Pro-Poor Tourism:

Poverty Alleviation Techniques of the 21st Century

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**Introduction & Research Questions**

Poverty reduction has been a topic of discussion in the global spotlight for decades and has been looked at through many lenses. The Sustainable Development Goals 2030 placed special emphasis on poverty reduction and is a topic of extreme relevance in community development. Many poverty reduction techniques exist including the widely researched and practiced efforts of microfinance, including microloans, microsavings, and financial literacy education. One highly understudied perspective for reducing poverty, however, has been tourism. Tourism has gained popularity around the world as a way of boosting a country’s economy. There has been a significant amount of research on the economics of tourism, and more recently, the sustainability of it as an industry, but little research has been conducted on its potential as a tool for development. This study will analyze tourism as a tool for development by posing the question, is tourism development an effective tool for poverty alleviation in destination communities? This will be done by examining the role of tourism in development and a new strategy called pro-poor tourism. This will be followed by a quantitative analysis of tourism leakage and poverty reduction.

**Tourism & Development**

Tourism is a word used often in everyday speech and study; however, it is also a term that can be difficult to define and has no single, widely used definition (Sharpley & Telfer 2015). Two types of definitions exist in the literature, factual definitions and theoretical definitions. Jafari (1977) strongly urged that a definition bridging the two categories be used to study tourism and came up with the following which will be the accepted definition in this study:

“The study of man away from his usual habitat, of the industry which responds to his needs, and of the impacts that both he and the industry have on the host’s socio-cultural, economic, and physical environment.” (quoted in Sharpley & Telfer 2015: 16)

There are widely held beliefs, in both government and academia, that tourism is an effective driver of development, both economic and in terms of human development, and is seen as a way of achieving development within tourist destination areas (Sharpley & Telfer 2015). Yet, very little research exists to provide support for this belief.

 Development, similarly, has been defined in a broad range of ways in the literature. Overwhelmingly though, scholars agree that sustainable development has two main tenets. The first is that development “has an economic, a social, and an environmental dimension so that development will only be possible if a sound balance is made between the different components that contribute to the general function of natural environments”; this definition contains the same three dimensions as the definition of tourism. The second tenet of sustainable development is that an obligation exists for the current generation “to leave sufficient social, environmental, and economic resources” for future generations to enjoy (Creaco & Querini 2003: 3). This two-tenet definition of sustainable development will be used for the purpose of this study.

In the 1950s, tourism began to involve itself in the creation of development strategy influenced by the popular development theory of the time, modernization theory (Scheyvens 2013: 119). It was from this perspective that tourism became widely understood as a tool for economic development, a strategy that would later be adapted by many underdeveloped countries. In the 1970s and 1980s, social scientists began to question this rhetoric using the newly popularized theory of dependency. This field of scholars criticized tourism for being “an industry dominated by large corporations which exploit the labor and resources of developing countries, cause environmental degradation, commodify traditional cultures, and lead to social disharmony” (Britton 1982; Scheyvens 2013: 119,). Lea (1988) wrote similarly about three primary elements of international tourism saying that there are large companies acting as intermediaries who have control over the global tourism markets, it creates power imbalances between the First and Third World, and that the Third World finds it very difficult to cut out these intermediary companies who are involved (p. 5). Tourism development can come in many shapes and sizes and is often adapted to fit the needs of the economy and/or country in question. The ability to create new economic activity has led many countries to treat tourism development as a main instrument in regional development (Creaco & Querini 2003: 1).

 Sustainable development has looked to mainstream destinations first for many years and left the poor south “at the edge of the picture” and their stories untold, as is true in so many sub-fields of development (Ashley & Roe 2002: 62). Several types of tourism development have emerged keeping the host community in mind. Ecotourism has a strong focus on the environmental aspect of development and keeps the local people in mind. Community-based tourism initiatives try to involve local people in the tourism sector and can be used as one strategy of pro-poor tourism (p. 62). Other types of tourism development evolve in country specific contexts; for example, ‘empo-tourism’ is a type of development that works to combine tourism with the empowerment of disadvantaged populations in South Africa (p. 63).

