



Maximizing tourism's contribution to poverty reduction in Rwanda

Michael Großpietsch

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Presented by

Michael Großpietsch,
Maîtrise en Droit (Paris), M.A./DESS (Toulouse), M.Sc. (Greenwich)

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List of abbreviations

ABTA	Association of British Travel Agents
ACOTA	Amahoro Community-based Tourism Association
ADB	African Development Bank
AEC	African Economic Community
AIDS	Acquired Immune Deficiency Syndrome
AITO	Association of Independent Tour Operators
AKTE	Arbeitskreis Tourismus und Entwicklung
ANP	Akagera National Park
APRM	African Peer Review Mechanism
ASOFERWA	Association de Solidarité des Femmes Rwandaises
ASSET	Association of Small Scale Enterprises in Tourism
ATPC	African Trade Policy Centre
AU	African Union
BITS	Bureau International du Tourisme Social
BLCF	Business Linkages Challenge Fund
BNR	Banque Nationale du Rwanda
CAER	Centre for Arbitration and Expertise of Rwanda
CAMPER	Centre d'Appui aux Petites et Moyennes Entreprises au Rwanda
CBD	Convention on Biological Diversity
CBT	Community-Based Tourism
CEDAW	Convention on the Elimination of all forms of Discrimination against Women
CEPGL	Economic Community of the Great Lakes Countries
CERD	Convention on the Elimination of all forms of Racial Discrimination
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COMESA	Common Market for Eastern and Southern Africa
CRC	Convention on the Rights of the Child
CRCOPAC	Optional Protocol for the CRC on the Involvement of Children in Armed Conflict
CRCOPSC	Optional Protocol for the CRC on the Sale of Children, Child Prostitution and Child Pornography
CRM	Country Review Mission
DEAT	Department of Environmental Affairs and Tourism
DFGFI	Dian Fossey Gorilla Fund International
DFID	Department for International Development
DRC	Democratic Republic of Congo
DRC	Development Resource Centre
EAC	East African Community
EBA	Everything But Arms
ECCAS	Economic Community of Central African States
EDPRS	Economic Development and Poverty Reduction Strategy
EICV	Household Living Conditions Survey
EU	European Union
FAO	United Nations Food and Agriculture Organization
FDI	Foreign Direct Investment
FESPAD	Pan-African Festival of Dance
FRw	Franc Rwandais
FTTSA	Fair Trade in Tourism South Africa
G7 or G8	Group of Seven or Group of Eight
GATS	General Agreement of Trade in Services
GDP	Gross Domestic Product
GNI	Gross National Income
GTZ	Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
HIMO	Haute Intensité de Mains d'Oeuvre
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights

ICT	Information and Communication Technology
ICTR	International Criminal Tribunal for Rwanda
IFAD	International Fund for Agricultural Development
IGCP	International Gorilla Conservation Program
IIED	International Institute for Environment and Development
IISD	International Institute for Sustainable Development
ILO	International Labor Organization
IMF	International Monetary Fund
KIST	Kigali Institute of Science and Technology
LDC	Least Developed Country
MDG	Millennium Development Goal
MDR	Democratic Republican Movement
MDRI	Multilateral Debt Relief Initiative
MFN	Most-Favored Nation
MIFOTRA	Ministry of Public Service, Skills Development, Vocational Training and Labor
MIGEPROFE	Ministry of Gender and Women in Development
MINAGRI	Ministry of Agriculture and Animal Resources
MINALOC	Ministry of Local Government, Community Development and Social Affairs
MINAMIT	Ministry of Crafts, Mining and Tourism
MINECOFIN	Ministry of Finance and Economic Planning
MINEDUC	Ministry of Education, Science, Technology and Scientific Research
MINETO	Ministry of Environment and Tourism
MINICOM	Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives
MINICULT	Ministry of Youth, Culture and Sports
MININFRA	Ministry of Infrastructure
MINISANTE	Ministry of Health
MINITERE	Ministry of Land, Resettlement and Environment
MTEF	Medium-Term Economic Framework
NACOBTA	Namibian Community-Based Tourism Association
NBER	National Bureau of Economic Research
NBI	Nile Basin Initiative
NGO	Non Governmental Organization
NNP	Nyungwe National Park
NUR	National University of Rwanda
NURC	National Unity and Reconciliation Commission
ODI	Overseas Development Institute
ORTPN	Office Rwandais des Parcs Nationaux
OTF Group	ontheFrontier
PPP	Purchasing Power Parity
PPPMER	Projet pour la Promotion des Petites et Micro-Entreprises Rurales
PPT	Pro-Poor Tourism
PRORENA	Projet de Protection des Ressources Naturelles
PRSP	Poverty Reduction Strategy Paper
REMA	Rwanda Environmental Management Authority
RPF	Rwanda Patriotic Front
RPSF	Rwanda Private Sector Federation
RRA	Rwanda Revenue Authority
RTA	Rwanda Tourism Agency
RWA	Rwanda Wildlife Agency
SACOLA	Sabyinyo Community Lodge Association
SAP	Structural Adjustment Program
SARS	Severe Acute Respiratory Syndrome
SDT	Sustainable Development through Tourism e.V.
SME	Small and Medium Enterprise
SNV	Netherlands Development Organization
ST-EP	Sustainable Tourism – Eliminating Poverty
UCOTA	Ugandan Community Tourism Organization
UK	United Kingdom
UN	United Nations
UNAMIR	United Nations Assistance Mission for Rwanda

UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
UNECLA	United Nations Economic Commission for Latin America and the Caribbean
UNEP	United Nations Environment Program
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNFCCC	United Nations Framework Convention on Climate Change
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNWTO	World Tourism Organization
US or USA	United States of America
USAID	United States Agency for International Development
VFR	Visiting Friends and Relatives
VNP	Volcanoes National Park
VSO	Voluntary Service Overseas
WCED	World Commission on Environment and Development
WCS	Wildlife Conservation Society
WIPO	World Intellectual Property Organization
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization
WTTC	World Travel & Tourism Council
WWF	World Wide Fund for Nature

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I. Introduction

As people who live – in a broad sense – together, we cannot escape the thought that the terrible occurrences that we see around us are quintessentially our problems. They are our responsibility – whether or not they are also anyone else's.

(Sen, 1999: 282)

Humanity's quest has always been one for development. It is elementary to our minds that we desire to progress. For most of our existence on earth, we have been living in almost universal income poverty. But with the onset of the *Industrial Revolution* in Europe in the late 18th century and decisive technological inventions such as the steam engine, humanity was able to progressively alleviate extreme poverty – at least in those parts of the world that participated in industrialization. We have come to the point that the Director of the UN Millennium Project, Jeffrey D. Sachs, sets out a plan how to realistically achieve the 'end of poverty' by the year 2025 (Sachs, 2005).

We have very good reasons to share his vision and fight poverty. In the language of economists, the World Bank (2000: 11) calls poverty a "global public good" with which we associate several "negative externalities". Poverty is a potential breeding ground for conflict, violence and even terrorism. Poor societies are largely unable to control the spread of communicable diseases, a good example being the Bird Flu that originated in East Asia and subsequently spread to various other parts of the world. Poverty causes powerful pressures for illegal immigration. Poor people are also forced to exploit their natural resources in unsustainable ways and, thereby, put pressures on the environment. Most of these phenomena do not necessarily remain restricted to a particular region, but have potentially far-reaching global effects.

Poverty reduction has, therefore, become an imperative for the international community. Already in 1964, then-US Secretary of Defense and later President of the World Bank Robert McNamara (quoted in Alexander, 1996: 136) claimed that "the foreign aid program is the best weapon we have to ensure that our men in uniform need not to go into combat". Still, world leaders sometimes set questionable priorities, as Sachs (2005: 215) forcefully pointed out when commenting on the *war on terror*:

While almost 3,000 people died needlessly and tragically on *September 11*, there are thousands of Africans who die needlessly and tragically every single day, often due to preventable or treatable diseases such as HIV/AIDS, tuberculosis or malaria.

The fight against poverty has also important economic reasons. More affluent people are potential buyers for all sorts of products and services. Companies could open up huge new markets of hundreds of millions of customers. Already now, innovative thinkers like C.K. Prahalad (2004: 5) are convinced that the poor at the “bottom of the pyramid” represent a “latent market” that creative entrepreneurs can tap into. These opportunities would increase exponentially with growing prosperity. Consequently, poverty presents an enormous waste of economic potential.

But apart from these economic, political, social and security motifs, there is another and, arguably, even more compelling reason why poverty reduction should be on top of our agendas. As the Commission for Africa (2005: 66) puts it, “[t]here is something greater, more noble and more demanding than just our shared needs, and linked destinies”. We have a very strong moral imperative to fight poverty. Empathy and compassion – sometimes even altruism – are inherent in human thinking and distinguish us from other non-human beings. A desire to help the needy is part of the natural human instinct as well as deeply embodied in ethical standards and religious cultures. It is, therefore, our responsibility as human beings to make the fight against poverty and deprivation our common priority.

Concepts and approaches for poverty reduction have varied greatly throughout the past decades, since US President Harry S. Truman used the term *developing country*¹ for the first time in 1949 (Hemmer, 2002: 3). He triggered off discussions about the causes of underdevelopment and poverty, as well as potential remedies. At least until 1990, the debates were largely influenced by ideological constraints, and two schools of thought emerged that led to diverse practices and experiences in the countries of the developing world. After the end of the *Cold War*, the strategies be-

¹ We do not intend to make debates about individual terms the subject of this thesis. While we acknowledge the controversies that surround notions such as ‘developing country’, ‘underdeveloped country’ or even ‘Third World’, ‘industrialized country’, ‘affluent world’ or ‘First World’ and many others, we believe that debates about the greatest political correctness are of little relevance to our work. We choose, therefore, to use those expressions that appear to be most well-known and most widespread in the general public and explicitly refrain from taking any ideological stance.

came more and more delinked from rigid theories and ideologies and assumed an increasingly practical character.

Researchers and policy-makers now discuss the impacts and contributions to poverty reduction of a wide variety of potential interventions in numerous individual fields. While the development links of areas such as education or healthcare might be rather clear-cut and easy to grasp, tourism is usually not among the first economic sectors that come to mind when thinking about poverty reduction models. Nevertheless, it has become a reality in virtually every country on earth, and its multifaceted impacts are also strongly felt by the poor.

In the past ten years, tourism's poverty-reducing role has become a very small niche for researchers and practitioners who work at the crossroads of multiple disciplines, including geography, business studies, development studies, economics, political science, social science, anthropology, or environmental science. Hundreds of individual case studies and the related theoretical background research are influencing the creation of a growing body of knowledge.

The literature has largely focused on the micro-level. We will show that a variety of models for analysis and compilations of best practice have emerged for communities and individual companies. Rare studies have gone beyond this and examined entire destinations. Analyses at the national level have, however, remained piecemeal and usually focused either on certain government policies or on activities of the industry as a whole. So far, we have not been able to detect any effort to holistically understand tourism's poverty-reducing impacts at the macro-level, examining the various effects of a variety of actors as well as the general environment.

This is a great omission for several reasons. First of all, while poverty reduction is eventually always about individual human beings, it is fundamental to understand the environment in which this person lives and the numerous forces that affect his or her access to resources and livelihood strategies. Micro-level studies are insufficient to see the big picture and only capture the impacts that can be explained from within the individual's direct environment. Secondly, governments and their advisors, including bilateral and multilateral donors, increasingly acknowledge tourism's value for

economic development and even poverty reduction. But they have an insufficient understanding of the sector beyond the micro-level. As a consequence, they miss out on great opportunities and, sometimes, even unknowingly create new difficulties. Finally, the omission obviously leaves the body of knowledge at an incomplete stage and seriously limits the efficiency of current and future research efforts.

The thesis at issue aims at filling this important gap. Its overall goal is *to develop and test a methodology for analyzing and maximizing tourism's poverty-reducing impacts on a national level*. The main structure of the thesis is, therefore, twofold. After the introduction, the first part consists of chapters II and III and deals with developing the aforementioned concept. It proposes in a first step to revisit the literature on both the theory and the current-day best practice of poverty reduction in order to create a holistic approach to poverty reduction. In a second step, it will link tourism to this model and analyze the sector's poverty-related impacts in a theoretical way. Such work has been largely neglected in the past, and much of the existing literature has dealt with this issue in a superficial way. The research methodology will then be developed in a third step.

The second part of the thesis consists of chapter IV. Here, we will apply the new methodology and test it by means of a case study of Rwanda. We will combine the description of the research results with an immediate discussion and individual recommendations for each sub-chapter. In the end, we will bring all aspects together and merge them with our definition of poverty. The final chapter V then contains a conclusion with regards to the content of our work as well as the effectiveness of the methodology. Table I.1 below provides an overview of the thesis structure.

Rwanda is ideal for this pilot case study. Located at the border of East and Central Africa, the country is comparably very small, and its tourism industry is only slowly emerging after a terrible civil war and genocide just a bit more than a decade ago. Both the government and the private sector desire to develop tourism in a responsible way. They mainly focus on low-impact ecotourism and, more recently and sporadically, on cultural and community-based tourism. Furthermore, the sector features in all major national strategy papers for economic development and poverty reduc-

tion. In fact, Rwanda is one of the poorest countries in the world, and tourism has emerged as a potential pillar in the country's efforts to fight against poverty.

Among others, the country's national tourism authority has warmly welcomed this research and has expressed a willingness and desire to let its results influence future policy choices. Far beyond its theoretical value as a significant contribution to the body of knowledge, this thesis is, therefore, likely to prove directly beneficial to Rwanda and its people.

Table 1. 1: Structure of the thesis

Overall goal:

To develop and test a methodology for analyzing and maximizing tourism's poverty-reducing impacts on a national level.

First objective:

To develop a concept for analyzing tourism's poverty-reducing impacts on a national level.

1. To revisit the literature on both the theory and the current-day best practice of poverty reduction in order to create a holistic approach to poverty reduction.
2. To link tourism to this model and analyze the sector's poverty-related impacts in a theoretical way.
3. To develop the research methodology to test the model.

Second objective:

To apply the concept to Rwanda and to identify a set of priority actions for the major stakeholders in order to maximize tourism's poverty-reducing impacts in the country.

1. To analyze tourism's poverty reducing impacts in Rwanda.
2. To identify a set of priority recommendations.
3. To conclude on the effectiveness of the concept and the research methodology.

II. Poverty reduction – theory and current-day best practice

Greater freedom enhances the ability of people to help themselves and also to influence the world.

(Sen, 1999: 18)

For most young people in the more affluent countries it is perfectly normal to pursue a life in relative abundance without any existential fear. While their grandparents might still be able to tell of much more difficult times, 60 years of peace and prosperity have made it possible that images associated with income poverty have become peripheral phenomena in their societies. In most other parts of the world, however, poverty is a daily reality.

While an emerging global conscious is increasingly creating the desire in affluent societies to do something against this apparent injustice, concepts and actions to remedy the situation often remain shallow and, unfortunately, at least partly inefficient. Policy-makers, researchers and practitioners alike frequently feel compelled to acknowledge that their understanding of poverty and its many different impacts is rather limited. It is, therefore, vital to first examine the various facets of poverty (II.1) and to highlight the particular conditions that prevail in the wider environment of our case study country Rwanda, i.e., sub-Saharan Africa (II.2). Afterwards, we will analyze how economic growth contributes to poverty reduction and pursue the question what kind of growth is most beneficial (II.3). Sub-chapter II.4 will go back into history and examine policy decisions and their theoretical and empirical backgrounds. Finally, we will present a post-neoliberal working concept on how to achieve poverty-reducing growth (II.5).

II.1. Facets of poverty

According to the widely-held orthodox view, poverty is a situation suffered by people who cannot afford to buy food and satisfy other basic material needs. In the years since 1945, it soon became common practice in policy circles to use such a monetary-based depiction of poverty (Thomas, 2001: 562). In fact, we are regularly confronted with international poverty lines that attempt to compare poverty rates across countries. In monetary terms, they represent the level of consumption that is re-

garded as minimally adequate. The most well-known is probably the \$1² per day threshold, used, for example, by the World Bank and the United Nations. According to such a recent estimate, more than 1.2 billion people, representing one in every five on Earth, survive on less than a dollar a day (UNDP, 2003: 5)³.

It is, however, obvious that a dollar can buy very different things in different parts of the world because the costs of living vary considerably. The World Bank takes this into account by adjusting their results for purchasing power parity (PPP) rates. It assumes that a dollar per day is the correct average price of a certain bundle of goods that is required for subsistence consumption in developing countries. This methodology allows the Bank to compare prices and costs of living in one country with those in another, and, thus, achieve more accurate results on poverty.

This measurement regularly meets a great amount of criticism. Not only is the process of adjusting for PPP rates not entirely transparent, but it also presupposes that every poor person from all the different regions in the world consumes the same types of goods. Furthermore, the researchers have to rely on data usually derived from household surveys and national accounts. It is, therefore, no surprise that researchers frequently note various methodological and conceptual inconsistencies (e.g., UNDP, 2003: 42). However, to date no other measurement technique has found widespread acceptance, and the concept is certainly defended because of its simplicity.

This discussion seems to suggest that increased income is the ultimate goal of poverty reduction. Acknowledging, however, that poor people generally desire to raise their income only to be able to pay for their basic material needs, and, additionally, that there might be other non-material needs that cannot be bought, raises questions about the orthodox approach to poverty. In their Least Developed Countries Report 2004, the UNCTAD presented a very powerful and multifaceted depiction of poverty

² \$ figures always refer to US\$.

³ Other studies have produced very different estimates. Sala-i-Martin (2002) from Columbia University, for example, calculated that the number of people living on less than a dollar a day in 1998 was around 350 million. These immense differences result from several factors. The World Bank attempts to measure 'consumption poverty', as opposed to 'income poverty'. Furthermore, the used samples of countries diverge. And, finally, the World Bank only makes use of the population in the developing countries as reference, while Sala-i-Martin's study focuses on world population. Whichever the differences, there is, however, no doubt that the figures are still immense.

(UNCTAD, 2004b). Their researchers went to the small village of Sholi in Rwanda's Nyanza District and classified all the 230 households living there into four different categories.

They found that 43 households (18.7%) "have to beg, for they have nothing – no clothes, no food, no shelter; their children cannot go to school, they cannot afford medical care and they have no farmland". 114 households (49.6%) "do not have sufficient food but can work for others to survive; they dress poorly, have insufficient farmland and can hardly get medical care. They have shelter but no livestock and are always suffering". 60 households (26.1%) "have shelter, but it is small and poor. They have a minimal harvest; their children can go to primary school; they can clothe themselves but with difficulty; they can scarcely access medical care, but manage to have sufficient to eat and they have small ruminants". Finally, 13 households (5.7%) "have excess harvest to sell and livestock; they can afford medical care, and have a little money. Their children can go to secondary school. They eat well, are neat, have a good house and a bicycle, and can engage others as labor" (UNCTAD, 2004b: I).

The Report shows poverty in a light which is very different from the monetary-based conception of the orthodox view. For the inhabitants of Sholi, poverty means practical things such as appropriate clothing, food, shelter, education, health care or personal property. It is a sad reality in this little village that only one household in almost every 18 does not have to live in constant concern about its very existence. The problems of the remaining 17 in 18 households differ widely – and most likely even the problems of households within the same category. The Report powerfully depicts various exemplary obstacles that the people in Sholi face. These and many others constitute the multiple facets of poverty.

Inadequate income is undoubtedly one of the most influential components of poverty. With money, a person can achieve numerous other goals, and the people in Sholi would be able to overcome many of the obstacles listed in the Report. Furthermore, lack of income is often the major cause of phenomena that we intuitively associate with poverty, such as starvation and famine. But there are many other aspects in the lives of poor people on which income has only little influence. For instance, a person might lose his or her property because of a dubious and arbitrary land reform, or a

woman might be unable to find a job due to restrictive gender regimes in a conservative society. These examples demonstrate that inadequate income, as important as it may be in many circumstances, is by far not the only dimension of poverty.

Already the Greek philosopher Aristotle (quoted in Sen, 1999: 14) observed that “wealth is evidently not the good we are seeking; for it is merely useful and for the sake of something else”. It only enables us to achieve other goals and offers us greater freedom to make our own decisions about our lives. To see income as the ultimate goal would mean to confound ends with means.

A more nuanced, alternative view thus describes poverty as a situation suffered by people who are not able to meet their material *and* their non-material needs through their own effort. Norberg’s (2003: 27) understanding of poverty reduction, for example, rests on the notion of *human development* which he identifies as “enjoying a reasonably healthy and secure existence, with a good standard of living and freedom to shape one’s own life”. Similarly, the World Bank (2004b: 6) states that “[a] comprehensive development vision sees social development as the necessary and inseparable counterpart of economic development”.

In its Poverty Manual, the World Bank (2003a: 2) further elaborates on the truly “multidimensional phenomenon” of poverty, defined as “pronounced deprivation in well-being, where well-being can be measured by an individual’s possession of income, health, nutrition, education, assets, housing, and certain rights in a society such as freedom of speech [as well as] a lack of opportunities, powerlessness, and vulnerability”. According to this alternative view, personal well-being and human development become the ultimate goals of poverty reduction – contrary to simply aiming at increased income.

The UNDP was one of the first institutions to commit themselves to such an alternative view of poverty. Since the early 1990s, they published annual Human Development Reports, consistently arguing that “the purpose of development is to improve people’s lives by expanding their choices, freedom and dignity” (UNDP, 2003: 27). For their measurements they created the Human Development Index (HDI), a simple summary measure of three dimensions of development, namely living a long and

healthy life, being educated, and having a decent standard of living. The index further developed over time as new research results contributed to the consideration of new indicators. It currently includes the following measurements: life expectancy at birth, educational attainment (measured by a combination of the adult literacy rate and enrolment in primary, secondary and tertiary education), and whether average incomes, based on PPP estimates, are sufficient to meet the basic needs of life in a country (adequate food, shelter, and health care).

In his textbook, Hemmer (2002: 33) points out that the HDI is, today, established as the main development index. However, even though it provides a useful starting point to measuring more than simple income poverty, even the UNDP itself considers it to be still rather incomplete (UNDP, 2003: 60). It becomes obvious that complex indexes always depend on subjective choice and weighting of its individual components.

The Nobel Prize winning economist Amartya Sen picked up on these shortcomings and formulated an influential thesis on *Development as freedom*. In an attempt to capture its multifaceted nature, Sen coins poverty as “the deprivation of basic capabilities” (1999: 87). The poor are “deprived not only in terms of well-being, but also in terms of the ability to lead responsible lives, which are contingent on having certain basic freedoms” (Sen, 1999: 284). With this approach, Sen distances himself from the standard income criterion for the identification of poverty. Rather, poor people are not free – they lack choices and options to fulfill their life objectives.

Sen acknowledges that it would be impossible to produce an exhaustive list of vital freedoms. More importantly, different communities and even individuals are likely to come up with very different sets, according to their own priorities. As major themes, Sen identifies five distinct types that appear to have particular value: political freedoms, economic freedoms, social opportunities, transparency guarantees, and protective security (1999: 38ff.). Two researchers from the Canadian International Institute for Sustainable Development (IISD), Duraiappah (2001) and Cosbey (2004), later built on this framework and added an ecological component as particularly valuable. Table II.1 below summarizes the types of freedoms as showcased by Sen, Duraiappah and Cosbey.

Table II. 1: Types of freedoms

1. <u>Political freedoms:</u>
<ul style="list-style-type: none"> Freedom to participate in governmental decisions that will impact on the quality of life: Literacy, free media, free speech, participative democratic process (e.g., opportunities of political dialogue, dissent and critique, voting rights, participatory selection of legislators and executives)
2. <u>Economic freedoms:</u>
<ul style="list-style-type: none"> Freedom to utilize economic resources for the purpose of consumption, production and exchange Freedom of market opportunities: Lack of barriers to movement of goods and services, lack of barriers to entry of firms, access to credit, right to organize, adequate wage levels and labor rights, adequate infrastructure (e.g., transportation, communications, energy, water supply and treatment)
3. <u>Social opportunities:</u>
<ul style="list-style-type: none"> Education: Accessibility and high quality of primary education (literacy, numeracy etc); training in democracy, as well as social rights and obligations; training on nutrition and fitness Health care: Accessibility and high quality of primary care; adequate food and potable water; freedom from avoidable disease and premature mortality Availability, accessibility and high quality of some type of social safety net: Stability of family relations, supportive social structures etc Basic trust in fellow members of society to deal with people fairly, without malice or avarice Norms of conduct that tolerate – even celebrate – diversity of gender, race, sexual orientation and other social characteristics and behaviors
4. <u>Transparency guarantees:</u>
<ul style="list-style-type: none"> Freedom from corruption, financial irresponsibility and underhand dealings: Adequately paid civil service, honest and efficient bureaucracy, strong anti-corruption law and its enforcement, transparency and accountability of government operations, design of government operations to limit opportunities for corruption
5. <u>Protective security:</u>
<ul style="list-style-type: none"> Safety nets against adverse events that may render individuals helpless: <ul style="list-style-type: none"> National defense and effective policing (including regulatory enforcement) Good governance and tolerance of diversity Strong system of law enforcement: Independent and fair judiciary, rights of expression, free media, rights to non-discrimination, property rights, competition laws, labor rights etc Social safety net: Fixed institutional arrangements such as unemployment benefits and statutory income supplements, ad hoc arrangements such as famine relief or emergency public employment, programs promoting opportunities for disadvantaged
6. <u>Ecological security:</u>
<ul style="list-style-type: none"> Quality of life supporting services: Clean air, stable and clean supply of water (including adequate distribution and treatment services), no pollution, reduced impacts of natural disasters Adequate domestic and international commitments to environmental protection, human health and safety, and their adequate implementation and enforcement
<i>Sources:</i> adapted from Cosbey (2004); Duraiappah (2001); Sen (1999)

While the approach pioneered by Sen has the benefit that it apparently captures the multifaceted dimensions of poverty, it lacks clearly measurable indicators. Furthermore, it is doubtful whether any set of indicators that tries to reflect the above framework would find broad-based acceptance. The inclusion of certain indubitably important political or security freedoms, for example, would meet fierce resistance as many governments would regard them as interfering with state sovereignty. Another challenge would arise through the weighing of the different indicators in order to produce

an aggregate. Is one freedom more important than another? Who is supposed to make that judgment?

The closest an international coalition of stakeholders got to develop a practical, goals-oriented approach to measuring poverty in a holistic way is probably the UN Millennium Project. In September 2000, the until-then largest-ever gathering of heads of state took place at the UN Millennium Summit in New York. World leaders adopted the UN Millennium Declaration, identifying as the key challenge faced by the international community the need to “ensure that globalization becomes a positive force for all the world’s people” (UN, 2000: 2). It further committed all Member countries to do their utmost to eliminate poverty, promote human dignity and equality, and achieve peace, democracy and environmental sustainability.

Agreeing on the Millennium Development Goals (MDGs), world leaders promised to cooperate in order to achieve a set of 8 ambitious goals and 18 targets, covered by no less than 48 indicators, by the year 2015 or earlier. The main themes of the MDGs are hunger, education, gender, health, and the environment. The UNDP (2005: 1) summarizes: “There is more to human development than the MDGs. But the goals provide a crucial benchmark for measuring progress towards the creation of a new, more just, less impoverished and less insecure world order”.

The previous discussion encourages the creation of a working definition of poverty for this thesis. It became obvious that poverty is a multifaceted phenomenon. Building on Sen’s definition, this thesis describes it as *deprivation of basic capabilities that prevents individuals to pursue what they have reason to value*. It includes an important income as well as a widely ramified non-income component. The latter comprises, for example, being able to avoid deprivations such as starvation, undernourishment, escapable morbidity, and premature mortality, as well as basic freedoms such as education, health care, gender equality, political participation, uncensored speech, and access to safe water. Most of these latter are ends in themselves, as they are elemental to enriched human lives. But they also have an important instrumental value and contribute greatly to the achievement of other constitutive components. Better education, for example, also enhances knowledge about health care,

opportunities of political participation, a better understanding of legal issues and fundamental rights, or the chance to be economically productive.

While the constitutive and instrumental values of the non-income components of poverty should not be underestimated, income poverty undoubtedly has to remain a predominant theme. It would be inappropriate and potentially even detrimental to deny that money is needed to purchase food, health care, education, drinking water and many other elements. This calls for a more nuanced approach towards poverty reduction than has often been adopted in the past. Many opportunities have been missed and even some damage has been caused because people stubbornly followed political or ideological views. It is, therefore, a pivotal point for this thesis to learn from past success stories but also mistakes, and to treat the issues in practical ways and, within the realm of possibility, in complete isolation from any ideological constraint.

By way of summarizing, the thesis will deal with poverty in the following way: Where generalizations and quantifiable figures are necessary, the thesis will fall back on the widely accepted notion of poverty as leading a life with less than \$1 a day. However, where there is room for qualitative statements and analyses, and particularly with regards to the development of the desired methodology, it will pick up on the notion of a *deprivation of basic capabilities that prevents individuals to pursue what they have reason to value*.

II.2. Poverty – the sub-Saharan African case

This continent is too big to describe. It is a real ocean, a planet of its own, a diverse and rich cosmos. We just talk about 'Africa' for reasons of simplicity and convenience. In reality, such an 'Africa' does not exist – except for the geographical entity. 'Africa' – that is thousands of situations. Very different, totally conflicting situations.

(Ryszard Kapuscinski, translated from Dijk, 2005: 15)

The wider geographical environment of Rwanda, the case study of this thesis, is Africa and, in particular, the part of the continent that is located south of the Sahara. Africa is most often superficially regarded as one coherent entity, the place where the

dark-skinned people and all the big game animals come from, a place with a tropical climate and feeling, a place prone to hunger, poverty, 'backwardness' and incomprehensible tribal conflicts. These often-heard generalizations and prejudices make one thing very clear: how ignorant most people are with regards to this extremely diverse and rich continent.

Africa is a vast region with 850 million inhabitants, several thousands of ethnic groups, about a thousand recognized languages and more than 50 countries. Scientists now believe that the continent was the cradle of mankind with the first traces of *Homo sapiens* found in the Great Lakes Region dating back to more than 20,000 years ago. The continent later saw the first great civilization of modern mankind settle on the fertile banks of the Nile some 7,000 years ago. In more recent times, big empires developed in various parts of the continent that dominated enormous territories and, between the 7th and the 13th century, belonged to the most important trade and science centers in the entire world (Dijk, 2005: 15ff.).

But, in the past 500 years the continent was largely exploited under the hands of slave traders, imperialists, colonizers and missionaries. While the history of colonization found its end with a wave of independence declarations in the years and decades after the Second World War, a new form of influencing control started to take place. The promising young states with abundant natural resources, fertile lands, and a low population density became pieces in the game of the two new superpowers. The *Cold War* meant a continuous meddling in their interior affairs, contributing to the overthrowing of unwelcome leaders and signing responsible for a number of proxy wars.

When the economic and military support particularly from the Soviet Union stopped from one day to the next in 1990 and when a number of would-be development projects were let down, various states had to wake up to a new situation where they were suddenly on their own. Many of them were totally unprepared and quickly slipped into politically unstable conditions and sometimes even civil war. Africa and its many thrown-together states finally achieved a greater amount of freedom to take their destinies in their own hands, even though old ties to the former colonial powers as well as new economic dependences and a heavy debt burden remained.

What the countries inherited is mostly not enviable. Economic growth rates remained slow and erratic. In most parts of sub-Saharan Africa, real per capita GDP growth was even negative in the 1990s, and average per capita income fell to below \$300 (UNCTAD, 2004a: 8). The statistics in table II.2 below provide a sad comparison of some major development indicators between the sub-continent and the average of all developing countries.

Table II. 2: Statistics on poverty in sub-Saharan Africa and all developing countries

Indicator	Sub-Saharan Africa	All developing countries
Life expectancy at birth (2003)	46.1 years	65.0 years
Infant mortality rate (2003)	105 / 1,000	60 / 1,000
Undernourishment (2003)	30% of the population	16% of the population
Literacy rate (2003)	61.3%	76.6%
Birth rate (2005)	5.5 children	2.9 children
Tuberculosis rate (2003)	487 / 100,000	289 / 100,000
HIV prevalence (2003)	7.3%	1.3%
Access to improved sanitation (2002)	36%	48%
Access to improved water source (2002)	58%	79%
Electricity consumption per capita (2002)	536 kW/h	1,155 kW/h
<i>Sources: UNCTAD (2004b); UNDP (2005)</i>		

Fortunately, recent years have brought first signs of progress. Economic performance and human development indexes are slowly improving in a number of countries – but observers are very skeptical whether this fresh impetus is sufficient to reduce poverty in a sustainable way. Sub-Saharan Africa is particularly unlikely to even come close to meeting most of the ambitious MDGs. Furthermore, UNDP's 2005 Human Development Report provided a sad outlook (UNDP, 2005: 42f.): In 2015, the incidence of people living on less than \$1 a day globally is estimated to fall from 21% to 14%. In sub-Saharan Africa, however, it is likely to rise sharply over the same period, from 24% to 41%.

When trying to find reasons for the continuing and even rising poverty on the African continent, many observers quickly come up with explanations such as chronic poor governance, corruption or even laziness. It is certainly true that, after independence, several governments became what African economist George Ayittey called “vampire states” (quoted in Norberg, 2003: 106). The leaders and their cliques exploited their countries and amassed incredible fortunes while their people continued to suffer.

Mobutu Sese Seka, for example, apparently 'earned' himself \$4 billion in the former Zaire.

What happened in the sub-Saharan African political sphere after independence was the attempt "to make democracy fit for the sub-region without first having made the sub-region fit for democracy" (Banseka, 2002: 16). After only a decade, it became obvious in almost all countries that politics remained the preserve of a small and mostly corrupt privileged elite, quite often defined by ethnic origin. They frequently kept the European bureaucratic structures and procedures that had been introduced by the colonial powers. The result was a variety of one-party autocracies with presidents for life or military dictatorships after the open seizure of the state by the armed forces (Anyang' Nyong'o, 2001: 5).

Mafeje (2002: 6f.) goes as far as referring to "neo-colonial African states". They frequently showed certain characteristics that were common in the previous colonial variations. These include being imposed from the outside – or, in this case, inherited and largely extrinsic to the African society –, continuing to administer not 'subjects' but 'objects', being not accountable to those who they administer, often using power in arbitrary ways that lack transparency, being highly extractive, and disregarding all civil liberties. Added to this were phenomena such as rampant corruption among state officials, bureaucratic inefficiencies and economic mismanagement.

With regards to the polity, African countries were not very different from many of their South East Asian counterparts. But, unlike the latter, they almost completely "lacked national aspirations" (Collier, 2007: 8) as well as a "developmental vision" (Adejumobi, 2006: 11). The national policy space did not know a pro-poor agenda, and the regimes acted ruthlessly and encouraged corruption. The resulting atmosphere of fear and instability was very negative for local economic development and strongly inhospitable to foreign investment. As a result, poverty continued to increase.

In the 1970s, several intellectuals developed the assumption that the antithesis of the colonial or neo-colonial state was a socialist state. Following this ideology, countries like Tanzania attempted the creation of their own governance structures, partly following the teachings of Marx and Lenin. Without wanting to explore these historical

constructs in more detail, it is safe to say that disillusionment came fast and that these purported 'socialist' states also turned out to be largely undemocratic and authoritarian (Mafeje, 2002: 8).

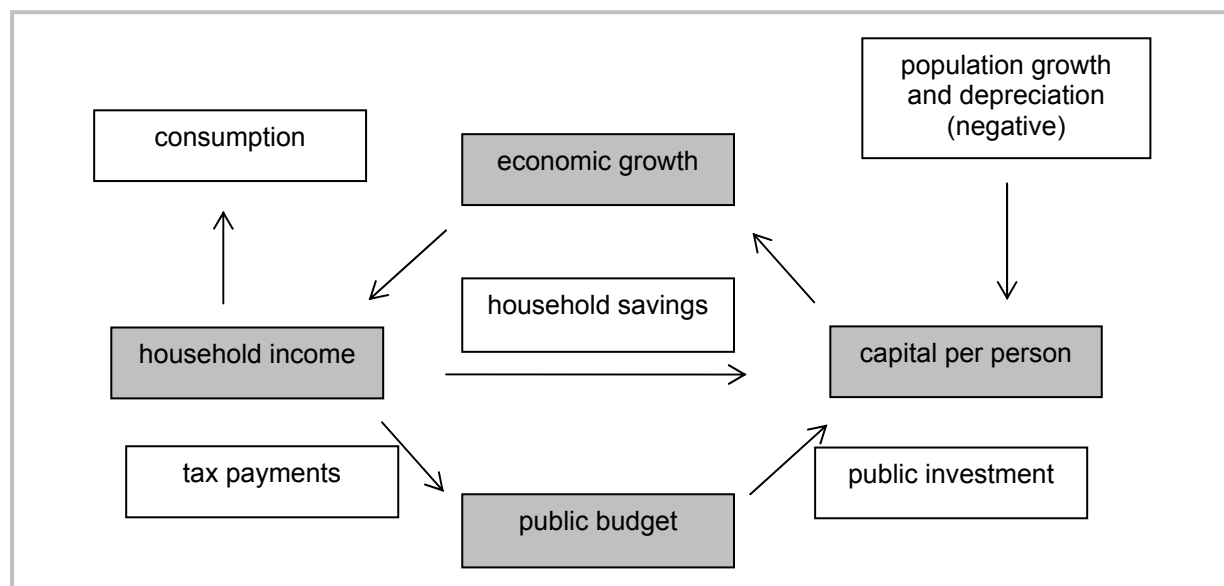
Since the 1990s, the continent experiences a second wave of democratization with donors and lenders increasingly conditioning good governance and democratic principles. Today, multi-party politics are the norm, and the enforcement by all means of fair elections appears to have become an obsession of the more affluent countries. This was best witnessed by the tremendous efforts of the UN and EU during the recent elections in the DR Congo in 2006. Apart from the deployment of large numbers of troops and monitors, the process cost the international community over \$450 million.

Was it worth the effort? Banseka (2002: 262) laments that it is necessary to distinguish between the consolidation and the mere survival of democratic rule. In his view, the latter, unfortunately, appears to be the frequent case across the sub-continent. In his thesis, he explains that neopatrimonialism continues to be inherent in African politics and societies. A variety of government leaders systematically resort to patronage and treat their positions as "personal kingdoms" (Banseka, 2002: 95). They further appoint undeserving relatives to positions of influence which they use to extract bribes. The leaders also have a strong problem with delegation, and subordinates frequently fear to take any decision without referring it above, since such an act would be considered a challenge to authority. As a result, the emerging democracies are rendered volatile, contributing to social inequality and an erosion of the public's faith in democratic principles.

Similarly, Collier (2007: 8) describes how the spread of democracy is undermined particularly in resource-rich African countries. Patronage politics, thriving corruption and a politically disinterested elite that benefits from low taxation considerably weaken the checks and balances upon the use of power. While elections might constrain how power is achieved, the system lacks the control options of how power is used.

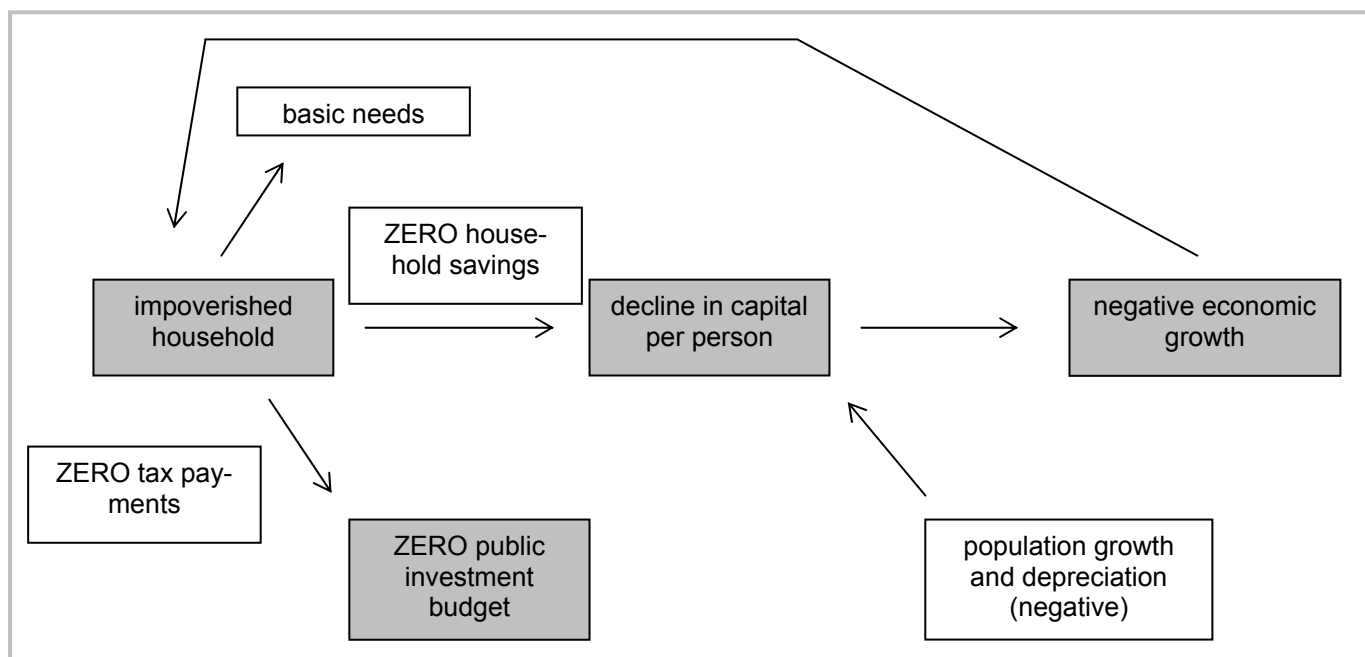
We certainly do not want to make generalizations that will not hold true. There are exemplary states that have recently written great success stories when it comes to implementing democratic principles. Botswana is but one of them. In the case of the majority of sub-Saharan African countries, however, we have to agree that, while poor governance is hardly the single cause of still rampant poverty, it continues to play an important role. When exploring poverty-reducing strategies, it is, therefore, impossible not to look closely at governance and also polity issues. We will get back to these questions in the later stages of this chapter (II.4.2.2 and II.4.2.3).

While poor governance became the “standard diagnosis” (Sachs *et al.*, 2004: 118) for poverty in Africa in certain circles, there is now a growing consensus that simple explanations are usually inadequate. On the contrary, several of the poorest sub-Saharan African countries are suffering from various vicious circles that have multiple reasons and, ultimately, leave them stuck in a poverty trap. Sachs (2005: 245ff.) explains the phenomenon as follows: In a simple model of a growing economy, a household spends its income on consumption, taxation and savings. The government, in turn, directs its budget towards current spending as well as new investments. As a result, the capital stock per person increases through household savings as well as government investments. Such a raise in capital causes growth which, in turn, raises the income of the households. At least two factors impact negatively on the capital accumulation, i.e., population growth and depreciation. This model is illustrated in figure II.1 below.

Figure II. 1: Basic mechanism of capital accumulation*(Source: Sachs, 2005: 247)*

Such a mechanism of capital accumulation, however, fails to work if the households are impoverished and have almost no income to spend. In order to survive, all available income is needed to satisfy the basic needs so that no money is left for taxes or personal savings. Accordingly, the government also lacks its income so that it has hardly any money to invest. In the meantime, population growth and depreciation continue to impact negatively on the economy's capital per person, causing it to decline. Real economic growth is negative, further impoverishing the households and thereby resulting in a vicious circle. This model is illustrated in figure II.2 below.

Figure II. 2: Poverty trap
 (Source: Sachs, 2005: 248)



This second model is, of course, a simplification of a worst case scenario. Nevertheless, the extensive research of leading institutions and alliances like the UN Millennium Project (2005) has demonstrated that a number of reasonably well governed countries simply lack the resources required for investments to take the first steps of the development ladder. Governments' budgetary resources are too limited, domestic as well as foreign investments are too scarce, and official development aid is largely insufficient.

It is, furthermore, vital for the concerned governments to better understand the deeper structural forces at work in their countries in order to define the roles they can and should play for achieving sustainable poverty reduction. This requires an analysis of their particular national development environments, their institutions and politics, taking into account numerous factors such as history, geography, infrastructure, disease burdens, culture, poverty patterns, policy frameworks, governance patterns, geopolitics and many others. While their respective contexts will always remain unique, they can and should benefit from the ideas and experiences of a large number of theorists and practitioners who have debated the issues for a long time. The next two sub-chapters will, therefore, review the literature on poverty reduction and analyze the theory and current-day best practice in the field.

II.3. The basics of poverty reduction – growth or pro-poor growth

The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.

(Franklin D. Roosevelt, 1937, quoted in UNDP, 2005: 16)

Increased income is a major key to improving the lives of the poor. As we have argued above (II.1), income has both a constitutive as well as an instrumental character for poverty reduction. The first question is, therefore, how to achieve sustainable increases in income of the poor.

The *average* incomes of people living in a geographical entity will generally grow if that entity's economy grows. Hence, theorists and practitioners from most political and ideological backgrounds alike would agree that economic growth is a fundamental basis of any country's development process or, as Hemmer (2002: 742) puts it, the "*conditio sine qua non*". A range of individual case studies as well as cross-country comparisons confirm this belief⁴.

The second question, then, is how the growth-poverty nexus works, or how a poor person gains from growth compared to the average person in a country. The earlier thinking on this issue was influenced by what is called 'trickle down' economics, i.e., that income gains will 'trickle down' to the poorer people once the more affluent members of a society are becoming richer⁵. More recent research, however, has started to challenge and refute this claim (e.g., World Bank, 2000: 6; Stiglitz, 2003: 80).

⁴ Sala-i-Martin (2002), for example, noticed remarkable reductions in poverty in the growing Asian economies and dramatic increases in the stagnating African countries, when he compared poverty rates of 125 countries between 1970 and 1998. Researchers from the African Trade Policy Centre (ATPC, 2004) came to the same conclusion. In even more general terms, the UNDP's Human Development Report 2003 stated that, historically speaking, there was not a single case in which income poverty has decreased in a stagnant economy, while the regions that were most successful in their fight against income poverty were those that had the highest economic growth rates. Their message that "economic growth is essential for reducing income poverty" (UNDP, 2003: 40) is shared by observers, international governmental organizations as well as international commissions from a variety of backgrounds, including the institutionalist Rodrik (2000b), the free-trader Norberg (2003), the World Bank (2005a), or the Commission for Africa (2005).

⁵ 'Trickle down' economics go back to the research of economist Simon Kuznets in 1955 who investigated a time series of inequality indicators for three industrialized countries (Duncan & Quang, 2002: 30).

In 2002, World Bank economists David Dollar and Aart Kraay published the arguably most influential study to date, comparing the per capita income of the poor with the overall per capita income in 92 countries over a period of four decades (Dollar & Kraay, 2002). Not only did they confirm again that growth reduces income poverty in absolute terms, i.e., with a fixed poverty line. But they also showed that, on average, growth does not cause increased relative inequality between the poor and the rich. According to them, if the average growth of a country increases by 1%, the incomes of the poor will also rise by 1% on average. This means that, *on average*, economic growth benefits the poor just as much as the rich. Such a finding – if true – has important implications for policy-makers who desire to reduce poverty: While growth might not necessarily be the only element needed for successful poverty reduction, “standard growth-enhancing policies should be at the center of any effective poverty reduction strategy” (Dollar & Kraay, 2002: 27).

While largely agreeing with the results of the study, several observers have uncovered potential weaknesses. Winters *et al.* (2002: 13), for example, remind that it is very likely that reporting errors and sample biases frequently influence similar results. Ravallion (2004a: 19; 2004b: 8) further warns that the findings do not conceal that there may be considerable numbers of losers among the poor. Finally, Ravallion (2004a: 6) as well as Duncan and Quang (2002: 32) elaborate on the notion ‘on average’. They concede that this implies that there might also be instances when the poor actually lose from general increases in growth. The latter, for example, introduce the case of growth processes that are entirely driven by capital-intensive industries rather than labor-intensive industries. Such a course of events would largely exclude the poor from the benefits of growth, and could even result in worsening conditions.

Combined with research on individual policy choices⁶, the studies have pointed out that growth is a necessary but not always sufficient condition for poverty reduction.

⁶ Lopez (2004), for example, assessed the impact that a number of policies have on poverty. He found that policies that the international financial institutions have often prescribed as growth-enhancing, such as trade openness, financial development and cuts to the size of the government, reduced poverty in the long run. They were, however, also associated with increased inequality and negative short-run effects on poverty. Other policies, such as improvements in education and infrastructure and lower inflation levels, led to both growth and progressive distributional change. He concluded that, in the long run, growth-enhancing policies are key to poverty reduction, but that additional measures should complement those policies in order to avoid short-run increases in poverty (Lopez, 2004: 21).

Governments should not rest when their economies are growing. They should constantly monitor the growth process in order to ensure that it also provides opportunities to the poor and does not necessarily breed large amounts of losers. If that is the case, they will have to complement their growth-enhancing policies with other policy sets that assist poor people to participate in the opportunities created by growth. Apart from that, certain redistributive measures might be necessary to offset potential poverty increases.

Beyond the question whether growth causes a reduction in absolute poverty, some observers claim that it is not necessarily sufficient from a poverty reduction point of view that the poor, on average, benefit as much as everybody else from growth. This would still lead to increasing inequality. According to them we should also aspire after a reduction in relative poverty and, therefore, inequality. This desired outcome is frequently called *pro-poor growth*⁷.

The reasoning behind these aspirations is simple: Intrinsically, the great majority of people feel that inequalities are unjust, especially if the affected individuals have no means to change the situation. This feeling is consistent not only with our international system of human rights, but also with the teachings of the leading religious and philosophical ways of thinking. And it is not a rather recent phenomenon. Already in 360 BC, the Greek philosopher Plato (427-347 BC) warned the Athenian lawmakers that “[t]here should exist among the citizens neither extreme poverty nor again excessive wealth, for both are productive of great evil” (quoted in UNDP, 2005: 51).

Apart from being unjust, the instrumental reasons why inequalities matter include that they are uneconomical because they deprive a more or less substantial proportion of

⁷ The actual meaning of this term is not always clear, and there are at least two different concepts. The first implies that poor people simply benefit in absolute terms, but a second definition goes well beyond the first. Proponents claim that growth is only pro-poor if the poor benefit proportionately more than the non-poor (Pernia, 2003: 2). This implies that inequality in the country needs to decrease. It is debatable which definition is more appropriate, with proponents of the first approach criticizing the restrictiveness of the second (e.g., Kraay, 2004: 1; Norberg, 2003: 54). The influential Human Development Report 2005 (UNDP, 2005) and World Development Report 2006 (World Bank, 2005c), however, brought inequality to the forefront of the debates on poverty and argued forcefully that inequality matters for various intrinsic as well as instrumental reasons. As a result, we sympathize strongly with the latter definition.

the population of access to economic opportunities and result in wasted productive potential. On top of this, they increase the likelihood of social disruption.

As a result, inequality matters a lot, a challenge that has preoccupied strategists and policymakers in high-income countries for centuries⁸. The literature has identified two sets of factors that are responsible for differing rates of poverty reduction at given rates of growth: the initial level of inequality, and how inequality changes over time. Higher initial rates of inequality in a country will generally lead to lower gains from growth by the poor. In high inequality countries, even high growth rates will thus not have a strong poverty-reducing impact. Here, inequality-reducing policies will be crucial companions to growth-enhancing policies. What this could look like in practice will be the content of the following sub-chapters. In low inequality countries, however, it will be sufficient to employ policies that contain inequality at its initial levels. Ravalion (2004a: 15f.) concludes that the “heterogeneity in country circumstances is key here”, an assumption that was confirmed by other researchers⁹.

Secondly, it is possible to influence the way inequality changes over time. As researchers from the UNDP (2002: 3) demonstrated, a country can maximize the poverty-reducing effects by directing resources disproportionately to the poor, i.e., to sectors in which they work, to areas in which they live, and to factors of production that they possess. Pernia (2003: 6) adds that institutional and policy reforms are vital to provide poor people with economic opportunities and empower them to participate and benefit in the growth process.

This review of the literature makes it difficult to come up with generalizing conclusions. Most importantly, high and sustainable growth rates are crucial for poverty re-

⁸ The great thinkers of the European Enlightenment, for example, advocated ambitious social programs financed by public policy. These included the advancement of plans in the areas of publicly financed education, health care and old-age pensions by French philosopher and politician Marie-Jean-Antoine-Nicolas de Condorcet (1743-1794) or suggestions for a system of universal insurance financed through taxation by the radical English propagandist Thomas Paine (1737-1809) (UNDP, 2005: 70). Today, all high-income countries have social market economies with more or less public involvement in reducing inequalities.

⁹ Kakwani (2001), for example, compared the tradeoff between inequality and growth for four East Asian countries and concluded that “the initial level of inequality is important in determining the appropriate policies for a country” (2001: 11). In countries with low initial inequality such as Korea or Laos, growth-maximizing policies were appropriate, while in countries with high initial inequality such as Thailand or the Philippines, specific inequality-reducing policies in addition to growth-enhancing measures were more promising.

duction, unless a redistribution of income and wealth takes place. In many cases – particularly those of countries with low initial levels of inequality – policies to maximize growth are the potentially best prescription for fast reductions in poverty. But simple growth policies are not necessarily sufficient. In various cases – particularly in countries with high initial levels of inequality – they might not produce much positive impact on the poor. This is especially the case under circumstances such as those described by Sachs as *poverty traps* (see II.2 above). In deeply impoverished countries where a big part of the population still lives on subsistence agriculture, it is vital to assist the poorest to reach the first step of the ladder. Afterwards, they might be able to climb up themselves. But if they cannot even reach this first step, they will never be able to break out of their misery. A combination of growth-enhancing and inequality-reducing policies might, therefore, be more suitable under such circumstances.

Furthermore, governments need to ensure that their policies are inclusive and that groups of losers are either enabled to participate in the new opportunities or sufficiently compensated. Caution is always important so that the latter policies do not add unnecessary distortions to the growth process. Fortunately, policy-makers are not often forced to make big trade-offs because many distributive strategies will also benefit growth. To emphasize the realization that poverty reduction strategies need to be country-specific and potentially require policies that go far beyond ordinary growth-enhancing policies, the thesis sympathizes with the term *pro-poor growth*.

II.4. How to achieve pro-poor growth – a historical perspective

Capital accumulation and technological progress are the engines of growth, and international trade is the fuel for the engine. If the fuel dries up, the engine will not run.

(UNCTAD, 2004b: 115f.)

The Greek philosopher Plato was the first who commented on the advantages of the division of labor in his masterpiece *Politeia* (Felderer & Homburg, 2005: 21). In the modern age, the Scottish moral philosopher and economist Adam Smith further expanded this thinking, pointing out that specialization ultimately leads to a general improvement in prosperity of society as a whole. Every individual should make use of

his or her specific abilities and skills without wasting time with other things. A European farmer in Smith's days typically led an autarkic lifestyle, taking responsibility for every activity needed for his family's survival. He and his wife and children grew and prepared food, bred animals, constructed buildings, made clothes and did many other things. While it was certainly impressive that the farmer had all these skills, he was deeply ineffective at what he did. If he specialized on growing food and thereby improved his techniques while a neighbor specialized on construction works and another on making clothes, the three of them would potentially be able to raise their combined productivity and effectiveness. If they then exchanged their goods and services and started a trading relationship, they would all prosper compared to their previous autarkic lifestyles.

At the onset of the *Industrial Revolution* in Europe in the late 18th century, the entire world still suffered from almost universal income poverty. In 1820, for example, about 85% of the world's population was living on the equivalent of less than a dollar a day (Norberg, 2003: 26). The invention of the steam engine thus marked a decisive turning point, inciting many people to leave their agrarian work and specialize in industrial activities. With increasing division of labor, trade and unprecedented technological progress came about a long-term increase in prosperity in all countries that participated in the industrialization. The result was the progressive alleviation of extreme poverty in these regions.

Today's poor countries still have many of the self-sufficient farmers who dominated societies in the pre-industrial Europe. In no less than ten African Least Developed Countries (LDCs), agriculture still accounts for more than 80% of the workforce (UNCTAD, 2004b: 323). Many of these rural farmers largely pursue subsistence or semi-subsistence activities. In countries with high demographic pressure such as Rwanda, this effectively means a fragmentation of small farms that are spread around the country without many large cities. The options of these farmers to break out of the cycle of poverty are very limited.

Many analysts from the development community believe that specialization and trade are of vital importance to achieve high and sustainable growth rates. This conviction is, however, not only subject to economic and development-related considerations,

but also has ideological and political connotations. The question of the role of trade for poverty reduction continues, therefore, to be hotly debated.

At least until the 1990s, two conflicting schools of thought shaped development thinking. Early after independence, a range of developing countries followed a strong path of interventionism that was influenced by protectionist theories such as the *dependency theory*. Building on the teachings of the Latin American structuralist school as well as the neo-Marxist tradition, the young leaders of newly independent countries were deeply skeptical about market forces. Additionally, they desired to live up to the “mood of the moment” and to “make their mark and assert their national identity” (Christian Aid, 2004: 29). In the 1970s, however, most of the countries that had followed interventionist paths experienced stagnation or even a reversal in their growth and poverty statistics.

By contrast, Western development thinking and the related *modernization theory* were strongly influenced by liberal traditions. With regards to the roles of markets and states, the growing range of *neoliberalists* followed the teachings of economists like Adam Smith (1723-1790) and David Ricardo (1772-1823) and purported free market models that are regulated by the famous *invisible hand*¹⁰. Frequently challenged by its critics, the initial concept of free trade was theoretically generalizable (Hill, 2003: 148) and empirically confirmable (Krugman & Obstfeld, 2004: 127f.) so that it still influences today’s economic thinking.

More ammunition for the neoliberalists emerged from a range of empirical studies that confirmed a strong correlation between changes in trade and changes in growth¹¹. Nevertheless, the practical application of these concepts – in particular the

¹⁰ Smith believed in market forces as a self-regulating system. According to him, human beings act out of self-interest and to their own advantage, thereby providing the greatest possible contribution to society as a whole. In his own words, every individual “intends only his own gain and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention” (Smith, 1776: 456). Ricardo later picked up on these ideas to create the influential theory of comparative advantage. He proclaimed that a country will benefit from the specialization in the production of those goods that it produces most efficiently and from buying the goods that it produces less efficiently from other countries, even if those other countries are still less productive than itself (Dieckheuer, 2001: 50).

¹¹ The initial research included studies carried out by the US-based National Bureau of Economic Research in the 1960s and 1970s, cross-country growth studies and event studies in the 1970s, and multi-country cross-sectional studies in the 1990s (e.g., Dollar, 1992; Edwards, 1992; Sachs & War-

neoliberal set of policies of structural adjustment lending that later became known as the *Washington Consensus*¹² – was also unable to keep the promises of quick well-being for all. Countries that followed the advice did not generally reach universally high growth figures and a substantial reduction in poverty.

Increasing criticism of the concepts as well as its most fervent supporters, the G7-states, the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO), spread in the 1990s and was quickly absorbed in the much wider anti-globalization movement. While a lot of shallow opinion-making played a prominent role, there were also a range of empirical studies around the turn of the millennium that cast doubt on the neoliberal strategies (e.g., Easterly, 2000; Przeworski & Vreeland, 2000; Easterly, 2001; Gore, 2004).

