal region is apparent in all spheres of life, including income-earning opportunities. Most women depend on low-income jobs and enterprises. In addition, women are not adequately represented in decision-making organs (such as civic and development committees). In their study, Mshenga and Richardson found that most SMEs in coastal tourism are owned by men, especially those in the transport sector.<sup>50</sup> The same trend is evident in larger private sector institutions such as hotels and other facilities.<sup>51</sup>

According to the Kenyan constitution, tourism development is a function of the national government. However, the sector is key to county economies. Therefore, county governments are initiating measures to develop the sector in partnership with the national government. Relevant measures include the development of county tourism infrastructure through public-private partnerships; enhanced access to financial services for tourism-related SMEs; tax and other incentives to motivate private sector participation; targeted interventions to support youth employment in tourism SMEs; and the implementation of affirmative action initiatives. These initiatives are informed by broader efforts aimed at supporting the SME sector in Kenya. The SME Act No. 55 of 2012 provides for the promotion, development and regulation of SMEs, as well as the establishment of the Micro and Small Enterprise Authority (MSEA). The Micro and Small Enterprise Implementation Framework and an associated coordination strategy are also currently under development.

County governments have mainstreamed the development of SMEs in their five-year County Integrated Development Plans (CIDPs). Interventions include developing county-level tourism policies and strategies, which incorporate SME development; supporting local entrepreneurs involved in tourism and non-tourism enterprises

50 Mshenga M & R Richardson, 'Micro and small enterprise participation in tourism in coastal Kenya', *Small Business Economics*, 41, 3, 2013, pp. 667–681.

51 Mombasa County Government, 'First County Integrated Development Plan, 2013–2017', <http://kenyachamber.co.ke/wp-content/uploads/2017/02/1st-CIDP-2013-2017-Mombasa-County.pdf>, accessed 10 July 2018.

to improve the physical business infrastructure in collaboration with other actors, such as MSEA and Kenya Industrial Estates; constructing tourist cultural centres and markets where SMEs can trade their tourist-targeted products; boosting the capital base of operators by linking them to financial institutions and organising them into producer and marketing entities; linking SMEs to large tourist facilities; and providing continuous specialised business training to meet the needs of the business community.<sup>52</sup>

The county governments collaborate with national government institutions such as the Kenya Industrial Research and Development Institute to establish industrial incubation units for SMEs, and the National Council for Science and Technology for training and technology development. In addition, county governments are supporting qualifying SMEs in accessing government procurement opportunities, especially SMEs operated by women, youth and persons with disabilities.

The Ministry of Public Service, Youth and Gender Affairs, established in November 2015, is mandated to manage public services, youth empowerment and the empowerment of women. The ministry oversees three semi-autonomous government agencies, namely the Youth Enterprise Development Fund (YEDF), the Women Enterprise Fund (WEF) and the Uwezo Fund, which were founded to provide accessible and affordable credit to support women and youth to start and/or expand businesses. These funding initiatives operate nationwide and benefit a wide range of SMEs, including those engaged in the coastal tourism sector. To enhance efficiency in the provision of credit to women and youth SMEs, there is a proposal to reconstitute the YEDF, WEF and Uwezo Fund into a single enterprise fund. The ministry is guided by two policy documents in mainstreaming women and gender affairs, namely the National Policy on Gender and Development of 2000 and the National Youth Policy of 2006.

Kenya's experiences provide a number of important lessons in relation to enhancing economic inclusion in coastal tourism. Access to finance is one of the most important elements in unlocking SMEs' participation in coastal tourism. Given the high level of poverty in coastal counties and often-limited financial management skills of current or potential SME entrepreneurs, financial products need to be tailor-made to respond to the needs of this segment. Financial products must be flexible, based on ability to pay, and supported with appropriate training opportunities. Savings and credit and micro-finance approaches could be upscaled, as they have proven popular in other sectors of the Kenyan economy. SMEs also need assistance in the process of becoming formal, registered businesses. The vast majority of SMEs operate as

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52 Devolution Hub, *Lamu County: First County Integrated Development Plan, 2013–2017*, <http://devolutionhub.or.ke/resource/lamu-county-integrated-development-plan>, accessed 8 July 2018; Devolution Hub, *County Government of Kwale: First County Integrated Development Plan 2013*, <http://devolutionhub.or.ke/resource/kwale-county-integrated-development-plan>, accessed 8 July 2018; Mombasa County Government, *First County Integrated Development Plan 2013–2017*, <http://kenyachamber.co.ke/wp-content/uploads/2017/02/1st-CIDP-2013-2017-Mombasa-County.pdf>, accessed 10 July 2018; KAM (Kenya Association of Manufacturers), *Kilifi County Integrated Development Plan 2018–2022*, <http://www.kam.co.ke/kilifi-county-integrated-development-plan-cidp-2018-2022>, accessed 10 July 2018.

informal businesses, which limits their access to finance and to training, marketing and networking opportunities.