Tourism also develops differently in rural environments than it does in urban ones. In all contexts, Marcouiller et. al. (2004) said that “there must be a minimum level of economic infrastructure in place in order to capture economic flows”, and some scholars are skeptical of the impact tourism has on poverty alleviation (Deller 2010: 181). One study looked to tourism in rural America which found that tourism and recreation activities “tend not to influence changes in the poverty rate (p. 201). Another study by Blake et al. (2008) similarly concluded that “there is little economy-wide research evidence to suggest that tourism does reduce poverty (p. 108). Looking to the current literature, it seems that the concept of tourism leakage may hold some of the explanations to results such as these.

Leakage is a concept relevant to many trans-national industries and is an estimate of the amount of revenue generated by an industry that is leaving the local economy, often in the hands of large corporations. Tourism leakage in its most functional form is the revenue from tourism less the retained revenue (Choudhury & Goswami, 2013, p. 70).

Tourism Leakage = Tourism Revenue - Retained Revenue

Retained revenue is the net tourism revenue to the area which is spent only on “local food, items, service, and employment” (p. 70). Tourism leakage has been defined in two different ways, each by a large set of scholars. The first group looked at leakage on an international scale and includes money tourists spend on an international level such as airfare and travel agents. The second group accounted for leakage at a local level only including money spent in the country in the leakage calculation (p. 68). Mitchell and Ashley (2007) argues that leakage calculations are often exaggerated and do not accurately represent the situation within the host economy, because they include money that was spent outside of the country and fail to include ‘out of pocket’ spending in the destination. Sindiga (1999) suggested disaggregating the tourism data by sub-sector to get a more accurate picture of spending and leakage citing that, for example, leakage in the beach tourism sector is much higher than the safari sector (Sharpley & Telfer, 2015). Ecotourism is the sub-sector of tourism that has the lowest levels of leakage putting emphasis on the local economy. Khan (1997) says that ecotourism cannot completely break the dependent core-periphery relationships present in dependency theory views, but it can “help the Third World be more self-reliant” (p. 990). Choudhury & Goswami (2013) carefully studied a small area and found that just over 50% of revenue to the area of study was lost to leakage, which is much lower than the estimates that rise as high as 70% leakage rates for developing countries (Khan, 1997). 50% leakage, however, is still a concerning number. Their study also recommended focusing on local level strategy to increase the economic impacts of tourism and mitigate leakage.

**Pro-Poor Tourism Theories**

We know that development has three main, widely-accepted, parts to it: environmental, economic, and social. In the 1990s, tourism’s role in the economic part of development began to emerge in the form of a poverty alleviation strategy called pro-poor tourism (Clevedon 2007: 144). The term was first used in literature in 1999, even though the World Bank and UNDP publicly supported the approach as early as 1990 quickly followed by the Organisation for Economic Co-operation and Development (OECD) (Scheyvens 2013: 121). According to the Pro-Poor Tourism Partnership, pro-poor tourism put “poverty at the heart of the tourism agenda” (UK Department for International Development quoted in Nevin 2007: 52). Kakwani and Pernia (2000) more specifically defined pro-poor tourism as “tourism projects that ‘enable the poor to actively participate in and significantly benefit from economic activity’” (Clevedon 2007: 143). Ashley and Roe (2001: xiii) say that pro-poor “interventions aim to increase the net benefits for the poor from tourism, and ensure that tourism growth contributes to poverty reduction...”. They also say that there are three main strategies for using pro-poor tourism: “increasing access of poor to economic benefits, addressing the negative social and environmental impacts often associated with tourism” and overlapping the two by “focusing on policies processes and partnerships” (Ashley & Roe 2002: 62). Pro-poor tourism stresses that it is an approach to tourism development rather than a sub-sector of it; “any kind of tourism can be made pro-poor” and it can be used and applied at any level in any destination or business (Scheyvens 2013: 125).

Pro-poor tourism can be administered both directly and indirectly. The Overseas Development Institute says that pro-poor tourism should be applied on both the micro and macro level of development. They suggest doing this by including larger private sector tourism businesses to be involved in pro-poor tourism in addition to focusing on small enterprises by encouraging them to buy local products and hire local people and service providers (Nevin 2007: 52). Developers in this camp of pro-poor tourism want to keep pro-poor tourism from becoming a niche market by making it a mainstream business approach (Ashley & Ashton 2006: 3; Scheyvens 2013: 125). Pro-poor tourism can also happen indirectly when tourism causes gains in overall economic growth and they are “redistributed to the poor via progressive taxation and targeted government spending” (Clevedon 2007: 144).