These research findings were accompanied by fervent criticism of influential economists such as Nobel Laureate and former World Bank Chief Economist and Senior Vice President Joseph Stiglitz. Examining the theoretical foundations of the Washington Consensus, he claimed that the policies were based on a simplistic model of the market economy, one which only functions under conditions of perfect competition. These preconditions, however, are, by and large, not present in today's world and, in particular, in developing countries. Moreover, decisions often had ideological and political roots. The prescribed policy packages were *standard* solutions that became ends in themselves, instead of means to achieve growth and poverty reduction (Stiglitz, 2002: 85f.).

Even the World Bank itself acknowledged a number of “negative surprises” (World Bank, 2005a: 9) alongside positive developments. They mentioned the transition recession in the former Soviet Union and Eastern Europe, continued stagnation in sub-Saharan Africa, financial crises in Asia and other parts of the world, and a delay in

ner, 1995). Every study also led to recurring criticism (e.g., Rodríguez & Rodrik, 2000). In 2001, Dollar and Kraay (2001) published the possibly most influential cross-country study to date with a largely improved methodology. While they conceded that “we will ultimately not be able to find “scientific proof” of the effects of trade” (2001: 20), their results were very convincing. Lindert and Williamson (2001: 28) conclude that there is no unambiguous link, but that “[t]he doubts that each individual study might raise threaten to block our view of the overall forest of evidence”.

¹² The notion *Washington Consensus* was originally proclaimed by John Williamson in 1990 (Maxwell, 2005: 1). It sought to tackle the debt crisis and help developing countries head towards strong and dynamic growth.

recovering growth particularly in Latin America. They concluded that because of the number of unexplained negative effects, results were far below expectations.

While most informed observers continue to believe in the enormous potential of economic integration and free trade, they increasingly note the need for a “differential diagnosis” (Sachs, 2005: 83). The agenda of the Washington Consensus certainly addressed various important questions. It is becoming obvious, however, that in many countries these issues are only part of the problem – and, often, not even the most important ones. New, more balanced approaches to development and poverty reduction are necessary that accept that globalization brings enormous opportunities – but also great risks. Rubens Ricupero, Secretary-General of UNCTAD, puts it like this:

[T]he goal to be sought is quality integration of the many excluded and marginalized developing countries into a more balanced and more development-friendly kind of globalization. (...) Globalization is a product of culture and history, that is, of societal choices, which can and ought to be transformed and perfected.

(Ricupero, 2004: xv f.)

II.5. How to achieve pro-poor growth – a post-neoliberal stance

The idea of a mixed economy is possibly the most valuable heritage that the twentieth century bequeaths to the twenty-first in the realm of economic policy. (...) The simple idea that markets and the state are complements – recognized in practice if not always in principle – enabled the unprecedented prosperity the United States, Western Europe, and parts of East Asia experienced during the second half of the century.

(Rodrik, 2000a: 1)

When influential observers like Joseph Stiglitz started to call for a *post-Washington Consensus*, the discussions among economists and policy-makers began to lose their ideological and political motivations. New concepts had recently started to emerge with regards to development. UNICEF talked about *adjustment with a human face*, the UNDP invented its measures of *human development*, and the 1987 report of the World Commission on Environment and Development triggered the rise of the

new buzzword *sustainable development*¹³. Several global conferences like the 1972 Stockholm Conference on the Human Environment, the 1992 Rio Conference on Environment and Development and the 2002 Johannesburg World Summit on Sustainable Development accompanied these trends.

The old approaches of fixed ideological positions such as modernization theory or dependency theory increasingly lost their influence, and Harrison (2001: 6) noted a “recent reluctance to engage in grand theorizing and comprehensive world solutions”. As Stiglitz put it, the debate needed to shift back to “where it should be – on the appropriateness of particular policies for particular countries, on how globalization can be shaped (including the rules of the game) and on international economic institutions, to better promote growth and reduce poverty in the developing world” (Stiglitz, 2003: 80).

The prescriptions of the Washington Consensus had become ends in themselves; macroeconomic stability, trade liberalization, deregulation, privatization and other policies had to be achieved by all means. That way, the policy-makers lost touch with the real goals of their people – human welfare and poverty reduction. They forgot that the prescriptions were only supposed to be means to achieve these goals, instruments among a greater collection of potential tools. The result was a simplistic belief in a certain policy set, and inflexibility to accept failures and to try something else.

This stubbornness was wrong not only in the eyes of protectionists, but even in the eyes of leading neoliberalists. Columbia professor Jagdish Bhagwati, for example, who is often called the “world’s foremost free trader”, has “always argued for free trade, not as an objective but rather (...) as an often powerful weapon in the arsenal of policies that we can deploy to fight poverty” (Bhagwati, 2004: 82). The theoretical analysis of free trade and the empirical evidence on the subject have demonstrated that free trade indeed has the potential to be an important engine for growth. It is,

¹³ The World Commission on Environment and Development (Brundtland Commission) defined *sustainable development* in its 1987 report *Our common future* as “development that meets the needs of the present without comprising the ability of future generations to meet their own needs” (WCED, 1987: 43). Up to today, this is the most widely recognized definition of the term.

however, vital to unlink the ideas of free trade and total *laissez faire*¹⁴ from each other.

To achieve sustainable growth rates without free markets might be impossible – but that does not mean that the state has no role to play. Similar to the mixed economies in all affluent countries with their varying degrees of government intervention in the markets, the state has to perform various vital functions in developing countries. Individual policy and institutional frameworks are key. This is the essence of post-neoliberal economic approaches to development. It is not about “market or state”, but about the ideal combination of “market and state” (Hemmer, 2002: 138). In particular, this new stance acknowledges that development paths are essentially country-specific and that a number of factors influence the outcomes.

In the following sub-chapters, we will analyze the primacy of free markets (II.5.1) as well as the subsidiary role of the state (II.5.2). Sub-chapter II.5.3 asks the question what kind of state is needed to perform such a subsidiary role. Sub-chapter II.5.4 presents a conclusion.

II.5.1. The primacy of free markets

The theoretical and empirical discussions above (II.4) have demonstrated that free markets are vital for sustained growth and poverty reduction. Governments should, therefore, aim at freeing markets as much as possible and at only intervening in those cases where the intervention leads to more desirable results. They should follow the general rule of the primacy of free markets and only play a subsidiary role.

A simple comparison of free market systems and systems of extensive government control and intervention with regards to their transaction costs and incentives provide a first indication for the primacy of free markets. Transaction costs are much higher if governments have to determine and process the information about customer preferences, production processes, quantity and quality of available resources, and so on. Additional costs arise through the necessity to control the realization of all activities

¹⁴ *Laissez faire* is a strategy where results of market processes are accepted without restrictions; international trade policy only creates the institutional and legal environments for international trade transactions as well as conditions for fair competition (Dieckheuer, 2001: 148).

and, should the occasion arise, to change and adapt existing plans (Fritsch *et al.*, 2005: 77ff.).

In free market systems, many of these transaction costs are minimized or eliminated. Individuals, firms and, thereby, entire countries, specialize in what they do best and where they have a comparative advantage. Markets have an information function and constantly provide news about individual consumer preferences and changing factor and goods shortages through price signals. This effectively guides production factors such as land, labor, natural resources and capital to their most productive use and calls for flexibility with regards to adapting to changing conditions.

Markets also have their own selection function as they provide effective and independent incentives and controls through a performance-based system of rewarding efficient actors and sanctioning or even replacing inefficient or unmotivated ones. This ultimately forces the enterprises to seek technical progress and innovations as well as to improve the quality and reduce costs of their products. Furthermore, markets have an internalization function because actors who use resources and goods in most cases also face the economic consequences of their decisions and actions. Finally, markets have an emancipation function as they point out alternatives to the independent and free actors (Thieme, 2003: 21).

Extended market opportunities for export sectors allow enterprises to create economies of scale because greater demand enables them to produce with reduced unit costs. Furthermore, improved access to international markets creates and intensifies foreign business contacts. This leads to increased diffusion of knowledge and a dynamic of innovation and imitation competition. Domestic enterprises have the opportunity to acquire knowledge about new production processes. They gain improved and cheaper access to technologically advanced capital goods and intermediate products from abroad. Technology is more easily transferred through trade, partnership agreements and the multiple potential benefits of foreign direct investment (FDI). These can include, among others, on-the-job training, interaction among local and foreign firms, backward and forward linkages to connected companies along the supply chain, and new managerial, marketing and production processes. The economy at large further gains from increased trade in services, resulting in cheaper and

higher quality provision of business, financial, telecommunication, transport and other services.

Deregulation of inefficient and overly bureaucratic state practices leads to increased transparency and predictability which, in turn, improves the productivity and efficiency of economic players, and further attracts more investment. Extensive and often unjustified government intervention and control, however, are unfortunately rather the rule than the exception in many developing countries, as Norberg noted (2003: 92f.). He provides the example of the Peruvian economist Hernando de Soto who tested the regulatory systems of several countries. In his native country, among others, De Soto made the experience that registering a house on public land required 207 different administrative steps at 52 different public offices, while obtaining a license for an enterprise with two sewing machines in a poor suburb of the capital Lima took 289 days at the authorities and cost \$1,231. He calculated that this amount was more than 30 times the minimum monthly wage, an insurmountable barrier for people without many resources or powerful contacts.

With regards to remedying these and other forms of *state failure*, the intentions of the neoliberalists were certainly not wrong, even if their often blind and prefabricated prescriptions triggered a lot of criticism. Extensive regulation answers the demand for rent-seeking opportunities and possibilities to exercise power by bureaucrats who, especially in poor countries, often receive very low salaries (Norberg, 2003: 70). These tendencies are further fueled by limited transparency and accountability of government activities. The sensible solution would be to minimize government intervention to an absolute minimum and leave the process to the markets.

II.5.2. The subsidiary role of the state

The experiences with free markets, however, have demonstrated that the aforementioned benefits do not always ensue automatically. Certain preconditions need to be in place for markets to function perfectly, and, even then, results might not be entirely satisfying to a society. While none of the general arguments for interventionism put forward over the last two centuries found widespread acceptance¹⁵, free trade is still

¹⁵ Irwin (1996) provides a valuable analysis of the case for interventionism. Arguments include the ideas that protectionist measures will give a nation a favorable balance of trade, protect its infant in-

challenged today because the theory does not always hold true under the *imperfect* conditions of our world economy. With regards to experiences in the African context, Klasen provides a good summary of the new post-neoliberal stance:

While many of the past problems of the state in many African countries have not gone away and some may be deep-rooted and related to the colonial legacy, the new consensus appears to suggest that attempts to shrink the state have created serious new problems, including a weakening state capacity, a demoralized civil service more prone to poor governance which appears to hurt the poor the most, and a private sector that is able to take advantage of weak state capacity in economic affairs.

(Klasen, 2001: 20)

The major achievement of the post-neoliberal era is, perhaps, that it largely leaves ideological constraints aside, asking practical questions about the most appropriate environment for markets to operate as perfectly as possible. This naturally implies that the state has a certain subsidiary role to play. Its part, however, needs to be precisely defined and limited to a minimum because, in the words of Krugman (quoted in Irwin, 1996: 227), the modern argument “is a sadder but wiser argument for free trade as a rule of thumb in a world whose politics are as imperfect as its markets”.

The role of the state includes the provision of an enabling institutional environment (II.5.2.1), the adequate correction of market failures (II.5.2.2), potential redistributive measures in case of unsatisfying allocation of benefits (II.5.2.3), the provision of certain merit goods (II.5.2.4), and, in exceptional cases, possible proactive measures to create and develop markets and to enable otherwise discriminated members of the society to participate in the economy (II.5.2.5).

II.5.2.1. Providing an enabling institutional environment

While the institutional environment for the most beneficial interplay between markets and the state was historically neglected by economists, today, it is widely recognized that good institutions are “part and parcel of a market-based economy” (Rodrik, 1999: 13). Insufficient or inadequate institutional arrangements in most developing coun-

dustries, improve its terms of trade, give it a more prosperous industrial mix, protect the high wages of its workers or, in some other way, make it better off than it would be under free trade. He concludes that none of these arguments were able to seriously damage the theory of free trade.

tries far too often “contribute to the current low development levels” (Hemmer, 2002: 392).

There is no uniform definition of institutions. Possibly the most influential description with regards to development economics is that of Nobel Prize winning economist Douglass C. North who defined institutions as “the rules of the game in a society or, more formally, [...] the humanly devised constraints that structure human interaction” (1990: 3). Institutions thus consist of systems of rules and norms that govern cooperative human behavior. This includes formal rules of private and public law, but also informal behavioral patterns, customs, conventions, self-imposed codes of conduct etc. Apart from the rules themselves, the notion of an institution further consists of enforcement mechanisms, procedures for the mediation of conflicts arising out of the rules, as well as sanctions in the case of a breach (WTO, 2003b: 87).

It is important to note that institutions will not just appear in response to demand. They are either created or historically grown. It is very difficult to establish new or to change existing institutions. Particularly informal rules need to be ‘learned’ by society in various social environments such as the family or the school and then ‘stabilized’ through use in everyday life (Erlei *et al.*, 1999: 519). Introducing institutions from other countries may, therefore, be very difficult or even counterproductive due to varying cultural, social and economic circumstances. It is, instead, vital to find the appropriate combination of successful blueprints and local flavor.

To achieve sustainable poverty-reducing growth, two types of institutions need to be in place – market institutions and more general non-market institutions that provide an environment that is conducive to the achievement of development defined as freedom. This latter has to provide the backbone for human interaction in a society and includes, therefore, institutions for national security, internal peace and safety and a well-functioning and equitable civil and social order.

A country should have a constitution with fundamental rights for each citizen. It also requires national defense mechanisms, a police force, an independent judiciary with functional appeals mechanisms and – at least in the view of the growing democratic majority – an appropriate electoral system, free media and NGOs. The state appa-

tus should be perceived as honest and competent which calls for accountability, transparency, fairness and credibility in the public bureaucracy. The judiciary should be bound by the rule of law, and the legal system needs to be accessible to every citizen – even if that requires the installation of mobile courts, institutions for legal aid or accepting customary institutions (World Bank, 2005c: 13f.). Corruption is another severe problem in many African countries and needs to be tackled by innovative approaches. The goal should be an inclusive political system with improved mechanisms of voice so that every citizen can provide his or her input in decision-making, and poor as well as marginalized people have a meaningful say in the decisions that affect their lives.

This also calls for equity in all spheres of society, including indigenous people and also women and girls. Gender equality is still a great problem in many sub-Saharan African countries either for religious or for general cultural reasons. Societies are largely dominated by men, and obstacles such as limited ownership of land or capital typically prevent women to become independent and, for example, start a business enterprise. It is vital, however, to recognize that “women are agents of development” (UNDP, 2003: 7). They are largely responsible for the upbringing of their children so that education with regards to health issues, hygiene, economic knowledge and many others will be passed on to the next generation. It is also a proven fact that more educated women have fewer and healthier children, thereby reducing the exorbitant fertility and child mortality rates (Sen, 1999: 225). Furthermore, healthier women are more productive and, if given the opportunity, can contribute to higher household incomes. Government should, therefore, play a leading role in promoting cultural change and strengthening gender equality.

Another important issue is the protection of the physical environment on which the citizens depend. Government needs to conserve the life-supporting ecosystems and improve its urban management in order to provide livelihoods and safe environments. This includes, among others, resource and erosion protection.

Market institutions, on the other hand, should lay the foundation for a well-functioning market economy. Adam Smith’s *invisible hand* requires the smooth functioning of exchange and competition processes as well as appropriate control and enforcement

mechanisms. Without adequate rules, economic actors would hesitate to cooperate with one another to their mutual benefits, react to changes with regards to needs and available means, and create new products and production methods (Berg *et al.*, 2003: 185). Goals are, therefore, among others, to channel information about market conditions, products, prices, participants and opportunities, to create and safeguard competition in markets, to create a healthy investment climate, to develop a spirit of enterprise, to reduce uncertainty, and to circumscribe arbitrary interventions in markets by politicians and interest groups.

In order to function smoothly, markets generally need a stable macroeconomic situation – as was already suggested by Washington Consensus strategies. The failure of these policies is not attributable to the goals of macroeconomic stabilization, but to the tools that were forced on many developing country governments in far too rigid ways. Despite all the criticism, it is more or less undisputed that there is a need to avoid serious economic instabilities; what is disputed are the concepts and methods (Thieme, 2003: 28).

A healthy economy generally requires low levels of inflation. Only a stable currency can achieve its elementary functions, such as being a general means of payment, keeping of the value, and presenting an accounting unit in the economy. Furthermore, inflation has also negative impacts on investment decisions, employment and, ultimately, growth. Apart from inflation containment, governments should aim at keeping a stable and competitive exchange rate for their currency. Because of volatile exchange rates, the business environment deteriorates and future profits and payments become uncertain (World Bank, 2005a: 141). Added to these domestic problems, developing country governments potentially face large external debt burdens. Particularly in 2005, many of the poorest countries have benefited extensively from multilateral or bilateral debt relief through various programs like the HIPC initiative. Nevertheless, remaining external debt portfolios need to be managed in sound ways in order to improve the general business environment.

With regards to individual market actors, one of the fundamental market institutions that is often inadequate in many developing countries is the provision and enforcement of unambiguous, well-defined, durable and reliable property rights. Such rights

provide individuals with incentives to make long-term investments and search for a more productive use of their assets. If they cannot acquire, for example, a secure title to land, there is a risk of not being able to derive the resulting benefits. They will face high costs simply to defend their property against others. Already in the 17th century, Thomas Hobbes (1588-1679) described such a situation of anarchy as a “jungle” (quoted in Weimann, 2004: 9).

Hence, while the provision and enforcement of property rights effectively means a restriction of individual actions, it is still desirable and advantageous to everybody but thieves because it offers possibilities to plan, calculate, invest and trade. Aryeteey and McKay, for example, provide obvious examples of obstacles to property rights as discovered in Ghana: The land administration in the country shows great weaknesses and general indiscipline, particularly in the way that the articulation of statutory and customary land tenure systems is problematic, that customarily held lands usually have indeterminate boundaries, and that there is often confusion over the status of derived interests (quoted in World Bank, 2005b: 49). Such a situation hampers economic growth and contributes to general uncertainty.

Apart from adequate property rights, market actors need a panoply of other freedoms and rules in order to be most productive. For enterprises, these include, first and foremost, the freedoms of trade, of contract and of establishment. Entrepreneurs should be free to decide if, when, how and with whom they want to exchange their goods and services and should have the security of being able to conclude impartially enforceable contracts. They also need to have the right to access or leave markets. Furthermore, the state needs to guarantee comprehensive liability rules.

Only if individuals are responsible for their own actions, they will take decisions under efficiency considerations. This means that they should be responsible in both positive and negative ways. They should be able to reap the benefits from their actions, but they should also be required to remedy potential abuses and damages. Finally, in the case of disputes, there should be impartial mechanisms for dispute resolution and conflict management available. This not only relates to disputes between enterprises, but also, for example, to disputes between an enterprise and its employees.

It is, furthermore, widely recognized that appropriate credit markets and a sound banking system are vital for growth. Market actors should be able to access credit at stable and reasonable rates – otherwise they will be unable to finance their endeavors and restrained, therefore, in their capacities. This is an important problem in many developing countries, and the situation is often aggravated by government-imposed barriers such as administrative controls of interest rates, barriers to entry in the banking sector, or public ownership of banks that often favor dubious government projects over profitable private endeavors (Bacchetta & Jansen, 2003: 33). Examples of hasty financial liberalization without prior development of strong frameworks for adequate regulation and supervision have resulted in serious failure (UNDESA, 2005: vi). The functioning of free financial markets requires, therefore, a number of previously created institutions.

Government's reputation with regards to the consistency, predictability and credibility of its policies also has great influence on the general business environment. Economic actors desire to have a clear sense of priorities and direction. They need to be able to trust that the government will continue to pursue certain policies and will not give in to potentially opposing lobby and opinion groups. Official commitments within the scope of multilateral or bilateral trade agreements can be very helpful with regards to convincing economic actors about the consistency of policies.

Finally, certain social institutions are too often neglected in developing countries. Social insurance, safety nets and other redistribution mechanisms support, however, the access to and participation in market processes by poorer people. This will be further discussed in II.5.2.3 below.

II.5.2.2. Correction of market failures

Perfect competition is, unfortunately, a utopian concept or, as Fritsch *et al.* (2005: 63) put it, a “nirvana” situation. It assumes conditions such as homogeneity of traded goods, perfect information of stakeholders with regards to all market parameters, complete mobility and divisibility of production factors and goods, or infinite speed of price reactions (Berg *et al.*, 2003: 191). Since this is not the case, resources may not flow where returns are highest and lead, therefore, to inefficiencies.

Non-fulfillment of these conditions does not, however, imply that markets always have the tendency to result in failure and that governments have an all-embracing call for action. In many cases, *government failure* leads to even worse outcomes. Furthermore, certain market imperfections might even have positive effects on the economy. They encourage companies to be innovative and create new products or production methods.

Only if – and these cases are much rarer than is often assumed in public debates (Donges & Freytag, 2004: 156) – grave impediments prevent markets from achieving efficient results, well-founded state intervention might be desirable. On a case-by-case basis, governments need to analyze if they can realistically hope to achieve greater welfare gains than the imperfect market, taking into consideration the costs of the intervention. There are various types of potential market failures, and they include externalities, information asymmetries and monopolies.

When prices accurately reflect all production and consumption costs and benefits, the actors are fully confronted with the positive and negative consequences of their economic activities. This allows them to take efficient decisions. There are, however, instances when commercial activities will influence the situation of other parties or of society as a whole without requiring adequate compensation. Under such circumstances, payable costs or benefits do not reflect the actual costs or benefits of the transaction because the price mechanism does not integrate them. The difference is an externality¹⁶ (Donges & Freytag, 2004: 158).

Externalities are typical examples of the *tragedy of the commons*, an analogy used to illustrate the conflict for resources between individual interests and those of society as a whole¹⁷. Example cases are manifold. In tourism, they relate, for example, to the exploitation of environmental or cultural assets. Externalities may lead to inefficiency because producers and service providers do not have an incentive to take into ac-

¹⁶ We refer only to technological externalities. Other types are pecuniary and psychological externalities. Fritsch *et al.* (2005: 88ff.) provide a valuable introduction.

¹⁷ The example used in the original work of its inventor Garret Hardin (1968) describes a group of shepherds who share a piece of land. When an individual shepherd adds an additional animal, the result is increased personal benefits but a slightly degraded value of the group's land. According to the tragedy of the commons, the rational action for each shepherd is to add more and more animals because the individual gain is always greater than the cost. It provides an example of a situation where the actions of self-interested individuals are contrary to the common good.

count the effect of their actions on others. The obvious solution to the problem would be that they agree to cooperate and protect the common resource. Private negotiations and voluntary codes of conduct sometimes provide reasonable tools. In general, measures are most promising if they provide incentives and leave it to the actors to react, without prohibiting or dictating certain actions. But in many instances this is, unfortunately, not sufficient. It requires a lot of individual goodwill and trust, and frequently suffers from the *free rider mentality* of some stakeholders (Thieme, 2003: 22). The alternative would be state intervention in the form of often rigid regulations and standards, taxes, quantitative restrictions or licenses.

The second type of market failure comes in the form of information asymmetries or instances of simply missing information. The former occur when one party to a transaction has more or better information than the other. This could consist of hidden information or hidden characteristics with regards to the quality of a product, hidden actions after conclusion of an agreement, or hidden intentions with regards to the interpretation of an agreement (Fritsch *et al.*, 2005: 281ff.). Danger arises when the one party has incentives to exploit the advantage to the detriment of the other. If this happens systematically and constantly, it leads to inefficiencies and possibly requires state intervention. The latter is, unfortunately, a common occurrence in most LDCs where the majority of local entrepreneurs simply lack a certain business and market know-how. In many instances, these market failures require proactive state intervention, as we will discuss below (II.5.2.5).

Natural monopolies or monopoly-like conditions are the third type of market failure. The roots of the term 'monopoly' are the Greek words *monos* and *polein* which respectively mean 'one' and 'to sell'. A monopoly is, therefore, a market situation where there is only one provider of a kind of product or service. It is 'natural' if it does not result from calculated anti-competitive behavior but from specific technical or organizational circumstances (Donges & Freytag, 2004: 210). Other forms of monopolies include state monopolies that are operated by government itself, and legal monopolies that are the result of law and, thus, government-granted. In any case, would-be competitors face certain insurmountable barriers to entry, whether they are economic, technological or legal in nature.

Natural monopolies can have different reasons, including large economies of scale, falling average production costs, or economies of scope, i.e., advantages from the fact that different goods are produced in the same company. There are also situations of *de facto* monopolies where there is some form of competition but where one firm dominates an industry to the point that it can dictate conditions and prices. Especially large corporations often attempt to monopolize markets through horizontal or vertical integration.

In any case, firms in a monopoly environment frequently have the power to potentially abuse their market position, causing markets to be unable to operate efficiently. Sometimes, this very loss of efficiency or the introduction of new technologies can enable other firms to overcome market entry barriers and become serious competitors. According to the theory of contestable markets, such a possibility alone might force a monopolist to behave as if there was competition in order to prevent the loss of the monopoly (Fritsch *et al.*, 2005: 204). If this is not the case and if entry barriers are too great, the state might, however, have a reason to intervene. Such measures could be in the form of improving market entry conditions, regulations, or limiting the sphere of activities of a monopolist.

A similar case for intervention exists if an industry is dominated by a small number of powerful sellers who monopolize the market. This situation is called *oligopoly*, the Greek expression for 'few sellers'. Governments might wish to prohibit certain arrangements between oligopolists that limit competition, such as cartel agreements to the consumers' disadvantage. Furthermore, oligopolies potentially create the same types of exploitation like excessive prices, as well as unfair trade practices towards competitors or contractors. Finally, the government should keep an eye on mergers and acquisitions that potentially result in undesired monopolies or monopoly-like situations (Fritsch *et al.*, 2005: 219ff.).

More difficult and increasingly important is the question of how to deal with international effects of anti-competitive behavior of multinational enterprises. National governments have very limited power to take action against such practices. There are three potential approaches, namely the harmonization of national competition laws and practices, improved cooperation amongst national competition authorities, and

the creation of a multilateral framework. All of these options as well as combinations of them are used in increasingly frequent ways, and it is becoming obvious that such cooperation will be an ever more vital instrument in the future (WTO, 2004c: 159).

II.5.2.3. Redistributive measures

Results of free markets might be economically efficient, and at the same time not serve the public interest, however that may be defined. This is particularly the case when poverty persists. Governments should pursue the goal of adapting the income distribution to a set of desired norms that vary from one society to another. With regards to absolute poverty, it should enable every member of the society to at least reach a certain subsistence level. And for relative poverty, there is usually a maximum limit of tolerance that should not be crossed (Hemmer, 2002: 80). Furthermore, as has been noted above (II.3), the poverty-reducing effects of growth are seriously hampered in cases of high initial levels of inequality as well as cases where inequality increases over time. These instances must be taken into account.

Stiglitz (2002: 78) famously compares the people in developing countries with boats lying on the shore and waiting for the waves to take them to the sea. While a quickly rising tide will certainly help a great number of boats, the most vulnerable of them will be dashed against the shores and completely broken. The same happens with the poor and most vulnerable members of a society. In the economic process, they risk being left outside and even being seriously harmed. Only appropriate support and income distribution measures can save them from the arising danger and, possibly, even guide them to the sea.

There are typically three types of poor people that redistributive measures need to address: those able to work but largely unproductive; those who cannot or should not work such as the elderly, the sick, or children; and those who face a temporary period of vulnerability caused by external shocks such as drought, recession, structural adjustment, or a natural catastrophe (World Bank, 2005c: 12). Most poor people are members of the first group. They are best helped by general growth-enhancing policies as well as additional measures that support the provision of economic opportunities and raise productivity. For them, redistributive measures should not be conceived as solutions but can still be important components to guarantee an economic

and social subsistence level. To support members of the other two groups, such measures present the fundamental policy options.

Governments play, therefore, the delicate role of designing appropriate redistribution systems and public safety nets according to their individual country circumstances that complement and strengthen existing private arrangements, for example, in family or village networks. More often than not, however, present strategies in developing countries are entirely non-existent or largely inadequate (WTO, 2003b: 112). Drawing on his personal research in various countries as well as the empirical literature, Ravallion (1999: 2) notes that governments are often unready, unable, or unwilling to respond to the needs of the poor, that program design is often faulty, that measures sometimes discriminate against certain groups, that those in power are often engaged in excessive rent seeking activities, and that the measures are usually badly coordinated with other efforts to aid the poor.

A government may decide to employ several types of measures in order to adapt the income distribution. They include fiscal redistribution systems, compulsory insurance markets, public workfare programs, cash transfers, in-kind transfers, improved credit markets, as well as other empowerment measures.

Fiscal redistribution systems discriminate against the poor in a positive way: Governments can, for example, use monetary measures such as progressive taxation that frees the poorest and most vulnerable segments of society from tax duties. Simple exemptions for basic foodstuffs and other vital goods are important, while property taxation could play an expanded role. After the collection of taxes, other fiscal measures could be employed that relate to the spending of tax and other income on promoting the inclusion of the poor in economic growth and on elementary human development needs such as primary health care or school education (Klasen, 2001: 7f.). Governments could also force the compulsory creation of certain insurance markets where poor people have a real or an assumed need but where transaction costs would be too high. Ghana, for example, recently instituted a compulsory health insurance. If a person receives the insurance compensation, the transaction takes the form of an *ex post* redistributive measure (Grossekettler, 2003: 565).

Though still very rare in developing countries, public workfare programs through which poor people have to work in order to obtain support have proven to be very successful as redistributive measures. They can help those living in chronic poverty as well as those suffering from transient poverty in a crisis. Adequate funding and good design are, however, vital. Under public workfare programs, the government agrees to finance low-wage work on projects that are, for example, initiated by local community groups. In advance, the authorities need to document exactly what will be done, at what cost, and how many workers will be employed.

Anybody willing to do the work will receive a wage that is at or below the market rate for unskilled manual labor in a normal year. This guarantees that only the needy have incentives to participate and that they will seek regular work when available (Ravallion, 1999: 3). Projects can consist of the construction of badly needed public works such as infrastructure. In the case of a disaster, the programs can also be used to rebuild affected areas. More generally, the initiatives will help to increase the general growth potential of the region. Well-designed public workfare programs can be very flexible and managed according to need. Their administration can, however, also be rather costly, so that innovative institutions like a non-bureaucratic permanent central agency are required.

Cash transfers should be regarded as an ultimate income support at the lowest level of protection. According to the subsidiary principle, money can be provided if all other sources of income – personal income, other social security measures, private safety nets, and so on – are still insufficient to assure a certain subsistence level (Ott, 2003: 537). Identifying and targeting the needy presents some difficulties and abuses are likely. Another potential problem is that recipients may lose their incentive to raise their productivity. Cash transfers should, therefore, not become regular measures, and administrative monitoring is essential. The provision could also be made conditional in order to promote wider human development goals. For example, in order to receive money, parents could be forced to ensure that their children attend school and visit health clinics (UNDP, 2005: 70). That way, cash transfers have the potential to ensure diverse development benefits.

In special situations, certain in-kind transfers might be helpful. These could include the provision of food or nutritional supplements to schoolchildren or lactating mothers, specific help for handicapped or blind people, or housing for shelter. Certain measures for health care and family planning are also conceivable. Appropriate targeting of the needy is essential – otherwise the subsidies would be financially unsustainable. The design of these programs is particularly important due to great possibilities for abuse and political rent seeking. Certain control mechanisms should be in place.

As mentioned above (II.5.2.1), appropriate credit markets are vital for growth. The importance of access to credit is all the more important for poor people who depend on it in order to raise their productivity. The poor are, however, often regarded as not creditworthy by the markets. Furthermore, they are often excluded simply because they are illiterate and cannot handle the required paperwork. Improving the access to credit of the poor is, therefore, a potentially important pillar of redistribution strategies. Government-run credit programs have, however, a rather negative track record compared to those run by NGOs and other local groups (Aiyar, 1998: 4). Their design needs, therefore, particular attention. Rules need to be clear and simple, and paperwork should be minimized. Furthermore, it is vital to include mechanisms that prevent discrimination and rent seeking by the responsible authorities. Another option could be to support existing private programs such as the growing network of microfinance institutions¹⁸. It should be noted, however, that while microcredit programs can have very positive impacts, they cannot be regarded as a substitute for generally more accessible finance markets (World Bank, 2005c: 14f.).

Finally, safety nets could also include various empowerment measures. People will be more willing to take risks if certain assurances are guaranteed. Such assurances could, for example, consist of free access to education, training and retraining programs for all workers. Empowerment measures could also consist of measures to

¹⁸ Microfinance can consist of small loans or other financial services, and it is usually granted to low-income families for income-generating self-employment projects. The lenders exist in various forms and include, among others, banks, credit unions and, most often, NGOs. Usually, recipients have no access to the traditional banking system because they have only few hard assets and, therefore, present a risk. Today, almost 3,000 of such microfinance institutions serve more than 80 million clients worldwide. On a small scale, they effectively meet the needs for funding and mitigate the problem of access to the credit markets (UNWTO, 2005a: 43).

improve the market access of the poor. This includes the targeted provision of infrastructure and essential services to particularly neglected areas, such as transport, power, water and telecommunications. Another option is to directly finance the start of market-based activities, such as help for farmers to adopt new technologies, subsidized fertilizers or the encouragement to start new urban industries. Finally, governments might choose to support the creation of collective market power through cooperatives and self-help groups. This is another way to counter market asymmetries and to empower the poor. More of these additional proactive measures are discussed below (II.5.2.5).

A remaining question is when to establish such safety nets. Crises of various sorts are frequent and the usual *ad hoc* response from governments is often too slow, inefficient and costly to set up. It is, therefore, advisable to develop the public safety net into a permanent institution that is dealing with crises as well as more routine problems of transient poverty, idiosyncratic risk, and general poverty in specific areas (Ravallion, 1999: 4). With growing experience, the costs for such durable options will be minimized.

Furthermore, if the citizens get used to the existence of such a reliable and transparent institution, the political support will be much greater. Poor people will be more prepared to take risks in order to maximize their productivity because they have the assurance that a minimum support is guaranteed (Winters, 1999: 62). Apart from that, the dangers associated with losers of structural adjustment processes – protests and even increasing criminal activities – will be minimized. Economist Joseph Schumpeter famously described a dynamic market as a process of “creative destruction” (quoted in Norberg, 2003: 140). It is probably impossible to avoid painful adjustment in the short term when seeking increased productivity in the future. Permanent public social safety nets help to ease this transition and contribute to the provision of the collective good “social peace” (Erlei *et al.*, 1999: 441).

II.5.2.4. Providing merit goods

Even in the absence of economic inefficiency and a direct redistributive intention, there are cases when governments have an important role in improving the availability, accessibility and affordability of certain goods and services that are not ade-

quately provided by the private sector. These include, first and foremost, goods and services that are of vital importance to human well-being and should, therefore, be available to every member of a society.

In economics, goods and services that should be available to everybody are called *merit goods*. According to Sachs (2005: 253), the rights to them “are not only an informal commitment of the world’s governments, they are also enshrined in international law, most importantly in the Universal Declaration of Human Rights”. Among others, they include basic elements of human development such as education, health care, the supply of safe drinking water and sanitation facilities, as well as an appropriate infrastructure. Their provision usually entails strong beneficial side effects on society, such as better qualification of the labor force, longer life expectancy, higher productivity, or reduced fertility rates (UNIDO, 2004: xvii).

Lack of education, for example, “robs an individual of a full life”, as the UNDP forcefully pointed out in a recent Human Development Report (UNDP, 2003: 6). It is vital for learning to make use of economic and political possibilities, and it enhances the understanding of such essential issues as health or nutrition. Currently, there are some 115 million children worldwide who do not attend primary school. In the great majority of cases, it is not that their parents do not want them to go to school. There is, on the contrary, a myriad of other reasons that prevent their access to even basic education. For many of the poorest families it is a question of bare survival. Children might have to contribute to the household activities by fetching water, collecting firewood, tending to cattle, or caring for their younger siblings. Other families might be unable to pay school fees, or buy supplies and a uniform. Then again, children might be unable to attend school because of certain illnesses such as HIV/AIDS or malaria. The physical environment might also create obstacles, such as safety issues when children have to walk several kilometers to reach their school.

Education is, therefore, closely linked to other development issues. The provision of free access to primary education certainly is an important first step. In many cases, it is, however, not sufficient and could be accompanied by other measures such as providing free meals to children at school or improving the children’s health situation as well as their personal safety on their way to school. Stiglitz (2002: 112) also points

out that, in order to be successful, improving availability, accessibility and affordability of education need to go along with a changing cultural climate. He presents the case of Uganda where the abolition of school fees had the positive side effect that parents suddenly saw more and more neighbors sending all their children to school and hence wanting to do the same.

Apart from general primary education, improvements should also relate to a better access to secondary education and universities as well as vocational training centers where students can learn skills of modern farming, computer literacy, basic infrastructure maintenance, or carpentry. Innovative concepts need to be developed according to local circumstances. Sachs (2005: 233), for example, suggests the establishment of village-wide classes once a month to train adults in issues of, among others, hygiene, health care, computer and mobile phone use. Without adequate education, success in other development goals cannot be maximized.

A second vital area of merit goods is health care. Most of the poorest countries face huge disease burdens, and sub-Saharan Africa is usually the worst-hit part of the world. Every year, more than 10 million children die worldwide of preventable illnesses, more than 500,000 women die in pregnancy and childbirth, 2 million deaths are caused by tuberculosis, 1 million by malaria, and 42 million people are living with HIV/AIDS (UNDP, 2003: 8). 90% of the malaria deaths take place in sub-Saharan Africa, a fact that is all the more despairing because the disease is treatable even with low-cost medication (Sachs, 2005: 197). Apart from that, simple measures such as spraying homes with insecticide or installing screen windows or bed nets would already prevent a great number of cases. Many of those who do not die will still be unable to go to school or work, thereby further severely impacting on their lives. The side effects of HIV/AIDS are similar. In sub-Saharan Africa, the disease already left more than 10 million orphaned children. Among the deaths are also those that are most needed in society, including teachers and doctors. And even from a business point of view, the disease contributes to rising costs because workers are increasingly absent, require massive medical treatment, or suffer from emotional traumas if other family members are affected.

What is needed is better access and higher quality of preventive and curative health services. The use of simple and often rather cheap solutions could already help to avoid many of the deaths. But in a range of countries, there are numerous obstacles to adequate health care systems. Generally, governments have other priorities for spending their scarce resources. Some societies also lack equity in access to the health systems as richer people, people with connections, or people from certain ethnic groups will be treated in a favorable way. Finally, the services often lack in quality and efficiency due to limited equipment or training of health workers.

Universality of services and price levels relative to income levels would, of course, be desirable (Cosbey, 2004: 22). But also smaller targeted investments could already be very effective in treating some of the major diseases. Sachs (2005: 233), for example, points out the positive impacts that free antimalarial bed nets, effective antimalarial medicines, treatments for HIV/AIDS, antiretroviral therapy for late-stage AIDS, and a range of other essential health services would have. He further suggests installing village clinics with a doctor and a nurse each in order to provide more or less universal health care.

Linked to the health problems is the access to safe drinking water and improved sanitation. Researchers from the UNDP (2003: 9) estimate that more than a billion people in developing countries have no access to safe drinking water, and an even greater number of 2.4 billion people lack access to adequate sanitation. To depict the extent of the problem, they calculated that the number of children who died from diarrhea in the 1990s is greater than the number of all people lost to armed conflict since the Second World War. Once again, wrong priorities with regards to government financing are among the major obstacles. Water distribution networks, wastewater treatment, and public sewage collection and treatment systems are chronically underfinanced. Low-cost solutions for communities are available but frequently ignored. Existing systems are often over-priced and badly maintained. Finally, there is a lack of understanding in the communities. While the desire for safe water is self-explaining, people might not understand the concept of safe sanitation because of insufficient hygiene education. It is the responsibility of the government to overcome these obstacles and to play an enhanced role in the provision of safe drinking water and improved sanitation.

Infrastructure constraints also play a major role in limiting success of other development efforts. In particular, roads, electricity and telecommunication need to be adequate. The World Bank (2005a: 142), for example, laments that transport remains a key bottleneck in many countries. As a result, markets remain isolated, lack competition and fail to raise productivity and profitability. Domestic entrepreneurs are unable to reach major market centers, and exporters face great comparative disadvantages due to the high transport costs. On top of this, custom services often operate inefficiently, wasting extensive amounts of time and money (Bacchetta & Jansen, 2003: 41). Under such circumstances, private investors will think twice before undertaking a business activity which cannot guarantee that they will earn at least a very small return they need for their investments (UN Millennium Project, 2005: 46). Apart from that, lack of access to, for example, power and water severely impedes opportunities for personal progress and leading more comfortable lives.

Government should thus play the role of ensuring that the infrastructure is adequate to push the economy across a certain threshold. It should identify and finance a number of high-priority projects that ensure appropriate quality, cost and reliability of basic infrastructure and related services.

Playing a role in ensuring provision of such goods or services does not, however, necessarily mean that the state has to provide them itself. Even for merit goods, various dangers apply with regards to state action, such as the potential influence of lobbyists, the dependence on experts and extensive bureaucracies, the difficulty to obtain certain types of information and their costs, and the limited sanction mechanisms (Thieme, 2003: 23f.). In other instances, a public monopoly might, however, be more efficient – particularly with regards to network infrastructure such as power grids, important roads, and airports or seaports. These sectors tend to be monopolized under competition, and monopolists would be free to overcharge and exploit their customers. In this case, government provision could be desirable (Sachs, 2005: 252). Furthermore, government would have the freedom to reduce prices to an exactable rate so that everybody could consume such good or service, or even offer it for free.

Another option is price ceilings through which governments impose maximum prices on certain privately provided goods or services so that low-income households will be able to consume them, too. This is, however, often criticized because the level of interference in the market is too high, and the desired social goals are also obtainable in other – potentially more efficient – ways through redistributive measures (Bender & Gabisch, 2003: 444). Sachs (2005: 255) suggests a model that combines a market approach with subsidies, the so-called *lifeline-tariff pricing*. The provider guarantees a given supply of free services to all households and any consumption exceeding that amount needs to be paid for. As an example, Sachs introduces a water program in South Africa in which households are guaranteed six thousand liters of water per month for free. The private provider, in turn, is subsidized by the government.

Skeptics often point out that poor countries generally have limited financial resources to engage in comprehensive provision of merit goods and that their priorities might be set on other things – whether this is rightly or wrongly so. Sen (1999: 47f.) argues, however, that the same goods and services are much cheaper in developing countries than in more affluent countries due to their labor-intensiveness.

Finally, public provision of goods and services often goes beyond the provision of merit goods. Governments have a variety of reasons – often historical or societal – why they desire to artificially increase or limit the consumption of a certain good or service. For example, it may subsidize certain cultural attractions or recreational establishments as well as the production of national radio or TV. On the other hand, it might place heavy taxes on certain goods such as alcohol, cigarettes or drugs. Such interventions are rarely easy to justify on efficiency grounds (Weimann, 2004: 285), but they might be desirable for other reasons. They should, however, remain exceptions, and case-by-case analysis with regards to the effects is important.

II.5.2.5. Further proactive measures

While the case for an appropriate enabling institutional environment, the correction of market failures, effective redistributive measures and the provision of certain merit goods is well-recognized, much more debate focuses on the question whether a government has a further role to play with regards to proactive measures that intervene in markets. In the context of African development, analysts from both sides of-

ten try to draw inspiration from the highly disputed example of what is frequently called the East Asian *miracle*. Some observers attribute the staggering growth levels in that area to trade liberalization and the countries' general openness, while others believe that the policies of what Krugman and Obstfeld (2004: 352) term "state-assisted capitalism", i.e., a number of strategic state interventions, signed responsible. And both sides appear to have strong evidence for their claims.

It is beyond the scope of this thesis to analyze the situation in depth, but an important fact that is often ignored needs to be acknowledged: the various East-Asian countries adopted a number of very different and sometimes even opposing strategies so that generalizations are very difficult to make. For example, while Singapore employed high levels of state intervention in all spheres of the restructuring process, Hong Kong emphasized more or less pure *laissez-faire*. And while Korea supported the strategic development of large companies, Taiwan preferred a predominance of small family enterprises (Krugman & Obstfeld, 2004: 357). These differences show that unambiguous conclusions and lists of best practice are probably impossible. Hemmer (2002: 357) even goes as far as asking whether the countries that focused on state interventions achieved their high growth rates *because of them* or *despite them*. There are, nevertheless, a number of common factors that impacted on the growth levels in the majority of East-Asian countries.

In line with previous sub-chapters of this thesis, all countries emphasized the creation of a stable institutional environment with a particular focus on an adequate legal basis as well as the macroeconomic situation. Seeking a largely export-led growth strategy, governments realized that simply removing import barriers could not be successful but that, on the contrary, specific proactive policies for strengthening the export capacity and promoting diversification were necessary (UNECA, 2004: 7). Complementary strategies, in many cases, included policies to develop productive capacities, such as the provision of merit goods including education, health care and infrastructure, and the completion of land reforms (Sen, 1999: 91). Furthermore, the state addressed issues such as missing markets and the lack of an entrepreneurial base. It actively sought the development of linkages and networks in the local economy and came up with strategies to limit the risks of starting up new activities (Gore, 2004: 51ff.).

In exceptional cases, governments went as far as granting major subsidies, establishing protective duties or creating government enterprises. In Korea, for example, the officials sought a balance between policies that supported and that disciplined business (Parris, 2003: v). It is, however, important to note that most strategies never lost touch with the pivotal goal of creating the ability of withstanding international competition (Norberg, 2003: 102). Finally, governments were aware of the imperfections in technology markets, pushing for large-scale technology transfers, and education and training of a new class of young and bright engineers and scientists that quickly learned how to use modern technologies and adapt them to the local circumstances.

There are some important lessons to be learned from the East-Asian examples with regards to a potential proactive role of government, including the appropriateness of certain complementary measures like the development of productive capacities or the active seeking of network effects. Furthermore, while some countries were highly successful because they refused to intervene in the markets, others showed that a *per se* demonization of interventionist policies was foolish and inconsistent with reality. Despite the widespread criticism, isolated cases of protection are common practice in developed and developing countries alike. Through a variety of instruments that include tariffs, subsidies, import quotas, voluntary export restraints, local content requirements, administrative policies as well as antidumping duties, governments pursue a multitude of goals that are mostly political or economic in nature (Hill, 2003: 173).

While the effectiveness of protectionist policies remains highly disputed, recent experiences and studies have shown that a different set of complementary proactive measures are potentially very beneficial in developing countries – as was also the case in various East-Asian countries. They relate primarily to creating, developing and accelerating markets as well as to the provision of priority public goods and services including the development of infrastructure already discussed above (II.5.2.4).

Most of the LDCs rely heavily on subsistence farming and have very few export goods that often consist of agricultural commodities. It is, therefore, vital to help small

farmers to increase their productivity and break out of subsistence farming through the development and making available of improved farming technologies as well as improved rural infrastructure and extension services. Such a *green revolution* is possible as examples in Asia have demonstrated. It is a first step in the structural transformation of the economy to commercial agriculture and urbanization as well as to a diversification of the product base (UNDP, 2003: 76ff.). Small farmers will further benefit from improved property rights, incentive frameworks as well as support with regards to reducing and coping with risks. These measures will encourage them to invest and to choose higher risk activities that are, if successful, likely to produce higher benefits (World Bank, 2005b: 74). In general, this relates to placing them on the first step of the ladder in order to leave their poverty traps.

The next step would be to further diversify exports away from a dependence on primary commodities towards such manufactures and services where the economy has a potential comparative advantage. Specific industrial development policies could include certain tax incentives and, in particular, tax holidays, the directed and subsidized provision of credit, special export processing zones, the promotion of science and technology, as well as targeted funding for research and development. Government should further create institutions through which it can explore and enforce linkages between different economic activities and sectors.

A classic example is the tourism industry, as will be shown below (III.2.3.1). Tourism requires the provision of numerous other goods and services along the supply chain. Government's role should be to ensure that these opportunities are harnessed to a maximum in order to expand the employment options and diversify the local economy. Furthermore, government should actively lobby for increasing corporate social responsibility activities and voluntary codes of conduct that urge private enterprises, among others, to employ members of certain disadvantaged groups or from particularly poor areas, or to explicitly use local content.

Often misunderstood in the context of further proactive measures is the role that foreign direct investment (FDI) could play in the development process and, related to this, the question whether governments should or should not actively seek it. According to Hill's (2003: 204) textbook, FDI occurs when "a firm invests in facilities to pro-

duce and/or market a product in a foreign country". This can take place either through *green-field investments*, i.e., the establishment of a wholly new operation in a foreign country, or through *mergers with* or *acquisitions of* an existing firm in the foreign country. While generally the great majority of FDIs take place in the form of the latter, the former are more prominent in developing countries.

FDI and other activities of multinational companies became subject to heated debate over the past decades. Though the critical stance from the early 1970s has largely changed for the better, examples of large-scale malpractice, an identification of leading multinationals with child labor and sweatshops, and cases of visible interference in political matters particularly in developing countries continue to shed a lot of negative light on these global players. On the other hand, it is also widely recognized – at least away from the anti-globalization demonstrations – that FDI can bring enormous benefits to a host country, particularly in terms of technology transfers, availability of capital, employment opportunities and better wages and working conditions, and improved access to foreign markets. It is also likely to have spill-over-effects to local businesses along the supply-chain due to its need for inputs. A more differentiated view of multinationals and FDI as well as their various economic and non-economic implications is, therefore, pertinent.

Empirical studies have demonstrated that FDI has predominantly positive growth effects (Hemmer, 2002: 340). But it can also lead to the driving out of great numbers of local providers, increasing employment of foreign workers, and large leakages if money pours back out of the host country due to heavy imports, the repatriation of income and profits earned by foreign employees, interest payments on foreign loans, or payment of overseas services including promotion. These potentially negative consequences have to be taken into account on a case-by-case consideration, and governments need to analyze how they can limit them to a minimum without compromising the growth effects of FDI.

Fredriksson & Zimny (2004: 131) note that by the mid-1990s virtually all countries had the strong desire to attract more FDI, even though most developing countries remained largely marginalized and unsuccessful. Many governments started to support the process through the establishment of investment promotion agencies. At the

same time, it became obvious that such a passive strategy of merely trying to attract FDI was not sufficient in order to maximize the positive development impacts. In particular, government should play a role in promoting linkages between foreign and domestic entrepreneurs and encouraging the transfer of skills, knowledge and technology (UNDESA, 2005: x). Hence, FDI has the potential to contribute greatly to a host country's development process – but there is a crucial role for active government policies to foster these development gains beyond shallow strategies of attracting FDI in the first place.

In summary, examples of the East Asian miracle as well as many other experiences have shown that governments can and, in many cases, should play an important role with regards to certain further proactive measures. It is vital, however, to recognize that any intervention needs to be thoroughly analyzed and constantly monitored on a case-by-case basis with regards to its positive and negative consequences. Governments, for example might set a priority on certain political or economic reasons and compromise on efficiency by employing certain protectionist measures. Other complementary actions are important in the areas of creating, developing and accelerating markets as well as the provision of priority public goods and services. Governments might choose to help increase the productivity of poor farmers, employ a number of measures to diversify their export range, and seek FDI while playing an active role with regards to harnessing its positive developmental effects and limiting the potential negative consequences.

II.5.3. Polity choices in sub-Saharan Africa

Good governance is perhaps the single most important factor in eradicating poverty and promoting development.

(UN Secretary-General Kofi Annan, in Abdellatif, 2003: 2)

Particularly in the light of the frequent instances of poor governance and the patchwork democracies that we find far too often in sub-Saharan Africa (compare II.2 above), the question of what kind of state is actually able to play the aforementioned subsidiary role is very legitimate. First, we have to ask whether a system of general *good governance* is sufficient or whether the goal of poverty reduction requires us to

go beyond this and to aspire to achieving what can be called *democratic governance*¹⁹. In a second question, we should then ask what the preconditions for the desired type of governance could be.

Since the German philosopher Immanuel Kant (1724-1804) purported his influential *democratic peace theory* in his 1795 treatise *Perpetual peace: a philosophical sketch*, scholars regularly point out the fundamental role of democracy to achieve lasting peace. It is frequently assumed, therefore, that democracy has to precede development and poverty reduction (Djamba, 2003: 1). Other observers refer, however, to historical examples such as Germany or Japan during the industrialization phase and, again, after the Second World War. While both countries benefited from increasingly good governance, there was no democracy to talk of (Mafeje, 2002: 16). Banseka (2002: 17) adds that the *Marshall Plan* did not propose immediate democracy or some other political idea as a solution, but socio-economic development. As a result, these observers advance the argumentation that democratic principles will only emerge slowly with increasing development and are, therefore, no precondition to poverty reduction in sub-Saharan Africa.

At this point, it is, probably, necessary to look at both concepts more closely. *Good governance*, on the one hand, is difficult to define and interpretations differ widely among researchers. A narrow definition calls it the “effectiveness with which a government performs its work and promotes the public good” (Anyang’ Nyong’o, 2001: 3). The UNDP goes more into detail and, in a policy paper, enumerates the core characteristics of the concept, namely participation, the rule of law, transparency, responsiveness, consensus orientation, equity, effectiveness and efficiency, accountability, and strategic vision (UNDP, 1997: 14f.).

Democratic governance, on the other hand, adds a value judgment. Beyond accepting political and civil freedoms and participation as mere means for achieving socio-economic progress, they obtain basic value as developmental ends in themselves

¹⁹ Democracy is one of those terms that have drawn the attention of many of the great thinkers, including Plato, Socrates, Aristotle, as well as many contemporary philosophers. Some anthropologists believe that the concept of democracy is even as old as mankind itself. But the manifestations and conceptions have varied over space and time (Mafeje, in Chole & Ibrahim, 1995: 8). The word itself has Greek origins and consists of the terms *demos*, meaning ‘people’, and *kratos*, meaning ‘rule’. It is, therefore, a form of government in which the people govern.

(Abdellatif, 2003: 11). We notice that this latter concept is in line with our definition of poverty as *deprivation of basic capabilities that prevents individuals to pursue what they have reason to value*. Hence, even though democracy might not be a precondition for the reduction of *income* poverty, it leads to a number of intrinsic elements of freedom and is, therefore, fundamental to poverty reduction in the broader sense that we have adopted. As a result, the pursuit of stronger democratic principles and the consolidation of liberal democracies²⁰ in sub-Saharan Africa need to become vital parts of poverty reduction strategies.

This does not mean that any rigid patterns should be followed. It is fundamental to retain the universal attributes of liberal democracy – but we should, at the same time, show an understanding for the special historical and socio-cultural backgrounds of the countries on the sub-continent, and we should accept that there could be an “African variant” (Banseka, 2002: 295) of democratic structures.

It is not that Africa does not have a history of democratic values. Traditionally, there were plenty of egalitarian societies and representative political institutions. Many tribes and kingdoms had some democratic principles as organizational structures before the colonial era (Djamba, 2003: 4). The major challenge is, however, that the African traditional culture is historically not necessarily attuned to concepts of personal and political competition. While individualism was largely rejected on socio-cultural grounds, community life and equality within that community used to be – and sometimes still are – leading values (Banseka, 2002: 48). Nevertheless, calls are becoming louder that claim that these often purported differences are only used as an excuse of those who wish to continue to exploit them. After all, general democratic values are as universal in Africa as everywhere else (Anyang' Nyong'o, 2001: 22).

How then do we describe the desired political system? It certainly goes beyond the scope of this thesis to go into great detail of polity choices on the sub-continent, but a few basic issues have emerged in debates. First of all, the recent decades have

²⁰ Liberal democracy is the oldest form of democracy known to modern history. It has been unrivaled as a political form in Western Europe, North America and the British Dominions for over 200 years. It calls for the constitutional protection of individual rights from government power, including the freedoms of speech, of association, of the press and of religion, as well as the rule of law (Banseka, 2002: 25).

shown that the mere advent of the idea of liberal democracy was apparently not sufficient to overcome the challenges of poor governance, autocracy, unmandated leadership and lack of accountability. The obsessive pursuit of multi-party elections by the more affluent countries was so far unable to change processes that hide beneath the surface. There is still a strong absence of a political culture of participation and accountability. Political competition is often confined to the political elite and frequently excludes the masses. Beyond that, what happens in between election periods is not accounted for by these sporadic outbursts of democratic principles and values. Leaders rarely keep their promises – and they also lack strong incentives to do so.

At least as important as the right to choose the representatives is, therefore, the creation of an effective system of checks and balances. Collier (2007: 8) refers to the example of Botswana. A country that enjoyed continuous democracy for several decades, its government has not faced severe electoral competition and has never lost power. The checks and balances, particularly with regards to rules for public spending, are, however, exceptional. Today, Botswana is often regarded as a shining light on an otherwise far too often dark continent. Between 1980 and 2004, its gross national income (GNI) per capita increased from \$960 to \$4360. This latest figure is higher than that of South Africa, and, on the African continent, it can only be topped by Mauritius and the Seychelles (World Bank, 2006a: 46). Admittedly, other development indicators are not as strong, but Botswana is, today, considered to be a solid *medium human development* country with an HDI rank of 131 out of 177 (UNDP, 2005: 221).

Apart from strong checks and balances, Banseka (2002: 199) calls for the African governments to accept a set of shared values which insist on their accountability to the citizens whom they govern. Such accountability in itself necessarily includes universal values of honesty and efficiency.

In conclusion, we have mentioned before that it is not the duty of this thesis to solve the governance problems in sub-Saharan Africa. Nor is it our claim that we can make appropriate polity prescriptions. We have, however, attempted to show the intrinsic values of democratic governance and, therefore, argue for the necessary implementation of democratic values and principles as parts of poverty reduction strategies.

We have further made it very clear that the obsession to hold democratic elections does not change much with regards to the underlying problems. More importantly, the countries require appropriate checks and balances and a set of shared values of accountability. How this can be achieved goes, unfortunately, beyond our scope.