Business advisory and incubation services, as well as training and technical services, can play an important role in helping to establish, formalise and develop tourism-related SMEs. In addition, SMEs can benefit significantly from market linkages with

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**Business advisory and incubation services, as well as training and technical services, can play an important role in helping to establish, formalise and develop tourism-related SMEs**

large-scale, established tourism enterprises in order to access business opportunities. As outlined above, various state programmes and agencies, at both the national and the county level, seek to support SMEs and specific groups such as women, youth and people with disabilities. However, it is necessary to improve coordination among such agencies and strengthen efforts to raise awareness and facilitate uptake of available training, financing and other services. Tourism associations and other industry bodies should also do more to support SME engagement.

While coastal tourism in the country shows great potential, environmentally sensitive and locally beneficial ecotourism products are relatively undeveloped in the coastal market as opposed to the inland, wildlife safari market. Progressive tourism business models that create local economic benefits and conservation incentives are much less developed in coastal areas than in the interior. However, there is greater awareness of and concern about the negative environmental impact of mass tourism in coastal areas, for example through the degradation of coral reefs, mangrove ecosystems and the quality of beaches in recent years. It is therefore important that efforts to support social inclusion in coastal tourism also consider the environmental impact of tourism-related business models. As a mitigation strategy, both the national and county governments need to explore the development of non-nature-based tourism products and services, as detailed in the newly developed National Tourism Blueprint 2030. Such efforts must be supported by further research to help identify the scale, needs and dynamics of SME involvement in coastal tourism. Finally, the socio-economic potential of inclusive coastal tourism should be highlighted in the broader national debate on Kenya's Blue Economy.

## LESSONS LEARNED

Coastal regions have been valued locations for recreation and tourism for hundreds of years. Nevertheless, Orams and Luck highlight that over the past four decades the use of coastal settings and marine ecosystems has burgeoned – a reflection of the

massive growth of tourism as a global phenomenon of the late 20<sup>th</sup> century.<sup>53</sup> From the initial emergence of 3S mass tourism development, tourism in coastal settings has broadened with the increase in niche forms of alternative tourism.

At the outset it must be recognised that a number of coastal communities in IORA countries such as Kenya, South Africa, Malaysia and Indonesia have exploited the growth of tourism, sometimes by moving away from dwindling traditional livelihoods.<sup>54</sup> This said, it must be reiterated that there are different models or forms of coastal tourism, each with different opportunities and challenges for the entry of local entrepreneurs. It is essential to reaffirm the caution on the limits of those models of coastal tourism that are targeted at organised mass international tourists, who often travel in charter groups or on cruise ships. Under this particular enclave model of coastal tourism, only limited economic benefits accrue to local communities, with restricted opportunities for local entrepreneurs to participate in tourism value chains for operating local restaurants, providing accommodation services, or even selling craft goods. Arguably, the most promising pathways for local entrepreneurs to participate directly in this mainstream tourism economy are found in the expanding niche tourism markets.

From the Malaysian experience, it is clear that local communities can respond to such niche tourism opportunities and, for example, set up dive tourism businesses in order to improve their quality of life.<sup>55</sup> Significant challenges, however, exist for communities in making livelihood transitions away from fishing or agriculture into tourism, especially in terms of their awareness of opportunities in this sector. Start-up capital and finance to sustain business development is typically drawn from personal savings, family members or non-tourism businesses.

In the mass international tourism model of coastal tourism, the greatest opportunities for economic inclusion currently are not through direct participation in the tourism sector but instead through opening up opportunities for SMEs to engage with the supply chains of coastal accommodation establishments. The food supply chain is the most critical arena in terms of greater engagement by small-scale farmers and fishers. Supplying formal accommodation establishments with food products can build on the existing skills of marginalised groups, avert the issues associated with livelihood transitions, and use the productive assets of the poor in terms of land and labour. In addition, untapped potential surrounds opportunities for small-scale agricultural producers and traders to furnish 'authentic' locally produced food

53 Orams MB & M Luck, 'Coastal and marine tourism: Emerging issues, future trends, and research priorities', in Alan AL, Hall MC & AM Williams (eds), *The Wiley Blackwell Companion to Tourism*. Oxford: John Wiley & Sons, 2014.