 Academics have been debating the effects of pro-poor tourism for multiple decades now. Jiang et al. (2011: 1183) found convincing evidence in their study that gross domestic product (GDP) per capita increases as tourism intensity increases. They also found evidence the small island developing states who have higher intensity tourism industries also show less poverty on average. Ashley and Roe (2002: 68) concluded after their research that earning for the poor do go up small but significant amounts due to pro-poor tourism, but more importantly they sighted the finding that pro-poor tourism decreases vulnerability. Research seems to show that pro-poor tourism “can play a significant role in livelihood security and poverty reduction” at the local level (Ashley & Roe 2002: 78).

While pro-poor tourism has garnered much attention and been widely used, there are still a fair amount of critics with solid ground to stand on. There has been little evidence on an economy-wide level suggesting nor proving that tourism does reduce poverty; there are also few studies that have been able to quantify interactions between poverty and tourism in any significant way (Ashley & Roe 2002; Blake et al. 2008: 107). Furthermore, Blake et al. (2008: 108) found that some of the tourism receipts in the developing countries utilizing tourism are being spent on imports or are paid in wages to foreigners all of which is money that is considered leakage and has no impact on poverty relief. Scheyvens (2013: 137) acknowledged that “tourism definitely can benefit the poor” but called for further questioning and research to strengthen claims made about the approach. Chok et al. (2007: 51) pointed out the pro-poor tourism advocates need to be more realistic when discussing the types of trade-offs required to create tourism that benefits the poor.

**Methodology**

 This study will look at two OLS regressions of secondary data for Latin America to supplement the above review of literature on pro-poor tourism strategies. The first study will look at the relationship between tourism leakage and tourism’s share of GDP of the economy. The goal of this will be to determine if a growing tourism sector means more money staying in the local economy or leaving it possibly in the hands of larger companies. Unfortunately, tourism leakage is extremely hard to measure, so rather than attempting to measure it directly, I will draw a correlation between the amount of money leaving the economy and tourism. To do this, I will use a ratio of gross national income (GNI), formerly known as gross national product (GNP), to gross domestic product (GDP) as my dependent variable. Since GNI is a measure of production by nationals and GDP is a measure of total production within the country, the ratio will communicate whether more money is staying in the country with the locals or is potentially leaving the economy through foreign companies. The higher the GNI/GDP ratio, the more money is staying in the economy with the locals. Direct tourism as a percentage of GDP, provided by the World Travel and Tourism Council will then serve as my independent variable measuring the importance of tourism in the economy. In order to accurately measure the effect that tourism’s share of the economy will have on tourism leakage, I will need to control for any other factors that may affect the dependent variable. This study will control for the following variables: Corruption, Economic Freedom, Political Freedom, HDI, and Labor Force Participation.

The second study will look at an OLS regression of the poor population of Latin American countries and tourism as a percent of GDP. This study will look to see if poverty decreases as tourism increases within countries. Poverty will be measured using the Poverty Headcount Ratio from the World Bank. This study is a basic regression model, and will not control for other factors; such controls, however, will be recommended for future research.

Both studies will use a sample of Latin American countries. The first will use a sample of 19 of the 21 countries of Latin America which includes: Mexico, Guatemala, Belize, El Salvador, Honduras, Nicaragua, Costa Rica, Panamá, Ecuador, Colombia, Guyana, Suriname, Brazil, Peru, Bolivia, Paraguay, Uruguay, Chile, and Argentina. The second study will use a smaller sample due to lack of data for some countries which excluded them; the study will include the following Latin American countries and Caribbean islands: Argentina, Belize, Bermuda, Bolivia, Brazil, Chile, Columbia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Uruguay, St. Vincent and the Grenadines, Puerto Rico, Jamaica, Haiti, Dominican Republic, and Dominica.

**Results & Analysis**

Study 1, examining the relationship between tourism leakage and size of tourism in the country’s economy, found that all variables were significant except for political freedom.