II.5.4. Conclusion

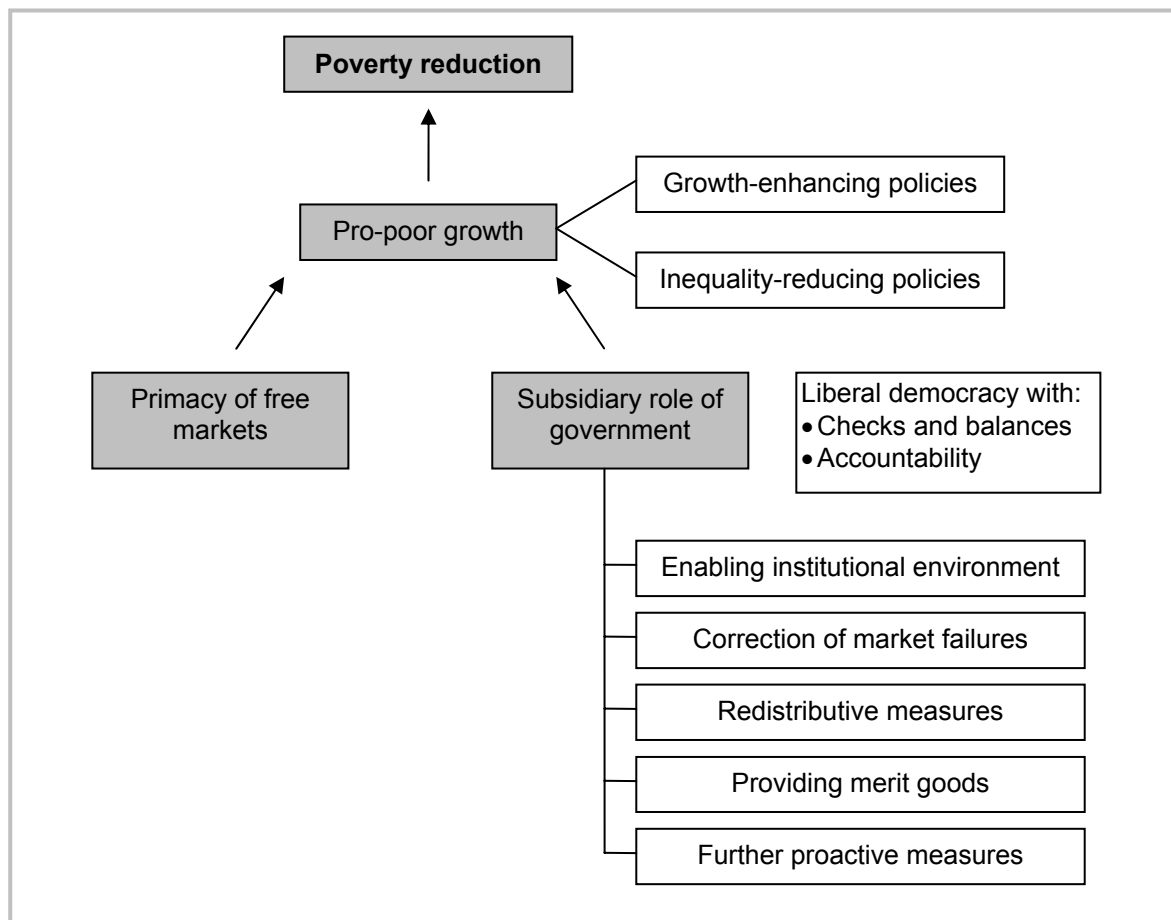
The previous sub-chapters have shown that, despite the primacy of free markets, the state has an important subsidiary role to play in order to achieve sustainable poverty-reducing growth. While specific country conditions will always necessitate a case-by-case analysis and development of particular and detailed strategies, a framework for state action has emerged as best practice. According to this, major duties of the government include the creation and provision of an enabling institutional environment, the correction of market failures, the development of redistributive strategies, the provision of certain merit goods, and the use of a potential arsenal of further proactive measures. Table II.3 below provides a summary and working model.

Table II. 3: The state's subsidiary role	
1.	<u>Creation and provision of an enabling institutional environment:</u> <ul style="list-style-type: none"> • Market institutions: Stable macroeconomic environment; property rights; freedoms of trade, contract and establishment; liability rules; impartial mechanisms for dispute resolution and conflict management; rules against anti-competitive behavior; appropriate credit markets and a sound banking system; consistency, predictability and credibility of policies; social institutions • Non-market institutions: Constitution with fundamental rights; national defense mechanisms; police force; independent judiciary; appropriate electoral system; free media; NGOs; honest and competent state apparatus; inclusive political system with improved mechanisms of voice; equity in all spheres of society; protection of the physical environment
2.	<u>Correction of market failures:</u> <ul style="list-style-type: none"> • Externalities, information asymmetries, monopolies
3.	<u>Development of redistributive strategies:</u> <ul style="list-style-type: none"> • Addressees: Those able to work but unproductive; those unable to work; those facing temporary vulnerabilities • Possible measures: Fiscal redistribution systems, compulsory insurance markets, public workfare programs, cash transfers, in-kind transfers, improved credit markets, other empowerment measures
4.	<u>Provision of certain merit goods:</u> <ul style="list-style-type: none"> • Basic elements of human development: E.g., education, health care, supply of safe drinking water and sanitation facilities, appropriate infrastructure
5.	<u>Use of a potential arsenal of further proactive measures:</u> <ul style="list-style-type: none"> • Create, develop and accelerate markets • Develop productive capacities

The chain of causality to achieve poverty reduction is, therefore, like this: It is a necessary but not always sufficient condition to achieve sustainably high economic growth rates. While pursuing growth-enhancing policies, special attention should be attributed to ensuring that growth provides opportunities to the poor and does not breed large amounts of losers. Furthermore, in countries with high initial levels of inequality or where inequality increases sharply over time, improved inequality-reducing policies including the disproportionate provision of resources and opportunities to the poor as well as their empowerment to participate and benefit in the growth process are vital. This *growth plus* process can be called *pro-poor growth*.

To achieve such pro-poor growth, countries should, first and foremost, rely on the primacy of free markets. Such primacy, however, needs to be restricted in several areas where the state has to perform an important subsidiary role, i.e., the creation and provision of an enabling institutional environment, the correction of market failures, the development of redistributive strategies, the provision of certain merit goods, and the use of a potential arsenal of further proactive measures. Finally, the polity also matters and should consist of a liberal democracy with strong checks and balances as well as a set of shared values of accountability. This model for a post—neoliberal poverty reduction approach is illustrated in figure II.3 below.

Figure II. 3 Model for a post-neoliberal poverty reduction approach



III. Applying the model of a post-neoliberal poverty reduction approach to tourism

Tourism is seen as not serious, it is not “work” and it is often written about in terms of the “pleasure periphery”. It also involves the close juxtaposition of poverty (sometimes extreme poverty) and the conspicuous consumption of the wealthy enjoying their leisure.

(UNWTO, 2001: 71)

Many particularly in the industrialized world write tourism off as a fun and leisure activity that cannot be taken serious as an industry. After all, it involves what they do during their holidays. They are all the more surprised to read figures that indicate that tourism and its many components represent one of the largest industries in the world.

Recent statistics from the World Travel and Tourism Council (WTTC, 2006b: 6) and the World Tourism Organization (UNWTO, 2005a: 8) imply that, taken in a broad sense, the tourism economy generated an expected economic activity of \$6,477.2 billion in 2006. According to projections into the future, this may almost double to more than \$12,000 billion over the next decade. Taking the value of tourism exports alone, it currently stands at \$1,646.2 billion, amounting to 11.8% of total global exports and more than 40% of all exports of services. On top of this, the wider tourism economy accounts for an estimated 234.3 million jobs worldwide in 2006. This figure is equivalent to 8.7% of total global employment or one in every 11.5 jobs worldwide.

Compared to the rest of the globe, ‘exotic’ destinations in the developing world and particularly in sub-Saharan Africa still receive comparably low amounts of tourists, but trends show strong improvements. While only 20.8% of international tourists visited a developing country in 1973, this figure has more than doubled to 42% in 2000 (PPT Partnership, 2004a: 1). African destinations have had less spectacular success in the recent past, even though some countries have clearly taken off. Since 1990, they were able to increase their share of international arrivals from 3.4% to 4.5%, and the 2005 growth rate stands at 12.6% for sub-Saharan Africa (UNWTO, 2006c: 1ff.). This trend is likely to continue, and the African continent is expected to increase its market share to about 5.0% by 2020 (UNWTO & MTTAS, 2005: 43). The following table III.1 provides an overview of tourism statistics for Africa.

Table III. 1: Tourism statistics for Africa

	Arrivals	Receipts (US\$)
Algeria	1,443,000 (2005)	178m (2004)
Angola	210,000 (2005)	66m (2004)
Benin	174,000 (2004)	106m (2003)
Botswana	1,523,000 (2004)	562m (2005)
Burkina Faso	222,000 (2004)	19m (2000)
Burundi	148,000 (2005)	2m (2005)
Cameroon	190,000 (2004)	36m (1995)
Cape Verde	198,000 (2005)	123m (2005)
CAR	8,000 (2004)	4m (2004)
Chad	21,000 (2003)	14m (2000)
Comoros	18,000 (2004)	10m (2004)
Congo	19,000 (2000)	20m (2003)
Côte d'Ivoire	180,000 (2003)	76m (2004)
Djibouti	30,000 (2005)	7m (2004)
DR Congo	61,000 (2005)	1m (2004)
Equatorial Guinea	-	5m (2000)
Eritrea	83,000 (2005)	66m (2005)
Ethiopia	210,000 (2004)	173m (2004)
Gabon	222,000 (2003)	15m (2003)
Gambia	111,000 (2005)	28m (1995)
Ghana	584,000 (2004)	466m (2004)
Guinea	45,000 (2005)	30m (2004)
Guinea-Bissau	-	2m (2003)
Kenya	1,199,000 (2004)	579m (2005)
Lesotho	304,000 (2005)	30m (2005)
Madagascar	229,000 (2004)	105m (2004)
Malawi	471,000 (2004)	26m (2005)
Mali	143,000 (2005)	130m (2004)
Mauritania	30,000 (2000)	11m (1995)
Mauritius	761,000 (2005)	871m (2005)
Morocco	5,843,000 (2005)	4,617m (2005)
Mozambique	470,000 (2004)	130m (2005)
Namibia	695,000 (2003)	348m (2005)
Niger	55,000 (2003)	28m (2003)
Nigeria	962,000 (2004)	21m (2004)
Reunion	409,000 (2005)	384m (2005)
Rwanda	104,000 (2000)	44m (2004)
Sao Tome	11,000 (2005)	10m (2000)
Senegal	769,000 (2005)	209m (2003)
Seychelles	129,000 (2005)	192m (2005)
Sierra Leone	40,000 (2005)	83m (2005)
South Africa	7,518,000 (2005)	7,327m (2005)
Sudan	61,000 (2004)	89m (2005)
Swaziland	839,000 (2005)	95m (2004)
Tanzania	566,000 (2004)	796m (2005)
Togo	81,000 (2005)	15m (2003)
Tunisia	6,378,000 (2005)	2,063m (2005)
Uganda	468,000 (2005)	266m (2004)
Zambia	515,000 (2004)	161m (2004)
Zimbabwe	1,559,000 (2005)	99m (2005)

Sources: UNWTO (2006b: Annex 4; Annex 11)

In sub-Saharan Africa, the tourism economy accounts for \$75.3 billion of economic activity, 8.2% of total GDP, and 6.6% of total jobs (WTTC, 2006b: 24). While it contributed only 2% of total African exports in 1980 (Ashley & Mitchell, 2005: 1), it now stands at 6.6% and even considerably more in countries with high arrival figures (WTTC, 2006b: 24). Finally, it accounts for 11.6% of total investment.

These statistics lead to the assumption that tourism is one of the leading economic sectors for African countries and can potentially play a crucial role for growth, employment generation, development and poverty reduction. To further explore these links, we will first provide a comprehensive introduction to tourism (III.1), before discussing in detail its role for achieving pro-poor growth and, thereby, linking it to the model for poverty reduction approaches (III.2). As a summary, we will develop a methodology for analyzing tourism's poverty-reducing impacts on a national level (III.3).

III.1. Introduction to tourism

The origins of the words 'tourism' and 'travel' are difficult to determine. The widely accepted etymology of the term 'travel' is that it comes from the French word *travail*, an expression for work, trouble or even torment (Holden, 2000). Indeed, up to the 19th century traveling was associated with a tough and potentially troublesome activity that was undertaken, for example, by pilgrims. Nevertheless, tourism is not a very recent phenomenon and could be observed in various ancient civilizations. In this context, Harrison (2001: 1f.) points out visitors to the Egyptian pyramids, Greeks at the Olympic Games, or Romans escaping the summer heat to the Bay of Naples. After the Middle Ages, forms of a certain "proto-tourism" (Caire & Rouillet-Caire, 2003b: 23) became popular with the young European aristocracy that engaged in so-called *Grands Tours* of Europe in order to learn foreign languages and improve their general education. It is thanks to one of these tours that Adam Smith developed his ideas for free trade, when he accompanied the young Duke de Buccleugh around the continent as a traveling tutor between 1762 and 1766.

Modern international tourism arrived in the 19th century with a slowly emerging middle class in the rapidly industrializing countries in Europe looking for recreation, sun and sports activities for example at the French *Côte d'Azur* or the Swiss Alps. This dy-

namic was greatly enhanced by the advent of the age of the train and the steamship in the mid-19th century. Beyond Europe, colonialism started to have an impact, and European explorers, colonial masters, missionaries and merchants traveled the world and the growing colonial territories. The age of the plane in the mid-20th century finally allowed tourism to become a mass phenomenon also to other continents. It increasingly concerned the rising middle classes of the quickly recovering post-World War II countries in “fun and sun” adventures in the developing world (Williams, 2002: 2).

Also in the 19th century, tourism became an industry. K. Baedeker in Germany was the first publishing company to offer travel guide books in 1827. Thomas Cook arranged the first organized tour in the UK in 1841. Four years later, he opened the world’s first tour operator in Leicester. It was the starting signal for the development of tourism as a major economic sector and industry.

In this introduction to tourism, we will first explain tourism as an economic sector (III.1.1), before looking at current industry trends (III.1.2). We will then focus on the issues of particular relevance to development contexts. After examining the role that tourism is playing in development strategies (III.1.3), we will explore the specific opportunities that accompany tourism with regards to poverty reduction in Africa (III.1.4). The introduction will end with an analysis of the concept of pro-poor tourism, an approach that directly aims at harnessing tourism for poverty reduction (III.1.5)

III.1.1. Understanding tourism as an economic sector

Today, tourism is a socio-economic phenomenon that comprises numerous economic activities, affects very diverse stakeholders, and has far-reaching impacts particularly in host destinations. Definitions are, therefore, manifold, and require a distinction according to the observer’s perspective. That way, tourism needs to be explained under considerations of the demand side (III.1.1.1), the supply side (III.1.1.2) and the host destination side (III.1.1.3).

III.1.1.1. Demand side – the tourist

Transport of the mails, transport of the human voice, transport of flickering pictures – in this century, as in others, our highest accomplishments still have the single aim of bringing people together.

(Antoine de Saint Exupéry, 1939, quoted in UNWTO, 2005c: 1 of the Annex)

With regards to the demand side, tourism is about the act of travel, and the traveler is the central actor in the tourism system. For him, tourism could be described as “a means of physical and spiritual blossoming, of human maturation, and opening up to the Other, as well as a source of vitality and energy” (BITS, 2005: 4). His motivations can be manifold, and he is generally influenced by a number of factors. These include, among others, psychological motives such as need for change, relaxation, freedom, curiosity, adventure, sociability or physical exercise, and societal factors, including the ‘exotic holiday’ as expression of high social status (Strasdas, 2001: 62).

Economic conditions in the tourists’ home countries also play an important role. In the industrialized world, for example, the trend goes in the direction of rising standards of living and increasing disposable income, reduced working hours and increasing holiday entitlements, higher emphasis on leisure time and a greater desire for active holidays with a strong educative impact. Goodwin and Francis (2003: 271), among others, note a growing search of many majority tourists for diversified experiences that promise them more than the traditional sun, sand and sea holiday. At the same time, new markets in rapidly industrializing countries such as China or India are beginning to make their mark on the international tourism map as their growing middle-class segments start to have the resources for outbound travel.

Furthermore, tourism includes much more than the typically associated *holidaymaking*. Among others, it also involves business travel, visiting friends and relatives, conferences and exhibitions, educational, religious and medical travel, and cultural or sporting events. In this sense, tourism “comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business or other purposes” (UNWTO, 1993: 1), as the most widely agreed upon definition of the World Tourism Organization suggests. The

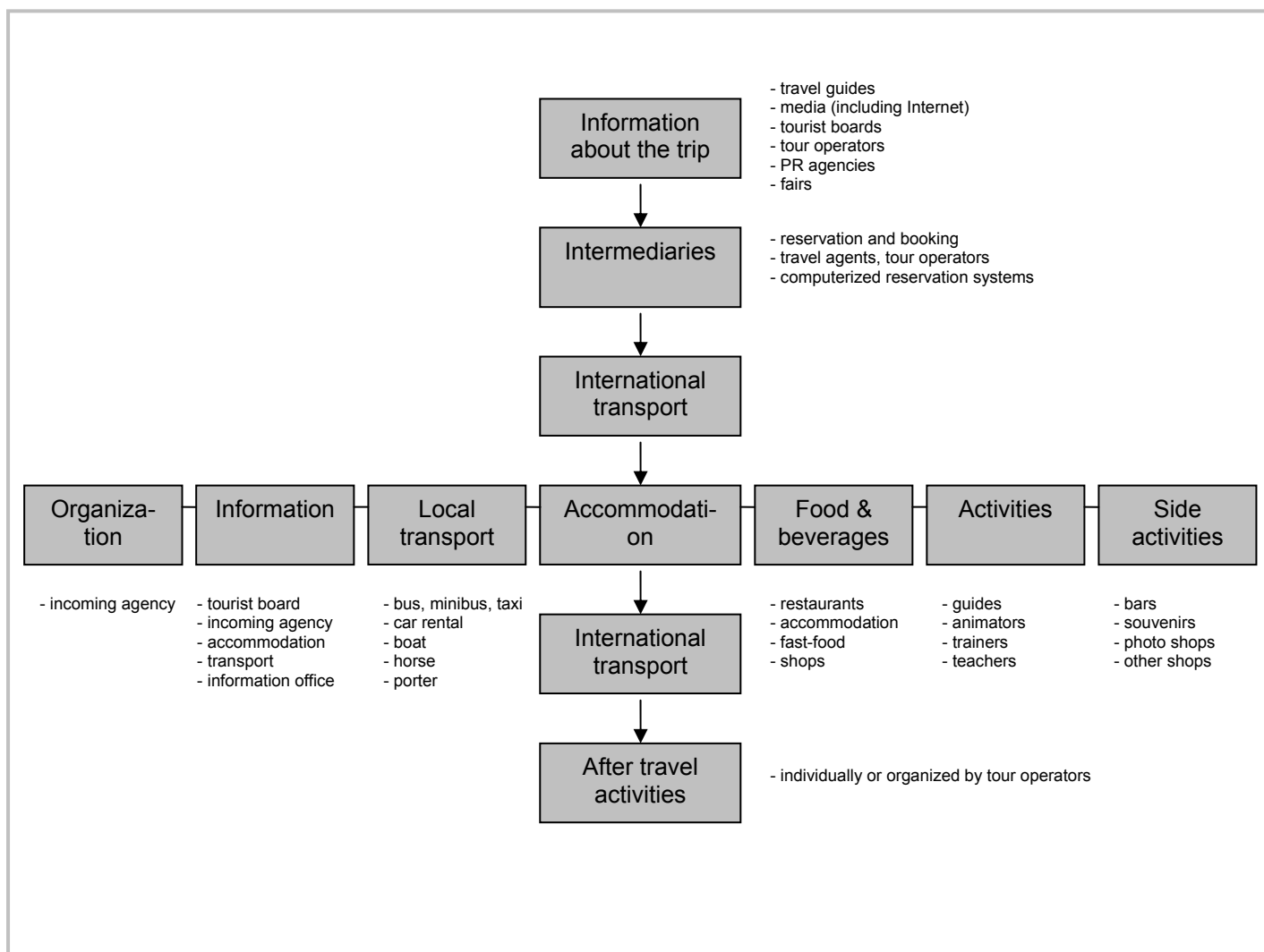
diversity and multiplicity of potential motivations and impacting factors present a great challenge – but also a great opportunity – for the supply side of tourism, as well as for those who are responsible for the planning and control of developments at a host destination.

III.1.1.2. Supply side – the industry

Contrary to the myth of an industry dominated by only a few big companies, the supply side is an amalgam of numerous different services, attractions and facilities that reflect the activities of a large web of individual suppliers. They include those that typically cater almost exclusively for tourists, those that usually target other customer segments but have found a special interest in tourists, and those who have not specialized on tourists but still occasionally benefit from them. In this sense, member countries of the World Trade Organization talk about *characteristic services*, *tourism-connected services* and *tourism non-specific services* (WTO, 1999: 4f.). The first category includes, for example, hospitality services like accommodation, and food and beverages, passenger transportation, travel intermediaries such as travel agents, tour operators and tourist information offices, tourist guide services, cultural services, and recreation and other entertainment services. The second category consists of complementary supplies including guide books, credit card services or hand-craft producers. Untypical suppliers that still benefit from tourism are, among others, the photo industry, gas stations, banks, insurance companies, shops, or doctors.

To get an idea of the multiplicity of service providers, it is helpful to explore the potential stages of a tourist's trip. This is done in figure III.1 below.

Figure III. 1: Potential stages of a trip
(adapted from Strasdas, 2001: 65)



Apart from these suppliers who interact with the tourist in a direct way, a number of providers of services and goods are engaged along the supply chain and, thereby, become indirect suppliers of tourism. They are specific for each direct supplier. For a hotel, for example, they might include architects, construction companies, suppliers of furniture and decoration, food producers, entertainment services providers, or contractors for gardening or laundry services. In this sense, observers have noticed that there is hardly any services sector that is not either directly or indirectly connected to tourism (Perrin, 2001: 7).

Tourists engage with this amalgam of individual suppliers in different ways. The PPT Partnership (2004c: 1) notes that the percentage of visitors that use a tour operator to organize their trip is diminishing but still remains important at about 28% in the UK

in 2000. This means that there is a growing trend towards independently arranged travel where visitors plan a trip without an intermediary and buy individual components such as the flight, accommodation, attractions etc on their own. This trend is much weaker with regards to less well-known destinations, including, among others, countries on the African continent. Christie & Crompton (2001: 2 of Annex 1), for example, note that the visitors to unfamiliar and *off-the-beaten-track* areas tend to prefer prearranged trips and the travel in groups. They estimate that packaged holidays account for about 50% of all trips from the UK to Africa. This shows that tour operators continue to play a vital role and have strong impacts on their customers, other industry stakeholders as well as the destinations in which they operate.

As the 'wholesalers' of a tourism product, tour operators combine different travel services and sell them as a single product with a fixed price to their clients or their partners' clients. Such an end product or *package tour* can consist of a predetermined bundle of individual services or can be tailor-made for each client by an *à la carte* approach. Regardless of the process, tour operators represent and sell the products of a great variety of largely independent businesses, benefiting from a markup that is typically in the range of 15 to 35% (Christie & Crompton, 2001: 2 of Annex 1).

Most of the major package holiday markets have two contrasting but complementary characteristics: On the one hand, there are a small number of large, internationally working tour operators. They function like typical multinational companies and make use of their considerable buying power and control. The trend for this segment goes towards increasing economies of scale, greater concentration, and horizontal as well as vertical integration in the form of mergers with or acquisitions of competitors and businesses along the supply chain. On the other hand, the industry typically consists of a large number of small and medium-sized specialist operators that provide a multitude of niche products, such as adventure, eco-, birding, fishing, golf, or diving tourism. While the big operators most often cater for mass tourism markets and compete on the price by relying on their bulk-buying power, the small specialist operators are more likely to value small volumes, high quality and greater individuality. Except for maybe half a dozen destinations in Africa, the major operators are largely inexistent in most countries on the continent. This offers considerable opportunities for a variety of small and medium-sized specialist tourism enterprises.

On the supply side, tourism is, therefore, a very complex industry that consists of a myriad of largely independent suppliers that cater for a variety of intermediaries and individual buyers. While most suppliers are private enterprises, there are also a number of governmental institutions, community associations, or NGOs, as well as partnerships among any of these that engage in tourism. All of them have a number of impacts on the host destination.

III.1.1.3. The host destination

Tourism is therefore a fact of life for many of the world's poor.

(Roe & Urquhart, 2001: 1)

Tourism is an unusual industry, not only because the consumers come to the factory, but also because this factory regularly consists of someone else's backyard. In this regard, Collin Marshall has once defined tourism as "essentially the renting out for short-term lets, of other people's environments, whether that is a coastline, a city, a mountain range or a rainforest" (quoted in Goodwin, 2002: 54). Contrary to most other industries, tourism has a number of direct and indirect impacts on its host destination and its inhabitants – be it economic, social, cultural, or environmental. The tourist is, by definition, a disturbing element; the "chameleon tourist" (Caire & Roullet-Caire, 2003a: 7) does not exist. Depending on a variety of factors, the benefits or costs of these impacts are very diverse.

Socio-economically, many countries depend heavily on tourism as a source of foreign exchange earnings, tax income as well as benefits for the enterprises that engage in the industry. As will be explored in more detail later (III.2.1.2), it also creates numerous jobs at various levels and often offers valuable opportunities for training. Meyer Krumholz (1998: 18), for example, estimates that the creation of a new job in a hotel will result in three other employment opportunities – one in another tourism enterprise and two in other economic sectors related to tourism. The more general economic development aspects are also potentially very beneficial as tourism encourages entrepreneurial activity, provides widespread possibilities for other industries to create inter-sectoral linkages along the supply chain, and requires a certain infra-

structure that will also benefit other industries and individuals in terms of an appropriate road and transport network, sufficient electricity and water provision, modern health facilities and many others.

There are, however, also potential negative socio-economic impacts of tourism. While the industry offers a number of diverse employment opportunities, observers frequently raise questions about the quality and the circumstances of those jobs. Criticism, for example, arises with regards to the job security in destinations suffering from seasonality, longer than average working hours, lower wages compared to other sectors, few opportunities for qualification and promotion, and a large arsenal of employed children or youth (e.g., Aderhold *et al.*, 2000: 31; AG Rio+10, 2002: 11).

It should be noted, however, that the vast majority of employees accept a job in tourism on their own will and often because it is the best option available. Furthermore, working conditions might be tough in certain cases – but they are certainly even worse in many other industries. And, children or youth employment might be terrible because it deprives the young individuals of their childhood and of an opportunity to go to school, but the realities on the ground might require such behavior as a mere survival strategy. Hence, job quality and circumstances should not be criticized *per se*, but should be analyzed under the particular country environment. Certain exploitative forms of employment and other excessive violations of human rights are, nevertheless, unacceptable. A minimum requirement could, therefore, be the commitment to the main conventions of the International Labor Organization (ILO), a suggestion brought forward, for example, by Plüss (2002).

Furthermore, at least part of the profits from tourism are likely to leak out of the country through the repatriation of profits, high levels of imports, or marketing efforts abroad. Costs to maintain quality infrastructure may divert government spending from other important sectors. It is likely that certain consumer goods and services as well as land and housing will become more expensive due to increased demand and greater buying power of tourists and investors. This will often contribute to growing costs of living, and may even cause economy-wide inflation. Finally, tourism developments may cause the inhabitants of the area to suffer opportunity costs if, for example, access to the sea or to a forest is limited.

Socio-culturally, tourism is likely to be a powerful agent of change at a destination, a fact that often sparks a lot of controversy. Modernization theorists believe in the positive forces of tourism which “catalyzes the transition from traditional ways of life to the modern, Western form of society” (Forum on Environment and Development, 1998: 4). Dependency theorists, however, look at the same scenario in a much more negative way. They see that a lot of the change is imposed on the locals – if they like it or not – by an apparently ‘superior’ Western way of life. This, in turn, has very destructive impacts on traditions, cultures, value systems and ways of life that are often perceived as “fragile” (Backes & Goethe, 2003: 10).

It is, perhaps, important to acknowledge that no culture, no society is in a static state, untouched by outside influences and determined to remain that way. On the contrary, communities are generally in a constant process of change, adaptation and development. Paz (quoted in Keller, 2003: 12) goes even a step further, claiming that “all cultures are born from blending, from encounters, and from shocks. Inversely, it is isolation that causes civilizations to die”. Wanting to preserve a somewhat “ideal image” (Thiem, 2001: 28) of a culture and judging deviations as cultural decline, ultimately leads to its “museumization” and “antiquation” (Backes & Goethe, 2003: 10). There are numerous factors that contribute to societal change, and tourism is but one of them.

As there are many ways how communities change, there are also a variety of perceptions of these changes among community members. The more conservative might feel threatened by the decline of traditional beliefs, the dissolution of customary family structures, and the erosion of local social institutions and value systems. They might resent the *demonstration effect* that the presence of and interaction with foreign tourists is likely to have particularly on local youth who grow the desire to imitate the behavior and lifestyle of their visitors. And they might be ashamed by the degradation and commoditization of their cultural heritage. Local music, crafts, dance, ceremonies, architecture, dress, food etc can all become ‘objects’ or commodities when they are sold to the tourists. To raise the products’ attractiveness, they are often further profaned, artificially reconstructed, or staged purely for visitors.

Other community members might, however, interpret the above changes in very different ways. For them, the erosion of traditional structures might mean a greatly welcomed opportunity to break out of traditional and often restrictive roles. Women, for example, have the chance to gain at least a certain level of independence because of tourism, achieving increased financial and economic autonomy through employment or, more generally, finding access to and ownership of economic resources. Similarly, the youth often enjoy arising new opportunities away from agricultural activities that allow them to develop and possibly pursue new dreams. Many community members will notice an improved quality of life resulting from the new opportunities, but also from a variety of other factors. Tourism is, for example, heavily dependent on various types of infrastructure and basic services, including an appropriate road network and transport links, availability of water and power, sewage and solid waste management systems, and telecommunications. Such developments are likely to benefit not only individual tourism businesses but also the economy and life of the host destination at large. Apart from that, new facilities for recreational, leisure and cultural purposes are often open also for the locals, who will start to perceive their home area as a more interesting and exciting place to live in.

Furthermore, the assumption that tourism has a negative impact on the cultural heritage also needs to be put in its true light. In many cases, it often preserves local cultural identity and enhances its awareness. The industry relies on the destination's heritage and, thereby, even contributes to a renaissance of arts, crafts, dances or ceremonies, as well as the preservation and restoration of monuments and architecture. All of this has a great potential to bring about pride and a greater appreciation of local resources.

It is, probably, uncontested that certain *acculturation* processes usually take place, i.e., situations in which two interacting cultures increasingly become like each other, and that they are predominantly one-sided. Social anthropologists, in particular, have long since criticized forms of tourism that take place in rather isolated ways on these grounds. As early as 1984, MacCannel (quoted in Reisinger, 1994: 746) concluded that "any contact which is transitory, superficial, unequal is a primary ground for deceit, exploitation, mistrust, dishonesty and stereotype formation". Urry (1990: 7) further elaborated upon what he referred to as the "tourist gaze" of predominantly mass

tourists, who are detached from their host environment and desire to experience inauthentic “pseudo-events” that are staged entirely for them.

These anthropological studies certainly point out important issues that should be addressed where applicable. In worst case scenarios, tourism even contributes to societal phenomena that are wholly undesirable, including, among others, crime, prostitution, gambling, or health problems such as HIV/AIDS. The studies ignore, however, the heterogeneity of the impacts as well as of the felt effects among the various members of a host population. Furthermore, they often do not hold true particularly in non-mass tourism destinations. Where the locals have interaction opportunities with the guests, they may, on the contrary, largely benefit from the cultural exchange and the opportunities for enhanced understanding, tolerance, acceptance and greater knowledge. Or, as de Villiers puts it:

Tourism is an ally of peace – it brings people together, exposes them to one another, teaches them to observe, understand and appreciate the rich diversity of peoples. Tourism creates the dialogue between visitor and host, between different cultures, between peoples and places.

(de Villiers, 2003: 68)

What is, therefore, essential is that the locals retain a right to cultural self-determination as well as the power to actually use that right. As Smith (1989: 4) points out, “cultural change is not the danger, the real threat lies in the erosion of the power of communities to control the boundaries to tourism”. Hence, instead of criticizing and lamenting potentially negative impacts, it is more appropriate to analyze the changes in a neutral way, to ask if a largely heterogeneous local population was sufficiently empowered to understand, accept and shape them, and, if this was not the case, how such empowerment could take place.

Finally, tourism also impacts on the natural environment of a destination. While often referred to as a ‘smokeless’ industry (Christie & Crompton, 2001: 19), it is probably true that every kind of tourism activity will have at least some negative effects on natural resources or ecosystems. In most cases, however, such damage is rather small compared to the majority of other economic sectors. Apart from that, more responsible forms of tourism even encourage positive environmental effects.

The natural environment is important for every human being. Leaving ethical and philosophical considerations aside, it provides a life support system as well as a number of ecosystem services that humans rely upon, including the provision and regulation of water resources, soil, and a waste disposal system (Furze *et al.*, 1996). It also offers a number of resources that are used for wealth creation, including raw materials, food, medicinal resources or, as in the case of tourism, landscapes, wildlife, beaches and many others. In fact, in most destinations the industry depends on an intact and sustainable environment for its own survival. Finally, the natural environment influences human well-being, satisfying aesthetic, spiritual or educational needs and providing resources for recreation (Holden, 2000).

Impacts can be threefold. First, tourism development and activities often pressurize the natural resources. They intensify competition for land and pose a potential threat to natural landscapes by encouraging deforestation, the loss of wetlands as well as soil erosion. The industry is also responsible for developments in environmentally fragile places such as coastal areas, where sand mining and beach erosion are frequent. Tourism further intensifies competition for often scarce freshwater resources, as tourists, swimming pools and golf courses place a heavy burden on existing reserves. Particularly at the sea, it also threatens fisheries, coral reefs and other marine resources (Neto, 2003: 5).

Secondly, tourism has a high potential to damage entire ecosystems. The disposal of liquid and solid waste leads to water and land contamination and seriously threatens particularly fragile places such as rainforests, mountainous areas, wetlands and mangroves. The industry also contributes to air pollution through local energy consumption and long-distance transport, as well as noise pollution. And, particularly in national parks and wilderness areas, it leads to a disruption of wildlife habitats, impacting on animal breeding patterns and habits, and increasingly pressurizing endangered species (Cattarinich, 2001: 14).

Thirdly, however, tourism also has potentially positive impacts. In many cases, particularly if the locals share at least some benefits, it increases the appreciation for the environment. Communities will try to refrain from unsustainable resource uses and

increasingly protect wildlife and areas of interest to visitors because these activities present an opportunity to also gain economically. In the long run, this might even trigger local movements of people who enjoy the natural environment in their leisure time and become advocates for the protection of landscapes and wildlife. Furthermore, tourism often generates the funds that are necessary for conservation projects or the development and management of national parks.

In conclusion, the previous paragraphs have shown that the potential impacts of tourism on a host destination are manifold and, at least with regards to socio-economic and socio-cultural effects, often depend on the perception of the local population. All of them should be taken into proper account when making a decision on whether or not to engage in tourism activities. If the answer is favorable, stakeholders have the responsibility to mitigate the negative impacts and to enhance the positive ones.

III.1.2. Industry trends

After 1950, tourism was a phenomenal success story. With average annual growth rates of 6.5%, international arrival figures increased from 25 million to more than 800 million just 55 years later (UNWTO, 2005a: 7). The spread of destinations has also grown exponentially. While the top 15 worldwide tourism destinations – all of them in Europe and North America – accounted for 97% of all arrivals in 1950, this number has fallen to a mere 58% in 2004 (UNWTO, 2005b: 5). The most important destinations today also cover more diverse parts of the world, with France, Spain, the US, China, Italy, the UK, Hong Kong, Mexico, Germany and Austria leading in arrival figures, and the US, Spain, France, Italy, Germany, the UK, China, Turkey, Austria and Australia leading in receipts in 2004 (UNWTO & MTTAS, 2005: 24). According to regions, 2004 figures suggest that Europe still gains by far the most from tourism with 52% of global receipts, followed by the Americas (21%), Asia and the Pacific (20%), Africa (3%) and the Middle East (3%) (UNWTO & MTTAS, 2005: 20).

The World Tourism Organization's vision for the year 2020 expects that average annual growth rates are likely to be at about 4.2%. This is leading tourism to reach more than a billion arrivals in 2010 and more than 1.5 billion in 2020 (UNWTO, 2005a: 12). There are, however, also a number of uncertainties that might become serious obstacles for further growth. Tourism is a rather volatile industry that is

quickly affected by a troubled destination environment. Particular incidents that seriously threatened the industry were, among others, terrorist acts in major cities such as New York, Madrid, London or Istanbul as well as prime tourist destinations such as Bali, Djerba or Sharm-el-Sheikh. Similarly, natural catastrophes like hurricanes, earthquakes, floods or epidemics such as SARS and avian flu continue to contribute to a climate of insecurity and uncertainty. These phenomena have, however, not been able to significantly damage the industry. On the contrary, even after the supposedly greatest external shock of the past decade, the 2001 terrorist attacks in the US, the industry has recovered much faster than expected. Today, international tourism continues to grow, and negative impacts are rather limited or short-lived.

Various factors are likely to influence demand for travel to developing countries. On the positive side, socio-demographic changes in society are potentially very beneficial. In most industrialized countries, the population is ageing, but these senior travelers also stay fit longer. Influenced by increased international communications and more globalized media, there is also a growing hunger for education. Many more industrialized countries further note a change in values in their postmodern societies, with increasing numbers of citizens preferring leisure over their career (Aderhold *et al.*, 2000: 44ff.). Another trend is an increase in the number of trips per person. Experts believe that it will become common to take several shorter breaks per year instead of one long holiday (UNWTO & MTTAS, 2005: 48). This has further implications for destination planners around the globe who need to position their products on the international tourism map.

Apart from that, observers recently noted a trend towards more long-haul travel. In fact, experts believe that its share will increase from 18% in 1995 to about 24% in 2020 (UNWTO & MTTAS, 2005: 48). This promises further opportunities to more remote destinations such as many more rarely visited countries on the African continent. At the same time, intraregional travel will continue to predominate. In Africa, figures are still comparably low at about 43% of all arrivals in 2003, but there are also regions – particularly Southern Africa – where they reach more than 70%. Otherwise, the African market is largely dominated by tourists from Europe who accounted for about 33% of all visitors in 2003 (UNWTO, 2005d: 5).

Finally, there is growing evidence that the trend goes towards an increasing consciousness with regards to environmental and social compatibility, and, therefore, towards more responsible holidays. In 1999, Tearfund commissioned research on the willingness of travelers to pay more if their trip had certain responsible characteristics. 35% of participants responded positively for trips that care for the local environment. Likewise, 29% agreed to pay more for guaranteed good wages and working conditions for local workers. 21% would be glad to contribute to a local charity. A second Tearfund research in 2001 saw these numbers increase further, confirming a growing trend towards a greater consciousness of travelers (Goodwin, 2005: 4).

III.1.3. Tourism and development strategies

Tourism to developing countries started to grow rapidly in the 1960s and 1970s, mainly due to factors of cost reductions and increased disposable incomes in tourist sending countries. As a consequence, the sector was quickly introduced into debates about development and poverty reduction. The World Bank, for example, started 24 projects related to tourism between 1969 and 1979, and policy papers spoke of an “elegant” form of aid as well as a “white industry without smoke stacks” (Backes & Goethe, 2003: 1). Tourism also became a frequent strategy for structural adjustment, pushed by the international lending institutions in order to counter the debt crisis. After all, the sector attracted considerable foreign currency and created a great quantity of job opportunities.

Almost inevitably, tourism became caught up in more general debates about development theories. On the one hand, proponents of *modernization theory* presented it as a classic form of modernization, pointing out the high potential for the transfers of capital, technology, expertise, and even ‘modern’ values from industrialized countries to the less affluent world (Harrison, 2001: 7). On the other hand, tourism encountered much opposition from the camps of *dependency theorists* and, more recently, environmentalists. The arguments evolved from a mainly leftist social criticism of the mass and the consumer society in the 1950s and 1960s, to the pointing at the neo-colonial and exploitative character of multinationals in the 1970s, and further to debates about the destruction of traditional cultures and loss of cultural identity as well as the destruction of natural environments in the 1980s (Backes & Goethe, 2003:

1f.). In the wake of the criticism, the World Bank and the entire development community cancelled all involvement in tourism.

This concern about the potential negative impacts from various perspectives has, in the 1990s, developed into debates of *sustainability* as well as the emergence of numerous forms of alternative approaches to tourism, such as sustainable tourism or ecotourism. In the wake of the UN Conference on Environment and Development – the *Earth Summit* – which took place in Rio de Janeiro in 1992, the triple bottom line concept of economic, social and environmental sustainability was also applied to the tourism sector. It mainly resulted, however, in a “greening” (Roe & Urquhart, 2001: 4) of the industry, addressing a number of environmental problems such as energy use and waste disposal. Again, tourism became acceptable in the international development discourse, even though it almost exclusively featured in donor strategies among conservation and natural resource protection approaches.

Only by the end of the 1990s, researchers and development practitioners started to analyze tourism’s impacts on poverty reduction in a more coherent way. The British development agency DFID commissioned an extensive review of the potential linkages²¹, discussed the findings in a workshop on “Sustainable tourism and poverty” in late 1998, and successfully placed the subject on the agenda of the seventh meeting of the UN Commission on Sustainable Development in New York in 1999. In its report, the Commission urged governments “to maximize the potential of tourism for eradicating poverty by developing appropriate strategies in cooperation with all major groups, indigenous and local communities” (UNWTO, 2001: 68).

It followed a slowly increasing awareness of the issues relating to tourism, sustainable development and poverty reduction that led, among many others, to UNEP’s Principles on the Implementation of Sustainable Tourism (1999), UNWTO’s Global Code of Ethics for Tourism (1999), and UNWTO/UNCTAD’s Canary Island Declaration on Tourism in LDCs (2001). Since then, tourism is discussed in most of the major global conferences. The World Summit on Sustainable Development (WSSD) in Johannesburg (2002), for example, made specific reference to sustainable tourism in its

²¹ In this process, an influential discussion paper was prepared by Goodwin (1998) which originated the subsequent work on pro-poor tourism.

final Plan of Implementation. And, at the 2005 Summit to review the Millennium Development Goals in New York, a wide range of international governmental and non-governmental institutions as well as other stakeholders called for tourism to become relevant to national development plans to achieve the MDGs (Ashley & Mitchell, 2005: 1).

Statistics support the increased attention given to the industry. Ashley *et al.* (2004: 2), for example, calculated that in at least 45 of the 50 countries with the highest number of people living below the \$1 per day threshold, tourism is significant to the economy in the way that it contributes over 2% of GDP and/or 5% of exports. In at least 41, it is even particularly significant, accounting for over 5% of GDP and/or 10% of exports. Roe *et al.* (2004: 22) added that tourism is significant in all and particularly significant in at least 11 of the 12 poorest countries with the highest proportion of people living with less than \$1 per day. This, they concluded, concerns more than a billion people.

According to data from 2000, tourism is the third most important merchandise export sector in developing countries (UNWTO, 2004b: 9). In fact, it is among the five most important exports in 69 and the leading source of foreign exchange in 28 of them (UNWTO, 2002: 18). The situation in the LDCs produces a similar picture. Tourism is third among the major merchandise export sectors after fuels and manufactures (UNWTO, 2004b: 9). Likewise, it is among the three most important sources for foreign exchange earnings in more than every third LDC and the top earner in seven of them (Gerosa, 2003a: 5). It is even strongly associated with socio-economic progress in those among the poorest countries that have achieved actual or potential graduation from LDC status. Botswana with its thriving tourism industry is the first country to ever leave the LDC group, and Cape Verde, the Maldives, Samoa and Vanuatu have come close (Encontre, 2001: 111f.). And, to add another stunning figure, in 2003 international tourism receipts in developing countries were more than twice as high as official development assistance, with \$153 billion and \$68 billion respectively (Ashley & Mitchell, 2005: 1).

Today, it is still surprising how many researchers continue to be suspicious about the impacts of the industry and to rather catalogue its perils observed in one or another

part of the world (ODI, 2006: 1). Nevertheless, there is also a growing desire to further explore and harness the many potential positive impacts of tourism on sustainable development and poverty reduction. Tourism – like any other sector – is a “mixed blessing” (Herdin & Luger, 2001: 7). There is a constant need to weigh advantages and disadvantages as well as positive and negative impacts, and to compare with possible alternatives to development. Blind support is equally problematic than total rejection.

III.1.4. Opportunities of tourism for economic development and poverty reduction in Africa

The tourism sector is probably the only service sector that provides concrete and quantified trading opportunities for all nations, regardless of their level of development.

(Díaz Benavides, 2001: 2)

In Africa, the continent that struggles most to fight poverty, tourism has a particularly high potential to contribute to economic development and poverty reduction. Again and again, researchers from a variety of backgrounds point out the multiple opportunities created through the sector. The continent particularly benefits from its unmatched variety of natural and cultural resources. This provides a strong comparative advantage for tourism – something that is hardly achieved in any other industry (Mosoti, 2002: 8).

First of all, tourism development is certainly a noteworthy strategy for most countries in order to boost macro-economic growth and job creation. The 33 million international visitors to African countries generated receipts in the value of \$18.7 billion in 2004 (UNWTO, 2005d: 6). And these figures are probably rather pessimistic because they usually hardly account for the important numbers of domestic tourists as well as regional visitors arriving by land. Broken down in regions, North Africa is the leader with 39% of all African arrivals, followed by the South (27%), the East (23%), the West (9%) and Central Africa (2%) (UNWTO, 2005d: 4). It is important to note that the tourism on the continent is rather concentrated in a few major destinations. The six countries which receive more than 1 million visitors per year, namely South Africa, Tunisia, Morocco, Zimbabwe, Algeria and Kenya, account for almost 68% of total

arrivals. And Morocco and Tunisia together had higher receipts in 2003 than all of East, West and Central Africa together, with \$6.5 billion compared to \$4.3 billion respectively (UNWTO, 2005a: 14).

Nevertheless, tourism is a significant source of foreign exchange earnings in at least 27 African countries (Gerosa, 2003a: 6). Likewise, it accounts for more than 3.5 million direct jobs in the industry and another 7 million jobs in the wider tourism economy in sub-Saharan Africa alone (WTTC, 2006a: 24). In this context, Gerosa (2003a: 9) believes that the average number of employees per hotel room is significantly higher in Africa in relation to the rest of the world. He estimates that 3.3 jobs are responsible for one room on the continent, compared to 2.0 in developing countries as a whole and only 0.5 in Europe.

While Africa's market share might appear rather small, it needs to be placed in its wider economic context. It is true that the continent only receives about 4.5% of international arrivals. However, it also accounts for less than 2% of global exports (ODI, 2006: 1). Hence, tourism is significantly more important as an export to African economies than most other sectors. And the prospects that Africa's share in international arrivals and receipts will continue to increase look very good, as the UNWTO's long-term vision for the year 2020 confirms. The analysts predict a rise in international arrivals in Africa to 47 million in 2010 and 77 million in 2020 (UNWTO, 2005a: 12). However, far beyond growth and employment impacts and their potential trickle-down effects to the poorer segments of African nations, tourism has an immense potential for direct poverty reduction and holds numerous advantages over other economic sector.

For most African countries, rural economic development presents a major challenge. In the typical case, agricultural production is by far the most widespread activity in rural areas, and many of these regions are rather isolated and marginalized, and have very few export options. Such conditions are, however, often ideal for tourism because the areas regularly have fascinating assets in terms of landscapes, unspoiled beaches, wildlife and other natural resources, as well as a wealth of unique historical and cultural attractions and traditions. Harnessing these comparative advantages entails a geographical spread of employment and a welcome diversification

of livelihood options (UNWTO, 2004b: 10). Apart from that, the new opportunities can even stop the rural exodus of young men and women, and, thereby, contribute to a more sustainable rural development (UNESCAP, 2005: 9).

Tourism's role for employment generation is also particularly important for poverty reduction. Compared to most other sectors, the industry has the reputation to be very labor-intensive. In fact, a study of the UNWTO compared data from six LDCs and found that only agriculture was more labor-intensive than tourism (de Villiers, 2002: 52), a result that had already been assumed by other observers (e.g., Christie & Crompton, 2001: 15; Roe & Urquhart, 2001: 2). It provides a great variety of different jobs, ranging from high-skilled to semi-skilled and unskilled personnel requirements. In many countries – possibly with the exception of strongly Islamic nations – there is a high ratio of employment for young women, providing precious opportunities to become independent and create better-off lives for young families, as well as contributing to gender equality. The sector further offers a number of flexible work arrangements, including part-time and seasonal jobs. Such employment strategies can be very effective in complementing other existing livelihood strategies and providing some additional income.

Some observers criticize, however, that it is often difficult for women to obtain managerial positions and that their opportunities are often limited to “menial, semi-skilled, domestic and service-type lower status work such as housekeeping, reception and other services” (Williams, 2002: 5f.). Similarly, some campaigning NGOs frequently point out incidences of bad working conditions for employees in tourism enterprises (e.g., Seifert-Granzin & Jesupatham, 1999: 45). While these allegations are probably true in a number of cases and while it is important that they are made public, they also have to be explained in relation to the alternatives that exist in most developing countries. The great majority of young women are very grateful for the opportunities to earn their living in tourism – one of the very few options they have at all. In most cases, working conditions also appear to be healthier and safer than, for example, in the mining, logging, manufacturing, or agriculture sectors.

On top of that, observers often make biased comparisons with situations in the more affluent world. Such views are not only inherent in tourism. Similar allegations include

uninformed condemnations of child labor, sweat shops and many others that, unfortunately, are still survival strategies for a number of families and individuals in the poorest countries. Except for extreme excesses such as child prostitution, tourism might still be a better option for most affected people than the great majority of other industries or even no employment at all. It is, therefore, more appropriate not to condemn these cases but to attempt to understand the surrounding circumstances and to improve them.

Apart from job opportunities with the main industry players, tourism creates a great number of very diverse entrepreneurial opportunities, ranging from formal sector businesses to the informal sector and even community associations. It is the only industry where the 'consumer', i.e., the tourist, comes to the 'factory', i.e., the destination. This fact alone means that there is a multitude of ways how local people can participate by finding access to an interesting market for their diverse products. As a service industry, tourism is not locked up with tariff and non-tariff barriers to market access that increase costs of products in most non-service sectors. The only barriers are usually self-inflicted by national governments, such as regulations, visa restrictions, certification requirements, or taxes.

Small entrepreneurs have two options to benefit from tourism. On the one hand, they can sell their products or services directly to tourists. This can include, among many others, the sale of souvenirs or fruits, as well as the supply of services by guides or porters. On the other hand, they also have the opportunity to exploit the extensive needs of the major industry players for diverse goods and services along a complex supply chain. Potential areas of involvement include the supply of agricultural products, food processing, various light manufacturing industries, transport services, or distribution services. This way, the cross-sectoral linkages of tourism have a flow-through or catalytic effect on the economy as a whole. In some cases, the tourism industry even creates the initial demand for a certain good or service, the production or supply of which subsequently becomes a growth sector itself. Roe *et al.* (2004: 12), for example, note the case of certain furniture firms in Kenya that managed to expand their activities from producing for hotels to supplying a whole range of different customers in other areas.

The UNWTO (2004b: 9) further points out that the fact that the consumers come to the factory also has an important impact on their awareness of 'production' processes and conditions at the destination. They become aware of a number of issues related to poverty as well as the environment, and most of them will develop the desire to have a more responsible holiday. This is further amplified because the proportion of more experienced travelers is higher for Africa than for other regions (Yunis, 2002: 86). Visitors to the continent are looking for more specialized holidays, a fact that offers wider opportunities in turn for local people to become involved in activities such as ecotourism, adventure tourism or community-based tourism. Added to these impacts is the growing business interest and engagement of tourism enterprises in more responsible forms of tourism as well as in harnessing the potential benefits of corporate social responsibility activities at the destination. Many of these contribute a great deal to poverty reduction.

These and a variety of other potential opportunities of tourism have led researchers to think about more comprehensive frameworks to analyze the sector's impacts on economic development and poverty reduction. In line with the growing international awareness of the issues, it became time to develop a coherent approach to tourism and poverty.

III.1.5. Developing new approaches to tourism: *pro-poor tourism*

The study commissioned by DFID by the end of the 1990s (see III.1.3 above) was the starting point for researchers and practitioners to further explore tourism's possibilities as a tool for poverty reduction. In line with increasing calls for more broad-based or *pro-poor* general growth strategies, they claimed that there was a need to move beyond the well-established language of trickle-down effects and multiplier benefits. Backed up by a series of comprehensive case studies, a new approach emerged under the name *pro-poor tourism* (PPT).

According to the widely agreed upon definition, PPT "is tourism that results in increased net benefits for poor people" (PPT Partnership, 2004a: 1), i.e., benefits that are greater than costs. This definition has been adopted by development and tourism organizations alike. PPT moves beyond creating a new niche product like the emergence of ecotourism or community-based tourism have previously done. On the con-

trary, it is applicable to any type of tourism and presents a new approach to tourism development and management (Ashley, 2002: 18). It essentially questions the existing tourism culture at all levels – business, destination management, government, development assistance community and also tourists. The focus of all tourism development processes should become one that targets and involves the less advantaged members of society and maximizes their opportunities and benefits. “Any kind of tourism can be made pro-poor.” (PPT Partnership, 2005: 1)

A good way to comprehend the concept of PPT is to compare and differentiate it from other *alternative* forms of tourism, such as sustainable tourism, ecotourism, community-based tourism, fair trade tourism, or responsible tourism. PPT certainly has considerable overlaps with all of these, but there are also important differences.

Sustainable tourism, for example, advocates the triple bottom line of economic, social and environmental sustainability in all tourism developments at any destination. It takes the well-being of host communities into consideration – but merely as “a means to the end of sustainability” (Deloitte & Touche *et al.*, 1999: 14). This becomes clear when looking at the most pertinent definitions. According to Ceballos-Lascuráin (1996: 20), sustainable tourism is “tourism that is developed and managed in such a way that all tourism activity – which in some way focuses on a heritage resource (be it natural or cultural) – can continue indefinitely”. Hence, it is all about tourism itself which is supposed to remain sustainable, a fact that essentially requires the conservation or preservation of those resources upon which it relies. This, then, includes socio-cultural and socio-economic impacts on the hosts which, evidently, need to be beneficial in order to keep their willingness and desire to continually support the activities.

The more nuanced conceptual definition of the UNWTO further underscores this. Sustainable tourism should:

1. *Make optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes and helping to conserve natural heritage and biodiversity.*

2. *Respect the socio-cultural authenticity of host communities, conserve their built and living cultural heritage and traditional values, and contribute to inter-cultural understanding of tolerance.*
3. *Ensure viable, long-term economic operations, providing socio-economic benefits to all stakeholders that are fairly distributed, including stable employment and income-earning opportunities and social services to host communities, and contributing to poverty alleviation.*

(UNWTO, 2004a: internet)

In contrast to this sustainability focus, PPT places poverty at the center. It is about expanding the opportunities of the poor and increasing their net benefits. A safe and healthy environment is, of course, instrumental to this – but it is only one aspect in many.

Ecotourism is a more fuzzy term that is used in many contexts to describe rather different types of tourism. Some even abuse it for marketing purposes and use it for any type of travel that focuses on nature and somehow has a thin green veil (Bush, 2003: 2). The concept suffers from not having any unified definition, but there is agreement that real ecotourism must be more than mere nature tourism and usually includes a normative element. WWF International (2001: 2), for example, observes that it requires “a proactive approach that seeks to mitigate the negative and enhance the positive impacts of nature tourism”. Likewise, The International Ecotourism Society (quoted in WWF International, 2001: 2) defines it as “responsible travel to natural areas that conserves the environment and sustains the well-being of local people”.

Hence, ecotourism puts a major emphasis on the natural environment, even though more recent efforts aim at ensuring that the communities living around the visited areas benefit from the activities. This, in turn, then promises an increased interest and greater incentives for conservation. Compared to PPT with its people-centered poverty focus, the well-being of the locals is mainly instrumental to the greater goal of environmental protection.

Community-based tourism (CBT) is a niche product that aims at empowering local people to become involved in tourism at a community level. On the one hand, they are to a substantial part responsible for the development, management and control of

the offered products. On the other hand, they should achieve considerable benefits for their own well-being. CBT products are most often small-scale projects that focus on assets of the communities, including local culture, traditions and lifestyles, as well as the natural surroundings. These initiatives often have a great potential to complement existing livelihood options, but in the majority of cases, there are also severe pitfalls. Often, they lack professionalism and quality, market access is difficult, financial means are scarce, and many projects report institutional problems and large disagreements among different community members (Strasdas, 2002: 149). Most initiatives require extensive external support for institution building, capacity building, product development, marketing and a variety of other issues.

CBT usually pursues similar goals to PPT. It is used as a potential strategy for poverty reduction through tourism. But it restricts itself to particular initiatives at community level and targets specific segments of the industry. PPT goes far beyond this by providing a holistic approach to *any* type of tourism development.

Fair trade tourism was born out of the more general Fair Trade Movement²² with UK-based Tourism Concern linking the concepts to tourism in the mid-1990s. They were soon joined in their search for *fair tourism*, *just tourism* or *equitable tourism* by other campaigning organizations such as Action for Southern Africa with their *People-First* campaign, VSO with their *WorldWise* campaign, Tearfund with their ethical tourism agenda or Swiss-based AKTE with their *Fair Trade on Holiday in South Africa and Namibia* campaign. As Ashley *et al.* (2001: 3) note, all of these approaches mainly target greater awareness and change in the practices of tourists and major tourism companies, as well as fairer working conditions in destinations.

²² Since the 1960s, campaigners aim at addressing what they believe to be unequal terms of trade between industrialized and developing countries. In particular, conventional trade policy and practice are criticized of tending to disadvantage producers in the developing world. Consumers need to have the chance to acquire honest information about the producers and the production processes, and the position of the disadvantaged, often small-scale producers needs to be strengthened (Cleverdon & Kalisch, 2000: 174). The breakthrough of the movement was the introduction of labels and certification processes for major commodities in the early 1990s which resulted in fair trade products increasingly entering the mainstream business world. As a response to increased consumer awareness and NGO advocacy, the trend shows further steady growth in demand (Oxford Policy Management & IIED, 2000: 14).

Practical applications of the concept remain, however, rare. Many observers believe that tourism as a complex and multifaceted service product may be difficult to compare to the primary commodities that carry fair trade labels (e.g., Barnett, 1999: 50). Nevertheless, Tourism Concern set up the International Fair Trade in Tourism Network in 1999, and developed a definition for *Fair Trade in Tourism*:

Fair Trade in Tourism is a key aspect of sustainable tourism. It aims to maximise the benefits from tourism for local destination stakeholders through mutually beneficial and equitable partnerships between national and international tourism stakeholders in the destination. It also supports the right of indigenous host communities, whether involved in tourism or not, to participate as equal stakeholders and beneficiaries in the tourism development process.

(Tourism Concern, undated: 2)

Observers agree that, in order to provide credibility to the approach, a comprehensive control mechanism needs to be in place. The creation of a label is, however, not an easy process due to the complexity of the tourism product. Various networks and organizations are currently working on this issue. For example, the American Rainforest Alliance desires to set up a Sustainable Tourism Stewardship Council which is proposed to function as a global accreditation body for sustainable tourism, along the lines of Fair Trade certification (Shah *et al.*, 2002: 8).

The only initiative to date that has successfully implemented a trademark is Fair Trade in Tourism South Africa (FTTSA). Piloted in late 1998 by IUCN South Africa and operating under its current name as a non-profit organization since 2001, FTTSA functions as a “collective marketing and quality promotion organization, offering product owners (including communities) a marketing and support service” (Seif, 2002: 4). The trademark is awarded according to six criteria on an annual basis, namely fair share, democracy, respect, reliability, transparency, and sustainability. To date, more than 20 tourism establishments have received the label, and their products are now offered on the FTTSA website. By May 2005, it achieved 49% brand recognition in the South African tourism industry (Johansson, 2005: 11). Accordingly, the initiative manages to successfully apply the concept of Fair Trade to the tourism sector and, thereby, creates a new niche product with large opportunities for formerly disadvantaged people in South Africa.