54 Hampton M, Jeyacheya J & PH Long, 'Can tourism promote inclusive growth? Supply chains, ownership and employment in Ha Long Bay, Vietnam', *The Journal of Development Studies*, 54, 2, 2018, pp. 359–376.

55 Jeyacheya J & M Hampton, 'Dive tourism and the entrepreneurial process in the Perhentian Islands, Malaysia', in Modica P & M Uysal (eds), *Sustainable Island Tourism: Seasonality, Competitiveness and Quality of Life*. Wallingford: CABI, 2016.

and support local cuisine offerings instead of ‘Western’ food.<sup>56</sup> This said, while there is widespread support for growing the volume of local agricultural supplies, many barriers constrain the involvement of local producers in such supply chains. The growth of local backward linkages from coastal accommodation service establishments can be limited by various demand-related, supply-side, marketing or intermediary factors, as well as by government policy actions or inaction.<sup>57</sup>

Critical intervention levers include improving market information, enhancing suppliers’ access to finance and overcoming infrastructural shortcomings in terms of both ‘hard’ (storage, transport logistics, access to water) and ‘soft’ infrastructure (improving the organisational capacity of farmers and establishing standards and guidelines to expand market access). The Kenya case study illustrates that financial access is one of the keys to unlocking SMEs’ potential to participate in coastal tourism. Given the levels of poverty in marginalised groups, financial products need to be tailored to enhance SME participation. However, finance alone is not a panacea in seeking enhanced inclusion for marginalised groups through the supply chains of tourism establishments, as multi-faceted and coordinated interventions are needed.<sup>58</sup> Overall, a complex interplay of factors determines the strength and durability of tourism–agriculture linkages in any particular coastal destination.

One of the most promising models of coastal tourism in terms of including marginalised groups (particularly women and youth) is budget tourism. The budget tourism economy includes the market of international backpackers, domestic tourists and regional tourists. As noted earlier, all these groups are frequently overlooked in tourism planning by governments that are focused on progressing higher up the tourism value chain. Budget tourists can be an entry point into the tourism economy and support the economic inclusion of marginalised groups in a number of ways. Most critical is that the economic spin-offs of budget tourism can be spread widely. Budget tourists spend more on locally produced goods (food, informal restaurants) and services (informal transport, local ferries, bars), and open up opportunities for providing homestays. Further, in terms of SME development only basic infrastructure is required, which ensures low overhead costs and minimises the need for imported goods.

The expansion of backpacking in coastal Indonesia, Thailand and Malaysia has catalysed a burgeoning locally-controlled SME economy through services such as letting out rooms and the development in Bali of *losmen*, a one-storey lodging with rooms constructed in a row. At a higher business scale in terms of required investment, the backpacker economy has also resulted in local entrepreneurs’ establishing restaurants, Internet cafes and tour services. Evidence of entrepreneurial development in the coastal backpacker ‘hotspots’ of Asia underscores the importance

56 Thomas-Francois K, Van Massow M & M Joppe, 2017, *op. cit.*

57 Torres R & J Morsen, *op. cit.*

58 Rogerson CM, ‘Strengthening agriculture–tourism linkages in the developing world: Opportunities, barriers and current initiatives’, *African Journal of Agricultural Research*, 7, 4, 2121, pp. 616–623.

## The backpacker economy in Indonesia, Thailand & Malaysia has also resulted in local entrepreneurs' establishing restaurants, Internet cafes and tour services

of budget-category travellers and the need for tourism planners to incorporate them into tourism planning.<sup>59</sup>

## CONCLUSIONS AND RECOMMENDATIONS

The analysis highlights the diversity of coastal and marine tourism across IORA member states, various opportunities and challenges facing the development of coastal and marine tourism, and the existence of different models or forms of coastal tourism.