**Table 1: Correlation of Tourism Leakage**

|  |  |
| --- | --- |
|  | Tourism Leakage(Calculated GNI to GDP Ratio) |
| Calculated Tourism as a % of GDP | -.002 |
|  | (.002\*\*) |
| Economic Freedom | -.001 |
|  | (.006\*\*) |
| Human Development Index | .120 |
|  | (.012\*) |
| Labor Force Participation Rate | -.002 |
|  | (.001\*\*) |
| Political Freedom | .001 |
|  | (.343) |
|  |  |
| Number of Cases | 75 |
| R2 Value | .327 |

 Note: p values are in parentheses.

 \*P < 0.05 at 95% Confidence \*\*P < 0.01 at 99% Confidence, two-tailed test

Among the significant variables was the independent variable of the study, tourism’s share of the economy as well as economic freedom, human development index, and the labor force participation rate. Tourism’s share of the economy was negatively correlated to tourism leakage, which means that as tourism becomes a larger share of the economy, tourism leakage decreases. This shows us that in the Latin American context, increasing the economies share of tourism increases the amount of money staying in the hands of the local people. This would seem to support pro-poor tourism strategies and their ability to increase the wealth of the countries it is utilized in. This also proves that dependency theory is not at work in Latin American tourism like Lea (1988: 10) suggested. Looking at this data and at the literature, it seems that there may be an area-based explanation at work in the results of this study. Latin America has several large, developed countries within it which may have skewed the results of this study. Had this sample included the Caribbean island nations or only looked at LDC’s, it is likely that the results would show higher levels of leakage, giving an opposite result. In the context of the 19 countries studied, six of the nations have GDP’s that are into the trillions of dollars, which does not typically communicate a country that is at risk of dependent relationship. These countries include Argentina, Brazil, Chile, Columbia, Mexico and Peru. These six countries are all regional powers with large diversified economies. These results were also measured in the aggregate, which means that dependency theory of tourism may apply to individual countries in Latin America. However, because we are looking at aggregated data, there is no way to confirm that statement without further study.

 The results of Study 2 were far less definitive and promising, although the simplicity of the model used does not make this a surprising finding.

**Table 2: Correlation of the Poverty Headcount Ratio**

|  |  |
| --- | --- |
|  | Poverty Headcount Ratio (calculated at national poverty lines) |
| Calculated Tourism as a % of GDP | -.336 |
|  | (.123) |
|  |  |
| Number of Cases | 41 |
| R2 Value | .059 |

 Note: p values are in parentheses.

 \*P < 0.05 at 95% Confidence \*\*P < 0.01 at 99% Confidence, two-tailed test

All of the results that came from the study were insignificant. Regardless, the relationship between tourism’s share of the economy and the poverty headcount of a country was negative in the context of Latin America and the Caribbean. This means that as tourism becomes a larger share of the economy, the amount of people in poverty goes down. These results at surface level seem to support the arguments toward the validity of pro-poor tourism as a poverty alleviation strategy. The problem with these results is that there is no causal evidence. One would like to interpret the results as the increase in tourism driving down the poverty ratio. However, a decrease in poverty could just as easily be the cause of an increase in tourism in an economy.

**Conclusion**

 Clevedon (2007: 144) expressed the same issue of causality as was seen in this study by saying “whether tourism is a means of reducing poverty gaps beyond isolated instances or is perhaps symptomatic of a causal relationship … needs to be debated much further than is presently the case in tourism circles”. Such a lack of causal relationships in the research is a recurring issue in the research of tourism development. Data across the field and throughout the literature is extremely inconclusive and features frequent calls for more pro-tourism research on a local level. Additionally, I would call for better indicators of tourism leakage to be developed and tested, as well as reiterate the cry for more causal research in the field. The next step in this research would be to study the effects of the tourism leakage rate on poverty. As is, the two studies remain separate and only inferences can be made between the two. However, the results do seem to indicate that research into the correlation between leakage and poverty would be worth effort.

 The two studies conducted in this paper in addition to the current literature seem to show that tourism can be a sustainable tool for poverty alleviation. However, “tourism is overly burdened with ideals it cannot realize” due to over-expectations of its use (Chok et al. 2007: 51; Scheyvens 2013: 138). It is important for developers globally to realize that there is no single, silver-bullet remedy for poverty, and putting such pressure on any single approach to poverty reduction is not feasible or effective.