Fair Trade Tourism is, therefore, both a campaigning tool as well as a niche product in circumstances where it benefits from the existence of a practicable trademark. The goals of its practical application are quite similar to those of PPT, i.e., greater benefits to disadvantaged people, even though its emphasis is still different with more importance attributed to intangible relationships between these people and the industry. It could also be used as an approach to tourism. The main difference is, however, that, historically, it is identified with an exclusive certification process that leads to a niche product with considerable marketing options, something that PPT is largely rejecting due to its claim to non-exclusiveness and applicability to any kind of tourism. Furthermore, Fair Trade Tourism targets the consumers who receive a guarantee that a certain tourism product is equitable, while PPT aims at the implementation level. Hence, there are strong overlaps with regards to the content of the two concepts, but differences in their application.

Finally, *responsible tourism* is another umbrella term for a “supposedly more caring, aware form of tourism” (Wheeller, 1997: 61). Like PPT, it is not another niche product because all forms of tourism can be more responsible. But the addressees of the concept are different. While PPT focuses entirely on poor people benefiting from tourism, responsible tourism aims at changing the tourists and the tourism industry with its myriad of private companies. It is, therefore, applicable anywhere in the world and not only in countries with a great amount of poverty. The critical question for responsible tourism is how to maximize the positive and minimize the negative impacts of tourists and industry players.

Responsible tourism can take a variety of forms. It can, for example, become the basis of commercial partnerships and, thereby, shape the way that individual companies do their business. In this sense, the Association of British Travel Agents (ABTA) defines the term as “making sure that tourism organizations look after destinations, so that their attractions & resources – whether natural or cultural – are not spoiled either for local people or for future visitors” (ABTA, undated: internet). Numerous international tour operators now adopt their own responsible tourism guidelines and offer holidays that keep to these principles. Many of them also join larger groups or associations such as *responsibletravel.com* or the Association of Independent Tour Operators (AITO) with their own approaches to responsible tourism. That way, they

have to comply with the principles of these umbrella organizations which guarantee a more transparent and uniform standard.

Responsible tourism guidelines can further be adopted in country contexts, trying to influence the way tourism is done at the destination level. The most wide-known expression of this is probably the *Cape Town Declaration – Responsible Tourism in Destinations*, which has been agreed by a number of very diverse international stakeholders in 2002. Acknowledging that responsible tourism is inevitably contextual according to specific individual environments, the Declaration makes do with an explicitly non-exhaustive list of 17 guiding principles for economic, social and environmental responsibility as well as the following characteristics:

Responsible Tourism: minimizes negative economic, environmental, and social impacts; generates greater economic benefits for local people and enhances the well-being of host communities, improves working conditions and access to the industry; involves local people in decisions that affect their lives and life chances; makes positive contributions to the conservation of natural and cultural heritage, to the maintenance of the world's diversity; provides more enjoyable experiences for tourists through more meaningful connections with local people, and a greater understanding of local culture, social and environmental issues; provides access for physically challenged people; and is culturally sensitive, engenders respect between tourists and hosts, and builds local pride and confidence.

(Responsible Tourism Partnership & Western Cape Tourism, 2002: 2)

At least two countries, South Africa and the Gambia, have recently adopted destination-level approaches to responsible tourism. In South Africa, for example, tourism planners have initiated a national consultative process that was supposed to reflect the aspirations of the entire population. As a result, the country was the first to develop its own set of *Responsible Tourism Guidelines* in 2002. The Guidelines “encourage tourism operators to grow their businesses whilst providing social and economic benefits to local communities and respecting the environment” (DEAT, 2003: 4). They include dozens of very detailed and destination-specific principles for economic, social and environmental responsibility (DEAT, 2002: 1ff.).

Finally, several NGOs came up with sets of principles that aim at the behavior of individual visitors. To give just one example, the New Zealand-based Development Re-

source Centre (DRC) adopted a *Responsible Tourism Code for the Pacific*, containing elements such as “learn about the country”, “know the appropriate cultural behavior”, “protect the coral”, “support local initiatives”, “pay a fair price”, “minimize environmental impact”, and “think about your impact” (DRC, undated: internet).

Responsible Tourism has, therefore, overlaps with PPT in the way that it is also used as a conceptual basis for a type of tourism that is more beneficial to a host destination. It targets, however, the actions of tourists, tourism companies and everybody else involved in the industry, instead of focusing on the local people whose lives they impact on. Furthermore, tourism can and should become responsible anywhere in the world, far beyond those countries that suffer from great amounts of poverty. In these destinations, however, approaches to responsible tourism and PPT can possibly be identical.

In conclusion, PPT incorporates elements of all of the five alternative forms of tourism described above, but it is unique in several aspects. Sustainability is of great importance to the concept because an unsustainable development of tourism in poor destinations would bring only short-term benefits for disadvantaged people. Contrary to sustainable tourism, however, PPT focuses entirely on these hosts and treats other dimensions such as the environment mainly as instrumental. In many cases, PPT will also be ecotourism, community-based tourism or fair trade tourism, namely when the tourism prioritizes individual niche or even mainstream products such as nature and the environment, or local culture and the communities, or a more holistic approach to fair share of benefits. Far beyond these concepts, however, PPT uses any type of tourism for pro-poor benefits and cannot be identified solely with individual products or labels.

Finally, PPT essentially requires responsible actions on behalf of those interacting with the locals. It approaches the issues from the point of view of the benefits to poor people and not from the tourist or industry side, even though, after consideration of the various options, this might well be the most effective way to maximize pro-poor benefits. PPT is, therefore, the only approach to tourism that directly targets an improvement in the lives of poor people.

Despite its good intentions, the concept also faces some criticism. Some observers have noticed that the notion 'pro-poor' in particular might be an obstacle for selling the approach. Mainly based on development concepts, it provides little appeal to the industry, the consumers as well as governments (Meyer, 2003: 8f.). Also, while its application appears to achieve great success in various small-scale grassroots contexts, it rarely goes beyond the local level (Gerosa, 2003a: 33). Apart from that, very little quantitative data has been collected about the actual impacts on the poor (Ashley *et al.*, 2004: 1). It is, therefore, desirable to detach the approach from its name, to mainstream the concept beyond the local level and to make sure that better monitoring and data collection inform implementation and decisions at all levels.

In addition to the aforementioned criticism, we would like to add that the theoretical background work with regards to linking tourism to the concept of pro-poor growth has, so far, not been sufficiently documented. Since the creators of the term make explicit links between the two, the use of the word *pro-poor* in this context appears – from our humble outside perspective – to be opportunist – but not necessarily entirely adequate, depending on the definitions. This might be attributable to the insufficient documentation. We have seen above (II.3) that pro-poor growth has at least two different concepts, namely that the poor benefit either in absolute or also in relative terms from the wider growth happening in a country. While the purported PPT definition of 'increased net benefits to the poor' obviously sympathizes with the latter, it does not really grasp its substance.

Furthermore, pro-poor growth approaches acknowledge that general growth-enhancing strategies are necessary, though not always sufficient. While PPT recognizes the importance of general tourism growth, much of the work looks more or less exclusively at the poor and, possibly, misses the essence of the macro-level work on pro-poor growth: Poverty-reduction strategies can and should not be detached from the bigger picture of national development and will only be successful if the entire country is on a sustainable path to growth.

The links between tourism and the concept of pro-poor growth require, therefore, stronger theoretical background work. This will be attempted in the next chapter of the thesis.

III.2. Mechanisms to achieve pro-poor growth through tourism

[T]here is stronger evidence that tourism, if developed and managed in a sustainable manner, can make a significant contribution to alleviate poverty, especially in rural areas, where most of the poor live and where there are very few other development options.

(Francesco Frangialli, UNWTO Secretary-General, quoted in UNWTO, 2004b: 1)

In the literature, there are at least two slightly differing approaches towards identifying effects of PPT, i.e., to achieve increasing net benefits for the poor. Around the beginning of the new millennium, the PPT movement adapted the *sustainable livelihoods approach*, a concept that emerged from the agricultural development work of institutions such as DFID, to tourism. Their intention was to move the focus beyond mere job and cash income calculations (Ashley, 2000: 8). Far beyond this, they desired to understand the many issues that affect the lives of the poor. Similar to Sen's concept of *development as freedom* discussed above (II.1), the sustainable livelihoods approach tackles the subject of poverty with an assessment of the capacities and assets of the poor and aims at learning about their strategies of coping and adapting (UNEP, 2001: 37).

This way, they identified three main impacts of tourism on the poor: economic, non-economic and policy- or process-related. Economic impacts consist of wages from regular employment, earnings for small entrepreneurs in both the formal and informal sectors, and collective income in the form of earnings from community-based tourism, donations, local taxes or partnership agreements with the industry. Apart from the direct benefits that arise from the initial tourist expenditure, economic impacts can also be of indirect nature if tourism businesses buy inputs along their supply chain, or can even be induced if money earned in tourism is spent on other local goods and services (Meyer, 2006: 4).

The non-economic impacts consist of enhanced capacities, education, knowledge and skills, an increased local access to services and infrastructure including electricity, water, transport and communications, a range of further livelihood improvements such as security, and a revitalization of local culture. Apart from these positive ef-

fects, there are also opportunities to mitigate the negative impacts related to socio-economic, socio-cultural and environmental issues (Ashley *et al.*, 2001: 14).

With regards to policies and processes, the poor can generally benefit from a more supportive political environment. Policies impacting on the ability of the poor to benefit from tourism go far beyond a destination's tourism strategy, and include, for example, property rights, the business environment, investment incentives, and training objectives (Deloitte & Touche *et al.*, 1999: 27). Apart from interventions at policy level, pro-poor tourism seeks to establish a voice for the poor and promotes participation and inclusion in decision-making processes and institutions. The ultimate goal here is true empowerment of the poor. But even minor improvements like increased communication with government and the private sector can be significant (PPT Partnership, 2004d: 1).

The second major approach to pro-poor tourism was developed by the World Tourism Organization (UNWTO), and originated from the work of the PPT movement and organizations such as the Dutch development agency SNV. Building on the influential first report *Tourism and poverty alleviation* (UNWTO, 2002), a second report entitled *Tourism and poverty alleviation – recommendations for action* (UNWTO, 2004b) introduced a simplified framework of seven mechanisms for maximizing the benefits of the poor. These include direct employment, the supply of goods and services to enterprises, the direct sales of goods and services to visitors, benefits through the running of enterprises, taxes or levies on tourism income, voluntary giving and other forms of support by enterprises or tourists, and investments in infrastructure.

Both approaches have significantly improved the understanding of how tourism impacts on poor people. Table III.1 below offers a summary.

Table III. 2: Identifying tourism's poverty-reducing impacts

1. Benefits from employment	<ul style="list-style-type: none"> • Wages • Additional benefits • Training
2. Benefits for a range of entrepreneurs in both the formal and informal sectors	<ul style="list-style-type: none"> • SME engaged in tourism • Informal sector entrepreneur selling to tourists • SME / informal sector entrepreneur selling to tourism companies • Community enterprise: cooperative, association etc
3. Collective benefits	<ul style="list-style-type: none"> • Partnerships • Donations and other philanthropic activities • Infrastructure and service extensions • Intangible benefits • Mitigated negative impacts (socio-economic, socio-cultural, environmental)
<i>Sources: Ashley et al. (2001); UNWTO (2004b)</i>	

The approaches are valuable for an understanding of tourism's diverse poverty-reducing impacts at the micro-level. But, similar to the criticism we have voiced at the end of the previous sub-chapter, both approaches are insufficient to capture the full macro-level implications of tourism on poverty reduction and ignore the wider forces at work in a country. This is, however, fundamental to lay the foundations for sustainable poverty-reducing tourism.

The model for poverty reduction approaches developed above (II.5) can help to create a more comprehensive methodology for a holistic analysis of tourism's role. In our view, the findings of the existing PPT literature can be instrumental to this process and will subsequently be woven into the new framework.

The PPT Partnership noted in 2004 that there is already some helpful knowledge from a "significant body of 'lessons learned' and 'good practice' case studies" (PPT Partnership, 2004e: 2). In general, however, it becomes obvious that most of the PPT literature remains on such a local case study basis. Only a handful of very recent publications show a real evolution from the first eight PPT research studies published jointly by the Overseas Development Institute, the International Institute for Environment and Development and the Centre for Responsible Tourism in 2001²³. These pioneers had provided a cross-section of a variety of practical strategies involving

²³ For a summary and further references, see Ashley *et al.* (2001).

tour operators' relationships with communities, the work of a donor agency, regional tourism strategies or community-based tourism umbrella associations.

Later individual studies or even research compilations frequently focused on community-based tourism projects or similar initiatives where local people are involved as direct providers and/or managers of a tourism product. Fewer publications are concerned with the major actors of the mainstream tourism industry. They relate to a variety of linkages that these stakeholders have or could have with the local economy. Realizing that community-based tourism and similar locally-provided tourism products play only a very small role in most destinations, they analyze – to varying extents – the multiple relationships that tourism companies have with local people.

PPT literature focusing on government strategies, policies and actions is equally limited. Usually, it deals only with individual subjects or offers lists of potentially beneficial interventions in partly incoherent and incomplete ways. Ashley's (2006a) recent compilation of tools that governments can use to boost the local economic impacts of tourism is one of the first attempts to provide a more coherent approach to harness government's role. But while it provides some very helpful advice, it also limits itself to a practical toolbox with twelve unrelated priority actions without any explanation why they were chosen in particular.

Finally, holistic destination-wide studies on tourism's poverty-reducing impacts appear to be non-existent so far. Ashley's (2006b) recent research in Luang Prabang / Laos is perhaps the most influential study to date with regards to successfully quantifying tourism's effects on local economic development.

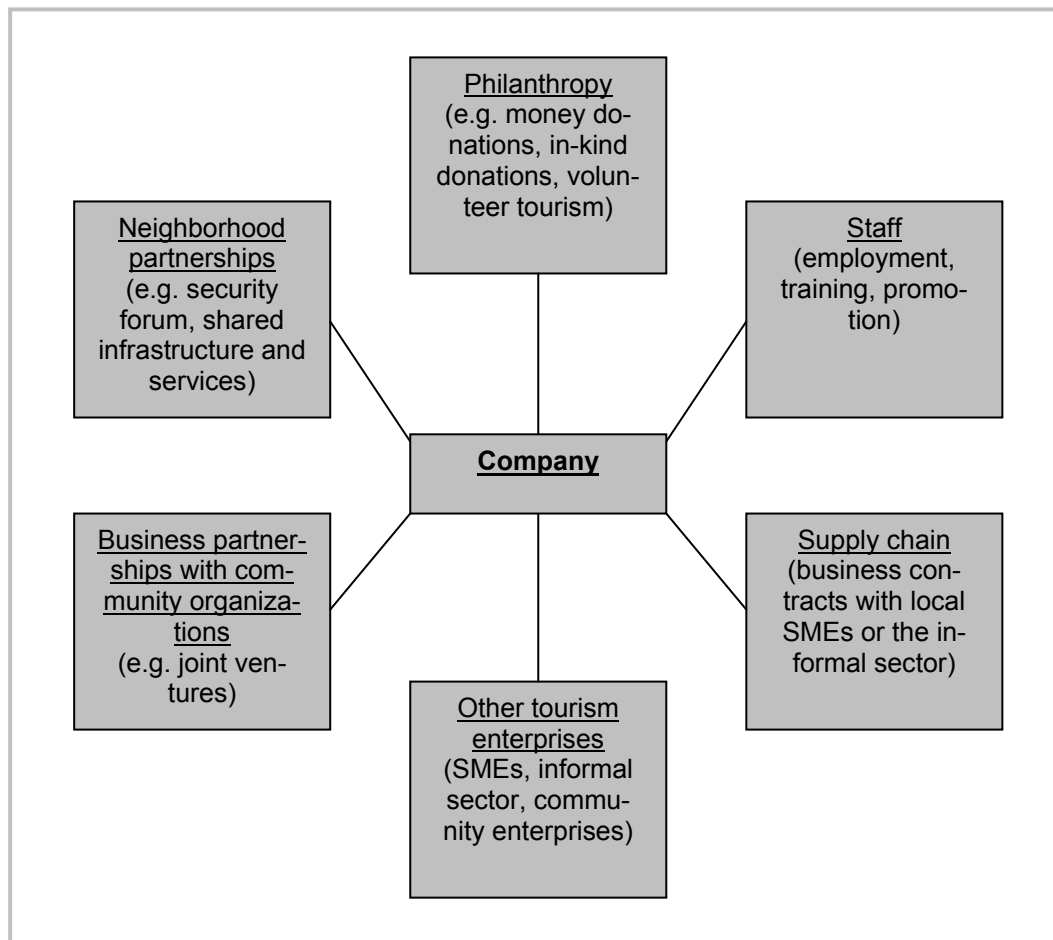
Starting from the existing literature, we will successively apply the developed framework of post-neoliberal thinking on poverty reduction to tourism. This process is supposed to provide us with a more systematic and holistic approach to analyzing tourism's poverty-reducing impacts on a national level. In particular, we will focus on the primacy of free market forces and the subsidiary roles of government. We will, therefore, distinguish between the effects of the private sector (III.2.1) and the public sector (III.2.2).

III.2.1. Private sector level: the tourism industry

The poverty-reducing impacts of tourism industry actors depend to a large extent on the linkages that they develop with the local people at the destination. To illustrate this, Ashley (2006a: 6f.) compares the situations of Ethiopia and Luang Prabang in Laos. The former lacks numerous elements that help to exploit linkages. At the main attractions, there are only few facilities such as shops or markets that invite tourists to stay longer and spend more money. It is difficult to use credit cards or change money. The few guides have only limited interpretation skills, and information stands are practically non-existent. Handicrafts suffer from a lack of variety as well as of quality. All of this suggests that the linkages are very low which explains the sad reality that local Ethiopians benefit very little from tourism.

Compared with this, Luang Prabang enjoys very high linkages. There are many small and usually locally-owned enterprises that offer a variety of products and services to tourists. While the majority of visitors are independent travelers, even those on tours often travel by local transport, visit shops, walk the streets and generally use local services. An environment of very little hassling and great perceived safety invites tourists to eat in local restaurants which use local food. The handicraft sector is also strong, and local goods and services are generally of a high quality. Under such circumstances, local Laotians have numerous opportunities to benefit from tourism.

These examples provide a first powerful image of the importance of local linkages. Such relationships with the locals at the destination can have a variety of forms. In the literature, we found at least six different types that we will subsequently introduce in the following sub-chapters. These are summarized in figure III.2 below.

Figure III. 2: Linkages

Many formal tourism enterprises have realized that innovative relationships with the locals at the destination can make immense business sense. Linkages often allow for a differentiation of the existing product components. This enhances the quality of the overall product and provides an opportunity to gain a competitive advantage without having to reduce the price. Another important effect of closer relationships with surrounding communities is more local support and a sort of social license to operate. If the local reputation of the business is high, the neighborhood often becomes a more secure and hospitable place. Apart from that, the morale of the company's staff gets a boost, a fact that, in return, often leads to better customer service (Ashley *et al.*, 2005a: 4).

In addition to the reputation in the neighborhood, recognition from local and national government can also be important. Officials will be more open and accessible towards companies that obviously care about their hosts. This might even lead to preferential treatment when it comes to certain concessions or incentives.

Finally, enhanced local linkages provide a great potential market advantage. Customer trends demonstrate the growing desire of tourists to have very personal and intimate experiences. Interaction with local people often provides the 'stories' that visitors will take home and pass on as word-of-mouth. Apart from that, involvement with activities that contribute to the sustainable development of a destination increasingly attracts free publicity in the form of media coverage or awards. But enterprises should not only wait for the external promotion of their activities. They can and should also use their responsible practices as marketing features in brochures, on websites, as direct information to visitors or via wider industry networks (PPT Pilots, 2004c: 1f.).

Unfortunately, there are also certain constraints that tourism enterprises face with regards to expanding their linkages. In some cases, the businesses are struggling with competing priorities. For example, while they might desire to offer their clients certain adventurous activities, they are bound by health and safety regulations that would hold them liable in the case of an accident. Other particularly smaller companies often lack the human resources to actively pursue further linkages. Additionally, there are those cases where the decision-makers simply lack motivation and the necessary insight to understand the potential benefits (Ashley *et al.*, 2005d: 5).

Departing from this general level, the literature provides various analyses of the individual linkages. These are discussed in the following sub-chapters, i.e. relating to philanthropy (III.2.1.1), staff (III.2.1.2), supply chains (III.2.1.3), other tourism and tourism-related enterprises (III.2.1.4), and business and general neighborhood partnerships with communities (III.2.1.5).

III.2.1.1. Philanthropy

When enterprises use philanthropic approaches, they or their clients contribute financial or other resources to good causes. Examples include the various ways how a company and how tourists can support a local school. Donations can be in the form of money that can be used by the school to build new infrastructure, buy new materials, support students from the poorest families and so on. They can also be in the form of direct in-kind benefits, such as books, food for school lunches, or pencils and notebooks. An indirect form of a monetary donation might be the regular sponsorship

of a particular student, for example through individually arranged programs. Finally, some visitors and also company staff might wish to dedicate their personal time and skills, and help to build a new school building, construct facilities such as a toilet, or even teach. This latter form goes in the direction of volunteering, and some companies and organizations offer particular types of *volunteer tourism*.

Philanthropic activities are sometimes criticized because they appear to correspond to traditional and simplistic development models of 'doing good' and 'easing one's conscience'. Mahony and van Zyl (2001: 44), for example, describe philanthropy as a "paternalistic model of empowerment". There is certainly some truth in these accusations. Social activities do not usually belong to the core competencies of tourism businesses, which is why a number of projects fail or are not sustained. Furthermore, these initiatives create some kind of dependency and a feeling that someone else will take care. Also, when some wealthy entrepreneurs use philanthropic approaches, there are always critical observers who point out the obvious public relations value of the activity and do not buy the alleged social intentions. Bill Gates is a high-profile example.

But these critics tend to forget that philanthropy can also have big advantages. Among others, such approaches can meet targeted priority needs of a community. They can further ensure that everybody and not only the more skilled or otherwise more advantaged members of a community benefit from an intervention. Depending on the size of the initiative, philanthropy can generate large amounts of resources that can have far greater impacts than other small interventions. It is, therefore, pertinent not to demonize philanthropic approaches. On the contrary, they can be important poverty-reducing tools if employed in responsible and sustainable ways. And, in many cases, they provide a foundation for more substantial partnerships between the company and/or its clients on the one hand, and the local communities on the other (Ashley & Haysom, 2004: 7).

A variety of businesses also see the value of philanthropic activities. Apart from their social intentions and the opportunities to use them for marketing and public relations purposes, they even add further value to and possibly differentiate the core products. A school that is supported by a company can also be visited by its clients. Leaving

the likely socio-cultural impacts of frequent tourist-student interactions aside, such a visit personalizes the visitor's experiences and strongly contributes to his or her own customer satisfaction (Gordon *et al.*, 2002: 1).

The options of tour operators are generally smaller than those of accommodation providers who are permanently at the destination. To provide two examples: Zingg Event Travel AG is a small specialist operator in Switzerland. It caters mainly for an upmarket clientele and tailor-makes very personal tours to a variety of southern African destinations. Some years ago, its owner took the decision to add \$50 to every tour that she sells. This money goes directly to a special project that she supports at the respective destination. If the client travels to Zimbabwe, for example, she donates to an HIV/AIDS clinic run by a Swiss NGO that takes care of the poorest inhabitants of Harare (personal communication, Zingg, Oct 10, 2005).

UNESCAP (2005: 24ff.) describes a very innovative small-scale accommodation provider in Papua New Guinea in order to show how vast the opportunities for philanthropy and general neighborhood partnerships are. Nusa Island Retreat consists of small and upmarket traditional island-style bungalows. Every guest who sets foot on the island has to pay a community fee that is directly used for a variety of community projects. But the philanthropic activities do not just end there. The Retreat supports local education through the payments of school fees, and it provides a boat that takes the children to school. This simple measure has increased school attendance figures by 45%. Other funds are used for community infrastructure developments, such as improved sanitary conditions, the provision of rain water supplies, the installation of four composting toilet facilities with water tanks and the envisioned construction of a new school. Villagers are also allowed to use shower and washing facilities at the Retreat, as long as they do not interfere with the tourists. Furthermore, a partnership was sought with donors who now sponsor an anti-malaria program on the island. And, finally, the Retreat has opened some of its recreational opportunities for the locals as well, so that children from the community can enjoy, for example, a new surfing club.

These case studies show that philanthropic approaches by tourism enterprises can make vital contributions to a destination's sustainable development. Nevertheless,

the PPT literature rightly points out that they can do much more than that. It is pertinent to seek opportunities that go far beyond philanthropy.

III.2.1.2. Staff

Ashley *et al.* (2005b: 20) show that among the various potential linkages of a tourism business at a destination, wages of local staff are responsible for the greatest cash flow with usually over 70% of all local earnings. Despite the criticism of the working conditions in tourism in many countries with long working hours, rather low and unpredictable wages, seasonality etc, tourism jobs often have a good local reputation. In a survey with 26 case studies, the World Tourism Organization, for example, found that employment in the industry was generally considered to be better remunerated and less labor-intensive as compared to traditional activities such as farming (UNWTO, 2006a: 9).

Similarly, the German GTZ produced positive evidence from all-inclusive resorts in the Caribbean (Lengefeld, 2004: 1). At three large hotels with a total of 1,700 rooms in the Dominican Republic, for example, only very few jobs in the top management or where special knowledge is required are not filled with locals. The employment structure benefits from a highly diversified hierarchy with good promotion prospects and income perspectives. While entrance wages are officially about the legal minimum wage, in practice, the employees earn about 50-70% more because of regular tips. Additionally, they benefit from social and health insurances, free transport and free food. As a consequence, even simple employees earn a lot more than, for example, primary school teachers.

Wages and related benefits are not the only positive impacts for local staff. Certain knowledge and skills development measures can be invaluable. Two all-inclusive resorts in Jamaica, for example, provide 120 hours per year of obligatory training for line staff. This corresponds to about \$85 per employee per year (Lengefeld & Stewart, 2004: 14).

Obviously, the willingness or ability to employ a large amount of local people and to pay high wages, provide good working conditions and offer additional benefits differs widely across the industry. Some businesses realize that, apart from a social duty to

support the local economy, it makes business sense if a company employs happy and content local staff. In addition to the general benefits of local linkages, such as a social license to operate, or an enhanced reputation both locally and with government institutions, an expansion of local employment and an improvement in working conditions can boost the staff morale as well as the guest satisfaction. Customers are likely to enjoy a better service, and their experience is characterized by more local flavor (Ashley & Haysom, 2004: 12f.).

The PPT Pilots (2004d: 1) in South Africa have come up with a list of measures that will support this type of local linkages. First of all, companies could review their recruitment procedures in order to identify ways how they can increase the opportunities for local applicants. They could generally commit to local jobs and refrain from employing non-locals for positions that could easily be filled with satisfying local candidates. The collection of data on the human potential at the destination might be helpful here. Internships and exchanges are further important tools to enhance the skills base available at the destination. Other external training measures could include collaboration with local authorities or institutions as well as assistance with guide training and accreditation.

Employment reforms are, therefore, among the easiest and most straightforward types of developing local linkages. Their impacts should not be underestimated. Apart from the individual direct benefits that employees enjoy, there are further indirect benefits to extended families. The World Tourism Organization guesses that one job usually supports another four to ten family members (UNWTO, 2006a: 9). Added to this, there are also induced impacts when the employee spends his or her wage in the local economy.

III.2.1.3. Supply chain

Tourism companies depend on numerous supplies for their businesses to run smoothly – as does any other enterprise. To borrow a definition from more general business administration, such a supply chain consists of “the full range of activities which are required to bring a product or service from conception, through the different phases of production [...], delivery to final consumers, and final disposal after use” (Kaplinsky & Morris, 2001: 4).

In this sense, a hotel, for example, requires the construction and maintenance of its buildings, a variety of furnishings as well as soft furnishings for the interior decoration and design, certain guest amenities, office supplies, diverse services such as floristry, gardening, entertainment or marketing, and a large amount of food items for its restaurants. Managing this complex supply chain is a challenging job and necessitates business relationships with numerous other entrepreneurs from different economic sectors.

In an age of globalization, the companies have the choice to use locally provided goods and services or to import them. This decision obviously does not only depend on personal preferences, but on a variety of factors present or not at the destination. In the LDCs, the diversification of the economy is frequently very limited so that numerous products are simply not available. But even if local entrepreneurs would be able to deliver, they face several potential challenges.

Often, the available local goods and services are not acceptable for tourism businesses. They lack in quality or are limited in quantity, or the suppliers are unreliable. It is obvious that the majority of local providers are unfamiliar with health and safety standards, as well as with the preferences especially of international tourists. Seasonality is another important issue here. Sometimes the support infrastructure is insufficient. For certain highly perishable food items, for example, refrigerated transport might be necessary. And even if these preconditions are fulfilled, in many cases tourism businesses would not even know about the local opportunities because marketing networks are insufficient or chronically weak.

The price is also a potential challenge. Particularly the bigger tourism enterprises achieve significant economies of scale and secure price discounts for bulk buying and preferential servicing. Under such circumstances, the often small local providers are unable to compete on the price. On top of that, they frequently suffer from certain exclusionary procedures and policies, such as existing contracts and long-term business relationships with foreign suppliers, requirements for insurance, health regulations or conventional late payment schedules. Finally, staff such as chefs might have

certain negative perceptions or personal preferences so that they are unwilling to change their suppliers and buy local goods and services (Ashley *et al.*, 2005b: 5).

Abdool and Carey (2004: 9) illustrate these challenges in their research on all-inclusive resort supply chains at the Caribbean island of Tobago. According to their analysis, there is a wide range of small local businesses available. They include, among others, garment construction, furniture making, baking, food processing, apiculture, farming, and handicraft production. The scale of engagement with the tourism industry is, however, very limited. The researchers see unused potential particularly for agriculture and agro-processing activities. The main reasons for the limited cooperation appear to be seasonality, economies of scale, limited technical know-how, lack of market intelligence and regulations for food production.

Many of these challenges can, however, be overcome with a number of measures, even though such a process is neither quick nor easy. The PPT Pilots, for example, supported the big South African hotel Spier to reform its procurement policies in order to increase the number of supplies from local black businesses. They demonstrated that it was possible – and even made business sense – to start partnerships with eight new suppliers that earned \$90,000 within the first ten months of the cooperation. These new contracts created 33 jobs, expanded another 20 jobs and produced various non-financial benefits in the form of capacity building, new equipment and larger support networks (McNab, 2005: 10ff.). The company, in return, benefited from cost savings, new products and increased staff morale.

The approach taken by Spier to achieve these very positive impacts was rather simple. The company appointed a sustainability director who would drive the entire process. In the beginning, they gathered information on their current supply practices and then set new policies and targets. With the help of the PPT Pilots, they identified new potential suppliers and concluded contracts with them. An important feature was the offer to provide regular business advice and to mentor the local businesses. Once the supply reached satisfying levels, the new partners were incorporated into the daily commercial operations and the hotel ensured continuing monitoring. Probably the most important factor for the success of the reform was the willingness and the desire of the top management to support the process (Ashley *et al.*, 2005a: 6).

From their experiences with Spier and other tourism enterprises, the PPT Pilots concluded that companies usually pursue one of three approaches to supply chain reform (PPT Pilots, 2004a: 1f.). The most common strategy consists of a series of *ad hoc* actions to create a new product or source a new service locally. In order to achieve commercial sustainability, this approach usually requires extensive business development support in order to meet the required quality standards. More successful are coherent company policies and management systems that transform the entire supply chain – just like the example of Spier has demonstrated. A third possible approach consists of a variety of partnerships with other public, private or voluntary sector institutions to stimulate local input in the industry.

Coming back to Abdool and Carey's research in Tobago, they also developed a list of recommendations for the island's all-inclusive resorts. As economic measures, they believe in the value of a business facilitation or mentoring approach. But beyond that, they suggest stimulating further economic activities through, for example, exhibitions, the promotion of local food and the sale of local crafts. In order to further diversify the economy into goods and services in demand by tourism companies, they recommend supporting the creation of new businesses such as packaging facilities, mobile greengrocers, hair braiders, or manicure and pedicure treatment services. Apart from economic measures, they also focus on educational interventions. Their suggestions include capacity building and training initiatives for farmers, taxi drivers and, particularly, umbrella organizations. This should be further supplemented by general awareness campaigns for both the local communities as well as the visitors. Finally, they recommend various technical measures, including the establishment of a market information system or a monthly exchange forum (Abdool & Carey, 2004: 13ff.).

The part of the supply chain that features most prominently in the PPT literature is food. After they completed research in the Dominican Republic, Ashley *et al.* (2005a: 7), for example, pointed out that using local food brings various advantages to hotels and restaurants. While they could benefit from generally fresher food, their costs might also be reduced due to lower transport expenses. Customers usually enjoy a more local experience which can be further enhanced through a variety of new products based on food. These could include, among others, theme nights, food festivals,

agro-heritage, farm-based tourism or herbal tourism. As specific approaches, they identified increased direct purchases, assistance to farmers in order to adapt their production specifically to exploit the tourism market, and the creation of new market linkages such as producers' associations, commercial intermediaries or even physical markets.

Such strategies have been tried in various destinations, particularly in the Caribbean and in Central America. In several cases, however, the approaches were not sustainable. For example, in some initiatives, only production or marketing were addressed, while in others the initiators failed to build strategic alliances. A third common challenge was the need to overcome distrust and prejudice between the farmers and the tourism industry (Ashley *et al.*, 2005a: 10).

But there are also successful examples, such as the Small Farmers' Program of the Sandals Group in Jamaica. This initiative had started in 1996 with ten farmers supplying two hotels. By 2004, there were already 80 farmers supplying to various hotels across the island. Reasons for success include a strong support program from Sandals. The hotel group employs a farmer extension officer who provides support and also organizes mutual visits of chefs and management teams on the one hand, and farmers on the other. In return, the farmers promise to inform the hotels two weeks in advance about the type and the volume of crops that they are able to provide. This way, the hotels have sufficient time to find the other products elsewhere. The economic benefits of the farmers speak for themselves. They were able to increase their combined income over a three-year period from \$60,000 to \$3.3 million (PPT Pilots, 2004e: 2). Lengefeld and Stewart (2004: 17) illustrate what this can mean on the ground: At one particular resort, there are 70 families that sell watermelons and cantaloupes. All of them now have a very valuable additional monthly income of \$100 from these sales.

Finally, the island's tourism industry further supports its farmers through an *Eat Jamaican* campaign. There are frequent festivals with local groups, and local guest chefs provide cooking classes at the hotels. Friday nights are reserved for fish frying events at the beach, and on Saturdays the resorts turn into a small marketplace with

local artisans. In general, tourists have numerous opportunities to interact with the locals and to enjoy Jamaican food and culture (PPT Pilots, 2004e: 2).

The examples from Africa as well as the Caribbean and Central America demonstrate that supply chain reforms are very worthwhile for tourism businesses for a variety of reasons. Most importantly for the destinations, they create vital markets for diversified local products and, thereby, contribute to a sustainable development process that offers opportunities to locals to become commercially active.

III.2.1.4. Other tourism and tourism-related enterprises

Apart from business relationships with local enterprises along the supply chain, a tourism company also has numerous possibilities to cooperate with other local tourism and tourism-related businesses. These could be formal SMEs operated by a local entrepreneur, informal sector activities or community-based enterprises such as cooperatives or associations.

A rather passive form of collaboration could be by means of encouraging clients to spend money in the local economy. A hotel, for example, could direct its customers to a nearby market or handicrafts outlet, recommend an attraction that can be reached via public transport, or link them to a trusted local guide. Some tour operators might have an interest to inform them about regular or special local events in cultural centers or bars, provide them with a list of appropriate restaurants in the area, or stop their tours at a handicrafts market.

Options for exploring the neighborhood are vast and they usually provide an enhanced experience to the tourists. However, visitors need to feel comfortable and have trust in the safety as well as the health standards of the area. Begging and other forms of hassling, for example, are rather unpleasant, if not worrying. Furthermore, they need to be able to find a range of products in sufficient quality and with a lot of information that are worthy for their tourist money. This is, unfortunately, not always the case so that certain good practice recommendations apply.

More generally, tourism companies should work with local partners to ensure security and find ways to reduce begging and other forms of hassling in the area. Certain col-

laborative efforts to self-regulation might be appropriate where too many small entrepreneurs compete for few tourists. To further enhance the quality of the local experience, businesses might find it worthwhile to provide advice and support to local entrepreneurs, particularly with regards to product quality. A range of materials like maps, information on public transport, an introduction to locally available types of products and services as well as a guide on pricing should be readily available for the clients. Finally, a business should have an interest to support certain destination-wide initiatives such as festivals or, on a different level, the development and maintenance of infrastructure (Ashley *et al.*, 2005a: 19f.).

Further recommendations apply to the potential local entrepreneurs with regards to their products. For handicraft sellers, for example, it is vital to come up with a range of innovative and differentiated quality products that are specific to the destination, are sufficiently labeled and interpreted, and are easy to pack and transport. The location should be within comfortable reach from the main tourism attractions and hotels, offer open and non-threatening spaces and shade, and provide the opportunity to see producers at work. A code of conduct among the sellers is generally advisable in order to regulate their behavior, reduce hassling and set more or less fixed prices.

Many of these recommendations are similar to providers of food and drinks, or local guides. Small restaurants or food stalls need to ensure certain health and safety standards in order to attract international visitors. They should exploit the smells, flavors and tastes of the destination, and provide opportunities for tourists to mix with locals in order to create an authentic local experience. Guides – particularly informal ones – also often face the challenge of being perceived as untrustworthy. Measures such as licensing or some form of a system of official recognition as well as destination-wide agreed prices communicated to the tourists have proven to be very helpful (Bah & Goodwin, 2003: 26).

Another more active form of collaboration between tourism businesses and local tourism entrepreneurs is the development of special excursions. These usually require the provision of additional transport, of specialized local guides and a range of activities that offer further business opportunities to local entrepreneurs or communities. Such 'add-ons' as well as niche products have the advantage of extending the

clients' length of stay and increasing their customer satisfaction. Many of them will use these personal experiences for the stories they tell to friends at home, creating excellent word-of-mouth marketing. For the host economy, such activities not only mean increased profits, more business opportunities and new jobs, but also a greater spread of the benefits. Hence, the development of special excursions is a vital way to diversify a company's products and, at the same time, to stimulate the local economy (Ashley *et al.*, 2005e: 2).

Good illustrations are diverse township tours in South Africa. Karell Travel, for example, offers a small and very personal guided tour to the New Rest Township in Cape Town. While the tourists benefit from a fascinating learning experience, the residents enjoy a variety of ways to earn directly as well as indirectly through business opportunities and donations (PPT Pilots, 2004b: 2). Similarly, Southern Sun's Sandton hotels worked on expanding their already existing cooperation with the Alexandra Township in Johannesburg in order to incorporate township tours and specific products such as jazz evenings and festivals. There, however, the approach met with insurmountable difficulties due to competing priorities and limited management support (McNab, 2005: 31).

Beyond the development of individual excursions, some tour operators are creating entire themed tours around cultural and heritage products as well as community-based tourism. This helps to tie-up several attractions that would independently not have enough potential to attract visitors, and also to disperse the benefits (Meyer, 2004: 1). In one of the first PPT case studies, for example, the researchers analyzed the activities of Tropical Ecological Adventures in Ecuador. This small tour operator established joint products with remote Amazonian communities. They include cultural and lifestyle experiences as well as overnight stays (Braman & Fundación Acción Amazonia, 2001). The case study also showed some important limitations of community-based tourism. Most importantly, the villages usually lack awareness of tourism so that the product development and quality enhancement are extremely difficult tasks. Apart from that, a lot of investment is required for basic infrastructure developments, marketing and training measures (Ashley *et al.*, 2001: 2).

Nevertheless, individual community-based tourism initiatives can provide extensive benefits to local communities. The villagers of Taquile Island on the Peruvian side of Lake Titicaca, for example, try to attract travelers for inexpensive and conveniently organized island community tours. They provide simple accommodation and restaurants as well as further attractions and cooperative shops. Visitors are distributed equally among the local families so that all residents can benefit from tourism (UNESCAP, 2005: 31).

Apart from monetary benefits, community-based tourism usually brings also diverse other positive impacts. SNV/Botswana, for example, engaged in several projects, and, in their case study report, they recognized that “[c]ommunity empowerment is perhaps the most important benefit of [their] community-based tourism projects” (Rozemeijer *et al.*, 2001: 61). Particular elements included the creation of a representative community organization, defined membership, accountable leadership, equitable and transparent participatory decision-making, cultural identity, recognition from other stakeholders, experience and confidence in dealing with outsiders, and a sense of control and enhanced pride. Similarly, Ashley stretched the importance of what she refers to as “intangibles” (Ashley, 1998: i). In the case of Namibia, she referred to three important types of immaterial benefits, i.e., community empowerment, more secure livelihoods and cultural benefits.

In some countries, individual community-based tourism projects or local entrepreneurs in both the formal and informal sectors are uniting their efforts under the roof of an umbrella organization. Examples include the Namibian Community-Based Tourism Association NACOBTA, the Ugandan Community Tourism Association UCOTA or the Gambian Association of Small Scale Enterprises in Tourism ASSET. The first two have diverse activities with three main foci. At the local level, they support individual members with training, finance, technical assistance and marketing. Beyond that, they try to link the projects with the private sector through lobbying and the facilitation of partnerships. Finally, they engage with the government at policy level and provide a voice to their members (Nicanor, 2001: 2; Williams *et al.*, 2001: 8). ASSET, on the other hand, focuses mainly on the private sector partnership level and tries to link its often informal members with formal tourism businesses. Apart from that, they

engage with the implementation of industry-wide standards and licenses, as well as training and marketing (ASSET, 2006: internet).

While the range of examples show that community-based tourism can be a valuable opportunity for poor villages, they also make it very clear that a number of preconditions need to be in place and that it can never be a panacea but only one in many approaches and strategies. A major success factor is, for example, the existence of a market. Proximity to major tourism attractions is invaluable. If tourism is already flourishing in the area, a proper market analysis can help to identify the potential competitive advantages according to which the community products should be developed.

Another important factor is a strong institutional capacity that is guaranteed through democratic processes and an accountable leadership. In most cases, communities also rely on external partners. On the one hand, this includes a partner organization that provides advice and support, and functions like a 'broker'. On the other hand, market linkages with tourism companies are vital in order to reach potential visitors, enhance the quality and receive marketing and training assistance. These and a number of additional destination-dependent preconditions need to be in place in order to be successful (Rozemeijer *et al.*, 2001: 59ff.; Townsend, 2006: 17; UNWTO, 2006a: 8).

In summary, it may be said that cooperation with local SMEs, the informal sector or community enterprises can create very rewarding opportunities that make good business sense. But engaging with local people can be rather challenging. They often lack the basics like a full understanding of visitors' needs, finance, entrepreneurial skills, marketing know-how, or business expertise and experience. Sometimes even more important are attraction-based restrictions such as general health and safety, vehicle safety, risks of crime, other dangers associated with sites and activities and so on. International tour operators, in particular, need to be extremely careful because of their special duty of care under national, regional and international legal regulations such as the EU Package Travel Directive (Ashley *et al.*, 2005a: 13).

Once a company decides in favor of such cooperation, good practice includes the development of mutually beneficial relationships, thorough business advice, the crea-

tion of networks and the stimulation of multi-stakeholder approaches. Again, a mentoring scheme might be helpful and should include the transfer of knowledge and technology, assistance with product development and market access, and the provision of information on markets, marketing and technology (PPT Pilots, 2004d: 1).

III.2.1.5. Business and general neighborhood partnerships with communities

Another form of linkages between tourism businesses and local people is the creation of partnerships with communities or their representatives. In some cases, companies are forced to enter more formal business cooperation because the community is the legal owner of an asset. This could be in the form of land, wildlife or culture (Roe *et al.*, 2001: 1). For instance, if the enterprise wants to build a hotel or lodge on communal land, it is required to enter into negotiations with the community and conclude a contract with an operational agreement or even a joint venture where both partners jointly invest, and share the benefits and risks. In exceptional cases, tourism companies voluntarily seek such business partnerships either because they promise certain advantages or because they have the desire to move their linkages beyond philanthropy.

Apart from access to resources, such partnerships can have wide-ranging benefits to a business. Similarly to other forms of linkages, they can guarantee a certain social license to operate, develop new products and improved customer experiences, boost staff morale and the related customer satisfaction, enhance the company's brand, and generally increase its credibility. There are, however, also numerous potential constraints and challenges. Often, businesses are unable to find an acceptable partner, possibly because reliable community institutions are non-existent. Furthermore, such relationships are usually very time-consuming and make the business venture unnecessarily complex and burdensome. After all, the partner is not another entrepreneur but a more or less democratic entity with a myriad of different attitudes and thoughts. Frequently, these partnerships also suffer from misunderstandings and different expectations. Therefore, the constant monitoring and communication burden is comparably high (Ashley *et al.*, 2005c: 4f.).

Valuable illustrations are derived from the experiences of Wilderness Safaris in South Africa. This large and rather well-established tour operator entered into a contractual

relationship with local communities in order to develop up-market lodges. The usual way of running accommodation in or near game reserves in South Africa is to build a private lodge on private land or to operate a private lodge on land leased from the responsible conservation authority. Wilderness Safaris' Rocktail Bay and Ndumu Lodges are, however, jointly owned by a commercial bank, the conservation authority and the community on land leased from the conservation authority. The company has entered into a management consortium that also includes the conservation authority as well as the community (Poultney & Spenceley, 2001: 4).

This innovative approach offers numerous benefits to the community. Apart from economic gains, they include new infrastructure, a high proportion of local jobs, training and skills transfers as well as small opportunities for local services provision. The partnership further initiated a local policing forum to ensure security in the region (Ashley, 2005: 4). Through further facilitation by the PPT Pilots, the community institutions were restructured in order to maximize the benefits and to enable the community to engage in product development more effectively and proactively. Pro-poor tourism approaches were also incorporated into new expansion plans. Nevertheless, despite more or less successful operations, McNab (2005: 22) noted a general frustration on the part of Wilderness Safaris about the slow and inefficient process when dealing with the community.

One important factor can, therefore, be the facilitation through an independent advisor. While such an intermediary might appear to be threatening to the business in the beginning, it will soon realize his or her immense value with regards to taking timely and reliable decisions that incorporate the numerous eventualities.

Such a 'broker' is ASSET in the Gambia. The Association facilitates partnerships between the tourism industry and the informal sector. The Gambia is a popular winter sun destination that, for a long time, developed a sort of enclave-type tourism. This led to the fact that there are historically very few opportunities for the informal sector to participate in tourism. ASSET is concerned with all those product providers that are not members of an association. They include licensed and unlicensed guides, fruit and juice sellers, craft market stallholders, taxi drivers and so-called 'bumsters' who approach tourists on the street to sell small goods. Some of the actions intro-

duced by ASSET include badging, licensing, marketing and advertising to hotels, codes of conduct, obligatory insurances for certain activities perceived as 'high risk', regularly updated *What's On* information placed in hotels, and other linkages with accommodation providers and tour operators. This approach effectively removes barriers to participation and facilitates market access by the poor (UNWTO, 2002: 49).

Other forms of collaboration that are not based on business can be summarized as neighborhood partnerships. Their goal is usually "to make the neighborhood a better place to live, work and visit for all" (Ashley *et al.*, 2005a: 3). Tourism companies need, for example, extensive infrastructure developments that provide potential benefits beyond the own property. Improvements of roads, water and sewage systems, energy supplies, and communication and transport networks usually reach entire areas and can be shared by many people. For better relationships with the surrounding communities, enterprises might also think about further extensions of their own infrastructure. Beyond that, private investments often serve as a catalyst for public infrastructure developments so that neighboring communities regularly benefit from the mere presence of a private entrepreneur (UNWTO, 2006a: 5).

Apart from infrastructure developments, neighborhood partnerships can include a variety of useful arrangements that improve the general environment of the area and, thereby, benefit both locals and tourists. Such initiatives could consist of security forums, the policing of crime, traffic control, the management of begging, or the control of sex tourism. Further opportunities lie in joint activities such as the organization of celebrations and festivals, or the development and management of attractions that become available for tourism and local enjoyment (Ashley *et al.*, 2005a: 23).

Options for partnerships are manifold. Whichever the form of cooperation, good relationships between the neighbors or business partners are vital for a hospitable tourism environment. Like all other forms of linkages, they require a lot of innovation and often difficult and lengthy processes. But the mutual benefits justify the effort.

III.2.2. Public sector level: government

In multi-stakeholder meetings on tourism development in developing countries, two conflicting opinions are often widespread: On the one hand, government – both local

and national – is the obvious scapegoat when the private sector faces difficulties. Either extensive regulations hamper industry development, or the authorities have neglected one of their numerous perceived roles. At the same time, however, everybody looks at government for action on the ground, assistance with local initiatives and guidance, and is disappointed when the authorities do not intervene.

There is a lot of confusion about government's role in tourism. Frequent reasons include false expectations by other stakeholders – after all, the expertise of the authorities is usually rather limited. But in various cases, the officials also misinterpret their functions and interfere in unnecessary and even destructive ways. It is, therefore, vital to analyze the public sector's role in tourism in relation to its general functions for growth and poverty reduction, i.e. the provision of an enabling institutional environment (III.2.2.1), the correction of market failures (III.2.2.2), redistributive measures (III.2.2.3), the provision of merit goods (III.2.2.4) and potential further proactive measures (III.2.2.5).

III.2.2.1. Providing an enabling institutional environment

Similar to every other economic activity, tourism requires a sound enabling institutional environment consisting of a range of market and non-market institutions. With regards to the latter, a constitution with fundamental rights is pivotal to providing the legal certainty and the social contract under which a society lives. Basically, the tourism industry relies on human rights more than most other economic sectors because destinations and stakeholders are under constant public scrutiny. For instance, many people refuse to visit a country like Myanmar because of the apparent human rights violations taking place there. Apart from that, the specific rights of women, children and ethnic minorities are of particular importance for tourism. It is crucial that a constitution lays the foundation for effective prevention of all sorts of exploitation and guarantees a right to self-determination.

Security is another fundamental issue for tourism. In recent years, the industry has regularly become the target of terrorist attacks, causing uncertainty and fear among potential travelers. Similarly, the great majority of tourists shun destinations that suffer from actual or perceived security threats such as wars, civil wars or extensive

criminality. Strong national defense mechanisms and an effective police force are, therefore, vital for tourism.

Democratic and decentralized political structures are also important. Many efforts of pro-poor tourism focus on the empowerment of local people. This requires opportunities for grassroots decision-making, participation and lobbying at higher administrative levels. Sustainable environmental protection also needs to include those that are closest to the environment, i.e., the local communities. Furthermore, the beneficial roles of NGOs in conservation, community development, capacity building, business facilitation and lobbying need to be recognized and supported.

Generally, the government requires an honest and competent state apparatus. Tourism is essentially a multi-disciplinary and multi-sectoral phenomenon that demands attention from a variety of ministries, departments and agencies. Strong partnerships within government as well as between local and national government are essential. Unfortunately, the tourism ministries are regularly weak, and related subjects are discussed only incoherently in other forums. It is, therefore, vital to include tourism in national and regional development strategy papers. Likewise, the expertise within tourism ministries and agencies with regards to poverty-related issues is usually very limited. This needs to be addressed through the inclusion of poverty issues in tourism policies and strategies as well as through special training and capacity building. It is vital to ensure commitment and support by key government officials (Ashley, 2006a: 48).

As for market institutions, a stable macroeconomic environment is important both for the businesses that operate in it as well as for the tourists who, for example, need to exchange money to spend locally. Stable property rights are necessary to attract investors – but they are potentially even more beneficial for communities. For them, property is a precious asset that they can exploit through community-based tourism or business partnerships with the private sector.

The business environment is, of course, crucial for all tourism companies. It needs to guarantee the freedoms of trade, contract and establishment, liability rules, impartial mechanisms for dispute resolution and conflict management, and rules against anti-

competitive behavior. Often, however, it is forgotten that this environment not only regulates the activities of the big tourism companies, but also those of SMEs, community enterprises such as cooperatives and associations, and the informal sector. With regards to pro-poor tourism, it is of particular importance that these local entrepreneurs do not face unnecessary regulations and red tape, find appropriate ways to acquire licenses, and are not disadvantaged when it comes to the granting of incentives. Similarly, all tourism businesses including the small local entrepreneurs depend on suitable credit markets and a sound banking system. Credits need to be available for all, even if this requires the development of specific microcredit programs.

In general, the industry can only thrive if the government supports it with consistent, predictable and credible policies – in tourism as well as in related fields. These policies should address both tourism- and poverty-related issues, and should focus on the inclusion of the poor at all levels.

III.2.2.2. Correction of market failures

The tourism industry can suffer from various market failures that might require state intervention. Most importantly, tourism potentially creates a number of externalities in the forms of negative socio-economic, socio-cultural and environmental impacts (see III.1.3.3 above). If the market does not produce responsible results, the government has a potential duty to intervene if it can reasonably expect to be able to improve the outcomes. It is questionable if the majority of negative impacts justify such intervention in the market or if the public authorities are even able to respond effectively, given the typical developing country circumstances of limited resources and lack of expertise.

Some impacts are, however, potentially so negative that they require a strong state intervention. For instance, governments will have to protect the resource base on which tourism depends. This requires conservation particularly of the natural environment. An important measure is the creation of national parks, access to which is regulated and charged with a fee. For some attractions with a limited carrying capacity, it is even necessary to use quantitative restrictions and licenses. In the same way, some exceptional cultural heritage requires protection. While moral appeals and

voluntary codes of conduct might work for less severe threats, obligatory forms of intervention and effective policing become necessary for others.

Information asymmetries and the complete lack of information are very frequent in developing countries. Tourism companies – and particularly smaller local enterprises – simply do not have the expertise, the technical know-how and the infrastructure to acquire relevant information about markets, consumer preferences, industry trends and so on. This leaves them at a competitive disadvantage and also limits the effectiveness of marketing campaigns. Particularly younger tourism industries that have emerged only in recent years suffer from lack of experience as well as financial means to invest in professional market research.

At the same time, industry players need to be creative with regards to developing new products. An inexperienced and young private sector, however, frequently rushes towards those attractions that are already well-known and well-frequented by visitors. If the cultural heritage has long been neglected and not celebrated in open ways, knowledge and information about sites, traditions, skills etc are largely ignored. This creates tourism monocultures that focus on some few *honeypots* and omits the very important diversification of attractions.

Under these circumstances, the government has certainly an interest to intervene and to provide at least some information itself. It is the task of a national tourism agency to monitor developments and tourist flows, conduct market research that influences policy-making, and ensure that relevant knowledge and information about less known attractions are collected and disseminated. Particular assistance is required for SMEs, community enterprises and the informal sector. They have the least capacity to acquire information necessary for successful tourism business ventures.

Apart from information about markets and products, governments might also want to think about the enhancement of linkages between tourism companies and local entrepreneurs or communities. Often, the major challenge is that they simply do not know about each other or their respective preferences and problems. It is so much easier, for example, for a chef of a major hotel to simply buy his supplies from a big wholesaler or even import them directly from abroad, than to waste time on identify-

ing and negotiating with a large number of local producers, producer associations and retailers that are unreliable at least partly because they do not understand his needs. If a government agency can compile the relevant information, create lists of potential suppliers and even train them, it will be easier to convince chefs as well as top management to change approaches to supply chains.

It is, unfortunately, often the case in emerging tourism destinations that the responsible national authorities also lack the expertise to acquire the necessary information. However, given the importance of data on markets, products and linkages, it is often advisable to strongly invest in capacity building and the creation of appropriate information gathering units.

Finally, monopolies or other types of unfair trade practices are not uncommon in the tourism industry. Some few African destinations like the Gambia have had a tourism development driven by a small amount of large multinational companies. In this particular case, it has created monopoly-like conditions where these major businesses can largely dictate prices. Such an environment is, obviously, dangerous for a sustainable development of the tourism industry, and certain government measures might be necessary in order to safeguard the interests of local entrepreneurs and to maximize the benefits of the destination. But this is also a difficult situation because the authorities usually do not want to risk putting off these major investors.

Apart from these few exceptions, however, large multinational tourism companies have not yet found an interest in the great majority of African destinations. Usually there are some international or regional upmarket hotel chains in the capitals, but they do not achieve monopoly-like market power. While there might be some other instances of unfair trade practices, these are usually born out of destination-specific conditions. Some of them might require state interventions.

III.2.2.3. Redistributive measures

Governmental redistributive measures can get a big boost through tourism-generated taxes and fees. The most immediately visible link takes place when benefit-sharing mechanisms are installed for villages neighboring national parks or other major attractions. For example, they might receive a certain percentage of the funds gener-

ated through entrance fees and use it for a variety of community infrastructure projects. Apart from that, the money goes to regional or national public budgets and can be used indirectly through government spending.

Obviously, it would be helpful for the poverty-reducing impacts of tourism if at least some of this money was channeled back into actions that empower local disadvantaged enterprises, particularly small SMEs, community ventures and the informal sector. Redistribution could, thereby, take place in the form of infrastructure developments, essential services provision, subsidies and credit to start market-based activities, small business advice programs, or support for the creation of collective market power in the form of cooperatives or associations.

III.2.2.4. Providing merit goods

The relationship between tourism and the provision of merit goods can run in both ways. First of all, tourism increases the available funds both through taxes and fees, and through tourism-related aid. Beyond that, however, certain merit goods are also of particular importance to tourism, especially the provision of appropriate tourism-related education and infrastructure.

Tourism is a service industry and relevant human resources are fundamental to ensuring customer satisfaction. Most African countries lack, however, a tourism culture. This is particularly the case in emerging destinations that suffer from widespread extreme poverty. Private tourism and hospitality schools are usually rare and, where they exist, their quality is not always satisfying. Under such circumstances, the government has the obligation to control the standards of the private courses and, where necessary, to offer tourism and hospitality programs through public institutions.

Specific training and capacity building measures might be appropriate for small local entrepreneurs and, particularly, for community-based tourism ventures. These are often provided privately through NGOs. But where that is not the case, government has a potential duty to intervene. Furthermore, general awareness raising campaigns might be required to help the population understand what a tourist is and how to treat him or her.

Likewise, tourism depends on an appropriate infrastructure. While there might be a number of conflicting priorities, the relevant ministries and agencies should not neglect tourism as a forceful industry that potentially produces much higher returns on beneficial infrastructure developments than other economic sectors. Hence, tourism needs to play a more prominent role when decisions are taken as to where to improve road systems, transport links, electrification, water supplies, communication systems or sewage facilities.

III.2.2.5. Further proactive measures

The arsenal of potential further proactive measures is, of course, very big. But not all of these strategies are likely to justify government interventions in a given country. The scope of measures also depends on the available financial as well as human resources and their conflicting priorities. Ashley (2006a: 4) who analyzed the potential roles of governments for PPT, for example, stated that “[a] cost-effective use of government resources is to work out how to unleash the creativity of others”. This is in line with the current post-neoliberal thinking of governments proactively creating, developing and accelerating markets as well as developing the entrepreneurial base necessary to harness these markets (see II.5.2.5 above).