- There is no one-size-fits-all solution that can be applied across all IORA member states and to all different forms of coastal tourism. In assessing the potential for economic inclusion in coastal and marine tourism, a variety of coastal tourism models must be unpacked. Of particular importance is the need to differentiate between international vs domestic or regional tourism, mass vs alternative forms of tourism, and finally, high-end or luxury forms of tourism vs budget tourism. Given the diversity of tourism models and national contexts, local solutions are necessary, grounded in an evidence-based understanding of the opportunities and challenges facing marginalised groups in particular localities. Local economic development planning should address governance failures and gaps, inappropriate planning and management of coastal zones, and the lack of cohesion among preferred development pathways within local communities.
- The analysis exposes the lack of data on coastal and marine tourism at national level in nearly all IORA states. Appropriate strategic planning for coastal and marine tourism cannot take place with knowledge gaps about the source and nature of tourism, the impact of coastal tourism, existing beneficiaries, and the potential for future development given socio-economic and environmental challenges. It is recommended that in implementing the IORA Action Plan a major research programme be financed in order to address the critical research gaps that currently exist. More specifically, South Africa and other IORA members should encourage a focus on economic inclusion in coastal and marine tourism as an important theme in the agenda of the IORA Academic Group. Key research themes include the appropriateness of particular models of coastal tourism discussed in this report (ie, mass beach/cruise tourism, budget tourism) and the most suitable targets for tourism in coastal areas, ie, domestic or regional or international visitors. The intended objective of this research programme would be to enhance national strategic policymaking on tourism planning in

59 Hampton M, 2013, *op. cit.*; Hussey A, 'Tourism in a Balinese village', *Geographical Review*, 79, 1989, pp. 311–325.

IORA states, as well as supporting regional peer learning and the development of regional value chains in the tourism sector.

- For marginalised groups in IORA states where the mass tourism model is dominant, the analysis reveals that the most promising policy direction in assisting marginalised groups is to support their participation in the tourism value chain. This means that support must be geared towards non-tourism actors such as farmers or fishing communities, in order to enable their expanded participation in the tourism value chain. International experience points to a range of interventions that should be undertaken in a coordinated manner to address the challenges faced by producers seeking to enter tourism supply chains. South Africa should promote peer learning in this regard through IORA structures, and explore the feasibility of establishing a funding mechanism to support the inclusion of non-tourism SMEs such as local agricultural producers and fishers in the tourism supply chain.
- There is significant potential in opportunities relating to budget tourism. These include segments of domestic tourism, possibly regional tourism, and, most importantly, the youth or backpacker international tourism market. In these markets local entrepreneurs, including people from marginalised groups, could establish successful tourism businesses by supplying accommodation, food and transport services, as well as certain niche forms of tourism products, such as adventure or eco-tourism.
- The limited existing data on and investigations into the constraints facing marginalised communities point to certain generic issues that can be supported by public, private and donor interventions. These include the need for improved access to finance/micro-credit to support marginalised communities to establish tourism businesses. Best practice shows that there is a need for financing mechanisms that are tailored to the specific circumstances of particular marginalised communities. Finance alone is not a panacea for economic inclusion, however. Instead there is a need for coordinated interventions that include the establishment of tourism business incubators, skills training programmes for local entrepreneurs and dedicated support programmes for women and youth participation. South Africa and other IORA members should encourage IORA structures to engage on this theme, in particular the Indian Ocean Rim Business Forum and the Working Group on Trade & Investment. Inclusive tourism should also be highlighted in the implementation of the [memorandum of understanding between IORA member states for the promotion of small and medium enterprises](#) (launched in October 2017).
- Tourism development initiatives must be responsive to the range of challenges faced in the sustainable development of coastal and marine tourism as a whole, including a lack of (or inappropriate) planning for coastal area development and management; governance issues; poor integration of policies and programmes across national, provincial and municipal levels of government; tensions between various user groups within the coastal domain; limited innovation; difficulties in accessing finance for enterprise development; the absence of data for monitoring; and, above all, the threats posed to coastal destinations by social and environmental pressures, including climate change.

- Following the third IORA Tourism Experts Meeting hosted by South Africa in Durban on 6–8 May 2018, and the commitment expressed in the IORA Action Plan for the establishment of a Core Group on Tourism, South Africa and other IORA members should ensure that issues related to economic inclusion are given prominence in the programme of the Core Group on Tourism and, in the longer term, within the Working Group on Tourism, should a decision be made to establish such a structure. This relates also to creating opportunities for peer learning between IORA member states, drawing from the challenges and successes experienced within specific national contexts in terms of economic inclusion in coastal and marine tourism.







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