 These studies only looked to a single region of the world, and the results raise the question as to how place-based tourism as a poverty reduction tool may be. Future research should explore the role of place in studies of this kind. For example, does tourism play out differently in LDCs versus nations of mid-level development and large, developed nations? I will finish by echoing the calls of researchers in this field before and say that more studies need to be done to explain the varying components of tourism development. This would allow for a better grasp of the field and more effective application towards the goal of poverty alleviation in the future.

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Appendices

**Appendix 1:**

**Tourism Leakage & Tourism as a % of GDP**

|  |
| --- |
| **Variables Entered/Removeda** |
| Model | Variables Entered | Variables Removed | Method |
| 1 | Political Freedom (Freedom House), Calculated Tourism as a % of GDP (World Bank ), Labor Force Participation Rate (World Bank), Economic Freedom (Heritage), Human Development Index (UNDP)b | . | Enter |
| a. Dependent Variable: Calculated GNI to GDP Ratio AKA Leakage (World Bank) |
| b. All requested variables entered. |

|  |
| --- |
| **Model Summary** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .572a | .327 | .279 | .02154 |
| a. Predictors: (Constant), Political Freedom (Freedom House), Calculated Tourism as a % of GDP (World Bank ), Labor Force Participation Rate (World Bank), Economic Freedom (Heritage), Human Development Index (UNDP) |

|  |
| --- |
| **ANOVAa** |
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | .016 | 5 | .003 | 6.795 | .000b |
| Residual | .032 | 70 | .000 |  |  |
| Total | .048 | 75 |  |  |  |
| a. Dependent Variable: Calculated GNI to GDP Ratio AKA Leakage (World Bank) |
| b. Predictors: (Constant), Political Freedom (Freedom House), Calculated Tourism as a % of GDP (World Bank ), Labor Force Participation Rate (World Bank), Economic Freedom (Heritage), Human Development Index (UNDP) |

|  |
| --- |
| **Coefficientsa** |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. | 95.0% Confidence Interval for B |
| B | Std. Error | Beta | Lower Bound | Upper Bound |
| 1 | (Constant) | 1.072 | .046 |  | 23.369 | .000 | .981 | 1.164 |
| Calculated Tourism as a % of GDP (World Bank ) | -.002 | .001 | -.316 | -3.167 | .002 | -.003 | -.001 |
| Economic Freedom (Heritage) | -.001 | .000 | -.301 | -2.812 | .006 | -.002 | .000 |
| Human Development Index (UNDP) | .120 | .047 | .297 | 2.567 | .012 | .027 | .213 |
| Labor Force Participation Rate (World Bank) | -.002 | .001 | -.353 | -3.451 | .001 | -.003 | -.001 |
| Political Freedom (Freedom House) | .001 | .001 | .105 | .955 | .343 | -.001 | .003 |
| a. Dependent Variable: Calculated GNI to GDP Ratio AKA Leakage (World Bank) |

**Appendix 2:**

**Tourism as a % of GDP and the Poverty Headcount Ratio**

|  |
| --- |
| **Variables Entered/Removeda** |
| Model | Variables Entered | Variables Removed | Method |
| 1 | Calculated Tourism as a % of GDP (World Bank )b | . | Enter |
| a. Dependent Variable: Poverty Headcount Ratio (World Bank) |
| b. All requested variables entered. |

|  |
| --- |
| **Model Summary** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .242a | .059 | .035 | 4.55199 |
| a. Predictors: (Constant), Calculated Tourism as a % of GDP (World Bank ) |

|  |
| --- |
| **ANOVAa** |
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 51.564 | 1 | 51.564 | 2.489 | .123b |
| Residual | 828.823 | 40 | 20.721 |  |  |
| Total | 880.388 | 41 |  |  |  |
| a. Dependent Variable: Poverty Headcount Ratio (World Bank) |
| b. Predictors: (Constant), Calculated Tourism as a % of GDP (World Bank ) |

|  |
| --- |
| **Coefficientsa** |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | 10.271 | 1.066 |  | 9.633 | .000 |
| Calculated Tourism as a % of GDP (World Bank ) | -.336 | .213 | -.242 | -1.578 | .123 |
| a. Dependent Variable: Poverty Headcount Ratio (World Bank) |