National tourism agencies are responsible for a country-wide tourism strategy. They have to make choices with regards to the kind of tourism they would like to develop and the types of tourists as well as investors they would like to attract. While the kind of tourism depends on a variety of destination-specific conditions, it is important to note that this choice also influences the product range that is likely to be in demand. This directly impacts on the opportunities that local people have to participate. For example, if a strategy exclusively focuses on low impact ecotourism, it is going to be much more difficult for those who desire to develop new products such as cultural tourism, rural or community-based tourism or agro-tourism. It might, however, be exactly these innovative approaches that help a destination diversify and encourage visitors to stay longer and, especially, to spend more money locally.

These considerations have to be taken into account when making strategic choices. The Caribbean island of St. Lucia, for example, realized in 1998 that its strategies assured that tourism became a key economic sector. At the same time, however, it

did not generate substantial benefits to the local economy and, particularly, the poor. The government decided to create and implement the donor-funded *Heritage Tourism Program*, an approach that goes far beyond the development of a new niche product and aims at making the entire tourism sector more sustainable (Renard, 2001: 2ff.). By 2004, over 60 projects had received funding, and the participation of local entrepreneurs had greatly increased (PPT Pilots, 2004b: 3).

More and more destinations choose a strategy where their tourism has low environmental and cultural impacts and still generates high income. Certain forms of upmarket tourism are, therefore, preferred. In most cases, however, this choice is not based on appropriate research, but on generalized assumptions. While it is often true that a few luxury tourists are easy to control, possibly have less impact and generally spend more money, this does not immediately mean that the cost-benefit relationship for the destination and its population is optimized. Many products for these clients are bought from large wholesalers or have to be imported so that at least part of the benefits leak out again and do not reach the local economy. Compared with this, budget tourists might spend less money overall, but do this locally so that the benefits accrue directly to local entrepreneurs. This example shows that the choice is not a black-or-white question and requires thorough analysis and market research.

The third initial strategic decision concerns the question whether or not to aim at attracting foreign investments. Potential disadvantages are increasing leakages and decreasing control. Local investors alone, however, might not have the expertise as well as financial resources to support the desired tourism development. Almost all destinations are, therefore, offering incentives to attract foreign investors. If that is the case, the creation of these incentive schemes need to be thoroughly thought through and informed by appropriate research on the likely impacts. Furthermore, it is the question whether foreign investors could be persuaded to proactively explore local linkages – through voluntary measures or even through obligations. One important option is to demand fulfillment of certain pro-poor commitments as criterion when investors seek a formal approval, a license or a concession.

Once a decision has been taken with regards to the above questions, further strategic choices have to be made concerning the goals a destination wishes to achieve.

Common objectives are to increase the total tourist arrival figures as well as the average spend per visitor. In PPT terms, a third objective needs to be balanced with these first two, namely to increase the share of benefits that accrue to the local economy and, particularly, the poor.

Approaches can be manifold and vary according to country-specific conditions. For example, at destinations with low initial linkages, an appropriate strategy should certainly include to develop, facilitate, support and monitor partnership approaches as well as business and neighborhood linkages between the private sector and the destination. In line with the industry strategies outlined above (III.2.1), interventions could target philanthropy, employment issues, supply chains, other tourism entrepreneurs, business partnerships and neighborhood partnerships.

With regards to philanthropic activities, government intervention is only desirable if it does not already happen on an appropriate basis through private sector initiatives. In that case, the national tourism agency or its regional offices could, for example, provide information on suitable projects or mechanisms directly to tourists as well as industry stakeholders.

Government can further boost local employment opportunities. This particularly includes the provision of essential skills development and training programs. But it also means regular monitoring and assessment of working conditions in order to improve the general work environment. While it can easily encourage tourism companies to employ a higher percentage of local people, it should set a good example and use a more or less strictly local workforce in national parks and other government-run sites.

Another approach is to increase the demand for goods and services that are provided by local SMEs, community enterprises and the informal sector. This could be achieved through the facilitation of local supply chains. Certain incentives, for example, can persuade or even force tourism companies to do business differently. Government could further assist with the provision of information and advice, and can function as a 'broker' between the parties. It can stimulate regular communication and catalyze destination-wide initiatives, including mentoring programs.

Related to this, Mahony and van Zyl (2001) provided a case study from South Africa where PPT approaches are used in rural growth and investment strategies. Through its Spatial Development Initiative and its Community-Public-Private-Partnership program, the government explicitly supports activities in ecotourism and also promotes and facilitates linkages in the areas of supply chain management, SME development and job creation. The Spatial Development Initiative, in particular, aims at drawing investments into disadvantaged regions and encourages the development of community-based tourism projects and SMEs (Spenceley, 2003: 18).

On the same case study, Ashley *et al.* (2001) pointed out the potential value of planning gain for tender and other concession processes. While environmental criteria and impact assessments are more and more becoming the norm for new investments, governments could and should increasingly focus also on socio-economic criteria. The evaluation of bids should strongly focus on pro-poor commitments, and proposals should be encouraged to contain notions on local employment, supply chain management, equity sharing and other types of business and neighborhood partnerships.

Concerning potential doubts by the tourism companies, government can assist small local entrepreneurs to qualify for a license for their commercial operations and monitor quality standards. Beyond that, it can help individual suppliers to form and join bigger groups such as cooperatives or associations, in order to ensure economies of scale. With regards to different government departments, appropriate coordination and cooperation should ensure that tourism is one of the fields in which local enterprises are eligible for support and skills training programs. Finally, access to finance is often a major challenge that government could tackle.

The various technical support programs of different government agencies should also focus at upgrading and adding more value to the products of the local entrepreneurs that are active in tourism in more general terms. A good example is the sale of local handicrafts. Government agencies could support individual producers as well as – and preferably – producer associations or cooperatives through training, business support and mentoring activities. In particular, they could be encouraged to focus on locally distinctive products. An option is the invention of a country-wide ‘made local’

brand. The national tourism agency could even create specific sales venues around the sites that it manages itself, including national parks.

Furthermore, there is a point in enabling members of the informal sector to register their businesses and get a license. This requires, however, cheap and easy registration procedures, the limiting of constraints through minimum standards, and certain incentives that reduce the tax burden (Ashley, 2006a: 19). Other beneficial support could include help to overcome the difficulties that small local entrepreneurs face with regards to marketing. The national tourism agency or its regional offices could, therefore, play a role, among others, in promoting their activities on public websites, brochures and other materials, and in representing them on international fairs. Most importantly, all of this requires recognition and the willingness to grant SMEs, community entrepreneurs and even informal sector players a voice in national processes.

With regards to business partnerships, government could play an active role in facilitating joint ventures. It could ensure that the community organization receives advice and technical support either through an NGO or another suitable broker, or could even provide such help itself. Furthermore, it could sort out the legalities and ensure the finances. After the conclusion of a contract, it could continue to monitor the implementation of the joint venture and advocate for a fair relationship.

Finally, it could initiate and facilitate other types of destination-level partnerships with multiple stakeholders including representatives of the communities. These networks and initiatives could address such important issues as infrastructure, product development, marketing, training, capacity building and linkages enhancement. Another important focus could be on addressing socio-cultural and environmental impacts at the destination. Initiatives for research and monitoring, but also the development of voluntary codes of conduct could play vital roles here.

The most prominent example to date with regards to voluntary initiatives is probably the Responsible Tourism Guidelines in South Africa. Already in the mid-1990s, the Department of Environmental Affairs and Tourism (DEAT) started to create its vision of a tourism that contributes to sustainable development and the improvement of the quality of life of all South Africans (Spenceley & Seif, 2003: 8). In 1996, DEAT pub-

lished a White Paper on the Development and Promotion of Tourism which addressed government, the private sector, NGOs and communities. It was followed by various reports that discussed the links between tourism, growth, employment and redistribution issues (Spenceley, 2003: 8).

In March 2002, the work of a multi-stakeholder process produced country-wide Responsible Tourism Guidelines, a series of quantified targets for the tourism sector. They provide examples of the range of specific initiatives that industry stakeholders could engage with in order to contribute to sustainable development and poverty reduction (UNWTO, 2002: 49).

III.3. Methodology for analyzing tourism's poverty-reducing impacts on a national level

Doctors know that lots of things can go wrong, and that a particular symptom such as high fever might reflect dozens, or hundreds, of underlying causes.

(Sachs, 2005: 79)

In chapters II.1 and II.2, we have revealed that poverty is a very complex phenomenon, reflecting a myriad of potential obstacles to an individual's freedom. In chapters II.3 to II.5, we have developed a model for current-day best practice poverty reduction approaches. Chapters III.1 and III.2 have led us to apply this model to the tourism sector and have established the links between tourism and poverty reduction. The findings particularly pointed out, however, that, while generalizations might be necessary in theory and helpful in practice to a certain extent, individual assessments of specific country contexts are absolutely indispensable. This requires us to create a concept that enables us to analyze the concrete poverty-reducing impacts of tourism on a given national level.

Jeffrey D. Sachs compares the required work with that of a medical doctor who needs to perform what he calls a "differential diagnosis" of the countless potential causes of an illness (Sachs, 2005: 83). In this case, it is a country that is sick in the form that it suffers from substantial and deep-rooted poverty. In order to find an appropriate medicine, i.e., strategies for poverty reduction, it is vital to examine the

situation and identify the multiple causes. Our diagnosis will, therefore, have to focus not only on those topics that directly deal with tourism, but also on the wider implications of the country environment, the particular facets of poverty and other issues relating to the pro-poor growth model.

Sachs (2005: 84) provides what he calls a *checklist* for general differential diagnoses. The seven overarching topics he includes are issues relating to the poverty trap, the economic policy framework, the fiscal framework and fiscal trap, the physical geography, governance patterns and failures, cultural barriers, and geopolitics. This checklist is a valuable starting point and it can be further complemented in order to reflect our model for poverty reduction approaches. At the same time, it needs to be adapted so that it includes the tourism-related issues.

We suggest starting with an analysis of the country environment that focuses, in particular, on the physical geography, the history, the society and culture, and the geopolitical background. Secondly, the diagnosis should thoroughly examine the country's poverty context and deal with the basic elements of human development. This also includes an analysis of the provision of major merit goods, as well as the public redistributive measures. The third theme centers on the tourism market forces. An examination of the policy framework for development and poverty reduction as well as the general economic structure will introduce tourism's significance to the country. This will be followed by a description of its tourism assets and constraints, its tourism policy objectives and strategies, pertinent visitor statistics and a study on the destination's image. Then, we will focus directly on the private sector's impacts on pro-poor growth and poverty reduction through an analysis of the various linkages. The theme will be completed with a look at public sector activities. The fourth section is dedicated to those parts of government's subsidiary role that directly influence the activities of the private sector, i.e., the institutional environment with non-market and market institutions, including potential market failures and desirable proactive measures. Table III.2 below summarizes the topics for our tourism-related differential diagnosis.

Obviously, a diagnosis is not complete with an examination of the various symptoms and causes. We need to identify appropriate priority medicines, and this requires thorough discussion of all results from a holistic point of view. In the end, we should

be able to produce a plan how to treat the patient and provide recommendations for a variety of healing methods.

Table III. 3: Topics for a tourism-related differential diagnosis

1. Country environment:	
<ul style="list-style-type: none"> • <u>Physical geography:</u> <ul style="list-style-type: none"> ▪ Climate ▪ Landforms ▪ Natural resources ▪ Water resources ▪ Flora and fauna • <u>History</u> • <u>Society and culture:</u> <ul style="list-style-type: none"> ▪ Social diversity 	<ul style="list-style-type: none"> ▪ Gender relations ▪ Private social safety nets • <u>Geopolitics:</u> <ul style="list-style-type: none"> ▪ International security relations ▪ Participation in regional groups ▪ International commitments: human rights, environment, trade ▪ Aid
2. Basic elements of human development:	
<ul style="list-style-type: none"> • <u>Extreme poverty and hunger:</u> <ul style="list-style-type: none"> ▪ Proportion of households lacking basic needs ▪ Spatial distribution of poverty ▪ Poverty and the demographic conditions of the household ▪ Poverty and economic activities of the household ▪ Extent and impact of un- and underemployment ▪ Food security ▪ Key risk factors: demographic trends, population-land relation, environmental shocks and trends, etc • <u>Education:</u> <ul style="list-style-type: none"> ▪ Accessibility and high quality of primary education ▪ Accessibility and high quality of secondary and tertiary education ▪ Gender equity in education 	<ul style="list-style-type: none"> ▪ Alternative education programs ▪ Specific training on issues such as democracy and good citizenship, hygiene and basic health care, and family planning • <u>Health care:</u> <ul style="list-style-type: none"> ▪ Accessibility of basic health care and proportion of households lacking it ▪ High quality of basic health care ▪ Incidence and impact of malaria, tuberculosis, etc ▪ Child mortality and maternal health ▪ Incidence and impact of HIV/AIDS • <u>Basic infrastructure:</u> <ul style="list-style-type: none"> ▪ Accessibility and high quality of water and sanitation ▪ Accessibility and high quality of power ▪ Accessibility and high quality of roads ▪ Accessibility and high quality of telecommunications • <u>Redistributive strategies and public social safety nets</u>
3. Tourism market forces:	
<ul style="list-style-type: none"> • <u>Policy framework for development and poverty reduction – and tourism's role</u> • <u>General structure of the economy and tourism's significance</u> <ul style="list-style-type: none"> ▪ Structure of the economy ▪ Performance of major sectors: agriculture, industry, services • <u>Destination assets and constraints</u> <ul style="list-style-type: none"> ▪ Natural tourism assets ▪ Cultural tourism assets ▪ Tourism infrastructure assets ▪ Major constraints 	<ul style="list-style-type: none"> • <u>Tourism policy objectives and strategies</u> • <u>Visitor statistics</u> • <u>General image as a tourist destination</u> • <u>Linkages of the private sector:</u> <ul style="list-style-type: none"> ▪ Philanthropy ▪ Staff ▪ Supply chains ▪ Other tourism and tourism-related enterprises ▪ Business partnerships with community organizations ▪ Neighborhood partnerships • <u>Revenue sharing by the public sector</u>
4. Institutional environment:	
<ul style="list-style-type: none"> • <u>Non-market institutions:</u> <ul style="list-style-type: none"> ▪ Security issues ▪ Civil and political rights ▪ Public management systems ▪ Decentralization and fiscal federalism ▪ Independent and fair judiciary ▪ Fiscal framework • <u>Market institutions:</u> <ul style="list-style-type: none"> ▪ Macroeconomic environment ▪ Property rights ▪ Business environment ▪ Credit markets and banking system 	<ul style="list-style-type: none"> ▪ Investment policy ▪ Coverage of key infrastructure relevant for doing business ▪ Human capital • <u>Externalities:</u> <ul style="list-style-type: none"> ▪ Environmental impacts ▪ Socio-cultural impacts • <u>Complementary proactive measures:</u> <ul style="list-style-type: none"> ▪ Creation, development and acceleration of markets ▪ Interventions focusing on different population groups, especially those active as entrepreneurs

IV. Results of a tourism-related differential diagnosis of Rwanda

IV.1. Country environment

When you come here for the first time, open your eyes and not your mouth.

(West African saying; translated from Dijk, 2005: 52)

The analysis of the country environment consists of an examination of the physical geography (IV.1.1), the history (IV.1.2), society and culture (IV.1.3) and the geopolitical background (IV.1.4).

IV.1.1. Physical geography

Differential diagnosis: Physical geography

- Climate
- Landforms
- Natural resources
- Water resources
- Flora and fauna

If you think of Africa – as many people do – as a flat, brown, sandy land with few trees and little rain, Rwanda comes as a shock to the senses.

(Waller, 1997: 3)

Rwanda is a small and landlocked country on the border of East and Central Africa with a surface of 26,338km². It lies about 120km south of the Equator, 1,200km west of the Indian Ocean and 2,000km east of the Atlantic Ocean at between 1°04' and 2°51' latitude South and 28°53' and 30°53' longitude East. The neighbors include the Democratic Republic of Congo (DRC) to the west, Tanzania to the east, Uganda to the north and Burundi to the south. Figure IV.1 provides a first indication of Rwanda's location in the world.



Figure IV. 1: Map of Central Africa
(source: Republic of Rwanda, 2006b: 2)

Despite the proximity to the Equator, Rwanda enjoys a rather mild climate with an average annual temperature of around 24°C and regular rainfall with two main rainy

seasons from the middle of September to December and from the end of January to May. This is mainly due to the country's high altitude, ranging from below 1,000m to 4,507m. Rwanda is literally the *Land of a Thousand Hills*, owing to its position on the eastern rim of the Albertine Rift Valley which is a part of the Great Rift Valley that cuts through the continent from the Red Sea to Mozambique and forms the watershed of the Nile and Congo rivers.

The country's natural environment is highly varied. It is dominated by a central plateau with seemingly endless hills and depressions, which is surrounded by mountainous forests in the southwest, the large inland sea Lake Kivu in the west, five volcanoes in the northwest and more moderate eastern slopes that extend, at gradually reducing altitudes, to the plains, swamps and lakes of the eastern border region. Despite local differences, there is a general pattern of increasing temperatures and declining rainfall from west to east, reflecting the decreasing altitude (Enger, 2006: 28).

The Virunga volcanoes in the north-west include, on the Rwandan side, Muhabura (4,127m), Gahinga (3,474m), Sabyinyo (3,634m), Bisoke (3,711m) and Karisimbi (4,507m). Three more volcanoes – Mikeno (4,437m), Nyragongo (3,470) and Nyamuragira (3,058m) – are located on the Congolese side of the border. Sabyinyo, the oldest volcano, has already strongly eroded; Muhabura and Bisoke both feature a crater lake. Karisimbi, the highest mountain of the Virunga chain, contains several additional craters and benefits from occasional snowfall at the peak. All Rwandan volcanoes are considered to be extinct.

Lake Kivu is one of the 20 deepest and most voluminous freshwater bodies in the world. Formed about two million years ago around the end of the Tertiary period due to heavy tectonic activities, its surface has an altitude of 1,470m (Briggs & Booth, 2006: 153). The Virunga volcanoes created a natural dam in the north and isolated it from the more northern lakes of the Albertine Rift Valley. In the south, it is connected with Lake Tanganyika by the Rusizi River. Countless bays, inlets and islands are characteristic features of the Lake.

Rwanda's western and south-western slopes form part of the eastern rim of the Albertine Rift Valley and range from 1,460m to 2,900m in altitude. The area still con-

tains larger patches of mountainous rainforest such as the Gishwati Forest in the north and the Nyungwe Forest in the south, and is, therefore, one of the last refuges for a variety of endemic species of flora and fauna.

The central plateau is characteristic for Rwanda's nickname, the 'Land of a Thousand Hills'. It literally contains a thousand hills that are interrupted by often marshy valleys and various rivers. Altitudes range from 1,500m to over 2,000m. Further towards the east, these highlands descend at gradually reducing altitudes and give way to a comparably flat and low-lying region with an altitude of 1,500m decreasing to less than 1,000m. The Akagera River, supposedly the furthest source of the Nile, passes through the entire east from north to south, before turning westwards and having its source in the Nyungwe Forest. Apart from that, Rwanda's east features savannah areas, various rivers and lakes as well as wetlands (MINITERE, 2004: 10).

The country is usually thought of as being rather poor in mineral resources. While this might be true in comparison with neighbors such as the DRC with its abundance in valuable minerals, recent analyses have discovered some largely untapped potential. The main mineral resources include coltan, tantalite, cassiterite, wolframite and gold. With regards to water resources, in most areas the level is good with adequate rainfall, numerous springs in the lower slopes of the hills, many lakes and rivers, and high ground water tables (Government of Rwanda, 2002a: 25f.).

The country's vegetation has changed dramatically over the past centuries. While a considerable part of the territory was once covered by mountainous rainforest, most of this had to give way to the population's agricultural needs. Today, there are only few remaining patches of dense equatorial forest in the north- and southwest. Agricultural lands are spread across no less than ten different agro-climatic zones, and, particularly in hilly terrains, the human pressure often results in erosion (Republic of Rwanda, 2003a: 1).

Rwanda used to have a highly varied flora and fauna. The high population density, however, led to increasing loss of habitat as well as poaching so that many of the original species are only found in limited numbers in the three National Parks that cover about 8.6% of the country's land area, Volcanoes (VNP) in the northwest,

Nyungwe (NNP) in the southwest and Akagera (ANP) in the east. The Parks are indicated in darker colors on the map in figure IV.2 below.



Figure IV. 2: Map of Rwanda

(source: Expert Africa, 2006: internet)

VNP hosts about half of the 700 last remaining wild mountain gorillas (*gorilla beringei beringei*) in the world. Furthermore, there are over 80 mammal species including buffalos and elephants, over 250 bird species including at least 16 Albertine Rift endemics, over 40 reptiles and 45 amphibians, as well as more than 600 different plants (Enger, 2006: 108). NNP contains the largest afro-montane forest in Central and East Africa. It is very rich in biodiversity and includes 13 primates and about 60 other mammal species, 275 bird species, 125 butterfly species, more than 260 tree and climber species, and 148 orchid species (ORTPN, 2004: 15). ANP is a savannah and wetland park that features more than 1,000 different plants. The fauna includes 20 large and 25 smaller mammals, such as zebras, antelopes, buffaloes, elephants, gi-

raffes, rhinos and large carnivores. It is also known as a bird diversity hotspot with over 500 different species, and hosts almost 50 different reptiles (Government of Rwanda, 2006: 10).

Combined with its very small size, the country's rich diversity in landforms and vegetation is a potential major pull factor for tourism purposes. Nature lovers have a lot to explore and can do so without long breaks for transfers. A pleasant climate all year round further contributes to a positive environment for a trip. Not only are temperatures and low humidity rates very pleasant, but they are also responsible for a comparably light disease burden. The location as a landlocked country, however, also brings major disadvantages for tourism. Rwanda is rather difficult to access, and it does not feature a coastline with nice beaches that would be a plus for a relaxation leg of the holiday. Compared to nearby countries like Tanzania and Kenya which are able to combine nature tourism with white sandy beaches, Rwanda has to focus on other assets.

Regional competition is generally strong. Kenya remains the dominant power despite some recent decline. After largely uncontrolled tourism developments that started in the 1970s and the creation of mass tourism opportunities, the country is now gradually repositioning itself and attempts to target increasing numbers of explorers as well as domestic tourists. Tanzania has certainly a similar capacity but continues to be less visited than its northern neighbor. Since 1996, the country pursues far-reaching plans to attract high-spending tourists including eco-travelers and explorers. This way, it attempts to position itself as a high quality alternative to Kenya (Kacou, 2002: 3f.).

Despite very spectacular scenery and good wildlife watching opportunities, Uganda still carries a somewhat rustic image and, therefore, faces difficulties to attract large amounts of tourists. It now tries to focus more on ecotourism, and also creates a range of niche products for explorers, individual business travelers and many other segments. Finally, Burundi and the DRC receive very few visitors at the moment, and their tourism industries are basically non-existent.

In this geographical and geostrategic environment, Rwanda has to find a way to demonstrate its uniqueness and to position itself as a very diverse and distinct alternative for an East and Central African destination. It should also explore potential partnerships and destination combinations with its regional neighbors. As a result, the country's tourism strategy has to take these factors into consideration.

Recommendations:

- To position the destination as a very diverse and distinct alternative for an East and Central African country.
- To explore win-win situations through partnerships and destination combinations with regional neighbors.

IV.1.2. History

Differential diagnosis: History

- Pre-colonial times
- Colonial times
- From independence to the 1994 genocide
- Post-genocide legacy, reconstruction and transition

Rwanda's history is most frequently divided into at least four periods, namely the pre-colonial times (IV.1.2.1), the colonial times (IV.1.2.2), the period from independence to the 1994 genocide (IV.1.2.3), and the reconstruction and transition phase since 1994 (IV.1.2.4).

IV.1.2.1. Pre-colonial times

The name *Rwanda* is supposed to be derived from the verb 'kwanda' in *Kinyarwanda*, which means 'to enlarge' or 'to grow' (Gasabo, 2004: 118). This heritage hints at an early history of armed conflicts and expansionist thinking, as Rwanda was considered to be a large or growing country. Indeed, very few hard facts are known about the pre-colonial days of the country which makes it difficult to reconstruct its history and gives space for interpretations and theories. While Rwanda has a rich oral history with a variety of myths, poems, songs and folk stories, a written language did not exist before the first European colonizers and missionaries arrived at the end of the 19th century. Most of the country's early history is, therefore, based on as-

sumptions drawn from these oral sources as well as very limited archaeological and anthropological findings.

It is not surprising that historians still debate the origins and the relations of the *Banyarwanda*²⁴. The theory used in history books and supported by the Rwandan government up to 1994 was strongly influenced by the first Europeans who arrived in the late 19th century with a worldview that was largely formed by Darwinian principles. They were amazed to find a population that apparently consisted of three different 'ethnic' groups – the *Tutsi*, the *Hutu* and the *Twa*²⁵ – that were more or less easy to identify by their physical appearance and their social status.

According to the colonizers' and missionaries' classification, the latest settlers were the minority Tutsi, generally tall people with comparably fair skin color and long noses. Their main occupation was the raise of cattle, and a 'Tutsi' in *Kinyarwanda* is an 'owner of cattle'. Their traits apparently indicated that they had to be of Abyssinian descent and came, therefore, from the north or north-east of the continent. Over the centuries, they subjected the majority Hutu, farmers of shorter height and with flat noses who were categorized as *Bantu* people of Central Africa, as well as the Twa, pygmoid hunter-gatherers and probably the first inhabitants of the region who only made up a minuscule percentage of the population (Briggs & Booth, 2006: 7).

This so-called *Hamite Theory*²⁶ created an ethnic difference between the three social groups that did not exist as such prior to the arrival of the Europeans. In fact, they shared a single language²⁷, one culture and the same traditions and customs, characteristics that usually correspond to a common ethnic background. Because of this,

²⁴ The *Banyarwanda* are the people of Rwanda. Other terms frequently used in an interchangeable way are *Rwandans* and *Rwandese*.

²⁵ In *Kinyarwanda*, the correct words are *umuhutu*, *umututsi* and *umutwa* for individuals and *abahutu*, *abatutsi* and *abatwa* for the groups. However, the names *Hutu*, *Tutsi* and *Twa* are frequently used in both international as well as national environments and will also be employed in this thesis.

²⁶ Gasanabo (2004) provides a comprehensive overview in his Ph.D. thesis by quoting the works of various European colonizers and missionaries as well as Rwandan and international historians. The former include the supposed inventor of the *Hamite Theory*, the English explorer John Hanning Speke (1863), as well as the Austrian and German colonizers Oscar Baumann (1892) and Gustav Adolf Graf von Götzen (1894), and the Belgian missionaries Albert Pagès (1933) and Louis DeLacger (1939). The latter include, among many others, the Rwandan historians Alexis Kagame and Aloys Bigirumwami who wrote influential accounts in the 1940s to 1970s.

²⁷ Linguists typically classify *Kinyarwanda* as a *Bantu* language (Gasanabo, 2004: 4).

some more recent historians as well as the Rwandan Government after 1994 have started to question the influential assumptions of the colonizers and missionaries.

Founding their new theory on another interpretation of the historical oral accounts, they place a stronger emphasis on the primary identity of all Rwandans associated with 18 neighboring family clans. The categories Hutu, Tutsi and Twa were merely socio-economic classifications within each clan, and strong hierarchies emerged, comparable to the feudal system found in medieval England (Nolting, 2003: 231). The pastoralist Tutsi formed the aristocracy or political elite, and they entered into master-client relationships with the farming 'Hutu', originally 'subordinates' or 'followers of a more powerful person'. While the former provided cows and acted as protectors in times of war, the latter were responsible for certain services that benefited both of them.

Intermarriages and wealth-related changes of status were not necessarily uncommon, even though some supporters of this theory argue that the practice of marrying within the same social group "created a shared gene pool within each group, which meant that over generations pastoralists came to look more like other pastoralists – tall, thin and narrow-featured – and cultivators like other cultivators – shorter, stronger, and with broader features" (HRW, 1999: internet). This way, they try to explain the different physical appearances that the European colonizers and missionaries identified as 'ethnic' characteristics.

The clans fought out regular conflicts, until the *Abanyiginya* established their power as the dominant clan over the other territories. Their Tutsi *mwami*, the king, thus ruled over most of Rwanda, an area that was considerably larger than today's geographical borders and stretched as far as Lake Edward in the north and far beyond Lake Kivu in the west. Few farming groups in the north, northwest and southwest successfully resisted his authority and remained outside the political kingdom. The result was a multitude of hierarchies within the territory, including the central administration, but also various lines of authority within small states embedded in the larger nation and even some more or less independent areas. Historians who support the second theory agree that, at the time of the arrival of the first Europeans, the Rwandan people thought and felt in terms of belonging to a clan instead of being part of an

ethnic group – even though, as Gasanabo (2004: 225) admits, the limits of the terms were never clear. Similarly, Murison (2003: 3) criticizes the regular oversimplification of these concepts.

Even though history can enrich a tourist experience and is, therefore, relevant to this work, it is beyond the scope of the thesis to settle the dispute about the origin of the people of Rwanda. Recent archaeological findings appear to confirm that successive groups of inhabitants indeed came from different parts of the continent (Gasanabo, 2004: 41), but scientific research is still far too scarce to be convincing. Today's Government aims at downplaying the differences in pursuit of a new national identity marked by unity, a "common origin" and a "common destiny" (Republic of Rwanda, 2004c: 18). This goes hand in hand with the belief that divisionism was the "outcome of a deliberate manipulation by the former colonial power of historical but indistinct social divisions within Rwandan society" (Tikly *et al.*, 2003: 118).

While it is certainly an honorable and extremely valuable attempt to heal the wounds caused by more than half a century of hatred fueled by purported ethnic divisions, the Government's rigid stance is often criticized, as will be discussed in more detail in a later chapter (see IV.4.1.2.).

IV.1.2.2. Colonial times

Rwanda is rather exceptional compared to almost all other countries on the continent with regards to its interaction with foreign nations. The small mountain kingdom remained almost completely isolated from the outside world until the 1890s. It did not participate in the slave trade, and remained largely closed to Arab and Asian merchants who started to settle in neighboring territories. To further underline this, Briggs and Booth (2006: 9) portray the story that Henry Morton Stanley, the great American explorer, attempted more than once to enter the kingdom and even managed to reach Lake Ihema in what is today Akagera National Park in the southeast in 1874. He was, however, attacked by furious inhabitants with bows and arrows, and rapidly retreated.

In 1884/1885, the kingdom was officially assigned to the German sphere of influence as part of *Deutsch Ostafrika* at the Berlin Conference. It was not before 1892, how-

ever, that the Austrian explorer Dr. Oscar Baumann entered the territory in the name of the Germans as the first European to ever set foot there. He was followed by the German Count Gustav Adolf von Götzen in 1894, who met the *mwami*, King Rwabugiri. In 1898, the agreement was reached that the kingdom became an official colony. The first German colonial governor Dr. Richard Kandt valued the existing power structures and decided to rule through them. Together with the first Catholic and Protestant missionaries, the Germans subsequently started to found settlements – including the new capital Kigali in 1907 – and to build schools and medical centers. From this time also comes the first account of the country that could be interpreted as an attempt at tourism promotion – though for a colonialist audience. In 1907, the Duke of Mecklenburg visited the country and wrote:

[I]t is a land flowing with milk and honey, where the breeding of cattle and bee-culture flourish, and the cultivated soil bears rich crops of fruit. A hilly country, thickly populated, full of beautiful scenery, and possessing a climate incomparably fresh and healthy; a land of great fertility, with watercourses which might be termed perennial streams; a land which offers the brightest of prospects to the white settler.

(Duke of Mecklenburg, quoted in Briggs & Booth, 2006: 11)

The German colonizers did not stay long enough to make a lasting impression on the country. In 1916, during the First World War, Belgian troops invaded the country, and King Albert I became the new colonial master of Rwanda and its southern neighbor Burundi – from 1919 under an official mandate of the League of Nations and after 1945 as a trustee of the United Nations. The Belgian invasion effectively meant an end to largely indirect rule as instituted by the Germans. Starting in the 1920s, the new masters began to reform the existing political, economic and social structures. They attempted to leave the essential elements of the system – and most notably the Tutsi dominance – intact. But they desired to improve the complex administration through centralization and the achievement of more efficiency (Rurangwa, 2002: 4).

The Belgian colonial period witnessed a number of material achievements which are often ignored. By means of persuasion and, if necessary, force, they improved traditional farming methods. Measures included the compulsory cultivation of food crops, the introduction of new techniques and foreign vegetables, the promotion of fertilizer use, the fight against erosion, the construction of storage facilities and processing

plants, and even the forced introduction of certain export cultures such as coffee, tea and quinine for additional cash income. There were also extensive construction programs for physical infrastructure, including roads, school and hospitals.

The impact on the society's social fabric was, however, less successful. In line with the existing power structures, the Tutsi minority continued to dominate all spheres of life. Unfair tax collection and the organization of forced labor contributed to economic exploitation. Furthermore, Hutus were largely neglected in the educational system, and they generally "remained 'second-class citizens' in almost all respects" (Briggs & Booth, 2006: 13). This 'ethnification' of society found its strongest expression in the 1933/34 population census after which the colonial masters introduced a system of identity cards that indicated the ethnicity of each person. Rwandans were physically measured to fit into predetermined categories. And where it was not immediately clear, factors of wealth and, particularly, the amount of cattle in possession were used for clarification purposes. This practice gave a touch of rigidity and 'ethnic' finality to the previously less important social characteristics, and ultimately led to conflict and violence (Magnarella, 2002: 26).

After the Second World War, colonies around the world increasingly fought for their independence. This was not very different in Rwanda, where both the Tutsi elites as well as increasingly self-confident and educated Hutu leaders called for an end of Belgian rule in the 1950s. At the same time, the Belgians were increasingly in the global public eye because of their apparently discriminating colonial activities (CBI, 1999: 2). To deal with the criticism – and certainly also to reflect changing social structures in Belgium itself – the colonialists turned their allegiance and started to push for the development of democratic structures. This new approach led them to support influential Hutus like Grégoire Kayibanda in their demand for recognition of the majority. The unexpected death of the well-regarded *mwami* King Rudahigwa in 1959 signified the beginning of a power struggle and first violent clashes between Hutus and Tutsis that ended in what was seen as a *Hutu revolution* (Schule & Mission, 2003: 12). In these days, an estimated 300,000 people were killed. As Briggs and Booth (2006: 15) correctly point out, "[i]t is worth remembering that this was the first organized violence between the two groups, and it happened little more than 40 years ago".

IV.1.2.3. From independence to the 1994 genocide

This upheaval was followed by three unpredictable years of Belgian military rule. The period included manipulated and non-recognized elections, a unilateral declaration of a republic, another election this time supervised by the UN, and continuing violence. Rwanda finally gained independence on July 1, 1962 with Grégoire Kayibanda, the founder of the *Parmehutu* party, as first President. He installed a highly centralized and repressive state with a single-party system. In the meantime, about 135,000 Tutsis had already fled to neighboring countries, to be followed in the subsequent years and decades by several hundreds of thousands more.

The new Government further strengthened the ethnic division by discriminating against the remaining Tutsis, both in employment and in education, and it even introduced quotas that reduced the number of school places and jobs available to the minority (Tikly *et al.*, 2003: 16). At the same time, violence continued, fueled by sporadic raids of Tutsi exiles and by increasing propaganda from Hutu leaders. According to the New York-based International Peace Academy, there were at least seven large-scale massacres in Rwanda between 1959 and 1994 (IPA, 2004: 2).

During the ensuing years, Kayibanda's regime increasingly exploited its power and monopolized the benefits for its supporters from the south of the country. The result was growing dissatisfaction from the powerful Hutu rivals in the north. In 1973, they initiated a *coup d'état*, and the moderate General Juvenal Habyarimana took power. While at times he acted almost like a dictator, he actually managed to achieve a sort of cooling down of the conflict and relative peace and stability. He even pushed for some degree of reconciliation, supported educational reforms, and the country enjoyed a reasonable economic progress.

Other structural factors, however, now started to impact heavily on the population. The small country increasingly suffered from growing overpopulation, and the limited area could not sustain the high numbers of inhabitants who strongly depended on land for their agricultural activities and consumption needs. The 1980s further saw a sharp decrease in world market prices of Rwanda's main export crops, coffee and tea, as well as rising oil prices. Hence, the economic achievements remained rather

superficial because the mass of the people stayed poor – and even became poorer with growing population pressure (HRW, 1999: internet).

In the meantime, the hundreds of thousands of exiled Rwandans in neighboring countries continued to pose problems to the entire region. Not being able to return to their home nation, they needed to be integrated in one way or another in the social fabric of their host states. Uganda, Tanzania, then-Zaire and Burundi all advocated policies of refugee settlements and self-sufficiency, but the Rwandans in exile enjoyed very different rights from their hosts. While Tanzania was rather accommodating, the early Uganda under Dr. Milton Obote, for example, continued to treat them as a “temporary phenomenon who would eventually return to Rwanda” (Murison, 2003: 4).

Obote was particularly hostile to the Rwandan refugees. They, in return, became increasingly organized and started to interfere in Ugandan politics by supporting the National Resistance Army of Yoweri Museveni which, ultimately, overthrew Obote in 1986. That way, when a powerful group of these Tutsi exiles created the Rwandan Patriotic Front (RPF) in 1987 as a political and military organization, it not only attracted Tutsi refugees and some prominent Hutus opposed to Habyarimana’s regime, but also extensive Ugandan military hardware. They gained so much confidence that, on October 1, 1990, they invaded the northeast of Rwanda and launched an open war against the regime in Kigali.

The timing was crucial. The economy had just experienced a dramatic decline due to a collapse in global coffee prices in 1989, and an ever increasing population pressure and insufficient agricultural production from limited land further worsened the problems (Rurangwa, 2002: 6). All of this was set against a background of post-Cold War political liberalization with Western governments pushing for democratic reforms around the world. Habyarimana saw himself forced to concede the principle of multi-party democracy and to implement rigid development policies if he wanted to continue benefiting from international aid.

In August 1993, Habyarimana gave in to growing international pressure and, despite strong opposition from increasingly influential Hutu hardliners, signed a peace

agreement with the RPF in the Tanzanian city of Arusha. The *Arusha Accords* committed the Government to various political reforms, including the provision for a parliamentary system under a government of national unity based on the rule of law, pluralism, repatriation of refugees, adherence to international human rights standards, and the integration of RPF troops in the national armed forces. In order to monitor the political transition, the UN sent UNAMIR, the United Nations Assistance Mission for Rwanda, into the country. In the light of recent failures and catastrophic consequences of another UN mission in Somalia, however, the Security Council only allowed for a financially modest force of about 2,500 peacekeepers that lacked a strong mandate to enforce sanctions upon potential violators of the ceasefire (Samset & Dalby, 2003: 7).

All these new developments were unacceptable to both Tutsi and Hutu hardliners who prepared for their own solutions to the situation. The latter, in particular, used increasingly clear signals with hate speeches and propaganda that was initially disguised in coded language²⁸ but became more and more blunt and forthright. Radio stations such as Kigali's *Radio-Télévision Libre des Mille Collines* also played important roles in inciting the Hutu population, and "insistently and viciously identified Tutsis as 'the enemy', in dehumanizing and vilifying terms" (Briggs & Booth, 2006: 17). The ideology purported by the hardliners portrayed the Tutsis as foreigners with no right to live in Rwanda, and also as those responsible for continuing Hutu poverty (HRW, 2006: 6). They ensured unlimited control of the military, the administration and the political parties, distributed weapons to supporters, and installed and trained militia groups such as the *interahamwe* – variously interpreted as 'those who work together', 'those who stand together' or 'those who attack together' (Sommers, 2006: 5).

When President Habyarimana's plane was shot down over Kigali on April 6, 1994²⁹, killing him and the new Burundian president Cyprien Ntaryamana, the Hutu extremists saw that their time had finally come. Within a few hours, they set up road blocks

²⁸ For example, Hutus were told to "do the harvest" or to "get down to work" (Samset & Dalby, 2003: 7).

²⁹ The source of the attack has never been confirmed and continues to give rise to controversy and even geopolitical scandals as the recent rupture of diplomatic ties between Rwanda and France has shown.

around the city and started to implement a plan for massive slaughter that, as later investigations showed, had been prepared for almost three years (IPA, 2004: 3). Among the first to die were leaders of political opposition groups and moderate supporters of reconciliation, including Prime Minister Agathe Uwilingiyamana. In order to remove the only serious group that had the military power to interfere, ten Belgian UNAMIR peacekeepers were killed by Rwandan presidential guards, triggering Belgium to withdraw its troops and to leave the UNAMIR forces without any real military options. Afterwards, systematic killings began and did not end until July.

While at first many Hutus resisted to become involved, they often did not have a choice or would have lost their own lives. The *génocidaires* benefited from the strong hierarchical thinking and organization in the country. Orders to kill were passed downwards on the line of command – from *préfecture* to *commune* to *secteur* to *cel-lule*. Nobody was able to remain unaffected, and a 1995 UNICEF report estimated that 99.9% of the Rwandan children “witnessed violence” while no less than 69.5% “witnessed someone being killed or injured” (Briggs & Booth, 2006: 19). Nevertheless, there are numerous little stories of heroism with people who hid their neighbors, refused to kill or let victims escape. By the beginning of July, after 100 days of slaughtering, more than a million people had been killed.

An important question after the genocide was why the international community did not keep its commitments of *Never Again*. Evidence emerged that a variety of policymakers knew of preparations for massive slaughter (e.g., HRW, 1999: internet; IPA, 2004: 4; Murison, 2003: 6; Power, 2001: internet). At least the governments of France, Belgium and the United States as well as the UN and the Vatican had to be aware of the real extent of the killings. But an unfortunate concatenation of events was coupled with questionable political decisions, lack of understanding, even lack of interest and a strong desire simply not to get involved. While the exact reasons for the nonintervention are beyond the scope of this thesis, it became evident that a number of simple actions could have had a big impact and could even have prevented or at least stopped much of the slaughter.

The world finally woke up in late June and allowed France to organize a humanitarian protected zone in the southwest under their UN-mandated *Opération Turquoise*. This

highly controversial operation saved only few Tutsi lives, but provided many killers a way out of the country towards then-Zaire among hundreds of thousands of Hutu refugees (Samset & Dalby, 2003: 7). The latter were fleeing in front of the advancing RPF troops who had invaded the country from their bases in southern Uganda to stop the genocide and who finally declared total victory on July 14, 1994. The world community had failed, a fact that its leaders of the time, such as then-US President Bill Clinton and UN Secretary-General Kofi Annan who, in 1994, was the head of the UN's peacekeeping office, acknowledged through later official apologies.

In pursuit of explanations, academics and policy think tanks produced numerous studies and theories. While an ethnical dimension cannot be denied, longer-term socio-economic factors and simple power politics played crucial roles. The economic plight of the population had continuously worsened. The country suffered from ever-growing imbalances in land, food and people, a fact that was further amplified through the civil war with the RPF. The results included severe hunger, periodic famines and fierce competition for land (Magnarella, 2002: 34; Tiemessen, 2005: 7). The entire situation created an environment of "enforced entrapment and pervasive hopelessness of Rwandan youth" (Sommers, 2006: 7), without any evident drain valve except for extreme violence.

The Hutu elite in power had very different problems. The economy was in serious trouble, and military defeat against the RPF became a clear probability. To satisfy international donors, the Government was forced to make strong political and economic concessions. Internal opposition grew. All of this hinted at the possibility that they might soon lose power and the associated privileges (HRW, 2006: 4).

The solution was to use the socio-economic difficulties and the hopelessness of the great majority of the population, and to play the ethnical trump card. The Hutu hardliners developed a strategy of political indoctrination that planted racist anti-Tutsi prejudice and explained the misery through the use as scapegoats (Sommers, 2006: 8). Apart from that, they institutionalized a culture of impunity on the part of the powers that opened the way for large-scale participation (Rusagara, 2006: 8).

Attempts to explain the seemingly inexplicable through socio-economic, political and ethnical dimensions will always appear to be rather shallow. But at least they provide accounts of the atmosphere in Rwanda at the time of the genocide. Any deeper analysis of the potential reasons is beyond the scope of this thesis.

IV.1.2.4. Post-genocide legacy, reconstruction and transition

Suggestions were made to us to the effect that we had no alternative but to partition the country into a land for Hutu and a land for Tutsi, or to be placed once again under UN trusteeship. However, the people of Rwanda rejected those suggestions. The achievements of the last 10 years in terms of establishing peace, security and stability; reconciling and uniting the people of Rwanda; developing a culture of good governance and democracy; and economic recovery and growth, have proved us to have been correct.

(Charles Murigande, Minister of Foreign Affairs and Development Cooperation, quoted in IPA, 2004: 13)

In late 1994, the transitional Government of National Unity under President Pasteur Bizimungu became operational. Based on the 1993 *Arusha Accords*, it had to cope with a legacy that could hardly have been worse. A million dead, three million exiled and another million internally displaced were the immediate statistics (Government of Rwanda, 2002a: 6). Poverty had risen exponentially to an estimated 78% of the population (Evans *et al.*, 2006: 8). Furthermore, the people suffered from reduced shelter and capital stock, serious destructions of infrastructure and devastating impacts on health, education, agriculture and human capacity. In 1996, there was still an incredible amount of 85,000 child-headed and no less than 34% of women-headed households (Government of Rwanda, 2002a: 8). More than 100,000 people were imprisoned, placing a further economic burden on the country.

Possibly even more important was the social and psychological destruction. The society was deeply divided with no evident solution for fast reconciliation. Many people were traumatized, and social networks were seriously damaged. Sporadic bursts of violence continued for several years, and minor disputes quickly assumed the form of conflicts. Survivors demanded justice and sometimes took it in their own hands. It was an apparently insurmountable task to weave the social fabric and a basic degree of trust back into Rwandan public and private lives.

Added to this was a continued external security threat with many of the exiled *génocidaires* particularly in then-Zaire trying to regroup and to 'finish their work' from their new bases in refugee camps. By late 1996, the Rwandan army, supported by Laurent-Désiré Kabila's *Alliance des Forces Démocratiques pour la Libération du Congo-Zaire* as well as the Ugandan army, forcibly closed the camps across the border in Goma and Bukavu. They tried to hunt down fleeing members of the ex-Government forces and militia groups. But then, explained by continuing opposition by the Zairian dictator Mobutu Sese Seko and the desire for more influence in the region, they set out to overturn Mobutu and his government and to install Kabila as new President of the renamed Democratic Republic of Congo (DRC).

Two years later, Kabila himself turned against his former Rwandan and Ugandan supporters and triggered yet another war, the extent of which was unprecedented on the African continent. At one point, at least seven nations and a host of rebel movements and other local armed groups became involved in pursuit of a piece of the cake of Congolese territory and wealth (HRW, 2004: internet). There was and still is a lot of controversy about this military action, and the motifs of the participants – including Rwanda – are questionable but go beyond the scope of this thesis.

Rwanda, in the meantime, achieved remarkable things inside its own borders. Against all odds, the Government of National Unity managed to achieve the restoration of peace and stability. It rebuilt the largely eroded public institutions and embarked on a strong good governance program. Following local elections in 1999, the country held successful presidential and parliamentary elections in 2003 that firmly established Paul Kagame as President³⁰. It resettled and reintegrated millions of displaced people and returning refugees. It reconstructed much of the destroyed physical infrastructure and started to create a liberal environment for the economy. It embarked on a strong initiative to develop human capacity with major emphases placed on education and health. And it started a process of national reconciliation that has

³⁰ Paul Kagame, the former RPF Major General, had already served as President since March 2000 when Pasteur Bizimungu resigned and Kagame was unanimously elected by the National Assembly of the Transition (Murison, 2003: 8).

shown first signs of success. To use the words of Clare Short, the former British Secretary for International Development:

I think when you think about 1994 and the terrible suffering and loss of life and destruction of all institutions of the country and the economy, and the fact that the people responsible for the genocide went out into the Congo and have been determined to come back and try to destabilise the country once again; and the levels of poverty and suffering, it is a miracle that Rwanda has managed to achieve what it has achieved.

(Clare Short, quoted in *The New Times*, 2003: 4)

Nevertheless, it should not be forgotten that the socio-economic situation is far from good. Rwanda remains a small and landlocked country with a large population and the highest density in sub-Saharan Africa. Today's per capita income is still lower than in 1990 with \$230 compared to \$370. 60% of households remain below the poverty line – compared to 45.7% in 1985 (Government of Rwanda, 2002a: 14). A lot needs to be done to guarantee continued stability, peace and sustainable development towards a bright future.

Outside of the country's borders, Rwanda increasingly assumes its responsibilities. The war in the DRC is over, and Rwanda has withdrawn its troops. In June 2005, President Kagame became the chairman of the Common Market for Eastern and Southern Africa (COMESA). A month later, then-Finance Minister Dr. Donald Kaberuka was elected President of the African Development Bank. A further two months later, the Rwandan Ambassador to Switzerland, Valentine Rugwabiza, was appointed as one of four Deputy Directors-General of the World Trade Organization as the first woman to hold such a prestigious position. And, in 2006, Rwanda participated in the African Union peace-keeping mission in Sudan's Darfur region, in an African Union-led election monitoring mission on the Comoros, as well as a UN-requested support mission to build a police force in Liberia.

For tourism purposes, this turbulent and tragic history presents both strong challenges and great opportunities. As a destination, the main obstacle is certainly the very negative image that comes from the recent violent environment. Today, thirteen years after an unimaginably cruel genocide, potentially interested visitors cannot believe that the country is safe and stable, that a lot of progress has been achieved

both in terms of reconciliation and in economic, political and social terms, and that Rwandans are actually hospitable and friendly people. The negative image not only impacts on visitation statistics but also on foreign investments. Potential investors think twice before bringing their money to a country where everything was destroyed just over a decade ago. As a consequence, tourists find only limited tourism infrastructure that does not always satisfy international standards.

Contrary to these concerns, the history also offers numerous opportunities as tourism asset. Potential visitors will be intrigued to learn more about the backgrounds of the conflict. Such a search will inevitably lead them to Rwanda's rich heritage and the great cultural diversity. Various niche products and add-ons are thinkable that feature the different periods of the country's history and relate them to cultural practices and traditions. At an extreme, there are even market segments interested in 'war tourism' that leads them to explore battle fields, hideouts, bunkers and so on. Last but not least, a series of genocide memorials have been installed throughout the country. They function, at least partly, as museums and reminders, and they are often included in tourist itineraries.

Rwanda's history is, therefore, a double-edged sword for the country's tourism planners. On the one hand, they have to concentrate their efforts on improving the image as a destination. On the other, they can and should harness it as a tourism asset.

Recommendations:

- To create marketing strategies that turn the country's negative image about the genocide and general violence into opportunities to become curious about, to discover and to explore a fascinating yet tragic history and culture.
- To harness the history for tourism purposes as this creates opportunities for Rwandans and also helps them to become above the violent past and the differences that might still exist in society.

IV.1.3. Society and culture

Differential diagnosis: Society and culture

- Social diversity
- Gender relations
- Private social safety nets

Despite the Government's efforts to unite the Rwandans and to put away with perceived or real social differences, it cannot be denied that the country is rich in social and cultural diversity. In the past, this has been harnessed by negative powers, but, today, Rwandans are rediscovering their heritage. In this chapter, we will explore this social diversity (IV.1.3.1) and, afterwards, introduce patterns of gender relations (IV.1.3.2) as well as the important private social safety nets (IV.1.3.3).

IV.1.3.1. Social diversity

The account of Rwanda's history has shown an enormous cleavage that ran through Rwandan society in the decades before the genocide. Researchers and historians have, so far, been unable to determine whether the differences between Hutus and Tutsis were merely socio-economic and socio-cultural, or also ethnical. In any case, the colonial powers supported the 'ethnification' of the cleavage that led to a divided society and, ultimately, to genocide.

Today's Government is anxious to invoke the commonalities, negates any ethnic differences and, officially, speaks about the Banyarwanda as one homogenous people. The new Constitution of 2003 firmly outlaws all forms of discrimination on the basis of race, gender, religion or employment. To answer whether or not this strong political stance successfully bridges the gap between the groups is beyond the scope of this thesis. We got the impression that there are no incidents of outward discrimination whatsoever. Government jobs, for example, appear to be generally filled according to qualifications and not according to social characteristics or personal contacts. As a consequence, members of all groups appear to have the same opportunities.

At the same time, it goes without saying that the individual perceptions of all members of Rwandan society will probably continue to be veiled by the experiences of the tragic recent past. Just about a decade ago, the basic trust in the other members of society – particularly those from the other groups – was deeply shattered. Such circumstances require a sustainable long-term process of healing. Both the Government and civil society have started to launch numerous initiatives that aim at reconciliation. These will be dealt with in a later chapter (IV.4.1.2).

The Government is certainly sending some positive signals and remains firm on condemning all forms of discrimination. We would, however, like to join those voices that call for greater dialogue and an open nation-wide discussion about the differences in society (e.g., Samset & Dalby, 2003: 45; Zorbas, 2004: 41ff.; APRM, 2006: 127). Refusing to recognize and accept the existence of social diversity is against human nature and potentially breeds discontent. Fighting against discrimination might, therefore, be insufficient and require additional measures to celebrate culture and other social characteristics.

On a different note, the Twa constitute the only socio-cultural minority group in Rwanda. Numbering less than 25,000, these pygmoid people used to live as hunter-gatherers in the high mountain forests. Today, however, most forests have gone and the remaining patches have been declared national parks. While some Twa have voluntarily integrated, the majority of them were completely marginalized both socially and economically. Gardner (quoted in Briggs & Booth, 2006: 30) estimates that only 1.6% of the Twa have enough land to feed their families. They often have to survive on begging or performing small works for others. The Government's policy of unity and homogeneity brought further challenges to the Twa. The authorities pursue an approach of integration "into some mainstream socio-economic fabric" that the African Peer Review Mechanism (APRM)³¹ even termed a "policy of assimilation" (APRM, 2006: 51). In its country comment to their Report, the Government strongly opposed the use of the term 'assimilation', but explained that changing times make a process of integration inevitable (quoted in APRM, 2006: 137). In official communications, authorities even negate the existence of pygmoid people in Rwanda (personal communication, Hochleithner, Oct 21, 2006).

The Government further faces the challenge of reintegrating groups that have become isolated, including returning refugees, released prisoners or orphans. One important measure introduced by law in 1997 is the construction of grouped settlements called *imidugudu*. Traditionally, Rwandans are used to be scattered on the hills and dislike to live too close to each other (APRM, 2006: 119). The sometimes forced relocation to these settlements, therefore, brought a lot of controversy. But especially

³¹ Rwanda was the second country after Ghana that accepted to be examined under NEPAD's African Peer Review Mechanism (APRM, 2006: 23).

younger people have started to appreciate the new opportunities. They benefit from increased security, easy access to basic infrastructure and delivery of basic services, often enhanced social cohesion, and encouragement to develop off-farm activities (Tiemessen, 2005: 7). In 2004, already about 19.4% of all households lived in an *imidugudu* (Republic of Rwanda, 2004a: 20).

Tourism can play an extremely important role in the country's healing process as well as in coming to terms with actual or perceived differences. When developing its most positive effects, it can be a powerful tool for peace and reconciliation. A tourist does not necessarily care if a service is provided by the member of one or the other socio-economic group. He or she is a foreigner to both, and they have a lot more in common with each other than with him or her. Accordingly, tourism can be a unifying factor that somewhat forces members of different groups to collaborate if they want to benefit. They have to leave differences aside and might, in the process, realize the commonalities.

At the same time, tourism products are often based on socio-cultural peculiarities. In that sense, tourism seeks diversity and a deeper understanding of social and cultural differences. The developers of such experiences are required to come to terms with their history and heritage and to start a dialogue with those that might have a slightly different past. This creates a very favorable environment for constructive debates and a desire to make use of socio-cultural diversity instead of exploiting it for discrimination purposes.

The Government's current desire to emphasize the unifying attributes of all Rwandans is often linked to the fact that, culturally speaking, the country has always been remarkably homogenous. Leaving some of the more traditional Twa on the side for a moment, Rwandans shared one common culture in many ways. While French, English and Swahili are also spoken, the universal local language is *Kinyarwanda*. Independent of social groups, the majority of 65% of the population is Catholic. Apart from that, there are adherents to other Christian denominations, a small minority of 1% Muslims, and more or less distinct influences of traditional beliefs, estimated at about 25%.

With regards to performing arts, some cultural differences exist between the three groups, for example, in music or dance performances that form a ubiquitous part of local life. The Tutsis have traditionally sung about acts of bravery or excellence, while the Hutus used more humorous lyrics often linked to social events, and the Twa songs largely dealt with their hunting roots (Booth, 2005: 1). Similarly, the traditional royal dancers – the *intore* – comprised two groups, namely the *indashyikirwa* or ‘un-surpassables’ that were all Tutsi and the *ishyaka* or ‘those who challenge by effort’ that were all Twa led by a Tutsi (Briggs & Booth, 2006: 31).

These differences and peculiarities are of fundamental importance to tourism and should, therefore, be further harnessed as visitor experiences. Beyond that, tourism suggests to explore the socio-cultural diversity within Rwanda and to emphasize major characteristics. It is important to create a favorable environment for this and to actively engage Rwandans in dialogue and debates. Conversations and exchanges with foreigners can achieve much more than national initiatives. Or, as the Secretary-General of the National Unity and Reconciliation Commission (NURC) put it, “tourism contributes to identity building because foreigners act as uniting factors” (personal communication, Ndangiza, Apr 5, 2007).

Recommendations:

- To acknowledge the potentially vital role of tourism and tourists in the healing and unifying process of Rwandan society.
- To create meaningful opportunities for cultural exchange and positive encounters of members of all Rwandan socio-economic and socio-cultural groups with foreigners.
- To explore the country’s socio-cultural diversity in an open and curious way that creates experiences for visitors and does not tear open old wounds.

IV.1.3.2. Gender relations

According to UNDP’s 2005 Human Development Report, Rwanda ranks number 122 out of 140 with regards to the gender-related development index GDI (UNDP, 2005: 301). This measure combines indicators for life expectancy, education and income. The result is slightly unexpected because the country became famous when it attributed 49% of the seats in Parliament to women and replaced Sweden on top of global

statistics for female participation in lawmaking (UNCTAD, 2006b: 325). This reveals that Rwanda apparently faces severe underlying challenges with regards to gender equality.

In its Vision 2020 document, the Government admits that “[d]iscrimination against women originates from the Rwandan culture and tradition, which considers girls are inferior to boys, physically, intellectually and socially” (Republic of Rwanda, 2004c: 30). Women have traditional roles in the household and in society that continue to remain largely unchallenged, as a recent participatory poverty assessment revealed (Republic of Rwanda, 2001: vii f.): Wives are responsible for children’s education, hygiene, preparing the husband’s bed, receiving guests, cooking food and managing the resources, while their husbands head the household, construct the house, provide security and earn the income. The wife has to respect her husband who has the power to sell or give away the household’s property and even to repudiate his wife. That way, polygamy, abuse and exploitation are frequently mentioned by women as particular problems caused by men.

The consequences of the genocide inevitably led to important changes in the traditional gender roles. With 34% of households headed by women and 21% even headed by female widows in 1996, numerous women gained in status and started to engage in economic activities (Government of Rwanda, 2002a: 8). Furthermore, the Government undertook various actions to achieve more gender equality. These include the constitutional prohibition of discrimination, continuous updating and adaptation of laws, the creation of a plethora of institutions and development programs, an education-for-all campaign, and the practice of positive discrimination policies in favor of women, for example with a constitutional guarantee of 30% of the seats in Parliament (Republic of Rwanda, 2004c: 30; APRM, 2006: 47). Finally, to further underline its commitments, the Government signed the international Convention on the Elimination of all forms of Discrimination against Women (CEDAW).

Nevertheless, important further improvements are vital. For example, women still earn only about 62% of the male-earned income (UNDP, 2005: 305). Among other reasons, this can be attributed to social pressures in the home that devalue education for girls in relation to boys, and to the fact that girls are usually pushed towards

'softer' subjects and remain mostly in poorer quality schools (Lifanda *et al.*, 2004: 10ff.). Furthermore, there is a perceived imbalance concerning the distribution of authority in relationships. By law, the husband is recognized as the head of the family. Even more importantly, the wife has to seek his permission in order to carry out commercial activities (APRM, 2006: 48). Such traditions can only be changed by a combination of legal and socio-cultural measures.

Tourism can be a powerful tool to contribute to positive societal changes and greater gender equality. In particular, it offers a number of opportunities for women to become involved in economic activities – for example, as entrepreneur, employee or supplier. Work in the tourism industry most often involves the delivery of services, tasks that women can perform at least as well as men. Apart from that, certain related industries such as handicraft production are frequently in the hands of women groups. This way, the participants achieve a degree of independence and gain the means to take their own decisions. They also acquire experience in dealing with others as well as self-respect and pride.

In its national tourism policy, the Government recognizes women's important role in the development of tourism (Government of Rwanda, 2006: 21). Particularly mentioned are their responsibilities as managers of the environment, as producers of the great majority of tourist souvenirs, as vendors of local foods, and as active members in cultural tourism activities. But the Government not only acknowledges the potentially important role that women can and should play in the sector. It also believes that it has a duty to support and encourage specific initiatives and self-help projects led by women. This way, it realizes that there is still only limited participation of women in the industry and that it has to actively engage in changing this.

Recommendations:

- To actively promote gender equality and female engagement in tourism.
- To support women initiatives in tourism.

IV.1.3.3. Private social safety nets

The people of Rwanda especially in rural areas have a tradition of coming together to work in groups and teams. This builds social capital and strengthens relationships of trust and reciprocity.

(Joseph, 2005: 3)

In a recent country evaluation, the World Bank noted that communities in Rwanda have traditionally a strong care-giving capacity (World Bank, 2003b: 85). This is, for example, expressed by the solidarity of numerous households that foster orphans. Beyond individual actions, the society also knows fixed institutional arrangements of traditional social organization that become effective private social safety nets.

Umuganda, for example, is the tradition of work on public projects. Every last Saturday of a month, members of the communities join their forces in order to carry out a common activity. This consists, for example, of improving public infrastructure such as filling potholes, of cleaning and improving the appearance of road sides and public places, or of planting trees.

Another important institution is *ubudehe*, the tradition of mutual assistance. This concept of communal action aims at poverty-reducing developmental activities that are carried out in *cellules*, a sub-district level. Local leaders receive funds as part of a decentralization program and then define, manage and undertake a community action plan (Murison, 2003: 14). A third institution is *umusanza*, the tradition of support for the needy and contribution to the achievement of a common goal.

Tourism – and, in particular, community-based tourism – can benefit from these strong societal ties. While the concept is very new to Rwandan communities, it is rather easy to promote and implement due to strong existing relationships. Rwandans have a number of traditions of working together in order to achieve a common goal. They also believe in contributing resources to those in greatest need. These are preconditions for successful community-based tourism projects. Community members need to collaborate in order to create an interesting and sustainable experience for the visitors. They need to accept income distribution mechanisms. Under special

circumstances, they should also agree to provide additional support to those members who face personal hardships. Existing private social safety nets create, therefore, favorable environments for the development of community-based tourism.

Recommendations:

- To build on existing social ties and private social safety nets when seeking to develop community-based tourism.

IV.1.4. Geopolitics

Differential diagnosis: Geopolitics

- International security relations
- Participation in regional groups
- International commitments – human rights, environmental protection, trade
- Aid

By exploring the Rwandan geopolitical background, we will analyze the country's international security relations (IV.1.4.1), its participation in regional groups (IV.1.4.2), its international commitments (IV.1.4.3 and IV.1.4.4) and the received international aid (IV.1.4.5).

IV.1.4.1. International security relations

Security issues are of fundamental importance in Rwanda. After decades of fighting, killing and discrimination inside of its own borders, the country has finally found peace and stability. But this is not necessarily the case with its neighbors, and the entire area of the Great Lakes region remains utterly vulnerable. This poses a continuing threat to peace and development.

While Tanzania and, at least, the central and southern parts of Uganda are reasonably stable and secure, this is not necessarily the case in Burundi and the eastern parts of the DRC. Burundi is in many ways similar to its northern neighbor, Rwanda, including in its population's division into a Hutu majority and a Tutsi minority. Unfortunately, the two countries also have a similar recent history of violence and instability. In Burundi, an unsteady peace was brokered in 2003, and the Tutsi-dominated government accepted a power-sharing agreement with the main Hutu rebel groups. The transition process led to an integrated defense force as well as a new constitu-

tion in 2005. In the same year, elections brought Pierre Nkurunziza, the leader of the main former Hutu rebel group, to power. A year later, he managed to sign a final ceasefire with the country's last active rebel group. While the trend towards stable peace is strongly recognizable, the country faces considerable challenges and continues, therefore, to pose a potential threat to regional stability.

Even more uncertain is Rwanda's neighborhood with the DRC in the west. Despite the signing of a peace agreement in late 2002, the withdrawal of foreign armies in the same year, a successful constitutional referendum in late 2005 and national elections in late 2006, the country continues to be unstable because of numerous internal and external influences as well as the presence of a number of different armed groups. Among them are former Rwandan *génocidaires* that have threatened Rwandan and regional security for the past decade. The border areas of South Kivu and North Kivu provinces, in particular, remain embroiled in unclear clashes between a variety of militia groups and tribes, the Congolese government, and UN forces.

Recently, observers have noticed a generally positive trend. While the Rwandan territory was attacked 13 times in 2004, there were no recorded attacks in the whole of 2005 (Sezibera, in de Boer *et al.*, 2006: 48). Also, increasing regional and international pressure gives reason to hope that these quarrelsome forces will finally be neutralized. And another important progress is the establishment of a border verification system that enables the two countries to address reciprocal accusations of military support to the various rebel groups (Brocato, 2005: 109).

Rwanda has more or less positive relationships with its northern and western neighbors, Uganda and Tanzania. Uganda used to be an ally during the interventions in the DRC, even though unexpected minor clashes between the two armies in Kisangani on Congolese territory in 1999 and 2001 led to a deterioration in the relations. Today, the situation is stabilizing with normal cross-border activities and regular government-to-government business. The many former Rwandan refugees who have lived in Uganda for decades particularly contribute to cordial relations between the two peoples.

While the great majority of Rwandan refugees have returned to their home country, Rwanda itself is now host to more than 40,000 Congolese, about 2,600 Burundian and some 3,000 urban refugees of other nationalities (UNHCR, 2006: 4). They further contribute to existing problems of high population density, scarcity of available land and recurring settlement problems. By law, refugees enjoy a right to employment. In practice, however, they are most often unable to get jobs even when they have the right qualifications. Furthermore, work permits are expensive so that casual work in building construction, mechanics and tilling the land become the norm. Young girls and women also find activities as domestic helpers. It is obvious that the situation of refugees in Rwanda is not sustainable, and that the support of international organizations like the United Nations High Commissioner for Refugees (UNHCR) is particularly important. Peace and security in neighboring countries are, however, the only real remedies.

The international security relations have several important implications for tourism. First of all, the perceived safety and stability of Rwanda also depends on events in neighboring countries. The great majority of potential visitors are simply not sufficiently informed to be able to seriously judge the situation on the ground. As a result, news pieces and articles about security deteriorations in one part of Central or East Africa is also likely to influence the perceived safety and stability in other parts, including Rwanda. It is, therefore, vital for destination promoters to create a distinct image and to repeatedly emphasize on safety and stability, particularly in times of negative events in neighboring areas.

Secondly, the relations with its neighbors are also important when it comes to cooperation on tourism-related issues. Cross-border transport, visa regulations, the supply with imports, cross-border conservation efforts or joint marketing campaigns all depend on a favorable political and diplomatic environment between a country and its neighbors. At the moment, Rwanda appears to have sufficiently good relations with the regional tourism powerhouses so that they do not pose unnecessary obstacles to further cooperation.

Recommendations:

- To create marketing strategies that de-link Rwanda from its neighbors and their political and security threats, and that clearly emphasize on the country's safety and stability as major asset.

IV.1.4.2. Participation in regional groups

The end of the Cold War started a process of increasing multilateralism and regionalism in both the political as well as the economic spheres. With regards to the latter, observers estimate that between 40-60% of world trade takes place within regional trading blocs (Imani Development, 2005: 7). Africa is the leading continent if it comes to regional integration agreements, and many countries belong to four or more separate groups. While many believe that multiple memberships must be advantageous, the various overlaps also bear a potential for conflicts, impose heavy administration costs and leave doubts with regards to future policy directions. This can have negative impacts on investment and growth.

Rwanda is starting to feel the challenges imposed by too many memberships, particularly in economic groups. Within the pillars of the African Economic Community (AEC), an organization of African Union (AU) states, it is a founding member of the Common Market for Eastern and Southern Africa (COMESA) as well as the Economic Community of Central African States (ECCAS), and it just joined the East African Community (EAC). Further beyond this, it is a founding member of the Economic Community of the Great Lakes Countries (CEPGL) and belongs to the Nile Basin Initiative (NBI).

The two groups that are, arguably, most important for Rwanda are COMESA and the EAC. The former has the objective of promoting trade and raising the standard of living in its currently 20 member states (Ernst & Young, 2006: 20). In 2004, Rwanda joined COMESA's 11-member strong free trade area that now guarantees the absence of customs tariffs and seeks the eventual elimination of all quantitative restrictions and other non-tariff barriers. Furthermore, a customs union is expected to be launched by 2008 (COMESA, 2007: internet). Other objectives include customs cooperation, improved transport and communications administration, standardization, and harmonization of macroeconomic and monetary policies. Rwandan authorities

expect its membership to reduce consumer prices, increase the private sector's efficiency through enhanced competition, and provide a major boost for FDI. At the same time, it is, however, obvious that the government will suffer from the disappearance of customs revenue from imports from other member countries (APRM, 2006: 71).

The EAC is likely to eventually go far beyond its already existing free trade area and custom's union. Its members, Kenya, Tanzania, Uganda and, since July 1, 2007, Rwanda and Burundi, seek the establishment of a monetary union with a common currency in 2009, a common market in 2010, as well as, in the long term, a political union in 2014 with a federal president and government. Areas of cooperation are broad-based and cover such issues as trade, investment, monetary and fiscal affairs, infrastructure and services, human resources, science and technology, agriculture, environment, tourism and wildlife management, and health, social and cultural activities. Apart from that, the Community is a forum for debates on political matters, including defense, security, foreign affairs, and legal affairs (EAC, 2007: internet).

In addition to these regional groups, Rwanda signed bilateral framework trade agreements to facilitate the movement of goods and persons with its four neighbors as well as Kenya, Mauritius and South Africa (WTO, 2004b: 19).

Regional integration agreements have potentially far-reaching impacts on tourism. The EAC, for example, seeks the harmonization of hotel classifications, the creation of a framework of cooperation on tourism, and the development of a collective and coordinated policy for the conservation and sustainable utilization of wildlife (Imani Development, 2006: 31f.). This means that the Government will have to follow rules and legislation that impact on all members of the grouping. It is further bound by certain decisions and has to give up on sovereignty and decision-making power.

At the same time, tourism can largely benefit from the agreements. They usually involve regional initiatives that are much more viable and sustainable than local or national ones. The protection of the last mountain gorillas, for example, is much easier if comprehensive measures are implemented in all three neighboring countries, Rwanda, Uganda and the DRC. Additionally, the Rwandan Tourism Strategy speaks

of an emphasis on information sharing and the designation of regional circuits that support tourism activities in all participating countries (Government of Rwanda, 2006: 21). It becomes obvious that the decision-makers in tourism have not yet fully embraced the vast opportunities that participation in regional trade agreements offer. This should become a priority in future strategy developments. Similarly, appropriate research about potential negative impacts has also not yet been carried out. What are, for example, the effects on local tour operators if they have to enter into competition with their well-established and financially powerful Kenyan counterparts? Regional integration is an important issue and requires much more attention.

Recommendations:

- To conduct research on the potential advantages of regional integration agreements and to come up with strategies how to better harness them.
- To conduct research on the potential pitfalls of regional integration agreements and to come up with strategies how to limit their negative impacts.

IV.1.4.3. International commitments – human rights and environmental protection

Rwanda recognizes the general primacy of international legal instruments over domestic legislation, as long as they have been duly ratified or approved and published in the Official Gazette (Imani Development, 2006: 1f.). With regards to the major human rights treaties, the country has ratified the Convention on the Elimination of all forms of Discrimination against Women (CEDAW) as well as the Convention on the Rights of the Child (CRC). It further acceded to the International Covenant on Economic, Social and Cultural Rights (ICESCR), the International Covenant on Civil and Political Rights (ICCPR), the Convention on the Elimination of all forms of Racial Discrimination (CERD), and the optional protocols for the CRC on the Involvement of Children in Armed Conflict (CRCOPAC) and on the Sale of Children, Child Prostitution and Child Pornography (CRCOPSC) (OHCHR, 2006: 9).

Two subjects that are frequently discussed when it comes to tourism are child labor as well as child sex tourism. With regards to the latter, researchers and observers in a few tourist destinations have noted that the commercial sexual exploitation of children can, in exceptional cases, be facilitated by tourism (Montgomery, 2001: 1999).

Some years back, this became a problem in a few South-East Asian countries. Niron *et al.* (2001: 19) estimated that the number of cases of sexual exploitation and forced prostitution could be as high as one million children. They particularly studied the case of Cambodia where poverty and social disruptions brought on by two decades of war were among the main reasons for this.

In Rwanda with its rather Catholic and conservative society, our mere raising the question whether any incident of child sex tourism had ever been encountered led to fierce protests and quick denial by leading tourism decision-makers (personal communication, Rwigamba, May 23, 2007). We also never heard any rumor about a potential case under any circumstances. We believe, therefore, that child sex tourism is not (yet) an issue in Rwanda at all. Nevertheless, we would like to suggest that sensitizing the appropriate authorities about this issue is never a wasted effort, so that if there is ever concern about it, they are ready to take immediate action.

The second subject of child labor is much more complicated and difficult to approach. While the ILO estimates that 211 million children under the age of 15 are working worldwide (ILO, 2002: 41), a UNICEF survey suggests that only 3% of children work outside of their own household for pay (Edmonds, 2002: 1). Hence, child labor includes the many acts of children who are helping with the household duties or the family's farm and business. And it should be noted that this happens in the industrialized countries in the same way it does in the poorest countries. Only that the motivations and reasons are frequently more nuanced. While children in industrialized countries help in their family's business in addition to their schooling and because they can either earn some pocket money or because it is expected in their family, children in impoverished households in the least developed world often need to work full-time because their family cannot meet their basic needs for survival. This sometimes hinders them to go to school. As a result, simply prohibiting child labor is not really an efficient option for countries with large pockets of poverty. On the contrary, more effective would be incentives and income supplements so that families can afford to send their children to school instead of going to work.

There are no solid figures with regards to child labor in Rwanda. School enrolments have strongly increased in recent years due to certain incentives (see IV.2.2 below).

But we cannot say for sure that child labor does not exist in the country's tourism industry. In any case, just like with child sex tourism, the issue is not one that has drawn the attention of government, stakeholders in the industry, NGOs or tourists. We hope, therefore, that it is, at worst, very small. Nevertheless, like with child sex tourism, we suggest sensitization of the relevant authorities to detect and find appropriate solutions for potential incidents before they can spread. More frequent cooperation between a variety of ministries and agencies is also recommended, for example, involving the ORTPN and the Ministry of Public Service, Skills Development, Vocational Training and Labor (MIFOTRA).

With regards to environmental protection, Rwanda has signed and ratified all major treaties and protocols. These include the Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, the Convention to Combat Desertification (UNCCD), the Convention on Biological Diversity (CBD) and the Cartagena Protocol on Biosafety, the Vienna Convention for the Protection of the Ozone Layer and the Montreal Protocol on Substances that Deplete the Ozone Layer, the Stockholm Convention on Persistent Organic Pollutants, the Rotterdam Convention on the Prior Informed Consent Procedure, the Basel Convention on the Transboundary Movements of Hazardous Wastes and their Disposal, the Ramsar Convention on Wetlands, and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (WTO, 2004b: 39).

Recommendations:

- To sensitize appropriate authorities about potential abuses of international human rights standards in tourism, including child sex tourism, child labor and so on, and to install mechanisms of inter-agency and inter-ministry cooperation, exchange and a two-way flow of information on these issues.

IV.1.4.4. International commitments – trade

Rwanda's trade regime is heavily influenced by the country's participation in regional groups and their various commitments. Beyond that, on the international scale, Rwanda benefits from preferential access to the EU and US markets. Through the EU's Everything But Arms (EBA) initiative, it is entitled to preferential duty treatment of a wide range of manufactured products and faces no quantitative restrictions on

these goods. In addition, Rwanda takes part in the negotiations regarding the Cotonou Convention, a system of trade and aid between the EU and 70 African, Caribbean and Pacific countries, expected to be completed in 2008 (Ernst & Young, 2006: 20). The African Growth and Opportunity Act (AGOA) further grants duty-free status for certain manufactured goods to the US (UNCTAD, 2006a: 63).

Through its membership at the WTO, it also becomes party to world trade practices and obligations. The authorities take these responsibilities serious. In the first half of 2005, the Rwandan mission to Geneva coordinated the Africa Group during negotiations, and, in 2006, the Government invited two WTO experts to introduce matters of trade in services.

As a service, tourism is regulated by the General Agreement of Trade in Services (GATS), an integral part of the Uruguay Round Agreements. The first multilaterally enforceable agreement of its kind, it establishes a set of rules and disciplines that govern the use of trade measures in services by WTO member countries³².

The GATS is often criticized as being unpredictable (e.g., Plüss, 2000: 2), having undemocratic and non-transparent procedures and negotiation structures (e.g., Kamp, 1999: 1; Tourism Concern, 2001: 2), intervening in independent local autonomy (e.g., Backes, 1999: 43; Equations, 2004: 2; Muqbil, 2005: 1), and omitting a number of important issues such as subjects relating to sustainable development (e.g., Kalisch, 2000: 4). While it goes beyond the scope of this thesis to enter the GATS debate, there is one major issue of controversy that is of relevance here: the question to what extent a government loses its regulatory sovereignty through the Agreement. According to the critics, it “severely inhibits the capacity of governments to regulate tourism

³² The three pillars of the agreement are a set of 29 articles containing general obligations, individual country-specific schedules of commitments and eight Annexes that cover specific sectors or trade-related matters. The general obligations include the principles of Most-Favored Nation (MFN) treatment and transparency. The two main principles in the individual schedules of commitments are market access and national treatment. At least in theory, no member is obliged to make any commitment. Nevertheless, the scope of potential commitments is extremely wide, as the GATS encompasses all possible services, with the single exclusions of government services and certain air transport services. According to the Agreement, services can be rendered in one out of four modes of supply, namely cross-border supply (mode 1), consumption abroad (mode 2), commercial presence abroad (mode 3) and through the presence of natural persons abroad (mode 4). A country's commitments for each service sector and each mode of supply can vary between full competition and total denial of any degree of market access and national treatment. Frequently, countries choose some kind of intermediate solutions, i.e., commitments with certain limitations.

activities” (Muqbil, 2005: 1). The WTO continuously states, however, that this is not true and that “[e]ffective regulation – or re-regulation – can be a pre-condition for liberalization to produce the expected economic and social policy gains” (WTO, 2003a: 26).

What does the legal text of the GATS say? In general, the Preamble states that the Agreement recognizes “the right of Members to regulate, and to introduce new regulations, on the supply of services within their territories in order to meet national policy objectives and [...] the particular need of developing countries to exercise this right” (WTO, 1994: 285). Article VI then specifically deals with domestic regulation. It states in its first paragraph: “In sectors where specific commitments are undertaken, each Member shall ensure that all measures of general application affecting trade in services are administered in a reasonable, objective and impartial manner.” (WTO, 1994: 289). In our reading of the document, this basically means that domestic regulation remains a possible and potentially important tool in the hands of governments, but that such rules need to reflect individually made commitments in market access and national treatment and not entail unnecessary administrative burdens.

Beyond this interpretation, Paragraph 4 of Article VI adds that the GATS is not necessarily complete with regards to domestic regulation. It explicitly grants the Council for Trade in Services the right to establish “appropriate bodies” that “develop any necessary disciplines” to ensure “that measures relating to qualification requirements and procedures, technical standards and licensing requirements do not constitute unnecessary barriers to trade in services” (WTO, 1994: 289). Such a ‘necessity test’ would include criteria relating to objectivity and transparency and would ensure that a regulation is “not more burdensome than necessary to ensure the quality of the service” (WTO, 1994: 289).

It is probably true that the establishment of such additional clauses would further impact on a government’s regulatory power – whether that is in positive ways, as the proponents claim, or in negative ways, as the critics say. A judgment on the appropriateness does, however, not seem to be necessary in this case. WTO insiders who are familiar with the current negotiations of the Working Party on Domestic Regulation agree that it is extremely unlikely that such clauses will be accepted by the

member states at any time in the near future, as a personal communication with Dale Honeck, a Counselor at the Trade in Services Division of the WTO Secretariat, revealed (Apr 26, 2006).

We believe, therefore, that the current limitations of domestic regulation, namely administration in a reasonable, objective and impartial manner, are fully desirable and appropriate and do not unnecessarily impede a member country's right to regulate. If a member country thinks that another member country violates its commitments, it has the right to initiate WTO dispute settlement procedures. It will, however, only do so if such violations are important enough to justify the time and costs required for such a process – something that is rather unlikely to affect most small and emerging tourism destinations like Rwanda.

What, then, is the impact of the GATS on the tourism sector? While it is currently the most liberalized among all GATS sectors, Dunlop (2003: viii) noted that the commitments made in tourism during the Uruguay Round had basically no liberalizing effect at all. On the contrary, they merely reflected the actual *status quo* of market access and national treatment levels in most countries – or even less than that. It is, however, also unclear which services can be classified as being related to tourism. The GATS itself attempted to find the smallest common denominator and only included 'hotels and restaurants', 'travel agencies and tour operator services' as well as 'tourist guide services' in its category 9 entitled 'tourism and travel related services'. This classification encountered a lot of criticism as being far too narrow. The UNWTO, for example, suggested that approximately 70 specific activities are dedicated to supplying services in the tourism sector and 70 more activities significantly benefit at least in part from it (Handszuh, 1995: 20).

Due to these spillover effects in many other sectors, some observers attempted to introduce new standard terminologies that recognized tourism's specificity and complexity. An UNCTAD expert meeting in 1998 even went as far as claiming that a special Annex for Tourism might be required (UNCTAD, 1998: 2). Such an Annex was then officially proposed in 1999 and re-proposed as part of the Doha Round by a group of Latin American countries. Apart from the challenges relating to classification, it also included, among others, stipulations on competition issues and an at-

tempt to integrate sustainable development into the debate (Gerosa, 2003b: 30ff.). Up to now, however, negotiations on the Annex have not seen any breakthrough, and WTO insiders believe that the initiative is 'dead' (personal communication, Honeck, Apr 26, 2006). In GATS terms, tourism includes, therefore, hotels, restaurants, travel agents, tour operators and tourist guides.

Similar to its African neighbors that have made comparably few commitments in tourism, Rwanda only mentions hotels in its schedule of commitments. With regards to cross-border supply, consumption abroad and commercial presence, there are no limits of market access and national treatment. Concerning the presence of natural persons, the country remains "unbound, except for measures affecting senior executives and specialists who possess knowledge that is essential to the provision of the service" (WTO, 1995: 7f.). This effectively means that Rwanda has made no official commitments whatsoever with regards to restaurants, travel agents, tour operators and tourist guides. Such lack of commitments must not, however, be reflected in actual practices in the country – it only reserves the right to limit cross-border supply, consumption abroad, commercial presence and/or the presence of natural persons in the future.

It is legitimate to doubt whether such lack of commitments is in the country's best interests. It certainly contributes to legal uncertainty for potential investors in vital areas such as restaurants or tour operations. While, practically speaking, international tour operators do not currently face any legal constraints to conduct business in Rwanda, they will, nevertheless, be cautious in their actions because it is not guaranteed that the situation will remain favorable in the long term. It is, therefore, recommendable to reassess the commitments with regards to tourism services and to adapt them to the country's tourism and development strategies.

Apart from these specific commitments, we believe that it is our duty to briefly look at practical issues that relate to the controversial discussions on domestic regulation. As mentioned above, certain interpretations of the GATS might lead to disputes, although other provisions confirm the legitimacy of governmental measures in support of such standards. One question that many observers ask is whether a country will still be able to set a range of standards that contribute to sustainable development

and poverty reduction. Examples include limits to the exploitation of a natural or cultural resource, or legal incentives or requirements with regards to local hiring practices, the supply of local products or increased technology transfer.

In this regard, we fully agree with the already quoted WTO expert, Dale Honeck, who reasoned in two ways (personal communication, Honeck, Jun 23, 2006): On the one hand, such limitations, incentives and requirements will definitely remain acceptable under the GATS as long as they do not discriminate. On the other hand, it might, however, not even be desirable to achieve such goals through legal actions. On the contrary, in many instances, it is much more suitable to eliminate impediments and to create the right environment so that the desired results are achieved naturally. For example, instead of forcing a hotel to employ locally, a country should aim at creating the human resources through adequate education and training measures within its borders so that the hotel will, on its own, take the decision to use local labor. Similarly, instead of legally requiring the same hotel not to import but to buy local produce, a country should enforce business linkages with sectors along the supply chain so that the hotel will use the local products for reasons such as cost effectiveness. We will discuss these and other options below (IV.3.6).

In conclusion, we do not believe that the GATS unnecessarily impacts on a country's sovereignty. On the contrary, it creates an improved business environment by ensuring increased transparency, predictability and competitiveness – factors of stability for producers, investors, employees and consumers alike. To analyze the GATS implications on the Rwandan economy in more detail is, unfortunately, beyond the scope of this thesis.

Recommendations:

- To reassess the commitments made in tourism under the GATS and to adapt them to the country's tourism and development strategies.

IV.1.4.5. Aid

Despite occasional criticism on its efficiency and doubts about its positive impacts, many still consider aid to be “one of the most effective weapons in the war against poverty” (UNDP, 2005: 7). Many donors are particularly active in Rwanda, possibly

because of a desire to support a tragic country where the international community failed just a bit more than a decade ago. While this suggests that the Government can reasonably expect to receive large amounts of aid for an extended period of time, it does not mean that it is sustainable to finance a large amount of the public budget through donor money. Bigsten and Lundström (2004: 18), for example, calculated that as much as 88% of the development budget is covered this way.

Directly after the genocide, Rwanda received up to \$700 million of aid per year. In 2004, this figure dropped to about \$468 million – or \$52.69 for every Rwandan citizen (World Bank, 2006d: 224). A large part of this money, namely 36%, was attributed to general budget support. In particular, the African Development Bank (ADB), the British DFID, the European Commission, the Swedish government and the World Bank have already decided to spend their money directly on the national budget (Purcell *et al.*, 2006: 169). The other funds from the remainder of the 23 bilateral and twelve multilateral donor institutions were used for a variety of purposes. 17% went to economic infrastructure development, 16% to human resource development, 9% to governance measures, 7% to rural development, 5% to education, 3% to cross-cutting issues, 2% to private sector development, and 5% to other projects (Amis *et al.*, 2005: 5).

There is, currently, a major debate within Rwanda with regards to the most effective use of donor money. On the one hand, the various shortcomings of uncoordinated approaches are criticized. Prof. Nshuti (in de Boer *et al.*, 2006: 34), for example, the Minister of Public Service, Skills Development and Labor, recently lamented the persistent politicization of aid, nontransparent procedures, low Government capacity and organizational constraints on the part of the donor institutions. He called for 'result-tied aid' that was completely controlled by Government, and desired to abolish direct financial support to NGOs and civil society. Tatsumi (in de Boer *et al.*, 2006: 41) replied, however, that such extremism was counterproductive and that some degree of flexibility needed to remain. Similarly, Weingart (in de Boer *et al.*, 2006: 41) added that direct help at the grassroots level was vital, but required continuous monitoring and full transparency.

It is, probably, true that the donor community has started to feel increasingly restricted by more and more rigid Government guidelines, such as the Aid Policy Document. In those sectors where Government strategies are well-developed, central coordination certainly makes sense and increases the effectiveness of aid. When asked about their perception of various sector plans, 39 respondents from donor institutions were convinced by developments for education and health, and partly convinced by developments for infrastructure and agriculture. They believed, however, that the remainder of sectors was much less developed (Amis *et al.*, 2005: 7). In these cases, there is a legitimate reason to doubt the efficiency of centrally coordinated aid projects and, therefore, of rigid Government guidelines on how to use donor money.

Only few donors directly support initiatives related to tourism. This is most likely the case when it comes to either conservation as well as environmental protection projects or to micro-enterprise and employment generation activities. On a global scale, the Dutch development agency SNV is probably the only donor that regularly engages in direct tourism projects, most often related to community-based tourism as well as support to SMEs and community entrepreneurs. This is not different in Rwanda. Donor involvement is, therefore, rather limited, even though institutions like the German GTZ, the American USAID or the Dutch embassy have started to include tourism-related considerations in other activities. As a consequence, there is a lot of leeway for Rwandan decision-makers to strongly lobby for more support.

Recommendations:

- To lobby for more support of donor institutions and to create an environment where that support is used in meaningful ways that have a strong impact on poverty reduction.

IV.2. Basic elements of human development

Differential diagnosis: Targets for basic elements of human development

- Extreme poverty and hunger
- Education
- Health care
- Basic infrastructure
- Redistributive strategies and public social safety nets

When examining the basic elements of human development, we need to look at the issues relating to extreme poverty and hunger (IV.2.1), education (IV.2.2), health care (IV.2.3), basic infrastructure (IV.2.4) as well as redistributive strategies and public social safety nets (IV.2.5).

IV.2.1. Extreme poverty and hunger

Differential diagnosis: Targets for extreme poverty and hunger

- Proportion of households lacking basic needs
- Spatial distribution of poverty
- Poverty and the demographic conditions of the household
- Poverty and economic activities of the household
- Extent and impact of un- and underemployment
- Food security
- Key risk factors: demographic trends, population-land relations, environmental shocks and trends

Rwanda's last population census dates back to August 2002 when there were officially 8.1 million inhabitants (Republic of Rwanda, 2003c: 13). The average life expectancy at birth was 43 for male and 46 for female Rwandans (UNCTAD, 2005: 1). With a yearly population growth rate of 2.9% (Republic of Rwanda, 2004c: 22), it can be estimated that the population has, by now, surpassed the 9 million mark. This means that, today, there are living more than 341 Rwandans on one square kilometer, the highest population density in sub-Saharan Africa and among the ten highest in the whole world (World Bank, 2006b: 288f.). Added to this is the fact that, until 2001, Rwanda was the least urbanized country in the world with a mere 16% of its population living in cities. It is not surprising that it now has the world's highest urbanization growth rate with 11.6% in 2005, but for many years it will continue to be a largely rural society (Sommers, 2006: 8f.). The only major city is the capital Kigali with a population of around a million. No other Rwandan cities have surpassed the 100,000 inhabitant mark (Republic of Rwanda, 2003c: 22).

According to the last reliable statistics from the Household Living Conditions Survey 1999-2001 (EICV), 60% of the population lived below the national poverty line of FRw 64,000 per annum per adult and 42% below the extreme poverty line of FRw 45,000 (Republic of Rwanda & UN, 2003: 11). The basis for these lines was prices from the year 2000 when the US Dollar stood at FRw 390. This means that 60% of the population had less than \$165 per year and 42% had less than \$115 per year, far below the international poverty line of \$1/day. It is estimated that these rates have

fallen somewhat due to relatively high economic growth, but reliable data will not be available before the next EICV is completed (MINECOFIN, 2006: 11).

The historical evolution of national poverty strongly correlates with incidences of conflict in recent decades. While 45.7% of the population lived below the poverty line in 1985, this figure increased to 47.5% in 1990, the year when the war between the Government and the RPF rebels started, and jumped to 77.8% in 1994, the year of the genocide. Since then, poverty levels have decreased slowly but constantly to 71.1% in 1996, 66.8% in 1998 and 64.1% in 2000 (Government of Rwanda, 2002a: 14).

Strikingly, poverty is largely a rural phenomenon – to a greater extent than in most other African countries (Mackinnon *et al.*, 2003: vii). Before the administrative restructuring took place in early 2006 (see IV.4.1.4), Rwanda was made up of twelve provinces. According to the EICV, all of them but the city of Kigali (4.5%) had extreme poverty rates of more than 30%, with Gikongoro (56.8%), Kigali Ngali (52.8%) and Ruhengeri (52.3%) leading the statistics. Likewise, the incidence of poverty was higher than 50% in all provinces but the city of Kigali (12.3%). Gikongoro (77.2%), Butare (73.6%) and Kibuye (72.5%) were the poorest (Government of Rwanda, 2002a: 17).

Largely a result of this growing urban-rural gap is a rapidly increasing inequality. Investigations showed that the average consumption of the top quintile of the population is almost ten times the average consumption in the bottom quintile. And the Gini-coefficient, an internationally recognized measure for inequality, has increased sharply from one of the best figures on the continent in the mid-1980s with 0.27 to a rather high level in 2001 with 0.4555 (Republic of Rwanda, 2003a: 2).

It should be noted that the experience and effects of poverty differ widely between the provinces. Ruhengeri and Gisenyi in the northwest have a comparably high agricultural potential, but they were longer affected by considerable insecurity and still lack sufficient housing. Many returning refugees were resettled in Kibungo and Umurata in the east which now suffers from a lack of infrastructure and environmental pressure. Kigali Ngali, Butare and Gikongoro in the south have a low agricultural po-

tential with relative aridity, soil acidity and high population density (Government of Rwanda, 2002a: 16).

The incidence of poverty also depends on the demographic conditions of the household. Continued conflict and particularly the genocide resulted in a large amount of 100,000 children still living in child-headed households. There are more than a million orphans – 30% of all children in Rwanda and over 13% of the total population. This makes Rwanda the inglorious world leader with regards to the percentage of children under 15 who are orphans (Obura, 2005: x). Furthermore, according to an older figure from 1996, 34% of households are headed by women (Government of Rwanda, 2002a: 8). This is particularly important because the incidence of poverty was 7.3% higher in 2001 for female-headed households than for male-headed households (Bigsten & Lundström, 2004: 25).

In terms of employment, almost 93% of the female and 81% of the male population work in the agricultural sector, the great majority of them farming for their own subsistence needs (Republic of Rwanda, 2005b: 14f.). Correlation of these activities with belonging to the lower income quintiles is higher-than-average. On the other hand, the few public sector employees, private formal sector employees and the self-employed are proportionally stronger represented in the higher income quintiles (MINECOFIN, 2002: XLII). This leads to the conclusion that working in non-agricultural sectors is favorably associated with being non-poor. In fact, the recent Diagnostic Trade Integration Study found that “occupation appears to be the single most important variable affecting the probability of being poor” (Republic of Rwanda, 2005a: 8).

Of the approximately 4.5 million members of the active population, about 15.5% are unemployed. Added to this is a great amount of underemployment at varying degrees particularly in rural areas, with at least 48% of the active population working less than 35 hours per week (Republic of Rwanda, 2005b: 16). This is despite pertinent labor shortages because households are chronically unable to pay wages (Mackinnon *et al.*, 2003: vii).

Food security continues to be a serious problem. The five crops that contribute more than 70% to the consumption basket in rural areas have been in constant decline. Coupled with an expanding population, this results in permanent deficits of calories, proteins and lipids (Republic of Rwanda, 2006k: 10). Only 3.3% of households have three or more meals per day, with the great majority of 78.7% taking two meals and 18% having only one. And with regards to the quality of the food, 81% of households claim to rarely eat proteins in the form of meat or fish. At another level, only 16.3% of children get breakfast before going to school, a condition that certainly impacts negatively on their performance (Republic of Rwanda, 2004a: 15). In more general terms, the UN Food and Agriculture Organization (FAO) estimates that 3 million Rwandans were undernourished in 2002, representing 37% of the population. This figure compares to an average of 40% in East Africa and 33% in the whole of sub-Saharan Africa in the same year (FAO, 2004: 1).

Various risk factors leave reason for continuing concern, particularly those connected with demographic trends as well as population-land relations. Rwanda is already the country with the highest population density on the continent. This not only poses a great danger on food security, but is also a major cause of underemployment. Specific targets to reduce the population growth rate are, however, not included in current poverty reduction strategy papers. Women therefore continue to have an average of 6.1 children in rural and 4.9 children in urban areas (Measure DHS, 2005: 9). The Government hopes to reduce the fertility rate to an average of 4.5 children in 2020, and a first sign of success is the survey result that 42% of women in union desire to have fewer children in the future (Republic of Rwanda, 2006a: ii). Nevertheless, it is high time for a number of appropriate measures to reduce the population growth rate.

A growing population also leads to ever decreasing sizes of land property. Already now, only 19% of households own more than 1ha of land. The FAO estimates that a farm must have more than 0.90ha to be economically viable (Republic of Rwanda, 2005b: 14). In Rwanda, however, the average size of a household plot is 0.75ha, and 55% have less than 0.40ha (Republic of Rwanda, 2006b: 6). Further consequences of the rising population-land ratio are growing environmental problems and continued dependence on favorable climatic conditions.

The previous paragraphs have demonstrated that economic diversification away from agriculture is fundamental to reducing poverty. Service sectors such as tourism are among the best options because they consume comparably small amounts of resources – if at all. Tourism can create opportunities in rural areas that suffer most from un- and underemployment, and it requires labor at all skills levels, including the unskilled. If we look at the five poorest former provinces of Rwanda, at least three of them feature major tourist attractions, namely Ruhengeri with Volcanoes National Park, Kibuye with Lake Kivu and Butare with its cultural heritage.

But tourism is much more than an income-generating economic activity. It can also be a vital educational factor. Hosts who come in contact with tourists will inevitably broaden their mind and learn about a number of issues. These include areas as diverse as nutrition, fertility rates and environmental protection, to name just a few. A mere encounter with a foreigner can be more effective and mind-changing than a range of government initiatives. This should be taken into consideration when determining the value of tourism for poverty reduction. Tourism decision-makers should increase the opportunities for meaningful cultural exchange, create a favorable environment and support best-practice initiatives.

Recommendations:

- To increase opportunities for meaningful cultural exchange in order to enhance tourism's educational role with regards to human development factors (including nutrition, fertility rates, environmental protection etc).
- To explore the opportunities to harness tourism in areas with higher poverty rates.

IV.2.2. Education

Differential diagnosis: Targets for education

- Accessibility and high quality of primary education
- Accessibility and high quality of secondary and tertiary education
- Gender equity
- Alternative education programs
- Specific training on issues such as democracy and good citizenship, hygiene and basic health care, and family planning

Rwanda has set the ambitious goals to achieve universal primary education by 2010 as well as nine years of basic education for all by 2015 (Republic of Rwanda, 2003b: 22). Education appears to be one of the sectors where the country's performance is actually impressive. The World Bank's 2006 Global Monitoring Report, for example, names Rwanda as one of those "[c]ountries making the fastest progress [and] exceeding the rates of improvement achieved by today's industrialized countries at a similar point in their history" (World Bank, 2006d: 47). Likewise, it is expected that the education MDGs will be met by 2015 (Republic of Rwanda, 2006f: 3).

Access to education has improved at all levels over the past years. The net enrolment rate at primary level has reached 92% in 2006, one of the highest in the region (MINECOFIN, 2006: 5). This success is mainly due to the introduction of several pro-poor measures that enable a great number of poor families to send their children to school. These include the abolition of official school fees at primary level in 2003, the direct transfer of capitation grant funds to primary schools in 2004, as well as the abolition of compulsory school uniforms and the start of free distribution of textbooks to schools (Republic of Rwanda, 2004b: 10).

There are, however, important remaining access challenges. They include certain levies demanded by at least some schools, pressure exercised on children to wear non-compulsory uniforms, high costs of textbooks and writing materials where they are not yet provided for free, transport to school, incidences of exploitation and corruption of teachers and, of course, the opportunity costs that a household suffers by sending the children to school (Obura, 2005: 67). When parents were asked about their satisfaction with the current educational system in a 2005 Citizen Report Card survey, they agreed, on the whole, that primary schools were reasonably well located. Still, for almost 30% of children the distance was more than 10km. Despite the removal of most fees, costs were felt as too high by 42% of respondents. Added to remaining fees and opportunity costs, the parents mentioned that, on average, they pay FRw 5,000 for uniforms and FRw 500 for school lunches if available (OSSREA, 2006: 4ff.).

Suggestions to further improve the access of primary education include additional measures to keep children in school such as bursaries and direct stipends to the

poorest families, more and potentially subsidized school lunches, as well as innovative projects such as school farming programs called *jardin scolaire* where crops are set up within schools for the benefit of students. In particular, there is a need for improved access strategies for the poorest households that are sensitive to geographical differences, wealth differences and a variety of other factors (MINECOFIN, 2006: 8).

Linked to increasing enrolment rates are some inevitable quality challenges. The pupil-to-teacher ratio is one of the highest in the region with 69 to 1. Most infrastructures are inadequate, and the availability of teaching and learning materials is insufficient. The results are a marked stagnation in completion rates, increasing repetition and drop-out rates as well as worsening national examination results (Republic of Rwanda, 2006f: 6).

Secondary level enrolments have also improved steadily from a regional low of 6.5% in 2001 to 9.1% in 2005. Acknowledging that much more needs to be done, the Government introduced the “9 Year Basic Education for All” policy, according to which the first three years of secondary education will be part of Rwanda’s basic education (Republic of Rwanda, 2005c: 9). This measure should increase primary school completion rates as well as the transition rate into secondary school. In terms of higher education, there are currently six public and eight private institutions that achieved increases in enrolment rates from 16,000 in 2002 to 25,000 in 2004 (Republic of Rwanda, 2006f: 12).

Gender equity is an important issue in Rwanda. In terms of primary and secondary enrolment, the country is one of the few in the developing world with equal enrolment rates for girls and boys. Currently, girls make up 52% in primary and 48% in secondary schools. However, results of national examinations show that boys regularly outperform girls at the end of primary school. This leads to the fact that girls are more likely to be found in poor quality private secondary or tertiary institutions. Furthermore, Lifanda *et al.* (2004: 10) have noted that girls drop out earlier and that only 26.8% of students in the good public institutions of higher education are female.

Most alternative education programs are very recent initiatives. They target out-of-school children and adolescents as well as adults, and include catch-up centers, outreach programs, livelihoods skills development programs, adult literacy programs, and vocational training and technical education centers. About 100,000 children of primary age and 600,000 children of secondary age are estimated to be out of school and out of reach of skills training programs. In addition, a number that could be as high as 20% of enrolled children fail to attend primary school regularly (Obura, 2005: x). This is because many children are required to do household work such as fetching water or looking after younger siblings or cattle. Others have to work on the streets, on markets, on farms or on tea plantations to bring home some additional money for survival. According to World Bank estimates, 33.1% of Rwandan children between the ages of 7 and 14 are economically active (World Bank, 2006b: 276). The Government acknowledges that their reintegration into formal schools is a great challenge and that more flexible study arrangements might be necessary for many of them (Republic of Rwanda, 2005d: 6).

One initiative introduced by the Ministry of Education, Science, Technology and Scientific Research (MINEDUC) is to start catch-up centers and outreach programs for out-of-school children. Targeted are working children, children in very poor households, children displaced by war and genocide, children heading households and the like. Alternatively, they can join various livelihoods skills development programs where they are taught minimal skills such as bicycle repair as well as more advanced skills (Obura, 2005: xiv).

The adult literacy rate currently stands at 64% and is considerably higher for women than for men (UNESCO, 2005: 278ff.). To further improve this figure, the MINEDUC noted the need for programs for anyone of 15 years and older who desires to acquire basic literacy skills. Nevertheless, Lifanda *et al.* (2004: 10) criticize the very limited attention given and the very little investment devoted to adult education.

Another area of neglect is the development of vocational training and technical education centers. Male participants form the majority of students and pursue training on subjects like mechanics, welding, electricity or construction. The percentage of female students is only about 20%. Their studies are mostly oriented towards sewing,

food preservation and so on. A big challenge for these centers is to actually meet the needs of the local labor market. In this regard, important deficits have been noted recently (Republic of Rwanda, 2006f: 3).

Apart from these measures aiming at general education or training, there are also additional efforts of the Government as well as of private initiatives to teach the population on specific subjects. They include, for example, training in democracy, reconciliation and good citizenship. The National Unity and Reconciliation Commission (NURC) has been particularly active here since its creation in early 1999. Among others, it organizes frequent 'civic re-education' or 'solidarity' camps called *ingando* for pre-university students, provisionally released prisoners, demobilized soldiers and so on (Zorbas, 2004: 38). It also provides regular training in conflict management for youth and women's groups as well as 'persons of integrity' from all provinces (Republic of Rwanda, 2006j: 5).

The Ministry of Health (MINISANTE) further runs a number of training programs, with specific interventions concerning the promotion of hygiene as well as HIV sensitization and prevention programs (Bangwanubusa, 2004: 25). A recent survey has found that almost 100% of Rwandans have heard about HIV/AIDS. Furthermore, 90% of women and 99% of men could name at least one protection method (Measure DHS, 2005: 27). Observers have criticized, however, that the Government's training approach merely focuses on narrow health interventions instead of the provision of an all-encompassing program with elements of family planning, sexual and reproductive health, hygiene and basic health care (Obura, 2005: 79).

With regards to tourism, the desirable relationship should go in both ways. On the one hand, the general population has no real knowledge about tourism. They do not understand why these strange usually white men and women come to their area. The only thing they frequently see is that these visitors are comparably wealthy. This leads to a mentality of hassling and begging, as can already be experienced in tourism hotspots like the villages surrounding Volcanoes National Park. This area is, however, also a good example of what education about tourism can achieve. The Rwandan Office of Tourism and National Parks (ORTPN) has initiated a number of awareness raising activities incorporated in its community conservation program. At

the same time, it introduced a number of income-generating opportunities as well as general community benefits through a revenue sharing mechanism. Villagers now start to understand why tourism is beneficial for their area. Largely as a result of this, repeat-visitors have recently noticed a declining incidence of begging on the way to the Park. Training and education about tourism and conservation from a young age should be generalized in the entire country.

On the other hand, tourism also has a lot to give to education. Philanthropic initiatives of tourists and tourism companies such as donations or sponsorships are increasing. Activities like responsible volunteering or *voluntourism* whereby visitors accept to work for a certain period of time in a social setting such as a school are also becoming popular in a variety of countries. Last but not least, tourism's direct educational impacts on the hosts should not be underestimated. While the visitors learn about the destination, the hosts potentially learn about the visitors' home environment and receive a more open-minded worldview. We will explore in more detail how this currently impacts on education in Rwanda below (IV.3.7.2). Nevertheless, we can say already that very few institutionalized approaches are available and that a lot more can and should be done to harness tourism's positive impacts on education.

Recommendations:

- To generalize training and education about tourism and conservation from a young age in the entire country.
- To explore and increasingly harness tourism's positive impacts on education through, among others, philanthropic activities or responsible volunteering.
- To develop opportunities for meaningful cultural exchange, interaction between hosts and guests, and mutual educational benefits.

IV.2.3. Health care

Differential diagnosis: Targets for health care

- Accessibility of basic health care and proportion of households lacking it
- High quality of basic health care
- Incidence and impact of malaria, tuberculosis, etc
- Child mortality and maternal health
- Incidence and impact of HIV/AIDS

Like in most countries in the developing world, the majority of people in Rwanda hesitate to use health services because of the high costs. In order to improve the accessibility of such services, the Government introduced a community healthcare system called *mutuelles de santé*. Members pay an annual premium for which they have the right to claim a certain basic healthcare either for free or for a lower fee in health centers and district hospitals. Services include preventive and curative care, family planning and reproductive health services, maternity care and the provision of drugs. The success of these schemes can be demonstrated by their growing popularity. From the pilot phase in 2003 to late 2005, membership increased from 9% to 44% on a national scale (Republic of Rwanda, 2006i: 12).

Various observers have, however, raised concern with regards to the inclusiveness of the system. In particular, it has become apparent that the poorest households are widely under-represented in the membership. A survey from Save the Children showed that the annual costs are equivalent to four months' agriculture labor for the poorest. Added to this are further difficulties such as having to pay 30% co-payment at the health center, requirement of individual registration of all family members, and the costs of health problems not covered under the scheme (Save the Children, 2005: 6). Similarly, Evans *et al.* (2006: 55) found that the annual costs are slightly higher than the average monthly household income – and definitely too high for a great proportion of the population.

In an attempt to increase the accessibility of the schemes, the Government has brought forward plans to harmonize membership fees over all provinces and to peg them at FRw 1,000 (APRM, 2006: 114). Furthermore, the poorest households have started to receive a subsidy for treatment fees under strict conditions (Republic of Rwanda, 2006i: 12). It needs to be seen, though, whether these actions are sufficient to improve the inclusiveness of the schemes.

A good indication for the success of current strategies is also the way how the people think about the services. According to recent population perceptions, 82.8% of households stated that they can at least reach local health centers without great difficulties, and 75% think that the distance is sufficiently convenient. 57%, however, frequently prefer to visit services other than the government facilities, including tradi-

tional healers. The main reason given is that the costs are still too high. Likewise, 40.6% of women do not deliver at a government facility, and 28% stated that they could not afford one (OSSREA, 2006: 5ff.). This proves that, despite recent progress in improving accessibility, costs and, in some cases, distance still play a great role.

With regards to the quality of health services, various improvements have taken place in recent years. The numbers of physicians and nurses has gradually increased. While there is still a large bias in distribution of health professionals towards urban areas, the proportion of nurses in rural areas has improved from 20% in 2002 to 56% in 2005. The availability of drugs and vaccines also showed important progress. In 2005, essential drugs were available at 95% of the time, while there were no restrictions on vaccines whatsoever (Republic of Rwanda, 2006i: 2f.).

Nevertheless, significant quality improvements are still necessary. For example, 40% of health centers lack electricity. Similarly, malaria remains a serious problem particularly for the poorest households who cannot afford or are ignorant with regards to the use of malaria services (MINECOFIN, 2006: 5f.). In 2004, only 10.6% of households overall and only 6.2% of households in rural areas owned a mosquito net (Republic of Rwanda, 2004a: 40). To remedy this situation, the Government had scheduled a large influx of insecticide treated nets for 2006. This was certainly very important, as malaria still accounts for 27% of all visits to health centers and for nearly 37% of all deaths, making it the leading cause of mortality (Republic of Rwanda, 2006i: 2f.). Tuberculosis is also a frequent problem, but data is not available. Nevertheless, it was noted that incidences are not detected in many cases and treatment success rates are also a concern (Republic of Rwanda, 2006i: 2).

Rwanda has an exceptional record on vaccination rates against childhood diseases. 75% of children between the ages of 12 and 23 months are fully vaccinated, and most others have received at least some injections. Only 3% have received no vaccines at all (Republic of Rwanda, 2006a: ii). Because of this, it is all the more surprising that Rwanda's indicators for under-five mortality are still disturbingly high at 152 out of 1,000 live births or about one in every seven. Likewise, the infant mortality rate is high at 86 out of 1,000 live births. In comparison, these figures are still higher than before the 1994 genocide, and, today, Rwanda ranks as the country with the elev-

enth worst child health indicators in the world (Republic of Rwanda, 2006a: iv). The country further has a similarly negative record with regards to maternal health. Currently, 750 out of 100,000 women die while giving birth. Observers believe that the reasons for these worrying figures are likely to be found with persistent cultural practices, lack of adherence to family planning methods and limited access to medicine (APRM, 2006: 113).

HIV/AIDS was long thought to be a major problem with infection rates estimated at above 10%. The most comprehensive recent study revealed, however, that prevalence stands at just 3.0% of the population, with women accounting for 3.6% and men for 2.3% (Measure DHS, 2005: 31). The Government has conducted a large-scale and successful HIV/AIDS awareness campaign, even though the use of condoms remains low at only 3% of women and 5% of men (Republic of Rwanda, 2006a: iv). Extensive costs are likely to be a major problem as are traditional cultural practices.

Rwanda's policy approach towards HIV/AIDS treatment and the results achieved are impressive. In September 2005, almost 55% of the country's health facilities offered services to prevent mother-to-child transmission. Furthermore, 19,000 people received antiretroviral therapy in December 2005, up from 8,700 in 2004. This means that treatment is provided to about half of the people estimated to be in need of it, one of the highest coverage rates in sub-Saharan Africa (Luxembourg *et al.*, 2006: 1).

Nevertheless, living with HIV/AIDS often triggers a cycle during which existing poverty is constantly worsened through physical deterioration, declining ability to work, and often increasingly poor nutrition, general living conditions and hygiene. Apart from that, the psychological effects are still of great concern. Many people – even close family members, friends and neighbors – often abandon those with HIV/AIDS by fear of becoming contaminated. This leads many of the latter to remain silent about their suffering (Kornfield *et al.*, 2002: vi).

Appropriate medical facilities and services are of vital importance to tourists, especially in a country with some tropical diseases, a few dangerous animals and, proba-

bly most importantly, limited hygiene. Rwanda's advantage is its very small size as well as the central location of Kigali. The capital features a few hospitals, one of which has a reasonably good reputation. In addition, there are some small private clinics as well as independent doctors that are recommended by the embassies. The situation outside of Kigali is much worse. Larger towns usually have a hospital. If possible, however, patients should be taken to Kigali or, in the case of a more serious health problem, should be evacuated to South Africa or Europe.

Similar to tourism's relationship with education, it can also have positive impacts on health care. Again, philanthropy and responsible volunteering are the main buzzwords. Beyond that, meaningful cultural exchange between Rwandans and foreigners can trigger changing behaviors, among others, with regards to hygiene practices or family planning measures. These opportunities should be explored in more detail and increasingly harnessed.

Recommendations:

- To ensure that proper information about medical facilities and services is available to tourists and tourism companies.
- To explore and harness tourism's potentially positive impacts on health care, both in the form of philanthropy and responsible volunteering as well as in the form of meaningful cultural exchange that could possibly trigger changing behaviors and practices.

IV.2.4. Basic infrastructure

Differential diagnosis: Targets for basic infrastructure

- Accessibility and high quality of water and sanitation
- Accessibility and high quality of power
- Accessibility and high quality of roads
- Accessibility and high quality of telecommunications

An appropriate basic infrastructure has strong impacts on a person's life. Clean drinking water, for example, considerably improves his or her health and, related to that, increases his or her productivity and reduces costs of health services. An easily accessible clean water source, however, also reduces the time, energy and opportunity

cost that household members need to sacrifice for fetching water. Hence, both quality and accessibility are important issues.

Since 2002, the coverage rate for save water supply has increased from 41% to 55% in rural areas and from 66% to 69% in urban areas (Republic of Rwanda, 2006g: 5). If progress continues on a similar scale, Rwanda should be able to meet the MDG of 85% by 2015. Concern nevertheless remains because many households who still lack easy access to an appropriate water source live in high-lying areas on hills that are comparably difficult to reach. Another challenge is the sensitization of the population with regards to the importance of this issue. A recent survey, for example, has found that 59.3% of the population does not take any precautions before consuming water, even though 56.2% believe that their water is not potable. Only 33.2% boil their water before consumption (Republic of Rwanda, 2004a: 14).

Access to appropriate sanitation is a great problem in Rwanda. Even though the coverage rate has increased from 6% in 2002 to 10% in 2005, it is still far below trend to meet the MDG of 66% in 2015 (MINECOFIN, 2006: 6). Particularly the rapid urban growth rate has negatively affected towns and cities that suffer from poor waste management and increased water pollution. Notably in Kigali, the lack of a functioning sewage system contributes to the risk of contaminating streams and groundwater, thereby threatening the quality of drinking water (Republic of Rwanda, 2006g: 5). But also in other parts of the country, serious pollution results from industrial waste discharged without treatment as well as human wastewater. For example, in 2003, 39.5% of households had to use non-protected latrines, while 4.5% had no latrines at all (Republic of Rwanda & UN, 2003: 25).

Power is also an important factor for all households. But Rwanda's per capita electricity consumption is among the lowest in the world with only 5% of the population having access to grid-supplied electricity – most of them living in big towns and, particularly, Kigali (World Bank, 2006e: 7). The extent of the problem becomes clear with the fact that 85% of the population use wood and another 8.4% use charcoal for cooking purposes (Lahmeyer International, 2004: 3.14). This creates an immense pressure on increasingly scarce wood resources and strongly contributes to deforestation and associated negative impacts.

Even though only few Rwandans are connected to the electricity grid of Electrogaz, the public monopolist, the available energy is by far not sufficient. This shortage resulted in a severe energy crisis in 2003 and 2004, and progress in energy supply has been very slow since then. Rwanda has a number of largely unexploited potential energy sources. They include, in particular, large reserves of methane gas dissolved in the deep waters of Lake Kivu. Their extraction should be prioritized because, due to a combination of geological and biological processes, they are continuously generated and therefore present a renewable energy source (World Bank, 2006e: 13).

Furthermore, apart from peat, papyrus, solar power and geothermal power, hydro-power has a significant potential in Rwanda. Electricity from hydro sources already represents over 90% of power generated in the country. Both the Rusizi and Kagera rivers could be further harnessed in this regard (World Bank, 2006e: 5). Increasing domestic production is vital because Rwanda relies heavily on imported electricity. This leads to the fact that prices are very high compared to regional standards. In November 2005, for example, a kilowatt hour cost \$0.16 in Rwanda – four times the amount paid in neighboring Uganda (Rusuhuzwa & Gatarayiha, 2005: 9).

Roads are another important basic infrastructure. While their significance for commerce will be explained later (IV.4.2.6), they also play a vital role for the progress of individual households. The density of Rwanda's road network is one of the highest in Africa with 0.53km per km² (Republic of Rwanda, 2003a: 19). This amounts to an estimated 14,000km of roads, 5,400km of which are classified as main road network. The problem, therefore, does not lie with quantity, but with quality. Only about 1,000km or 7.1% of all roads are paved (Republic of Rwanda, 2005a: 34). Linked to the accessibility and quality of roads is the issue of public transport. On a national level, 29.6% of the population has easy access to public transport. This figure decreases, however, in rural areas to 21.9% on average and to only 6.2% in the region of Gikongoro (Republic of Rwanda, 2004a: 24).

Finally, telecommunications are becoming increasingly important as basic infrastructure. Current levels of access and penetration, however, are among the lowest in the world. In November 2004, the total number of fixed telephone lines was only 23,000.

At the same time, there were 240,000 cellular phone subscribers. And not more than 30,000 Rwandans owned an email address (Nsengiyumva & Stork, 2005: 124). Nevertheless, for the past few years, access and penetration have been increasing rapidly, and new policies aim at moving Rwanda into the ICT age. The impact is already noticeable in Kigali, but the rural areas continue to lag far behind.

An appropriate infrastructure is also of vital importance to tourism. Tourists need to be able to access attractions and facilities, they require water and power at those facilities, they want to use reliable telecommunications networks and the internet, and they dislike places that apparently lack proper sanitation. Tourism hotspots and surrounding areas are, therefore, likely to benefit from infrastructure developments. This can be achieved through private sector efforts, for example, of an accommodation provider maintaining an access road, introducing solar energy and installing an internet connection. But it can also lead the government to prioritize the area when it comes to new infrastructure developments and extensions. It is, therefore, likely that regions that receive a considerable amount of tourists will also benefit from improved infrastructure. How this plays out in Rwanda will be explored in more detail below (IV.3.7.7).

Recommendations:

- To encourage tourism-related infrastructure developments to extend to surrounding areas and, thereby, benefit neighboring communities.
- To develop and monitor quality and safety standards for infrastructure developments achieved by actors in the tourism industry.

IV.2.5. Redistributive strategies and public social safety nets

Differential diagnosis: Redistributive strategies and public social safety nets

- Fixed institutional arrangements
- *Ad hoc* arrangements
- Public works programs

According to articles 14, 18 and 41 of Rwanda's Constitution of 2003, the Government assumes responsibilities for social security matters. These should comprise a number of interventions that guarantee support to the most vulnerable members of society. In order to achieve this, various ministries and agencies have initiated a vari-

ety of individual programs that tackle some of the most serious problems. In fact, an estimated 7-10% of the national budget is currently allocated to social protection programs (MINECOFIN, 2006: 6).

Under the Ministry of Local Government, Community Development and Social Affairs (MINALOC), for example, fixed institutional arrangements include safety nets for survivors of the genocide, refugees and repatriates, the elderly, the handicapped, vulnerable children, and people living with HIV/AIDS (Republic of Rwanda, 2005c: 98). Additionally, *ad hoc* programs tackle the consequences of disasters and catastrophes as well as of regional food shortages.

Other ministries also contribute to social protection. The Ministry of Gender and Women in Development (MIGEPROFE) enables orphans and other vulnerable children to access the same opportunities that other children have with regards to active and valuable participation in family and community life. It further provides capacity building programs, credit as well as institutional support to widows and other women in distress such as prostitutes. The MINEDUC aims at tackling the high adult illiteracy rate and provides special alphabetization courses.

The MINISANTE is also involved in training and education initiatives. Specific themes include child mortality and maternity risks, the promotion of hygiene and general medical aid. Finally, the Ministry of Agriculture and Animal Resources (MINAGRI) provides support to farmers and cattle breeders, and the Ministry of Infrastructure (MININFRA) is responsible for the construction of basic and community infrastructure.

Despite the multitude of individual initiatives and programs that, altogether, provide a more or less effective public social safety net, observers have noted that a coherent strategy for social protection and support particularly to the most vulnerable does not yet exist. Particular problems are that the individual programs often lack clearly defined goals, that the target groups are frequently poorly identified, that some vulnerable groups are not covered at all, and that there is a general lack of transparency with regards to financial sources and partnerships (Bangwanubusa, 2004: 51). It is a first important step that the Government has started to recognize that this omission

“constitutes a significant gap in both poverty and growth policy” (Republic of Rwanda, 2006l: 4).

One program that has been widely praised is the Labor Intensive Local Development Program HIMO, a more or less typical public works program. Rwanda has a comparably high level of un- and underemployment which, according to the Government, justifies the establishment of alternative rural employment initiatives (Republic of Rwanda, 2005b: 16). One major rationale for the program is, therefore, to absorb these unused capacities in the workforce. Apart from that, the country suffers from a very bad rural infrastructure that significantly limits the access to basic services as well as markets. As a consequence, a second objective of HIMO is to counter the rural decapitalization and, at the same time, address matters of environmental sustainability (Mackinnon *et al.*, 2003: 89).

Officially launched in November 2003, HIMO is expected to create a total of 886,000 jobs over a period of five years, including 65,100 permanent jobs. Progress has, however, been slow due to inadequate funding, institutional weaknesses and concerns for efficiency, quality and sustainability. Initially, the diverse activities were designed to encompass terracing, reforestation, wetland development, construction of markets, development of wells, construction of pipes for water supplies, the rehabilitation of rural roads, and the provision of a minimum level of infrastructure and basic services such as street pavement, drainage channels, waste collection and recycling, construction of markets, and the extension of water supplies (Republic of Rwanda, 2003a: 47f.).

Actual success stories are, however, rather limited. In 2004, the program created 14,142 jobs with an average earning of FRw 400 per day (Republic of Rwanda, 2005c: 10ff.), i.e., about \$0.73. This wage level was set in order to attract the rural unemployed without diverting people from other productive activities. The main achievements to date include reforestation and tree planting in Bugesera, marshland reclamation in Murambi, small-scale road rehabilitation activities in Gikongoro and Butare, and a variety of smaller initiatives, for example, for terracing and the protection of hillsides (Evans *et al.*, 2006: 39).

As for the education and health sectors above, many of the fixed institutional arrangements of a variety of ministries could become target initiatives for philanthropy and responsible volunteering. Details and opportunities should be discussed and explored with the relevant bodies.

Recommendations:

- To explore and increasingly harness tourism's positive impacts on social security matters through, among others, philanthropic activities or responsible volunteering.

IV.3. Tourism market forces

Differential diagnosis: Tourism market forces

- Policy framework for development and poverty reduction – and tourism's role
- General structure of the economy and tourism's significance
- Destination assets and constraints
- Tourism policy objectives and strategies
- Visitor statistics
- General image as tourist destination
- Linkages of the private sector
- Revenue sharing by the public sector

The diagnosis of Rwanda's tourism sector will start with an overview of the policy framework for development and poverty reduction as well as tourism's role (IV.3.1). This will be followed by a detailed analysis of the general structure of the Rwandan economy and tourism's significance in it (IV.3.2). More closely related to the sector, sub-chapters IV.3.3 and IV.3.4 will introduce the destination assets and constraints as well as the tourism policy objectives and strategies respectively. Sub-chapters IV.3.5 to IV.3.7 as well as Annexes 1 to 4 include the main empirical work of this thesis and deal with visitor statistics, the general image of as a tourist destination and linkages of the private sector respectively. The thesis will then examine the public sector's revenue sharing mechanism (IV.3.7), before coming to a conclusion on the visitors' spend and those who benefit from it (IV.3.8).

IV.3.1. Policy framework for development and poverty reduction – and tourism's role

Differential diagnosis: Policy framework for development and poverty reduction – and tourism's role

- Vision 2020
- PRSP process
- MDGs

In 1998, the Government started to organize national reflection sessions on the future of the country. This led to a long consultative process with the goal of defining the country's long-term development strategy. The result was a single document – Vision 2020.

Rwanda's strategy is very ambitious. In the words of the Vision:

Rwanda aspires to become an emerging nation which has vanquished poverty and attained the per capita income of middle-income countries – a modern strong and united nation proud of its fundamental values and one which is politically stable, without discrimination between its sons and daughters.

(Republic of Rwanda, 2004b: 4)

For Rwanda, to become a middle-income country means to increase the average per capita income to \$900. This requires strong annual growth rates of at least 7%. The Vision builds on six pillars. These include the reconstruction of the nation and its social capital, the transformation of agriculture into a productive, high value, market-oriented sector with forward linkages to other sectors, the development of an efficient private sector, comprehensive human resources development, infrastructural development, and the promotion of regional economic integration and cooperation (Evans *et al.*, 2006: 22).

While tourism is not directly mentioned in the Vision, the country's National Tourism Policy has identified several points of relevance to the sector (Government of Rwanda, 2006: 7). Particular aspirations include the generation of increasing numbers of non-agricultural jobs as well as the development of a dynamic and competitive private sector that plays a major role in investments. The country also seeks to develop a culture of entrepreneurship that goes down to the local level and infects

members of rural communities. Tourism with its vast opportunities for multifaceted private sector actors at all levels and its strong need for labor with a range of qualifications is regarded as having an immense potential to contribute to this process. Unfortunately, the Policy does not go beyond this point and misses out on numerous other important links that are generally explored in this thesis.

While Vision 2020 sets the country's long-term targets, another fundamental document is responsible for the more immediate policy framework for development and poverty reduction – the Poverty Reduction Strategy Paper (PRSP). The document itself sets the path for a five-year period, but the PRSP is also an ongoing process of national debate.

The first PRSP document was finalized in November 2001 after a comprehensive process of consultations with numerous stakeholders, participatory assessments and quantitative surveys on household living conditions. Apart from the Government, it involved organizations of civil society, NGOs, church groups, the private sector, as well as external partners and donors. The final Paper was officially endorsed by the World Bank and the IMF in July 2002 as the future basis for concessional assistance (Republic of Rwanda, 2003b: 7).

The ensuing process involved regular assessments and reports as well as frequent stakeholder meetings and debates. In the run-up to the creation of the second PRSP document, the main subjects were divided up into sector working groups. They include three groups under the theme 'economic growth, private sector development and infrastructure', two groups under the theme 'rural development', four groups under the theme 'human development', three groups under the theme 'good governance', and one multi-disciplinary group for cross-cutting issues. The final Paper is expected in 2007 (MINECOFIN, 2005: 9).

The first PRSP document was strongly influenced by the country's special post-conflict environment. Its priorities aimed, therefore, at managing a transitional period of rehabilitation and reconstruction (Uyisenga, in de Boer *et al.*, 2006: 6). It identified six priority areas for public action, namely rural development and agricultural trans-

formation, human development, economic infrastructure, governance, private sector development, and institutional capacity-building (Government of Rwanda, 2002a: 35).

While the Paper was lauded for being a comprehensive and thoroughly prepared document that “inspired almost unprecedented levels of direct citizen participation” (Evans *et al.*, 2006: 9), it was also criticized of being rather shallow and having a number of weaknesses (e.g., World Bank, 2004a: 10f.). In particular, the document does not reveal how the incomes of the rural and urban poor will be increased and how the projected GDP growth will be sustained. It also fails to provide more details with regards to access to education and basic health services for the poor. Finally, it omits to explain how the financial and human skills shortages for the implementation of the strategies will be obtained.

The responsible architects at MINECOFIN are fully aware of these shortcomings, and the ongoing process tries to remedy them (personal communication, Karega, Apr 5, 2006). Furthermore, the priorities are changing because of Rwanda’s development from a post-conflict country interested in reconstruction to a more or less ‘normal’ LDC. This is already reflected in the title of the second PRSP – Economic Development and Poverty Reduction Strategy (EDPRS).

Tourism does not play a major role in the first PRSP. The sector is only covered in two small paragraphs, as one of six areas that are particularly promising for a diversification of exports away from primary commodities, and as one of nine main objectives for private sector development. Tourism’s role as major export before 1994 is mentioned, and the document speaks about the potential of the national parks, the scenery and the climate. The sector is also portrayed as an option to improve the country’s image. Finally, in an expenditure matrix, tourism is linked to employment generation and the provision of markets for local output (Government of Rwanda, 2002a: 103).

Accordingly, tourism is not attributed an exceptional role for development and poverty reduction. As a consequence, the sector received only limited attention both in national debates and from development partners. If this is to change in the future, it is fundamental to include tourism as a priority sector in the upcoming EDPRS docu-

ment. We have witnessed ourselves that the sector's importance has increased substantially in the ongoing meetings of the responsible Working Group on Private Sector Development, mainly because it found several fervent advocates among the participants.

Finally, the third major influence on the country's policy framework for development and poverty reduction comes from the MDGs. Work on the Goals has been aligned with both the Vision 2020 and the PRSP. In this sense, quantifiable national targets have been set, and progress is measured on a regular basis.

In general terms, both the determination of the Rwandans and the sound policies are lauded as a good basis for attaining many of the MDGs. This leaves a positive outlook despite the fact that "Rwanda is beginning from behind the 'starting line'" (Republic of Rwanda & UN, 2003: 7) due to a dramatic reversal of most indicators during the 1994 genocide. As 'achievable', the authorities qualify the targets for 'universal primary education' and 'gender equality'. Low progress but 'potential achievability' is attributed to the targets of 'extreme poverty and hunger', 'maternal health', and 'HIV/AIDS and malaria'. Serious challenges in the form of a stagnation or even reversal exist for the targets of 'child mortality' and 'environmental sustainability' (Republic of Rwanda & UN, 2003: 9; UNCTAD, 2006b: 36f.).

The National Tourism Policy makes brief reference to three of the MDGs (Government of Rwanda, 2006: 9). First of all, it states that tourism can help to better the life of Rwandans through high quality jobs. This way, it can contribute to achieving the first goal on reducing extreme poverty and hunger. Secondly, it can promote the goal of gender equality, for example, through job creation for women. And, thirdly, it can be a driving force for achieving the target on environmental sustainability through the conservation of natural resources, better waste management and the raising of awareness among local communities.

By way of summarizing, tourism is insufficiently linked to the Rwandan policy framework for development and poverty reduction. The many links and the extensive common ground have not yet been explored in a comprehensive way. This leads to an under-utilization of tourism's potential for poverty reduction.

Recommendations:

- To fully explore the variety of links between tourism on the one hand and development and poverty reduction on the other, and to raise awareness of these issues at all levels.
- To include key aspects of these links in future development and poverty reduction strategy papers.

IV.3.2. General structure of the economy and tourism's significance

Differential diagnosis: General structure of the economy and tourism's significance

- Structure of the economy
- Performance of the major sectors: agriculture, industry, services

A development strategy in which all Rwandans must own a piece of land and depend on agriculture is no longer tenable. Ways are to be found to increase productivity and value.

(Republic of Rwanda, 2004c: 16)

The structure of Rwanda's economy shows signs of a sad uniqueness. It has undergone almost no transformation over the past four decades, a fact that is largely unparalleled among world economies. Today, the contributions to GDP consist of 44% agriculture, 18% industry and 38% services (UNCTAD, 2006a: 3). In fact, it is estimated that more individuals join the working age population each year than the total number of non-farming rural jobs (Republic of Rwanda, 2006h: 25). The importance of agriculture is quickly shown by means of some statistics: In 2002, agriculture made up 88% of all employment, contributed 71% of export revenues, and was the main source of income for 87% of the population (Republic of Rwanda, 2006d: 5).

Due to this dependence on agriculture, the overall economic performance heavily relies on a few external factors. Arguably the most important ones are the climatic conditions. While Rwanda enjoyed rapid GDP growth of 11% in 2002, it dropped to 0.3% in 2003 and 5.3% in 2004 due to poor harvests caused by bad rains (Republic of Rwanda, 2004b: 8; Republic of Rwanda, 2005c: 8). The 2005 and 2006 harvests, however, were more favorable again, and GDP growth reached 7.2% and 6.3% respectively (Republic of Rwanda, 2007: 15). A second important external factor is world market prices. While the share of exports in GDP is one of the lowest in the world at 5.3% (Republic of Rwanda, 2005a: 4), it is heavily dependent on two agricul-

tural products, namely coffee and tea. Hence, when world market prices of these two fluctuate, the difference is strongly felt in Rwanda's economic performance.

The agricultural sector suffers from various constraints. Impacted by a rapidly growing population, it has not managed to achieve substantial productivity increases. Fertilizer use remains beyond expectations, the transport infrastructure is very weak, and extension services are still not fully operational. Furthermore, environmental degradation such as a chronic decline in soil fertility, poor water management and deforestation are further aggravating the situation. Today, it is estimated that it takes an average of 92 Rwandans to cultivate land required to feed 100 of their co-citizens. This is another field where Rwanda is an inglorious world leader. To draw a comparison, in Europe this is achieved by no more than two inhabitants (Republic of Rwanda, 2006b: 16).

In general, most of the agricultural production is merely for subsistence purposes. For example, only one third of food products reaches markets and is traded (Republic of Rwanda, 2006d: 5). Population pressure results, however, in declining farm sizes, and most households hardly reach food self-sufficiency. As the Government correctly pointed out already in 2003, "[t]his fight for survival stagnates the Rwandan agrarian systems within a non-evolutionary framework" (Republic of Rwanda, 2003a: 21).

While general support to food crops and livestock as well as the provision of appropriate environmental protection activities are indispensable, one important strategy is, therefore, to encourage rural households to participate in the production of exportable products such as coffee or tea. Related to this, the Diagnostic Trade Integration Study in 2005 showed that farmers who move from subsistence agriculture into coffee production can expect an increase of income of 23-30% on average (Republic of Rwanda, 2005a: 12).

A second important strategy is to increase productivity and quality of the export crops. Diop *et al.* (2005: 2), for example, commended the introduction of washing stations to produce fully washed coffee. Compared to standard coffee, the enhanced quality would at least double the currently achieved benefits. Similarly, substantial

additional capital and expertise as well as a major privatization drive could greatly increase the productivity in tea production.

Other agricultural export products include hides and skins, pyrethrum and horticultural products such as cut flowers, fruits and vegetables. But also the industrial production is strongly tied to the processing of agricultural inputs. Up to 40% of industrial output is generated by the production and processing of beer, soft drinks, tobacco, textiles, tea and coffee (UNCTAD, 2006a: 6). In fact, one modern brewery dominates the entire sector with its turnover and fiscal contribution (Republic of Rwanda, 2006b: 10). The second large contributor to industrial output is the construction sector with its supporting industries.

This leaves a sadly clear-cut picture of the entire industrial landscape. There was very little evolution over past decades, and the sector remains small, little diversified and largely unsophisticated. A summary of major industrial players is, therefore, rather short: Apart from the brewery, there are some soft drink producers, a sugar refinery, a soap factory, a producer of tiles and plastic products, some factories that improve and galvanize metal sheets, two textile factories, small chemical factories, one pyrethrum processing factory, one factory for matches, and other small companies manufacturing agricultural tools and printing house products (Republic of Rwanda, 2006c: 10).

Both the agricultural as well as the industrial sector do not look very promising to lead the Rwandan economy on its quest for growth and prosperity in the long term. Given high population density and growth as well as increasing pressure on lands, a substantial diversification into non-farm employment is fundamental. Industrial development, however, is also hampered by high transport costs, the absence of substantial amounts of raw materials and chronic infrastructure shortages. Analysts have, therefore, started to agree with the Rwandan Government that the best and possibly only long-term development strategy is the 'leapfrogging' of the industrialized stage in order to become a major service provider and communications hub for the region (Tikly *et al.*, 2003: ix). Such an approach is successfully pursued by countries like Mauritius as well as some states in India. But, again, Rwanda appears to have comparative disadvantages especially with regards to its weak human resource base. Hence, the

development of human resources combined with the monopolization of existing language advantages is pivotal for Rwanda's future.

Today's services sector has also stagnated over past decades, even though it is slightly more diversified than the industrial sector. Activities include retailing, transport, tourism, finance, insurance, telecommunications and utilities. In 2004, the sector grew by almost 8% and became the strongest performer ahead of agriculture and industry (Republic of Rwanda, 2005c: 16). While communications, transport and tourism were the leading growth services in recent years, in the long term the Government would like to prioritize particularly the information and communication technology (ICT). Obvious problems of lack of both human capacity and physical equipment are supposed to be tackled with training at tertiary institutions and infrastructure developments (Bigsten & Lundström, 2004: 40).

To summarize Rwanda's export performance, tea, coffee and a few minerals including coltan accounted for more than 80% of all export receipts in 2005 (UNCTAD, 2006a: 11). The export base in general remains extremely weak. Annual exports per capita amount to just \$18 – far below the sub-Saharan African average of \$145 (Republic of Rwanda, 2005a: ix). Likewise, the share of exports in GDP is one of the lowest in the world at 5.3% (Republic of Rwanda, 2005a: 4). Compared to this, Rwanda relies heavily on imports for consumer, intermediate and capital goods.

Tourism is one of Rwanda's priority sectors for economic development. In 2006, it generated \$35.7 million in ORTPN income alone (Republic of Rwanda, 2007: 22) – with a strongly growing tendency. It also fits very well into the strategies of economic diversification and leapfrogging. We will explore the advantages and disadvantages, the opportunities and threats for tourism in more detail in the following sub-chapters.

IV.3.3. Destination assets and constraints

Differential diagnosis: Destination assets and constraints

- Natural tourism assets
- Cultural tourism assets
- Tourism infrastructure assets
- Major constraints

Despite its comparably small size, Rwanda benefits from diverse natural and cultural assets. We will analyze their tourism potential in the subsequent sub-chapters IV.3.3.1 and IV.3.3.2. Additionally, we will take a look at the country's tourism infrastructure (IV.3.3.3). We will finish this chapter by exploring the major constraints that the sector faces (IV.3.3.4).

IV.3.3.1. Natural tourism assets

Previous visitor research has shown that Rwanda's major assets in terms of tourism are, undoubtedly, the mountain gorillas in VNP (Grosspietsch, 2003: 29ff.). The remaining habitats of these great apes are the slopes of the Virunga volcanoes in Rwanda, Uganda and the DRC, as well as Bwindi Impenetrable Forest in Uganda. While mountain gorilla trekking is related to great security risks in the DRC, there are, currently, three habituated families in Uganda and seven in Rwanda with close to 200 individuals (personal communication, Rwigamba, Mar 8, 2007). With strict conservation regulations in place, this effectively means that, at the moment, no more than 18 tourists can trek the great apes in Uganda each day, and 56 in Rwanda. The latter is, therefore, the number one mountain gorilla destination in the world.

VNP consists of about 160km² of afro-montane forest. Until Rwanda's independence in 1962, it was part of Africa's first national park, *Parc National Albert*, created in 1925 with an intention of protecting the great apes (ORTPN, 2004: 14). It became famous on an international scale through the work of the conservationist Dian Fossey whose life was later turned into the popular movie *Gorillas in the mist*.

Since then, it received considerable attention and support from both government as well as international conservation organizations. While extensive poaching as well as the military activities during the genocide and the following insurgency in the area were a serious threat to the mountain gorillas, today the Park is heavily protected, and numbers of the great apes are actually increasing (Kalpers *et al.*, 2003). Problems remain, however, with regards to the penetration of the Park by inhabitants of surrounding communities who come in search for water, bamboo and other trees, or places for their bee hives. Apart from mountain gorilla trekking, tourism activities include the tracking of golden monkeys, climbs of the volcanoes Karisimbi and Bisoke,

and a visit to the grave of Dian Fossey on the gorilla cemetery that she had established.

The other two national parks, ANP and NNP, are much rarer seen as world class tourism assets, but still have a lot of attractiveness to both visitors and international tour operators (Grosspietsch, 2003: 29ff.). Created in 1934, ANP today hosts savannah and wetland habitats on 1,081 km². Its size was reduced by over 65% in 1997 in order to cope with the serious population pressure caused by hundreds of thousands of refugees and returnees. Likewise, the Park lost about 50% of its wildlife until 1994 and further 50-80% of the remaining population between 1998 and 2003. This decline is attributable to intensive human activities such as pastoralism and cultivation, as well as heavy hunting pressure (Booth, 2003: 5).

An aerial survey in 2002 and carrying capacity estimates in 2003 commissioned by the German GTZ showed that, at that point, there were, among others, a total of only 309 buffalos, 114 elands, 10 roams, 20 giraffes and 80 elephants left in the Park. If the management improves considerably, these species could possibly reach their carrying capacity between the years 2008 and 2019 respectively (Pina Cortez, 2005: 3). Numerous problems remain, however. They include poaching, frequent penetrations by pastoralists with their cattle, the use of resources from the Park such as wood, illegal fishing, and large-scale human-made bush fires (Schoene, 2003: 2ff.; ORTPN & GTZ, 2006).

Current tourism activities in the Park include game drives and safaris, occasional boat rides on the lakes and rivers, and sports fishing, as well as camping on one of the five public and four private campsites. In the future, the authorities desire to develop kayaking and canoeing, to build bird and game hides, and to focus on community-based tourism, such as handicraft production associations, a local market or village visits (ORTPN, 2006b: 13f.).

NNP, the largest mountainous rainforest in East and Central Africa, was a protected area since 1933, but only gained national park status in 2004. It lost a large amount of its original size and today contains about 1,000km² of afro-montane forest. For many decades, the greatest threats to the Park were the existence of precious min-

erals in the area and high human pressures. Gold mining as well as human activities such as wood collection, hunting, apiculture and agriculture, therefore, continued. Since 2001, the authorities try to cooperate with the local communities who are empowered to participate in planning processes. This has led to first small community benefits of conservation measures, some few jobs, as well as the prevention of illegal activities like poaching (Enger, 2006: 54ff.).

In tourism terms, the Park features a system of diverse hiking trails. Two of them are particularly designed to track some of the 13 species of primates, namely chimpanzees or colobus monkeys. Others lead to waterfalls, through a marshland or, generally, through the mountainous rainforest. Camping is possible, and at least one neighboring village has started to develop small-scale community-based tourism activities with a village tour. So far unexploited remains the established fact that the furthest source of the Nile is located in the Park. Also, the former gold mine or the nearby tea plantations have some tourism potential.

Other natural tourism assets include the generally hilly landscape that is often interrupted by numerous rivers and lakes. Among the more prominent lakes are Muhazi in the east, a popular destination for a weekend trip from Kigali, and the twins Burera and Ruhondo in the north with their stunning scenery and the volcanoes in the background. In the northeast as well as southeast, there are some unexploited hot springs, and, at some points, the rivers produce waterfalls, such as those at Rusizi or Rusumo. Near Ruhengeri, there is a cave system that the authorities desire to offer as a tourism attraction in the near future. Outside the national parks, there are only few remaining patches of forest, including Ibihanga near Ruhengeri and Gishwati near Gisenyi. In general, none of these assets is attracting more than occasional tourists.

The only other frequently mentioned natural asset is Lake Kivu which forms the entire western border with the DRC. Formerly called the “*Côte d’Azur* of East Africa” (Government of Rwanda, 2006: 10), the inland sea is surrounded by characteristic rolling hills. Tourism developments have been rather sparse in the three resort towns Gisenyi, Kibuye and Cyangugu. A few water sport opportunities are now available, and

occasional visitors rent a boat in order to explore some of the attractive small islands. Among others, the island *Napoleon's Hat* is home to a giant bat colony.

The obvious choice for a tourism circuit that leans on natural assets is, therefore, the so-called *Primate Discovery Tour*, linking VNP with the mountain gorillas to NNP with the chimpanzees and twelve other primate species. In order to make the nature experience complete, Lake Kivu is regarded as the necessary link between the two Parks. Lake transport remains, however, a major challenge. The dirt roads on the edge of the lake are stunningly scenic but also very bumpy, uncomfortable and time-consuming. Boat transport is still very limited. During a national tourism summit in early 2007, participants proudly announced that two new boats are now operating on the Lake. This is, of course, far too little.

There are legitimate reasons to assume that Rwanda continues to have a mountain gorilla tourism monoculture. Recent developments have seen an over-reliance on VNP, and there is a great need for more diversification. Currently, the main focus of the authorities lies on NNP with planned investments for an upmarket eco-lodge and a canopy walk (Mazimhaka & Mugabo, 2006: 2). There is also some potential for ornithological tours or discoveries of butterflies and flowers. These new developments are all the more vital since mountain gorilla permits are strongly limited.

Recommendations:

- To strongly emphasize the diversification of tourism products focusing on natural assets and to move away from a tourism monoculture based on mountain gorilla trekking.
- To encourage developments of appropriate tourism infrastructure around new tourism products focusing on natural assets.
- To harness local knowledge and skills, and to encourage local participation in the development of new tourism products focusing on natural assets.

IV.3.3.2. Cultural tourism assets

Visitor perceptions in a 2003 research have shown that culture does not feature very prominently if it comes to Rwanda's tourism assets (Grosspietsch, 2003: 29ff.). Established cultural institutions are rare. The more well-known ones include the Na-

tional Museum in Butare, where numerous artifacts tell the story of the country and its people since 60,000-40,000 BC, and the two king's palaces in Nyanza, a reconstructed traditional building from the late 19th century and a more modern complex built in the early 1930s. Very few other sites have been developed.

For several years now, the stakeholders in government and tourism industry have been talking about creating a circuit that introduces *5 centuries of East African civilization* (Government of Rwanda, 2002b: 7). Actual developments have, however, been very slow, and the industry has not picked up on the enormous potential that Rwanda's culture has to offer. A document from the National Museum describes the five modules that such a cultural circuit should focus on (Musée National du Rwanda, 2003).

The first module, located in the Butare area, introduces the royal history with various king's palaces and residences, and a necropolis. The second module deals with the colonial history around the lakeside towns of Cyangugu and Kibuye, featuring regional museums and a variety of historical sites. The theme of the third module is the time of the first and second Republics. Attractions include a museum and cultural sites at Ruhengeri that focus on issues of human rights, justice, tolerance, national reconciliation and pacifist cohabitation. The fourth module is dedicated to the *Liberation War* between October 1990 and July 1994. Sites in the Byumba and Umutara regions of the north and northeast include bunkers and underground hideouts, warehouses and arms depots, or training camps. Finally, module 5 goes back in history to the early days of unification and formation of the Rwandan kingdom. In the areas of Gasabo and Kigali Ngali, it includes a famous starting point of military expeditions, the seat of drum players, king's huts and burial sites.

Apart from this planned cultural circuit, the ORTPN is operating official *Kigali City Tours*. Major attractions include the house of Richard Kandt, the first German colonial governor and founder of Kigali, the old city with its commercial quarter and the central prison, the Muslim quarter, some important genocide-related sites including Camp Kigali and the Kigali Genocide Center at Gisozi, and modern areas like the industrial suburb of Gikondo or residential quarters such as Nyarutarama.

More recently, tourists have developed an interest in the genocide memorials that are located in various parts of the country. The most famous are the churches in Nyamata and Ntarama, the former school at Murambi, and the new Kigali Genocide Center. These memorials are very diverse. Some sites have been left the way they were found with remnants of decaying corpses. In others, the bones and skulls have been collected and are now displayed on tables and shelves. Zorbas (2004: 40) comments that, for the visitor, “these memorials are an intense, abrasive and challenging experience”. Nevertheless, statistics demonstrate a strongly growing interest in these sites (see IV.3.6 below).

While Rwanda has a lot to offer with regards to performing arts, only traditional dancing has become a frequent tourism asset. Nyanza is the seat of the so-called *National Ballet*, the original *intore* dance troupe. *Intore* means ‘the Chosen Ones’, and this tradition relates back to royal times (Booth, 2005: 1). Similar groups are now meeting in various towns, and tourists can experience performances, among others, in Kigali, Butare, Ruhengeri, Gisenyi, ANP, or Kinigi.

Visual arts and, in particular, handicrafts are more or less distinctive from those in neighboring countries. Numerous associations, cooperatives or other groups have formed in order to create a variety of products. These include sisal baskets, ceramic pots, woodcarvings, contemporary paintings and sculptures, banana leaf art, embroidery, or traditional cow dung paintings called *imigongo*.

Food is also an important ingredient of a cultural experience. In Rwanda, local favorites include goat kebabs called *brochettes*, grilled tilapia, or bean or meat stews, served with a stiff cassava or maize porridge called *ugali* or cooked bananas called *matoke*. Famous drinks are the local beers *Mützig* and *Primus*, as well as self-made banana beer or banana wine, the *urwagwa* (Booth, 2005: 2).

Finally, it is the ordinary daily scenes and experiences of local life that often leave the most lasting impressions with the visitors. There are strong women with babies on the back that work on the fields, fishermen in traditional dugout canoes, or thousands of children playing around. There are colorful markets, industrious tea plantations or busy craft workshops. There are local men that sit in front of a local pub after a hard

day's work or women in bright clothes on their way to church. While these scenes are part of the everyday life of Rwandans, a still very limited number of small-scale community-based tourism (CBT) initiatives have developed that offer experiences with the country's living culture.

CBT is a very new concept in Rwanda, and it was not until September 2006 that the country saw a range of UNWTO-sponsored meetings where a variety of stakeholders discussed the role that this form of tourism could play in the country. They came up with the following definition:

In Rwanda, CBT includes strong participation/power or ownership by a community group; benefits the community at large economically and socially; is commercially viable; is environmentally sustainable; the product is community-based, the attraction may be traditions, modern daily life or natural sites, but is interpreted by community members.

(Townsend, 2006: 28)

The initiatives most often consist of an umbrella association that provides mechanisms to spread benefits to its members and the wider community. The typical example is the Amahoro Community-based Tourism Association (ACOTA) in the Ruhengeri area. It currently has nine member organizations, most of which have formed associations themselves. They include a banana beer brewing association, a dancing association, an agriculture and crafts association, and island development association, a banana leaf art association, a Batwa community, an orphanage, a Caritas-sponsored home for street children, and several families offering homestays. This way, a total of over 800 people benefit directly or indirectly from tourism (personal communication, Feldmann, Sep 3, 2006).

ACOTA receives support from the local tour operator Amahoro Tours in the form of product development, marketing, management of trips and sending clients. Furthermore, the Dutch development agency SNV is involved with capacity building, and the German NGO Sustainable Development through Tourism e.V. (SDT) has frequent volunteers on the ground that help with research, product development and quality enhancement. SDT further provides marketing support in Europe in the form of mar-

ket research, creation of promotional materials, facilitation with international tour operators and representation at international tourism fairs.

Interested visitors usually book an individual activity, a package or a *community tour* which combines several experiences through Amahoro Tours. They receive a local guide in Ruhengeri who also works as interpreter because the majority of members do not yet have sufficient knowledge of English or French.

Amahoro Tours has officially supported community-based tourism in the Ruhengeri area since 2004. Developments have, however, been very slow, and some ACOTA members are still waiting for their first visitors. On average, the nine members receive 2.4 groups with 4.3 tourists each per month. While three of them only ask for a donation as remuneration, prices for the others range from \$10-40 per group. The total financial benefits might appear to be rather small. But the majority of the members does not have any other formal income source and survives on subsistence agriculture. For them, tourism presents one of the very few options to gain cash. In fact, for some of the members, these activities generate up to 50% of all income, and they are very worthwhile because they are not very time-consuming (personal communication, Bakunzi, Sep 5, 2006).

Apart from ACOTA, there are only few other CBT initiatives. Located on the border of NNP, the Banda village has formed the Banda Community Association with 85 individual members. The villagers have started to offer visits to a traditional house, dancing, the production and sale of handicrafts and general village walks. Some support is available from the ORTPN Park staff who train local guides in English and French and provide a small sales point at the Park headquarters (ORTPN, 2006a: 5). There still is, however, a missing link to the formal tourism industry so that knowledge about the initiative is very limited.

A new tour operator, New Dawn Associates Ltd, is also becoming involved in CBT developments. Strongly focusing on regions that do not yet benefit from tourism, they have started to create excursions or entire circuits that focus on issues such as the pastoralist lifestyles of the northeast, the development challenges at the Millennium Village in Bugesera, or the production of coffee in a variety of districts. The company

generally enters into business relationships with community representatives, ideally in the form of an association or cooperative. Among others, they provide mentoring support for product development, institution building, capacity building, quality control and marketing (personal communication, Mugisha, May 18, 2007).

In a similar way, the GTZ's PRORENA project has, among others, focused on the development of association-managed CBT in ANP. They identified various sites of interest, developed a circuit and even produced some promotional material (Pina Cortez, 2005; 2006). Attractions include various view points, the 'devil's cave', arrow markings, a traditional worship zone, hot springs, Rwanda's first stadium from the late 1800s, old colonial structures, a mining place, and barter trade at a border market (ORTPN, 2006b: 45ff.). Since the end of PRORENA in mid-2006, however, the initiative has suffered from the same problems as the Banda village. They have not been able to create a substantial link with tour operators so that actual visitation is very limited.

Finally, there is a community-run guesthouse near the Park headquarters of VNP. The ASOFERWA Kinigi Guesthouse is managed by a local women's association, and the profits support local widows and orphans (Townsend, 2006: 70). Members provide all food and they run a small shop in the guesthouse. Furthermore, they have created a tailoring school for women as well as a passion fruit project.

In general, both government and the tourism industry have not yet sufficiently embraced the concept of CBT. Visitor surveys demonstrate that Rwanda is strongly sold as an ecotourism destination and that the mountain gorillas and some other natural features are the main pull factors (Grosspietsch, 2003: 29ff.). But they also show the visitors' appreciation of the local people's friendliness and interaction with them. CBT could, therefore, become an important additional tourism experience that will help to diversify the product range as well as to spread income to the poor.

Beyond CBT, it is surprising how little of Rwanda's culture and history are currently exploited for tourism purposes. There is not a single traditional festival on the tourism map of the entire country. The few major events that draw some small numbers of visitors are recent and modern developments. They include the International Peace

Marathon in Kigali in May, the Gorilla Naming Ceremony in Kinigi in June, and the biannual Pan-African Festival of Dance (FESPAD) in the entire country in August. Furthermore, the desire to create a country-wide cultural circuit is certainly laudable. But this strategy ignores the immense potential of regional heritage trails that could complement existing sites and lead to an extended length of stay, and spread advantages around the major attractions.

The dearth of available secondary products related to cultural and heritage attractions and activities particularly around the national parks means some great missed opportunities. In 2004, the Ministry of Youth, Culture and Sports (MINICULT) conducted a UNESCO-funded inventory of cultural sites in cooperation with the ORTPN and other stakeholders. They identified some 284 heritage sites, mainly defined as either “natural”, “historical”, “legendary” or “genocide-related” (MINICULT, 2004: 1ff.). This document shows the incredible richness of Rwanda’s heritage. But since the report’s presentation, very little has been done to exploit the opportunities – both by the destination planners and by major industry players.

Recommendations:

- To prioritize identified sites of cultural and historical heritage and to develop them into tourism attractions.
- To encourage developments of appropriate tourism infrastructure around new tourism products focusing on cultural assets.
- To harness local knowledge and skills, and to encourage local participation in the development of new tourism products focusing on cultural assets.
- To recognize the value of CBT and to provide support at a national level, particularly with regards to awareness raising, institutional support and marketing.
- To link developments of cultural assets and CBT to economic development and poverty reduction strategies and to explore and harness arising linkages.

IV.3.3.3. Tourism infrastructure assets

Quantity and quality of tourism infrastructure pose heavy constraints on the industry’s success. The location of accommodation facilities, for example, is strongly biased towards Kigali. While Enger’s (2006: 167ff.) research of 2004/2005 produced a list of

slightly over 100 hotels, lodges, church establishments, guesthouses and campsites with about 2,300 rooms in the country, most of the upper and middle class establishments are concentrated in the capital city. In particular, three of the four upmarket hotels are in Kigali; the fourth is in Gisenyi on the shores of Lake Kivu. Additionally, two lodges in ANP and near VNP meet international standards. The biggest accommodation obstacle at major tourist sites is found in NNP where the only current options are a small guesthouse and a rustic campsite. Due to a lack of appropriate investors, the Government has recently decided to take proper action and to build a luxury ecolodge in this Park (personal communication, Werabe, Nov 15, 2006).

The situation with restaurants reflects a similar picture. Kigali benefits from the presence of a relatively large expatriate crowd that attracts a range of establishments with international standards and cuisines. Among many others, they cater for Italian, Chinese, Indian, Thai, Mexican, Greek, German, or Belgian tastes. Additionally, there are a few local fast-food places and a variety of restaurants that present local dishes. Overall, 79 restaurants in Kigali were registered by the end of 2006 (personal communication, Sebujiho, Feb 19, 2007). Outside of the capital, however, it is hardly possible to find a cuisine with international standards and a choice that goes beyond a small range of popular local and Western dishes.

Transport options for visitors are also fairly limited. The easiest possibility is to book a prearranged tour through an international or one of the currently 17 registered local tour operators that will provide for transport (personal communication, Sebujiho, Feb 19, 2007). Car rentals are very limited. Some travel agents and tour operators have vehicles for hire, and at least one of them has partnered with a global car rental company. Other private options are mainly restricted to the large towns where taxis and motorbike taxis are available. A new company in the capital recently started the first Kigali Taxi Service with ten vehicles of international standard and meters. Smaller towns and villages are frequented by bicycle taxis.

Public transport consists of minibuses and a few larger buses that drive on fixed routes within and between larger towns. The few cities have bus stations – otherwise, they use badly signposted stops. Positive for Rwanda is the fact that this system is

comparably well-organized. Buses leave on fixed schedules and with fixed prices, and overcrowding is prohibited by law and strongly controlled by the police.

International access is also difficult. The only direct link with Europe is through Brussels Airlines with twice weekly flights to Brussels. Other airlines include Kenya Airways, Ethiopian Airlines, Air Burundi and the national carrier Rwandair Express. This means that there are too few seats available from major generating markets. Furthermore, even the connections with other African nations are rather limited. Currently, Kigali is linked by air transport to Kenya, Tanzania, Uganda, Burundi, Ethiopia and South Africa. But only the Kenyan and Ugandan links are daily. Finally, fares are comparably high.

The country's main airport at Kanombe, a suburb of Kigali, receives about 140,000 travelers a year (Republic of Rwanda, 2006b: 41). For domestic air transport, there are a second airport at Kamembe near Cyangugu and five additional airstrips in Gisenyi, Butare, Ruhengeri, Nemba and Gabiro. The Government has developed plans to build a new international mega-airport south of Kigali that could become a regional hub comparable to Dubai. It is currently searching for investors for this audacious idea (personal communication, Nkurunziza, May 22, 2006).

Recommendations:

- To encourage the development of further appropriate tourism infrastructure around all major tourism attractions.
- To harness such developments for community benefits in the form of, among others, extended infrastructure, improved environmental protection or employment and micro-enterprise opportunities.
- To seek improved air links to major tourist generating countries and to facilitate easier access into Rwanda, for example, through the simplification of visa procedures and entry.

IV.3.3.4. Major constraints

Both the 2002 Tourism Strategy and the 2006 Tourism Policy contain a list of major constraints of the tourism sector as perceived by the stakeholders (Government of Rwanda, 2002b: 2f.; Government of Rwanda, 2006: 12f.). Over this period of four

years, the content has not changed much, and there are only small differences with regards to the priorities.

The most important constraint remains the perception of the country as an unsafe destination. This challenge is expressed both by the image that people in major generating markets hold as well as certain national travel advisories that still warn their citizens about potential safety risks when traveling to Rwanda. In this regard, it is interesting to note the differences between individual countries' advisories. To provide a comparison, we checked the official websites of the governments of Germany, France, the US, the UK, Canada, Australia and New Zealand on the same date, Feb 20, 2007. The advisories ranged from different degrees of 'generally safe' with the possible exception of certain border areas, to a "high risk" for visitors from New Zealand and the necessity to "exercise a high degree of caution" for Australians. A list with the official expressions and the websites is provided in table IV.1.

Table IV. 1: Travel advisories for Rwanda

Country	Official advisory	Website (Feb 20, 2007)
Germany	"Reisen innerhalb Ruandas sind unbedenklich, es wird aber empfohlen, das unmittelbare Grenzgebiet zur Demokratischen Republik Kongo zu meiden."	http://www.auswaertiges-amt.de/diplo/de/Laenderinformationen/Ruanda/Sicherheitshinweise.html
France	"Il est actuellement possible de circuler dans tout le pays sous réserve des précautions générales mentionnées ci-après."	http://www.diplomatie.gouv.fr/fr/conseils-aux-voyageurs_909/pays_12191/rwanda_12353/index.html
US	"American citizens (...) should be aware of possible threats to their safety from insurgent activity, particularly in northwestern Rwanda (...) and in southwestern Rwanda (...)."	http://travel.state.gov/travel/cis_pa_tw/cis/cis_1007.html
UK	"We advise against all but essential travel to the rural border areas with Burundi and Democratic Republic of the Congo (DRC), except to the towns of Gisenyi, Kibuye and Cyangugu."	http://www.fco.gov.uk/servlet/Front?pagename=OpenMarket%2FXcelerate%2FShowPage&c=Page&cid=1007029390590&a=KCountryAdvice&aid=1013618386388
Canada	"You are advised against non essential travel to the regions bordering Burundi and the Democratic Republic of the Congo (DRC) because of possible incursions by various rebel army movements."	http://www.voyage.gc.ca/dest/report-en.asp?country=250000
Australia	"We advise you to exercise a high degree of caution in Rwanda because of the risk of rebel and criminal activity."	http://www.smarttraveller.gov.au/zw-cgi/view/Advice/Rwanda
New Zealand	"There is high risk to your security in Rwanda."	http://safetravel.govt.nz/countries/rwanda.shtml

Linked to this first constraint is the second major challenge, the political instability in neighboring countries in the region. While this was not really considered to be a big problem in 2002, industry leaders have had to acknowledge that many international tour operators avoid Rwanda as a destination not necessarily because of safety concerns within the country's borders but because of the uncertain situation in its direct vicinity. This challenge is, unfortunately, largely an external factor. Positive marketing and image improvement measures will only have a limited influence on the international tour operators' reluctance.

Several further constraints deal directly with the destination Rwanda. First of all, the industry leaders continue to lament the limited quantity and quality of accommodation facilities, particularly at key tourist locations such as NNP and certain cultural sites. It is also criticized that the industry continues to rely heavily on the mountain gorillas, thereby creating some sort of tourism monoculture. The problem is, however, not necessarily the willingness of industry players to offer other attractions. On the contrary, the overall availability of developed tourism experiences is seriously limited, leaving the private sector with very little choice. Furthermore, there is still a dearth of qualified human resources. Training is largely unavailable, and the country lacks a high-level tourism training college and professional trainers.

Another big constraint is the limited airlift to main tourism markets. While the network of air connections with other African countries has widened in recent years, there are still only two flights weekly to one of the main tourist generating areas, namely to Brussels. No other direct link to either Europe or the US or Asia exists. Related to this, Rwanda's entry formalities are not very coherent. Citizens of a dozen countries including six major tourist-generating nations, namely the US, the UK, Germany, Canada, Sweden and South Africa, do not require any visa for entering the country. Other nationals are generally able to receive a visa at an entry point. Recently, however, a so-called 'entry-facility document', issued by the Immigration Department, has been introduced as a requirement for obtaining such a visa. The procedures are unclear, and airlines such as Brussels Airlines had to change their policies in a way that they now require their passengers to produce a valid visa prior to departure. Apart from that, visa costs vary between countries. All of this leads to uncertainty and requires urgent attention and standardization.

Finally, despite some small improvements, the sector is still at a disadvantage because it lacks reliable information about foreign markets, the national industry and tourism's impacts. Statistics are, however, a key policy and strategy monitoring tool for any country. If they are unavailable, vital information is missing to maximize success.

Recommendations:

- To continuously conduct marketing campaigns in order to improve the image of Rwanda abroad, and, in particular, to approach foreign governments in order to enter into a dialogue about their travel advisories and to possibly counter persistently negative advisories.
- To encourage further developments of appropriate tourism infrastructure around major attractions.
- To strongly diversify the attractions on offer by harnessing the rich natural and cultural assets.
- To explore the opportunities for appropriate development of human resources for tourism and to encourage and support the creation of training facilities and programs.
- To seek improved air links to major tourist generating countries and to facilitate easier access into Rwanda, for example, through the simplification and standardization of visa procedures and entry.
- To considerably improve the collection and dissemination of statistics as well as information about foreign markets.

IV.3.4. Tourism policy objectives and strategies

Differential diagnosis: Tourism policy objectives and strategies

- Rwanda's Tourism Policy
- Rwanda's Tourism Strategy

Rwanda's National Tourism Policy was approved by Government in February 2006. The first document of its kind, it sets tourism within the wider context of the country's economic development and poverty reduction strategies. Accordingly, the overarching vision of the tourism industry is "to help diversify Rwanda's economy while creat-

ing high quality opportunities for private sector, communities and the overall population” (Government of Rwanda, 2006: 14). This is a new focus for the tourism sector, as a link to economic development and poverty reduction had never been explicitly stated before. It sets as general objective the goal that tourism in Rwanda serves to increase the prosperity of all Rwandans, especially the less advantaged.

It continues with four lists of specific objectives (Government of Rwanda, 2006: 15f.). Economically, tourism shall increase foreign exchange earnings and government revenues, generate employment and promote human resource development opportunities, promote rural development, stimulate the development of infrastructure, enhance regional and international tourism linkages, and promote and support typical products such as coffee, tea and handicrafts. Social objectives include the projection of a favorable national image, the creation of public awareness of tourism’s importance and role, and the provision and maintenance of an appropriate legal and regulatory framework.

Environmentally, the Policy seeks the development of an ecologically friendly and environmentally sustainable tourism, the innovative and sustainable development of facilities and products in national parks, the channeling of tourism revenues towards the protection of the natural resource base, and the involvement of communities in protection and conservation through a benefit-sharing scheme. Finally, cultural objectives include an emphasis on the rich culture and history as well as on the diverse traditions and hospitality, the development of cultural attractions, the creation of cultural values and awareness and the promotion of community participation, and the support of handicraft development.

Apparently the wrong way around, the strategy how to achieve these policy objectives dates back to 2002. At that time, the Government had approached the US-based consulting firm ontheFrontier (OTF Group) with the task of developing a range of national strategies for the leading economic sectors with export potential. In tourism, OTF Group introduced a guided multi-stakeholder process. About 40 private sector, public sector and NGO leaders were brought together to form a national Tourism Workgroup that still meets on a regular basis and debates the future of Rwandan tourism.

The goal they came up with was to “[g]enerate \$100 million in tourism receipts in 2010 by focusing on creating high value and low environmental impact experiences for eco-travelers, explorers and individual business travelers” (Government of Rwanda, 2002b: 1). This leads to the target of attracting 70,000 tourists by 2010 that spend an average of \$200 per day and stay for seven days.

The strategy is based on targeting high value customers and avoiding what it calls ‘mass tourism’. Linked to this, OTF Group introduced the notions of ‘comparative’ and ‘competitive’ advantage (Kacou, 2002: 5). The former, on the one hand, is supposed to be an attempt to mass-distribute a tourism product that overly relies on physical assets. Countries using their comparative advantage have to compete with other destinations on the price. The latter, on the other hand, focuses on differentiated tourism products developed for customers that are willing to pay a higher price. As an example, the Tourism Strategy document compares 1995 figures from Kenya and Mauritius (Government of Rwanda, 2002b: 4). Both had about \$500 million in tourism receipts. These were generated, however, by very different amounts of tourists. During that year, Kenya noted a total of 844,000 visitors, while Mauritius only had 80,000. Rwanda obviously desires to follow the example of the latter.

The notion of ‘competitive advantage’ has been coined by Harvard Business School Prof. Michael Porter, one of OTF Group’s shareholders. It goes beyond the scope of this thesis to analyze the concept in detail, but to associate ‘comparative advantage’ with ‘mass tourism’ and an over-reliance on physical assets appears to be very far-fetched. While it is true that the theory generally speaks about (relative) cost advantages and competition on costs, it does not dictate the type of product or service that should be offered. In tourism, such a product or service could easily be highly exclusive and upmarket, could be ecologically and socio-culturally sustainable and could be just the opposite of what one commonly associates with mass tourism. It is certainly preferable to be able to compete on a destination’s uniqueness, but, even then, costs play an important role at least for the great majority of people.

While we do not intend to launch a theoretical debate about the appropriateness of the usage of terms like ‘competitive’ and ‘comparative’ advantage, in Rwanda, this

has, unfortunately, led to an unusual and misleading conception of what 'mass tourism' means and includes. In fact, we noticed a blinding aversion among policymakers and, particularly, employees at the ORTPN to even contemplate tourism and tourist types that are not associated with the terms 'high-end', 'luxury' or 'upmarket'.

The target focus is officially placed on 'high-end ecotourism'. The National Tourism Policy defines ecotourism as "environmentally and socially responsible travel to natural or near natural areas that promotes conservation, has low visitor impact and provides for beneficially active socio-economic involvement of local people" (Government of Rwanda, 2006: 14). Unfortunately, there is no definition of 'high end'. Other documents as well as personal communications with decision-makers revealed, however, that the Government used to follow an exaggerated black-and-white stance that left not much room between the two extremes of luxury and mass tourism.

In a preparatory document for the Tourism Policy, for example, the consultant Shingiro (2005: 9) wrote that the consumers become more and more sophisticated and that the demand for middle-end products is rapidly decreasing. As a result, this only leaves a choice between luxury and mass. Similarly, the relevant Minister of Commerce, Industry, Investment Promotion, Tourism and Cooperatives (MINICOM) at the time, Prof. Nshuti, openly explained his exclusive preference for high-end tourists in a personal interview. According to him, non-luxury visitors "go everywhere" and make it difficult to protect the country's environment and culture because "it is not possible to control their movements" (personal communication, Nshuti, Nov 11, 2004). Apparently, he associates other visitor types with some kind of stereotypical image of mass tourists.

Townsend (2006), a UNWTO consultant, also noticed this apparent misconception when compiling information for a document on community-based tourism guidelines. According to her, the stereotypical image of a 'high-end tourist' implies "luxury and a certain level of detachedness from local people and their lives" (Townsend, 2006: 59). Associated tourism products are usually small market niches for very rich people who demand top end luxury services. When she asked industry stakeholders to clarify what they understood by 'high-end', the majority, however, responded that they desire to create high quality and good value products, and target tourists who are

willing to spend adequate amounts of money in Rwanda. This is, obviously, an important difference compared to the more common and stereotypical interpretations. High quality and good value products are certainly not necessarily equal to luxury and detachedness.

Townsend concluded that this is an important distinction to make. In order to ensure that tourism contributes to sustainable development and poverty reduction in Rwanda, conventional exclusive and high-end tourism can certainly play a role. But it should be complemented by a variety of other products that target different market segments, most of which are all likely to meet or even exceed the goal of \$200 spend per day (Townsend, 2006: 22). The predominant attitude among decision-makers limits, therefore, the opportunities for developments on the ground. Furthermore, we had to notice that this is not backed up by adequate statistical analysis.

Our criticism of this black-and-white view does not mean that we do not agree with the necessity to control certain developments. For example, we fully support ORTPN's decision to reject the recent offer of a French operator that wanted to bring charter flights to Rwanda. The proposed full costs of an entire Rwanda trip were estimated at \$450 per person. To reach such a low price, the organizers wanted to reduce on the money they had to spend locally. Among others, they desired to visit only places that did not charge a fee, and they suggested camping in the wild. This would have effectively meant that close to no material benefits would have accrued to the country and its population. According to the Director of Tourism at the ORTPN, this proposal was refused for strategic reasons in order to avoid 'mass tourism' (personal communication, Rwigamba, Jul 14, 2006).

But this is certainly a rare example of how the stereotypical 'mass tourism' could affect Rwanda. Without certain assets such as long sandy beaches or abundant wildlife like some other destinations in close vicinity, the country is very unlikely to attract large amounts of mass tourists. This is particularly the case because permits to visit the only world-class tourism attraction – the mountain gorillas – are currently limited to 56 per day. To seek high quality and good value products and to target customers who are willing to spend more money locally is certainly a commendable objective. To limit such developments to 'high-end ecotourism' with the forced desire to avoid

all forms of 'mass tourism' is, however, a misplaced restriction that does not reflect the real intentions of the Government. It is, therefore, vital to move beyond the debates of certain terms and to look at the reality on the ground. An almost demonization of certain forms of non-luxury tourism is, in any case, wrong.

Interestingly enough, when going into more detail as to how to achieve the goals, both the Tourism Strategy and the Tourism Policy suggest targeting three specific tourist segments that do not necessarily fit under the category 'high-end ecotourism', but that reflect the objective of high quality, good value and high local spend. Backed by market research conducted by OTF Group, the Government proposes to attract 'eco-travelers', 'explorers' and 'individual business travelers (Government of Rwanda, 2002b: 6f.).

According to the Strategy, eco-travelers are described as ecologically and culturally sensitive people who have an interest in "life-defining nature-based activities" and search for the "world's rarest species and natural sites". They share a desire to be "non-intrusive" and to "leave nature intact". Members of the second group – the explorers – travel "to edify themselves". They look for a maximum of diverse experiences where they can enjoy authentic "connections with the locals". Finally, individual business travelers have an interest to "add a pleasure leg" to their trip, as long as an efficient infrastructure is in place that allows for fast, comfortable and reliable services.

In our humble view, especially the targeting of explorers is a potential contradiction to the goal of exclusively offering 'high-end ecotourism'. Many of these explorers will be what officials at the ORTPN do not even dare to pronounce, namely backpackers. It is vital for the decision-makers to realize that many individual backpackers specifically look for high quality and good value products, and that they are willing to pay adequately if they get good value-for-money. Even more importantly, this visitor segment has a great potential to further spread the tourist dollars because it is often not interested in the standardized but frequently limited programs of the national elites in the tourism industry.

In its recent country report, the UNCTAD supports this view and criticizes the exclusive focus on high-end eco-tourism as “too restrictive” (UNCTAD, 2006a: 93). Such a strategy is likely to create an unsustainable mono-tourism culture that develops around a single product – in this case the mountain gorilla. As a second tourism product with a high potential, the UNCTAD suggests backpacking tourism and explains that this “is also far from the ‘mass tourism’ that Rwanda wishes to avoid” (UNCTAD, 2006a: 93).

Finally, a tourist category that is far too often neglected is that of domestic tourists. There is almost no statistical knowledge about the travel behavior of Rwandan citizens and foreign residents. The National Tourism Policy simply mentions that the lack of a tourism culture, insufficient information and financial limitations lead to the fact that they “have not been able to experience the same tourism attractions” (Government of Rwanda, 2006: 20). This is not necessarily true as we will discuss below when we present the main available statistics (IV.3.5). More market research and a better understanding are, therefore, fundamental to further exploit this segment. First programs certainly go in the right direction, as the Government seeks to provide preferential rates to citizens and foreign residents, encourage institutions to hold conferences in selected tourism areas, and set up special promotional efforts in low seasons.

In summary, Rwanda strategically aims at creating unique tourism experiences that are built on sustainable high quality and good value products. A major focus is the country’s diverse nature, but certain cultural aspects as well as recreational opportunities are also to be exploited. The target audience consists of people who are willing to pay adequate amounts of money for the high quality products. In particular, the most promising market segments include nature-loving eco-travelers, culturally-interested explorers and pleasure-seeking individual businessmen. What the country tries to avoid at all costs is competition with other destinations on the price. It is sufficiently self-confident to know that it can offer high quality products – and, therefore, expects its clients to be willing to pay adequately for their experience.

Recommendations:

- To move beyond a black-and-white perception of different visitor segments and to open up for new segments that are beneficial to the country according to solid statistical data.
- To conduct market research about the potential of domestic visitors and to plan for tourism developments that attract this segment.

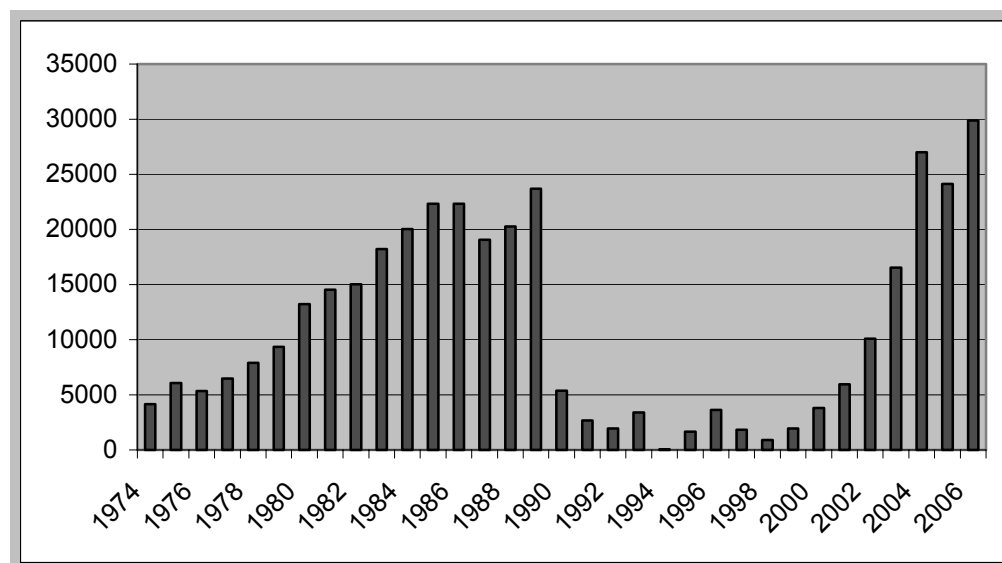
IV.3.5. Visitor statistics

Tourism statistics are still very limited in Rwanda. While certain data are collected at the entry points, they are not analyzed for tourism purposes. Since June 2007, a World Bank-financed project is underway to acquire more coherent and significant data, but it will take at least another year until such statistics will become available. Apart from that, the responsible consultant doubts that it might be sufficient to create figures relevant for a Tourism Satellite Account as promoted by the World Tourism Organization (personal communication, Bjarnason, Jun 20, 2007).

The only reliable visitation statistics at the national scale are, therefore, counts of paid visits to the three national parks. Figure IV.3 shows these data for the years between 1974 and 2006. They demonstrate that total visits to the national parks rose to over 23,000 in 1989, but then dropped sharply as a consequence of the civil war that started in 1990 and the related deterioration of security. In 1994, the year of the genocide, they reached an all-time low, before slowly recovering. Concerted efforts to relaunch the sector started in 2003. The latest available figure for 2006 is 29,884, an all-time high.

Figure IV. 3: Visits to national parks

(Source: ORTPN, 2007: 1)



Of the 29,884 national park visits in 2006, 46.9% took place in VNP, 42.8% in ANP and 10.3% in NNP. Data are also available with regards to visitor nationalities. Here, it is remarkable that the great majority of VNP and NNP visitors were of foreign origin, while ANP was frequented by a majority of Rwandans. The figures for the years 2004 and 2005 combined show that the country had 94% foreign and 6% Rwandan visitors for VNP, 90% foreign and 10% Rwandan visitors for NNP, and 31% foreign and 69% Rwandan visitors for ANP (ORTPN, 2007: 1).

The international visitors can be further broken down into individual nationalities, as is shown in table IV.2 later in this sub-chapter. It demonstrates that the top four nationalities visiting Rwandan national parks were travelers from the US, the UK, Germany and Belgium. Together, they made up for almost 60% of all foreign visitors.

To get a better impression of visitation patterns and, in particular, to be able to calculate the visitor spend and the proportion that actually reaches the less advantaged in Rwanda, we conducted a questionnaire survey in 2006. We approached international visitors that were about to finish or had recently finished their trip to Rwanda with a four-page questionnaire available in English, French and German. The content related to the visitors' demographic situations, their qualitative image of the country, their itineraries and travel behaviors, and their impacts on the local economy.

Our study sample was selected through systematic random sampling. The frame for this convenience sample consisted of two types of persons. On the one hand, we personally approached non-Rwandan nationals who were waiting to board their flight in the departure lounge of Kigali's Kanombe Airport during the month of August 2006. On the other hand, we contacted former visitors by email whose addresses had been collected by the ORTPN, one of several participating Rwandan tour operators or a Rwandan embassy in a major tourist generating country. These visitors had completed their trip during a period of January 2004 to December 2006.

Overall, 543 completed questionnaires were collected, 33 of which were unusable for a variety of reasons, usually related to insufficient completion. The remaining 510 consisted of 239 from the airport survey and 271 from the email survey. In order to determine the representativeness of this sample, we compared its composition of nationalities with the visitation figures of the three national parks for the years 2004 and 2005. The results are displayed in table IV.2. They demonstrate that differences in percentage levels are, if at all, rather small.

Table IV. 2: Comparison of nationalities of non-Rwandan national park visitors and survey participants

(Sources: ORTPN, 2007; survey)

	Nationalities			
	2004 (13033)	2005 (14763)	Ø 04/05 (27796)	Survey (510)
US	18.8%	27.3%	23.3%	22.0%
UK	15.4%	16.8%	16.1%	16.9%
Germany	11.2%	9.7%	10.4%	8.4%
Belgium	9.8%	7.7%	8.7%	9.2%
France	6.7%	4.0%	5.3%	6.9%
Australia	5.1%	4.1%	4.6%	4.1%
Canada	4.3%	4.0%	4.1%	6.2%
other Africa	3.6%	3.4%	3.5%	3.4%
Swiss/Austria	2.9%	3.2%	3.1%	4.2%
Scandinavia	2.9%	3.2%	3.1%	3.7%
Italy	3.0%	2.5%	2.7%	2.9%
Spain	2.0%	3.0%	2.5%	0.6%
Asia	3.2%	1.6%	2.4%	1.6%
New Zealand	2.2%	1.7%	1.9%	2.0%
South Africa	2.3%	1.5%	1.9%	1.6%
other Europe	2.0%	1.6%	1.8%	2.9%
other America	0.6%	1.0%	0.8%	0.9%

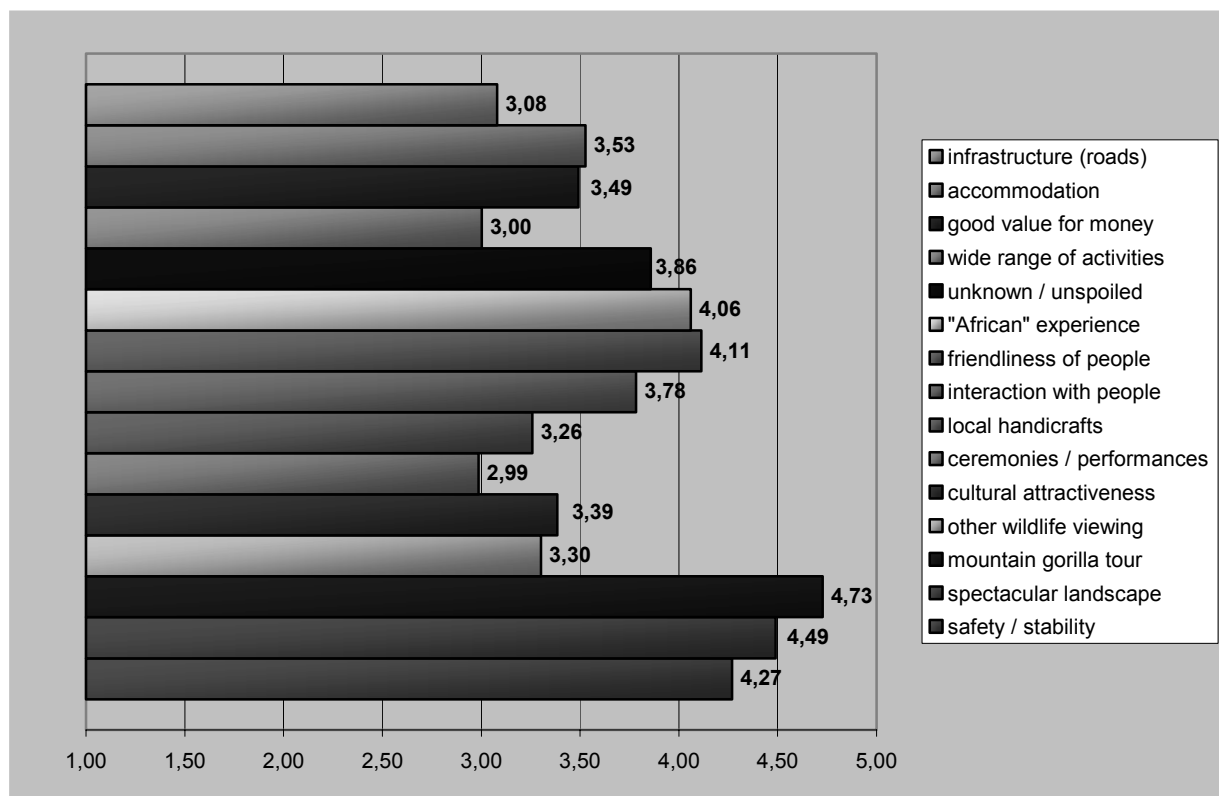
While the survey findings that relate to the visitation patterns are displayed in Annex 1, the results for the visitor spend can be found in Annex 2. We used them, in particu-

lar, for a major part of the creation of a map of financial benefits to the Rwandan economy, which will follow in sub-chapter IV.3.8 below.

IV.3.6. General image as tourist destination

Our 2006 research in parts corresponded to an image study that we had conducted during the preparation phase for this thesis in 2003 (Grosspietsch, 2003). The consulted literature had suggested a combination of structured and unstructured methods in order to capture the richness of the image construct. We adopted a methodology developed by Echtner and Ritchie (1991; 1993) that used a list of destination-specific attributes and open-ended questions. The success of this approach had been confirmed by other researchers, including Choi *et al.* (1999), Murphy (1999), and Baloglu and Mangalolu (2001). Our final methodology contained a list of 15 attributes that we required the respondents to rate according to their satisfaction on a 5-point Likert scale from 1 (very dissatisfied) to 5 (very satisfied), and three open-ended questions. The results of the 15-attribute satisfaction research (n=508) are shown in figure IV.4 below.

Figure IV. 4: Visitors' satisfaction (n=508)
(Source: Grosspietsch, 2003: 29)



These results demonstrated the uniqueness of the mountain gorilla tour and the beauty of the spectacular landscape. Also, respondents showed great satisfaction with the current levels of safety and stability. While these first results were expected, the satisfaction levels for the culture-related attributes came as a surprise. The more typical cultural experiences like general 'cultural attractiveness', 'ceremonies and performances' and 'local handicrafts' scored rather poorly. But the living culture appeared to be rather interesting and satisfactory, with high scores for 'friendliness of people' and 'interaction with people'. These results were surprising because very little attention had been focused on such assets in terms of tourism, and, furthermore, they were unexpected due to the recent history and the context of post-conflict reconstruction.

With regards to the open-ended questions, we were largely able to confirm the findings from the attribute list survey in the 2003 research. In order to receive up-to-date responses, and also to add a fourth question, we decided to include them again in our 2006 visitor survey. The compiled answers can be found in tables A1.11 to A1.14 of Annex 1.

In our first question, we asked the participants what three images or characteristics come to mind when they think of Rwanda as a tourist destination. The 510 respondents gave 1,329 answers. Nature was the predominant theme with a total of 63.4% and even 77.5% for the first image that came to mind. Almost half of the respondents gave the mountain gorillas as first image. The great apes were followed by indications of different landscapes, including general scenery, the rolling hills, lakes and volcanoes.

Similar to the attribute list above, culture featured lowly in the images of the visitors with a total of 21.0% and only 11.1% as the first image. Again, the characteristics of the living culture were leading the pile with 12.6% of the respondents providing positive images of people or the daily life. Only 3.1% of all answers were related to characteristics that are more traditionally associated with culture, such as museums.

Respondents had a strongly positive picture of Rwanda. We counted only 9.5% of the total and 6.5% of the first characteristic related to a negative image of internal

problems. Here, the memory of the genocide was the leading factor with over half of the counts. Finally, 6.2% of the total was made up of positive adjectives to describe the country.

The second open-ended question asked the participants to describe the atmosphere or mood that they had experienced in Rwanda. 468 out of 510 provided a response. The answers make it even clearer that the respondents had a very positive experience in Rwanda. Asked about their feelings, only 6.8% wrote something negative, usually relating to a certain reservation and coolness on the side of the local inhabitants. This is certainly related to the fact that Rwandans are sometimes considered to be rather 'untypical' Africans because they do not necessarily fit into the stereotype of an outgoing person who frequently jokes around and loves to dance and party. But it might also hint at the deeper problems relating to decades of conflict.

By far the leading impression of the participants with 28.0% was, however, that Rwandans are friendly people. Positive descriptions of the people made up almost half of all answers. The remaining responses related to positive feelings about the life – experienced as peaceful, relaxed, tranquil but still vibrant – and the country, seen as pleasant.

The third open-ended question asked the respondents to list any distinctive or unique tourist attractions that they can think of in Rwanda. They could provide a maximum of three attractions each. That way, the 510 participants came up with 812 answers which, again, highlight the fundamental importance of nature to the country's tourism product. A total of 76.2% of all mentioned attractions relate to nature. This figure is even higher with 86.0% for the first answer. Here, the mountain gorilla's position as number one tourism asset is clearly solidified, followed by the lakes – mainly Lake Kivu – the volcanoes and the national parks. It is noteworthy, that other fauna such as the wildlife in ANP, the primates in NNP or birds only scored 3.3%. This hints at a dangerous mountain gorilla tourism monoculture.

About every fourth mentioned attraction can be attributed to culture. Remarkably, 14.4% of these counts involve one or the other genocide memorial. This rising interest in the country's recent history is the only strongly differing result between the two

surveys of 2003 and 2006. In 2003, the memorials were not even mentioned once as an attraction (Grosspietsch, 2003: 32). Sadly, other cultural assets make up only about 9.3% of all replies.

The new open-ended question number four asked the respondents if there was anything that made them feel uncomfortable about Rwanda. About half of the 510 participants provided an answer here. 7.5% of all participants still feel uncomfortable when they remember the violent recent past and, in particular, the genocide. This is certainly not surprising – it is probably even positive that the number is rather small. Similarly to be expected were the 7.3% of complaints about the infrastructure in the country. Criticism amounted, for example, to the bad condition of roads, irregular electricity and water supply, lacking opportunities to receive cash, or confusing or totally missing bus systems. A further 6.1% of the respondents felt uncomfortable about the apparent poverty.

More worrying are over 10% of replies that are related to begging, staring or the frequent calling as *musungu*, 'white man'. Many repeat visitors mentioned that the situation is worsening particularly in the main tourist centers. It is important to intervene at this early stage, possibly by providing education and raising awareness, but also by creating opportunities how greater percentages of local people can benefit from tourism.

Another result that requires immediate attention by the authorities is the fact that 3.5% of the respondents complained about the heavy presence and the behavior of members of the military or the police. There was criticism about a lack of respect and about situations where visitors felt threatened because of certain actions. If Rwanda wants to develop a reputation as a friendly and hospitable country, its civil servants need to be educated to show an appropriate behavior. Employees at embassies' visa sections and, particularly, immigration and police officers are the first ambassadors of the country. They need to be trained to be friendly, helpful and efficient.

By way of summarizing, the image of Rwanda as perceived by international visitors is strongly influenced by the country's natural assets and, in particular, the mountain gorillas. Survey respondents have a largely positive attitude towards the country and

its people, notice a great degree of safety and stability, and enjoy the friendliness of the locals. While the genocide is still remembered by many, it is not considered to be as much a threat as it used to be only three years ago. On the contrary, there is a growing interest to learn about it from a historical and cultural perspective by visiting the memorials. There still appear to be very few other cultural assets in the country, and recent developments with regards to harnessing the interesting rural life and turning it into community-based tourism are not yet appreciated by most visitors.

In more general terms, Rwanda is on the way to position itself and to making its mark on the international tourism map. It requires, however, much more diversification in its tourism products and promotion of such assets. More work is also needed on the ground with regards to educating the entire population as well as – and more specifically – the civil servants that come into contact with tourists. On the whole, Rwanda's visitors have a relatively positive image about the destination. This is very good news for the country's marketing efforts because they are joined by valuable word-of-mouth promotions.

Recommendations:

- To harness the visitors' interest in cultural exchange and interaction with Rwandans in a way that more strongly benefits the local population.
- To harness the visitors' interest in learning about the destination and, in particular, about the genocide in order to further improve the country's image.
- To place more emphasis on the marketing of tourist attractions other than the mountain gorillas as they continue to be the only unique selling proposition and, thereby, contribute to the creation of a tourism monoculture.
- To further improve on the tourism infrastructure, in particular, with regards to money exchange and credit card facilitation, as well as to information about and facilities for public transport.
- To educate the entire population about tourism and tourists in order to limit forms of begging, staring and shouting.
- To educate the country's civil servants who come into contact with tourists in order to create a friendly and hospitable image throughout the stay, including embassy staff, immigration, military and police officers, and ORTPN staff.

- To develop more hospitality training facilities and programs in order to improve the service culture that is frequently perceived as inadequate.

IV.3.7. Linkages of the private sector

Differential diagnosis: Linkages of the private sector

- Philanthropy
- Staff
- Supply
- Other tourism and tourism-related enterprises
- Business partnerships with community organizations
- Neighborhood partnerships

With regards to tourism, Rwanda's private sector is still rather easy to grasp. Comparing with the businesses involved at the destination stage of figure III.1 above, they comprise incoming agencies, accommodation providers, food and beverage providers, local transport companies, producers and vendors of handicrafts, and a small number of informal sector and community entrepreneurs involved with guiding, driving and other activity-related services.

Data on linkages, however, are widely unavailable. We decided, therefore, to conduct five separate questionnaire surveys as well as some additional semi-structured interviews in order to receive a first overview. The surveys approached local tour operators, accommodation providers, restaurants, local transport companies and souvenir shops respectively. We consulted official registration data and received help by the Statistics Officer at the ORTPN to locate and personally approach all companies active in their sectors. As a result, we conducted our surveys with 15 local tour operators, 62 accommodation providers, 26 restaurants, 7 local transport companies and 16 souvenir shops. The additional interviews mainly aimed at the producer level of the handicraft sector, and our study sample consisted of three leading producer cooperatives in three different parts of the country, namely Kigali, Ruhengeri and Butare. Annex 4 provides a general overview of the samples. The following sub-chapters IV.3.7.1 to IV.3.7.6 examine the potential linkages of each type of entrepreneur.

IV.3.7.1. Philanthropy

As an LDC, Rwanda benefits widely from overseas development assistance and local social projects. Numerous programs, initiatives, projects and so on are financed or co-financed by the international donor community, the church, local organizations or private charitable activities. Tourism companies and individual tourists have far-reaching opportunities to support these and even their own actions and contribute in various ways, for example through monetary and in-kind donations as well as through the dedication of time and skills.

Preliminary background research had indicated that very few actors in the tourism sector are involved with philanthropic activities at all. They include a few local tour operators, a major donor that actively engages in project tourism, and individual independent visitors who come with a charitable intention. With regards to accommodation providers, we were able to find a few projects where other types of linkages are exploited – philanthropic concepts, however, do not yet seem to be embraced by them as such. We decided, therefore, to focus our main research on local tour operators and individual visitors.

Ten of the 15 local tour operators that participated in our questionnaire survey indicated that they regularly offered their clients the possibility to visit a school or an orphanage. Seven of them mentioned that they had established mechanisms how their clients could donate money or in-kind materials to these institutions. Only three of them, Amahoro Tours, Volcanoes Safaris and New Dawn Associates Ltd, explain these opportunities as well as their particular background in their official marketing materials, i.e., on their website and/or in their brochures.

Amahoro Tours, for example, is the main initiator of sponsorship for a 51-children orphanage near Ruhengeri. The company has established partnerships with a variety of former clients, business partners and friends that provide for all food, clothes and certain other materials that are required on a daily basis. To further increase the available funds, it regularly organizes responsible orphanage visits so that potential donors can get an impression and get to know the children.

Apart from this project, Amahoro Tours cooperates with a variety of international universities and NGOs and facilitates their activities. The Filipino organization *Lifeline*, for example, brought a team of social workers in late 2005 and also distributed food, clothes, technical equipment, medication and other materials to development projects researched by Amahoro Tours. Furthermore, the company sometimes organizes stays of several months for volunteers who dedicate their time and skills to project work (personal communication, Bakunzi, Aug 17, 2006).

Volcanoes Safaris is in the process of setting up the *Volcanoes Partnership Trust*, a charity that will use funds from clients for community development and conservation projects. \$100 from each tour is supposed to be channeled to the Trust. Apart from this, Volcanoes Safaris actively supports the communities around its Virunga Lodge near Ruhengeri. Clients have the opportunity to visit the villages and schools and to donate money on-site (personal communication, Moman, Mar 3, 2007).

New Dawn Associates Ltd works closely with a variety of communities in different parts of the country, as will be shown below when it comes to other forms of linkages. In terms of philanthropic activities, it closely cooperates and supports the projects of several international and local partners, such as the organizations *Sustainable Development through Tourism e.V.*, *People to People Ambassador Programs*, *Maryhill Old Girls' Association of Rwanda* and the *Millennium Villages Project*, or the universities in Münster (Germany), Vermont (USA), East Anglia (UK) and Butare (Rwanda). Through its educational tourism programs, it regularly visits a variety of projects where it pays an institutionalized amount of money either for a previously agreed upon measure or to a community account. Furthermore, the company currently seeks the cooperation of several government ministries and other institutions in order to develop professional long-term volunteer programs (personal communication, Baturiza, Apr 11, 2007).

Other local tour operators infrequently support short-term volunteers. The leading company in terms of volume, Primate Safaris, for example, accommodated doctors that came with the intention of giving hygiene-related lectures to communities or social workers who desired to train women on a variety of issues (personal communication, Birori, Nov 23, 2006).

But there are also operators that do not at all understand the concepts of philanthropy or that even believe that they are inappropriate and potentially negative for their business. The representative of a middle-class agency, for example, mentioned that he did not have enough knowledge about the opportunities. And the Director of an upmarket company that does not want to be named even said that tourism “is not the right forum” for philanthropic activities, explaining that their tourists do not want to be “bothered” with poverty and development issues but want to have a “carefree holiday”.

With regards to the philanthropic activities of individual tourists, we refer to table A2.3 in Annex 2 below which shows that 30.6% of all the participating 444 visitors donated money, in-kind materials or their time and skills with a total value of \$52,515. This means that the average visitor to Rwanda spent \$118.28 on philanthropic activities. If we extrapolate this amount to the official ORTPN visitation statistics, the country earned more than \$3.5 million in 2006 through tourist donations alone. These figures show the immense importance of philanthropy in the tourism industry. The vast majority of these donations occur, however, in numerous small ways that are not necessarily very sustainable. An important recommendation here is to better coordinate this spending and encourage tourism companies to actually join institutionalized programs. Among others, opportunities should include conservation measures that could be championed by ORTPN as well as development projects that are usually under the auspices of the Ministry of Local Government, Community Development and Social Affairs (MINALOC). Tourism’s poverty-reducing impact through well-channeled use of philanthropic means alone could, therefore, be immense.

Recommendations:

- To coordinate philanthropic activities of tourists and tourism companies and to encourage them to join institutionalized programs championed by ORTPN and MINALOC.

IV.3.7.2. Staff

According to the World Travel and Tourism Council, Rwanda’s tourism industry accounted for and estimated 43,000 jobs in 2006 and the wider tourism economy for

84,000 (WTTC, 2006a: 12). While we should use these figures with great care – the Rwandan authorities themselves have no related data whatsoever and seriously question these obvious estimates (personal communication, Sebujisho, Apr 23, 2007) –, it is unchallenged that employment in tourism provides an income to a lot of people and their families. That does not, however, say much about the origin of these employees, the percentage of women, wages and working conditions, social security and other contributions, or training measures in the industry. Our background literature research and our series of surveys touched on these issues.

The Rwandan labor law introduces the rights and obligations of both employers and employees. It reflects international standards but is often described as a bit too rigid and partly prejudicial in favor of the workers (APRM, 2006: 97). It also sets the official minimum daily salary at FRw 300. This is, however, not yet enforced by the majority of employers (Republic of Rwanda, 2006b: 7). Rwanda further introduced a social security fund called Caisse Sociale du Rwanda. Employers pay 5% and employees 3% respectively (Ernst & Young, 2006: 26).

With regards to international standards, Rwanda has ratified, among others, 27 labor codes of the International Labor Organization (ILO) as well as the World Health Organization's (WHO) Codes on Industrial and Environmental Safety and Hygiene. In reality, however, there is an overall lack of awareness among all stakeholders, and Government has not yet put in place any enforcement mechanisms or sanctions in case of a breach (APRM, 2006: 74f.).

While Government tries to encourage workers' protection programs, standards for hygiene and safety are not compulsory. Employees further have the right to form workers' organizations. While this is frequently done, there is no unique representation, and individual organizations are rather weak as they lack knowledge and training (APRM, 2006: 86). Finally, social security contributions are only compulsory for formal sector salaried workers and, therefore, reach less than 10% of the total work force. The Caisse Sociale covers an old age pension as well as occupational risks (Republic of Rwanda, 2005b: 30).

Our surveys have produced the following data on the tourism sector: The 15 participating Rwandan tour operators had a total of 144 employees, 103 of which were full-time, 20 part-time and 21 seasonal. This resulted in an average of 6.9 full-time employees per company. The great majority of 93.3% of all employees were Rwandan, and the management positions were filled with 81.1% Rwandans. Female employment was rather low at 32.6%. Some respondents had mentioned that women were generally difficult to use in the field because of their “more demanding lifestyles”, and that they did not like to “stay away from home” for a longer period of time. These are assumptions for which we did not have the means to confirm.

The average wage of a guide was comparably high at \$186.87 per month – most public primary school teachers earn less than \$70 for the same period of time. And it can be expected that this income is even higher due to tips. Working hours averaged around 45.3 per week. Eleven out of the 15 tour operators provided social security coverage, and nine offered some kind of formal medical support, usually in the form of a *mutuelle de santé* or membership in RAMA. Formal training measures appear to be very limited. While eight companies mentioned some sort of special on-the-job training, only three indicated that they had offered a formal training session for their employees. The average amount of money spent by an operator on training measures was, therefore, very low at \$253 per year or only \$1.76 per employee per year. Finally, the 15 operators had accepted 14 trainees in the twelve months prior to the survey. A summary of these data is provided in table IV.3 below.

Table IV. 3: Employment with Rwandan tour operators (n=15)

	Budget (5)	Middle (5)	Upmarket (5)	Total (15)
Employees:				
Number	45	52	47	144
Ø per operator	9.0	10.4	9.4	9.6
Ø full-time	4.4	8.0	8.2	6.9
Origin:				
Local	98.3%	92.2%	89.3%	93.3%
Regional	0.0%	0.0%	1.3%	0.4%
International	1.6%	7.8%	9.4%	6.3%
Locals in management:	93.3%	70.0%	80.0%	81.1%
Female employment:	27.1%	51.7%	17.9%	32.6%
Ø guide wage:	\$172.73	\$212.12	\$175.76	\$186.87
Ø working hours:	41.8	47.8	45.6	45.3
Social security:				
Social fund	1	5	5	11
Medical support	1	4	4	9
Training measures:				
Measures total (formal)	1	1	1	3
\$ total	\$1,818.18	\$500.00	\$1,500.00	\$3,818.18
\$Ø of all operators	\$360	\$100	\$300	\$253
\$Ø per employee per year	\$40.40	\$9.62	\$31.91	\$26.52
On-the-job	2	3	3	8
Trainees	7	3	4	14

The 62 participating accommodation providers had a total of 1,845 employees. Differences between the three types were significant. While a budget hotel had an average of 13.9 workers, the six upmarket establishments contributed 134.2 employees each. Striking were the differences with regards to employees per room. While only 0.75 employees take care of a room in a budget hotel, this almost doubles for middle-class establishments to 1.42 employees per room, and almost triples for upmarket facilities to 2.16 employees per room. These figures provoke a lot of thoughts especially for those who criticize the country's upmarket tourism strategy.

In all accommodation categories, including the upmarket facilities, over 97% of employees were Rwandan. Female employment stood at 38.3%. The average wage of a manager was \$336.64. But there were big differences with managers in upmarket facilities earning six times as much as those in budget hotels. Employees in non-management positions earned \$69.00 on average, with those in upmarket establishments receiving slightly less than twice as much as those in budget hotels.

58.0% of all 62 accommodation providers had their employees registered for social security and 27.4% offered formal medical support. These working conditions were much better in upmarket facilities where employees were covered 100%. But only 44.4% of budget establishments provided social security and even less (13.3%) medical support. With regards to formal training, the six upmarket facilities conducted eight measures and spent \$8,181.82 on average per year, i.e., \$50.82 per employee per year. The eleven establishments in the middle-class category had seven formal measures, spending \$644.63 on average per hotel and only about \$17.13 per employee per year. The 45 budget facilities combined had only four formal measures and spent not more than \$42.75 per hotel or \$3.07 per employee per year. Altogether, they accepted 311 trainees, 5.0 per accommodation provider. A summary of these data is provided in table IV.4 below.

Table IV. 4: Employment with Rwandan accommodation providers (n=62)

	Budget (45)	Middle (11)	Upmarket (6)	Total (62)
Employees:				
Number	626	414	805	1845
Ø per hotel	13.9	37.6	134.2	29.8
Ø per room	0.75	1.42	2.16	1.23
Origin:				
Local	97.0%	97.3%	97.5%	97.1%
Regional	3.0%	1.8%	1.5%	2.6%
International	0.0%	0.9%	1.0%	0.3%
Female employment:	37.0%	45.6%	34.2%	38.3%
Ø wages:				
Manager	\$100.64	\$169.64	\$606.06	\$336.64
Non-manager	\$47.57	\$58.82	\$90.91	\$69.00
Social security:				
Social fund	20	10	6	36
% of all hotels	44.4%	90.9%	100.0%	58.0%
Medical support	6	5	6	17
% of all hotels	13.3%	45.4%	100.0%	27.4%
Training measures:				
Measures total	4	7	8	19
\$ total	\$1,923.64	\$7,090.91	\$40,909.09	\$49,923.64
\$Ø of all hotels	\$42.75	\$644.63	\$6,818.18	\$805.22
\$Ø per employee per year	\$3.07	\$17.13	\$50.82	\$27.06
Trainees total	187	79	45	311
Trainees per hotel	4.2	7.2	7.5	5.0

The 26 participating restaurants had a total of 378 employees and 14.5 on average. In all restaurant categories, over 92% of all employees were Rwandan. Female em-

ployment stood at 42.3%. The average wage of an employee was \$56.32. 57.7% of the restaurants provided a social security fund, and only 15.4% offered some formal medical support, either through a *mutuelle de santé* scheme or through RAMA. Nine restaurants undertook formal training measures, costing a total of \$5,763.64. This means that the average restaurant employee received training in the value of \$15.25 per year. Finally, the restaurants accepted 4.7 trainees on average during the twelve months prior to the survey. A summary of these data is provided in table IV.5 below.

Table IV. 5: Employment with Rwandan restaurants (n=26)

	Budget (12)	Middle (8)	Upmarket (6)	Total (26)
Employees:				
Number	138	151	89	378
Ø per restaurant	11.5	18.9	14.8	14.5
Origin:				
Local	97.1%	96.0%	92.1%	95.5%
Regional	1.4%	2.0%	5.6%	2.6%
International	1.4%	2.0%	2.2%	1.9%
Female employment:	43.6%	37.5%	46.2%	42.3%
Ø wage:	\$50.33	\$58.18	\$65.76	\$56.32
Social security:				
Social fund	4	5	6	15
% of all restaurants	33.3%	62.5%	100%	57.7%
Medical support	2	1	1	4
% of all restaurants	16.7%	12.5%	16.7%	15.4%
Training measures:				
Measures total	4	2	3	9
\$ total	\$1,636.36	\$2,127.27	\$2,000.00	\$5,763.64
\$Ø of all restaurants	\$136.36	\$265.91	\$333.33	\$221.68
\$Ø per employee per year	\$11.86	\$14.09	\$22.47	\$15.25
Trainees total	53	30	26	109
Trainees per restaurant	5.3	4.3	4.3	4.7

The seven participating transport companies had a total of 457 employees or 65.3 on average. Female employment stood at 31.6%, and the average wage was \$105.19. Four companies – or 57.1% of all – provided a social security fund, and only one – or 14.3% – offered some formal medical support. The 16 participating souvenir shops had a total of 94 employees, i.e., 5.9 per shop. Female employment was high with 66.9%. Finally, the three interviewed handicraft cooperatives had a total of 3,674 members, i.e., 1,224.7 on average. They worked 35 hours per week and received a pay of \$62.42 on average. This latter resulted from the benefit sharing mechanisms

in place which, on average, referred 84% of the benefits to the artisans and 16% to the cooperatives.

In summary, the above findings demonstrate that the Rwandan tourism industry has generally a very high percentage of local employment of at least 93% in every sub-sector. Female employment is frequently limited at rates between 31-42% for most businesses. There is a lot of opportunity here to specifically target women with skills development and training measures so that a higher percentage of all jobs go to female employees. Wages are comparably high with salaries generally higher than those of, for example, teachers. Working conditions provide another opportunity for improvements. Only the more upmarket accommodation providers and tour operators offer strong social security and medical support. Providers with a lesser quality as well as restaurants and transport companies in general leave much to be desired. Similarly insufficient are the training measures offered by the great majority of tourism companies. Only the big hotels spend high amounts of money on such activities. Combined with a generally weak environment for professional tourism education at schools and universities, there are very few opportunities for sustainable skills development and training in Rwanda.

Recommendations:

- To specifically target women with skills development and training measures in order to increase their percentage in employment.
- To encourage the improvement of working conditions across the industry, particularly for budget and middle-class establishments.
- To create a consensus in the industry concerning the need to provide more training and skills development opportunities, both formal and on-the-job, possibly through institutionalized internship and traineeship programs.

IV.3.7.3. Supply chain

The supply chain for tourism companies is often very diverse, and a range of local industries can potentially benefit from the sector. In many cases, however, the enterprises face enormous difficulties related to such factors as general availability, quality, quantity, unreliability, seasonality, health and safety standards, limited support infrastructure, limited marketing networks, or simply negative perceptions. Further-

more, very few actively invest in measures to engage with small local entrepreneurs, for example through the provision of advice or mentoring. Because of these challenges, the business linkages between the tourism and other industries along the supply chain are often underutilized.

In Rwanda, tourism private sector entrepreneurs require a variety of supplies in the form of both goods and services. This is most obvious for hotels and restaurants. To keep with the structure previously followed, we will, however, start with the few service supplies that local tour operators require. Here we discovered that over half of all tour vehicles of our 15 participants have to be rented from transport companies, offering important business opportunities for the transport sector. The percentage is higher for budget operators who can rarely afford their own means of transport. Except for a few foreign vehicles in the upmarket category, all of the rented cars and buses come from local companies or individuals. Additionally, the vehicles require proper maintenance, and the operators indicated that three quarters of this are performed by outsourced Rwandan garages.

Another opportunity exists for Rwandans who have guiding skills. The tour operators frequently have to engage additional guides not directly employed by them, and almost all of them would be Rwandan nationals. Services related to promotional materials and websites also entailed a frequent need to find a subcontractor. While the designing industry is still rather underdeveloped in Rwanda, 44.2% of the operators had their brochures etc created and printed by Rwandan entrepreneurs and, likewise, their websites were designed locally in 38.5% of all cases. If we add the amount of in-house work, only about a quarter of the creation of promotional materials and websites was outsourced internationally. A summary of these data is provided in table IV.6 below.

Table IV. 6: The service supply chain of local tour operators (n=15)

	Budget (5)	Middle (5)	Upmarket (5)	Total (15)
Car rental:				
In-house	24.5%	56.0%	43.0%	42.4%
Local	75.5%	44.0%	37.0%	50.5%
International	0.0%	0.0%	20.0%	7.1%
Vehicle maintenance:				
In-house	12.5%	30.0%	32.0%	25.7%
Local	87.5%	70.0%	68.0%	74.3%
International	0.0%	0.0%	0.0%	0.0%
Guides:				
In-house	57.0%	60.0%	49.0%	55.2%
Local	43.0%	39.0%	51.0%	44.4%
International	0.0%	1.0%	0.0%	0.4%
Promotional materials:				
In-house	25.0%	25.0%	40.0%	30.8%
Local	50.0%	43.8%	40.0%	44.2%
International	25.0%	31.3%	20.0%	25.0%
Website:				
In-house	25.0%	42.5%	40.0%	36.2%
Local	50.0%	25.0%	40.0%	38.5%
International	25.0%	32.5%	20.0%	25.4%

This shows a rather high degree of business linkages with the Rwandan economy. Beyond the actual act of outsourcing, almost half of the participating tour operators stated that they provide some kind of support to their local suppliers. This usually remained on an informal basis and mainly referred to advice on quality standards. While a few operators made it a point to constantly assess their local suppliers through more formal processes, in-depth mentoring approaches were unavailable.

The research on Rwandan accommodation providers inquired in detail about the supply chain practices with regards to both goods and services. As for the former, between 65.0% and 95.0% of all required goods were purchased locally. In descending order, this applied most strongly to fresh food, followed by drinks, furniture, office supplies, other materials and processed food. Broken down in the three hotel standard categories, budget hotels generally purchased the most local products. For the other two categories, upmarket hotels apparently made a choice of 'buying local where appropriate' because the general tendency shows that they made a higher percentage of purchases in Rwanda than middle-class hotels. This was, at least, the case with regards to processed food, furniture, office supplies and other materials. In no case was any good imported on a scale of over 50%, demonstrating a generally

high degree of local business linkages if taking into consideration Rwanda's small size and underdeveloped industrial sectors. A summary of these data is provided in table IV.7 below.

Table IV. 7: The goods supply chain of local accommodation providers (n=62)

	Budget (45)	Middle (11)	Upmarket (6)	Total (62)
Fresh food:				
Rwandan	96.2%	96.8%	91.0%	95.0%
Regional	3.4%	0.9%	6.0%	3.6%
International	0.4%	2.3%	3.0%	1.4%
Processed food:				
Rwandan	69.0%	57.3%	62.0%	65.0%
Regional	24.1%	11.4%	18.4%	20.2%
International	6.9%	31.4%	19.6%	14.8%
Drinks:				
Rwandan	88.8%	82.3%	76.0%	84.4%
Regional	6.5%	5.2%	3.0%	5.4%
International	4.8%	12.5%	21.0%	10.3%
Furniture:				
Rwandan	81.8%	58.6%	64.0%	72.9%
Regional	9.1%	9.0%	6.0%	8.3%
International	9.1%	36.5%	30.0%	19.6%
Office supplies:				
Rwandan	77.3%	58.0%	71.2%	72.0%
Regional	10.5%	11.0%	23.0%	13.7%
International	12.2%	31.0%	5.8%	14.3%
Other:				
Rwandan	73.8%	50.0%	63.0%	66.5%
Regional	7.5%	5.0%	15.0%	8.9%
International	18.8%	45.0%	22.0%	24.6%

When asked about the main difficulties they faced when procuring locally, half of all accommodation providers stated that the quality of the goods poses heavy problems. Other challenges included the general availability of goods (13 counts), inconsistency in delivery (6), price fluctuations (6), generally high prices (6), quantitative restrictions (5), punctuality (3) and seasonality (2). For the six upmarket establishments, the main difficulties were quality, quantity, inconsistency and punctuality. When asked what the accommodation providers did about these problems, only five of them – and non from the upmarket category – stated that they provided some kind of support to their suppliers. This included general support in two cases, special service training, advice on constant pricing, and one case where a budget hotel offered specific education on irrigation. Given the extent of the difficulties, the very limited action is certainly inade-

quate. This area offers, therefore, a variety of potential interventions to improve on the business linkages with providers of goods.

As for services, we inquired about the accommodation providers' practices with regards to general marketing, laundry, construction, maintenance, security, gardening, pest control and entertainment. For none of these, more than 5.2% was outsourced internationally. In general, marketing, laundry, security, gardening and pest control was mainly done in-house, while the majority of the construction work, maintenance and entertainment were outsourced to Rwandan service providers. Much of the imports related to the six upmarket establishments. Table IV.8 provides a summary.

Table IV. 8: The service supply chain of local accommodation providers (n=62)

	Budget (45)	Middle (11)	Upmarket (6)	Total (62)
Marketing:				
In-house	94.4%	100.0%	75.0%	92.6%
Rwandan	5.6%	0.0%	0.0%	3.7%
International	0.0%	0.0%	25.0%	3.7%
Laundry:				
In-house	97.6%	100.0%	85.7%	96.6%
Rwandan	2.4%	0.0%	14.3%	3.4%
International	0.0%	0.0%	0.0%	0.0%
Construction:				
In-house	7.7%	27.3%	50.0%	17.2%
Rwandan	92.3%	54.5%	37.5%	77.6%
International	0.0%	18.2%	12.5%	5.2%
Maintenance:				
In-house	28.6%	54.5%	57.1%	36.7%
Rwandan	71.4%	45.5%	42.9%	63.3%
International	0.0%	0.0%	0.0%	0.0%
Security:				
In-house	95.6%	75.0%	42.9%	85.9%
Rwandan	4.4%	25.0%	57.1%	14.1%
International	0.0%	0.0%	0.0%	0.0%
Gardening:				
In-house	96.4%	81.8%	71.4%	89.1%
Rwandan	3.6%	18.2%	28.6%	10.9%
International	0.0%	0.0%	0.0%	0.0%
Pest control:				
In-house	89.7%	55.6%	28.6%	73.3%
Rwandan	10.3%	44.4%	57.1%	24.4%
International	0.0%	0.0%	14.3%	2.2%
Entertainment:				
In-house	55.0%	75.0%	25.0%	52.8%
Rwandan	45.0%	25.0%	62.5%	44.4%
International	0.0%	0.0%	12.5%	2.8%

The 26 participating restaurants were also asked about their procurement with regards to goods. It turned out that the results were less straightforward than with the accommodation providers. Only the purchase of fresh food was generally done locally with 95.4%. Budget restaurants further bought over three quarters of their processed food, drinks, furniture and office supplies in Rwanda. Middle-class restaurants purchased almost three quarters only of their drinks in the country and imported between 56.2% and 66.9% of their processed food, furniture and office supplies either regionally or internationally. Likewise, upmarket restaurants bought 70% of their drinks in the country, but had to import between 43.3% and 60% of their processed food, furniture and office supplies either regionally or internationally. A summary of these data is provided in table IV.9 below.

Table IV. 9: The supply chain of local restaurants (n=26)

	Budget (12)	Middle (8)	Upmarket (6)	Total (26)
Fresh food:				
Rwandan	95.8%	95.0%	95.0%	95.4%
Regional	3.8%	5.0%	0.0%	3.3%
International	0.4%	0.0%	5.0%	1.3%
Processed food:				
Rwandan	77.7%	33.1%	40.0%	55.3%
Regional	11.3%	40.6%	25.8%	23.7%
International	11.1%	26.3%	34.2%	21.1%
Drinks:				
Rwandan	85.0%	72.5%	70.0%	77.7%
Regional	5.8%	12.1%	5.0%	7.6%
International	9.2%	15.4%	25.0%	14.7%
Furniture:				
Rwandan	79.1%	43.8%	56.7%	62.4%
Regional	6.4%	23.8%	2.5%	11.0%
International	14.5%	32.5%	40.8%	26.6%
Office supplies:				
Rwandan	79.1%	43.8%	56.7%	62.4%
Regional	6.4%	23.8%	2.5%	11.0%
International	14.5%	32.5%	40.8%	26.6%
Other:				
Rwandan	33.0	68.3%	80.0%	63.6%
Regional	33.0	8.3%	0.0%	11.6%
International	34.0	23.3%	20.0%	24.8%

These figures show that local business linkages for restaurants are much less developed than for hotels. Asked about the main difficulties, almost half of the establishments (11) stated that the quality of the products was the major problem. Likewise,

general availability of goods was inadequate (11). Other main concerns include price fluctuations (8), quantitative restrictions (4) and the consistency (4). For upmarket restaurants, the major challenges were quality, availability, quantity, consistency and price fluctuations. When asked what they did about these problems, only nine of them – three from the budget category, four middle-class and only two upmarket restaurants – stated that they provide some kind of support to their local suppliers. In four cases, this referred to quality training, followed by advice on the consistency in prices (3) and punctuality (2). As a result, the restaurants take very little action to remedy the problems.

For the souvenirs sold in Rwanda, it is important to understand where they have been produced, i.e., who benefits from the sale of a particular item. To achieve this, we asked the 16 participating souvenir shops about the origin of their products. Three types of souvenirs were purchased exclusively in Rwanda, namely banana leaf art, pottery and weaving objects. More than 90% of the products were local when it came to dolls, embroidery, masks, *imigongo* and paintings. Wood carvings, African cloth and coffee/tea still scored more than 77% with regards to local origin. T-shirts at 65.0% and jewelry at 51.3% were at the bottom of this listing. It is noteworthy that not a single product sold as a souvenir had more than 50% foreign origin.

We further asked where the shops bought their products. With regards to banana leaf art, wood carvings, dolls, pottery, weaving, embroidery, masks, *imigongo* and paintings, more than half of all products were purchased directly from a local association or cooperative. In general, between 25% and 50% of all products were bought through an intermediary – except from t-shirts and coffee/tea where 80% and 100% respectively came from intermediaries. This led to a total of 43.4% of products being purchased from an association or cooperative, 9.1% from an individual and 47.5% from an intermediary. A summary of these data is provided in table IV.10 below.

Table IV. 10: The supply chain of local souvenir shops (n=16)

	Origin:		Purchased from:		
	Rwandan	non-Rwandan	Association	Individual	Intermediary
Banana leaf art	100%	0%	52.6%	15.8%	31.6%
Wood carvings	79.1%	20.9%	55.0%	15.0%	30.0%
Jewelry	51.3%	48.7%	40.0%	20.0%	40.0%
Batiks	89.3%	10.7%	46.7%	20.0%	33.3%
African cloth	77.1%	22.9%	37.5%	12.5%	50.0%
Dolls	97.9%	2.1%	71.4%	0%	28.6%
Pottery	100%	0%	52.9%	11.8%	35.3%
Weaving	100%	0%	62.5%	12.5%	25.0%
Embroidery	93.8%	6.2%	50.0%	0%	50.0%
Masks	93.4%	6.6%	55.6%	5.6%	38.9%
<i>Imigongo</i>	96.1%	3.9%	57.1%	14.3%	28.6%
T-shirts	65.0%	35.0%	20.0%	0%	80.0%
Paintings	91.3%	8.7%	56.3%	18.8%	25.0%
Coffee/tea	77.5%	22.5%	0%	0%	100%
Other (Rwandan)	100%	0%	36.4%	0%	63.6%
Other (non-Rwandan)	0%	100%	0%	0%	100%
TOTAL			43.4%	9.1%	47.5%

To follow the origin of the souvenirs further, we asked the three participating handicraft cooperatives where they bought the materials to create the products. In the cases of banana leaf art, batiks, African cloth, dolls, pottery, weaving, masks, *imigongo*, t-shirts and paintings, all materials were Rwandan in origin. Only with regards to 'other' locally produced souvenirs, jewelry and wood carvings, the materials came partly from abroad with 25%, 50% and 60% respectively. None of the three cooperatives engaged in the production of embroidery or coffee/tea. As a result, it becomes clear that local suppliers of banana leaves, wood, silver, bronze, bones, cloth, colors, clay, sisal, papyrus reeds, paint, calabashes and stones can all benefit from the handicraft production process. A summary of these data is provided in table IV.11 below.

Table IV. 11: The supply chain of local handicraft cooperatives (n=3)

	Producing associations:	Main materials:	Origin of materials:	
			Rwandan	non-Rwandan
Banana leaf art	3	banana leaves	100%	0%
Wood carvings	3	wood	40%	60%
Jewelry	3	silver, bronze, bones	50%	50%
Batiks	3	cloth, colors	100%	0%
African cloth	2	cloth	100%	0%
Dolls	2	cloth	100%	0%
Pottery	2	clay	100%	0%
Weaving	2	sisal, papyrus reeds	100%	0%
Embroidery	0	-	-	-
Masks	3	wood	100%	0%
Imigongo	2	wood, paint	100%	0%
T-shirts	3	cloth	100%	0%
Paintings	3	paint, wood	100%	0%
Coffee/tea	0	-	-	-
Other (Rwandan)	3	calabash, wood/stones	75%	25%
Other (non-Rwandan)	0	-	-	-

In summary, it appears that the Rwandan tourism industry already uses a high percentage of supply chain linkages with the local economy. This is particularly the case for fresh food of which around 95% of produce is bought in the country on average. Further good opportunities exist for the furniture makers as between 58-81% of the hotels already use locally produced furniture. Some leeway exists with regards to restaurants that generally import more furniture from abroad than accommodation providers.

The greatest challenges are frequently related to quality issues, even though the quantity, inconsistency and punctuality of supply also pose problems. Since support is, at best, very sporadic and informal, one priority recommendation is to work more closely and permanently with existing and potential suppliers in order to match the quality of the products with the demand. This would require a true business linkages mentoring approach that could be set up by industry stakeholders, their representative bodies, a public institution or an NGO.

It was further noted that middle-class restaurants and, at least in part, also accommodation providers often import more goods than upmarket establishments. This shows that, in many cases, quality is only a secondary problem. It is more likely that

products with a sufficient quality are existent but that knowledge about them as well as marketing and logistics links are unavailable or underdeveloped. A promotional campaign for local produce including the creation of lists and clear marketing links should, therefore, go hand in hand with the mentoring and quality improvement approach. This way, ties with other economic sectors along the supply chain could be strengthened and leakages could be reduced.

Recommendations:

- Explore further opportunities for actors in the tourism industry to buy products locally.
- Conduct research on visitors' preferences with regards to a 'local feel' of the tourism infrastructure in the country and, if favorable, start an awareness raising campaign to teach actors in the tourism industry about the visitors' desire to find more local materials and products and a 'local feel' in tourism infrastructure.
- Specifically encourage restaurants to use more local materials in the construction and decoration of their establishments.
- Specifically encourage middle-range accommodation providers to change their supply chain practices and follow the example of more upmarket hotels to source locally where appropriate.
- To set up a business linkages mentoring approach to create marketing networks, support institution and capacity building, provide general training and education and function as a link between actors in the tourism industry and representatives of other economic sectors, especially in agriculture.

IV.3.7.4. Other tourism and tourism-related enterprises

Apart from tour operators, accommodation providers, restaurants, transport companies and the local souvenir industry, a number of other tourism and tourism-related enterprises benefit from the sector. Tables A1.9 and A1.10 of Annex 1 below demonstrates the visitors' interaction with the formal and informal economies. Asked whether they would encourage such interaction of their clients, six out of the 15 participating operators stated that they attach great value to these forms of encounters and exchanges. Four more claimed that they gladly facilitated such interaction, but did not necessarily actively encourage it, except for stops at a local market and simi-

lar activities. The remaining five were not really interested, and two operators – one middle-class and one upmarket – explicitly claimed that they did not welcome stops at a local market. The upmarket operator even believed that his clients did not necessarily desire to be “bothered” with too much interaction during their “well-deserved holidays”.

Likewise, general information about additional opportunities to interact with the local population and, particularly, tourism and tourism-related enterprises appeared to be rather scarce. Eight operators simply mentioned that they included such information in their general briefings of the destination. Two operators, African Jacana Tours and Travel and New Dawn Associates Ltd, explicitly mentioned welcome pamphlets and information packages that also contained a lot of destination-specific hints and suggestions how to engage more actively with the local economy. With regards to the promotion of special events, two operators mentioned electronic newsletters. The others simply seized the opportunity during their official briefings.

In addition to this passive way of promoting other enterprises, events and so on, a few operators engage in more active encounters with the local population in the form of community-based tourism. These types of interaction can be divided into more or less unofficial visits to a village or school with no initial community benefits (three operators – two budget and one upmarket), infrequent visits of the few established community-based tourism projects such as ACOTA (six operators – one budget, three middle-class and one upmarket), and the active development of and direct involvement in community-based tourism in general (two operators – one budget and one middle-class). The two latter companies, Amahoro Tours and New Dawn Associates Ltd, call community-based tourism part of their core business and engage in the creation of new projects in various parts of the country. Examples will be provided in the next chapter.

Another operator, Volcanoes Safaris, had initiated and managed a multi-partner cooperation project with outside funding from the British development agency DFID. The *Business Linkages Challenge Fund* (BLCF) project had the aim of developing links between the private sector, conservation agencies, government and communities around VNP and NNP, and it ended in 2006. Other than Volcanoes Safaris, part-

ners included private sector companies like Muhabura Hotel, Kinigi Guesthouse and Gorilla Connection, the ORTPN as government agency, conservation agencies such as the International Gorilla Conservation Program (IGCP), the Dian Fossey Gorilla Fund International (DFGFI) and the Wildlife Conservation Society (WCS), and a variety of communities around the two parks. Projects were diverse and focused, among others, at infrastructure development, training, the development of strategic plans or the implementation of micro-enterprise development projects. Half of the funding came from DFID, and the other half had to be provided by the respective partner for each project (Bush, 2003: 5). This way, a number of formal as well as community-based tourism and tourism-related enterprises benefited from support and increased opportunities.

Accommodation providers also have options to support tourism and tourism-related enterprises beyond the management of their supply chains. In particular, they can offer space to local entrepreneurs on their premises – be it a souvenir shop, a hairdresser, a massage parlor or any other kind of business. Furthermore, they can provide opportunities for exhibitions or cultural shows. Our survey of 62 Rwandan accommodation providers has shown, however, that these options are very rarely harnessed at the moment. Only six hotels – three middle-class and three upmarket – offered space to at least one local entrepreneur, and this usually entailed a souvenir shop. And only five hotels – one middle-class and four upmarket – had more or less regular exhibitions at their premises.

One positive approach is taken by Volcanoes Safaris' Virunga Lodge near VNP. Lodge employees actively engage in mentoring activities to informal sector entrepreneurs from the adjacent communities. Among others, they support a lady who sells flowers, a group of dancers or villagers who engage in road maintenance (personal communication, Moman, Mar 3, 2007). These activities are inexpensive and mutually beneficial.

The few examples that we found in different parts of the country show that there is actually very little development and action when it comes to opportunities for additional tourism and tourism-related enterprises, be it in the formal or informal sectors or through community enterprises. Accordingly, there is a lot of leeway for further ac-

tivities and for more diversification in the tourism and tourism-related sectors. In particular, the rich cultural heritage can be further harnessed. While outside facilitation and support is generally welcome, the public and voluntary sectors often lack the knowledge and skills to create viable and sustainable enterprise opportunities. It is, therefore, vital that the private sector becomes involved as early as possible and buys into the new ventures. Activities by individual responsible tour operators are also to be lauded in the creation of new opportunities in tourism.

Recommendations:

- To showcase current best-practice projects and their value for both business partners as well as the initiating industry player.
- To establish training and skills development measures as well as mentoring support programs.
- To support best-practice projects through official marketing channels in order to start a process of increasing the perceived value of such initiatives.

IV.3.7.5. Business partnerships with community organizations

Actual business partnerships between a formal tourism company and community organizations appear to be very rare in Rwanda. We were able to detect only one such project with an accommodation provider and two with tour operators.

Governors' Camp's Sabyinyo Silverback Lodge is currently under construction on the edge of VNP. Once completed in late 2007, it will have a total of eight high-end cottages. While the lodge has been designed and is built by Governors' Camp, a Kenya-based luxury safari camp operator, it is fully owned by a community trust called the Sabyinyo Community Lodge Association (SACOLA). According to the partnership contract, Governors' Camp will lease the lodge from the community which, in return, can use rental and other income to finance its objectives in the area.

Information with regards to employment opportunities and other linkages are not yet available, but the construction alone required the employment of 600 members of the local community (personal communication, Watts, Apr 4, 2007). Among the activities to be offered by the Lodge, guests will be able to visit and learn about a variety of projects promoted by SACOLA. They include conservation initiatives as well as

socio-economic development programs related to water, education, health and informal industries. Also under construction is a Community Awareness Room in the main lodge building, where the guests can learn more about SACOLA and its projects (Governors' Camp, 2007: 3f.). This partnership is the first of its kind in Rwanda.

As for the Rwandan tour operators, both Amahoro Tours and New Dawn Associates Ltd have entered into business partnerships with local communities. Amahoro Tours is the initiator and exclusive agency for the Amahoro Community-based Tourism Association (ACOTA) in Ruhengeri. Together with its own partners and supporters from donors and NGOs, it provides a range of product development, quality enhancement, capacity building and marketing services to the community projects. Most importantly, it brings clients to the members and pays for their experience. This way, Amahoro Tours' guests can, among others, learn about banana beer brewing, traditional dancing and drumming, the culture of the minority Batwa, the life of island communities, the creation of banana leaf art or the plight of street children and orphans. The ACOTA members, in return, receive fixed fees that, most of the time, go to a community account and are used for the support of their activities or of their members in times of hardship (personal communication, Feldmann, Aug 16, 2006).

While Amahoro Tours' engagements with the communities are more or less informal, New Dawn Associates Ltd attempts to go a step further by concluding Memorandums of Understanding with its community partners. Two of its current projects involve the development of micro-enterprise opportunities through community-based tourism in the Umutara and Bugesera regions in Rwanda's northeast and southeast respectively. The company is the initiator and mentor to the projects, and specifically employs a community project consultant who exclusively supports these programs. The experiences relate to the heritage of the Umutara pastoralists as well as to the development interventions of the Millennium Villages Project in Bugesera. The community partners receive a fixed fee for each visitor, and the money is disseminated according to sophisticated keys, involving individual members as well as general community accounts (personal communication, Mugisha, Apr 27, 2007).

In summary, business partnerships with community organizations are extremely rare in Rwanda. It remains to be shown whether a relationship like the one between Gov-

ernors' Camp and SACOLA can be successful here. Main doubt arises from the difficult and unclear property rights in the country in general (see IV.4.2.2 below) which pose a challenge to types of partnerships that function well in other parts of the continent, particularly in southern Africa. The activities of the two described tour operators could and should, however, become exemplary efforts that are followed by other stakeholders. The two case studies demonstrate that viable win-win relationships with community organizations are possible.

Recommendations:

- To officially recognize the value of such initiatives and to advocate for them and share information about them.
- To provide strong support to the existing initiatives, particularly in the areas of marketing and promotion.

IV.3.7.6. Neighborhood partnerships

It was equally difficult to find any activities of formal tourism companies that could be classified as neighborhood partnerships. All tour operators but one are based in Kigali where such partnerships are inexistent. The exception is Amahoro Tours. Located in Ruhengeri, this agency has more direct ties with surrounding communities and, apart from the programs already mentioned in previous chapters, engages very actively in more general community support and partnerships. Among others, it is facilitating and contributing to the work of a variety of other institutions and organizations. Projects include a reforestation program and community education initiatives with The Gorilla Organization, the construction of water tanks and support for an orphanage with Endangered, or the support of community-based tourism with Sustainable Development through Tourism e.V. and SNV.

Similar to the tour operators, most accommodation providers are based in urban settlements and have, so far, not found an interest in developing neighborhood partnerships. Possibly the only strong exception to date is the Virunga Lodge near VNP. Its owners understand that maintaining a good relationship with adjacent communities is vital (personal communication, Moman, Jul 1, 2007). From the first stages of planning, they sought hard to become a respected part of the community. During the process of purchasing land, they brought in the district authorities to ensure that the

local landowners would receive a fair price for the true value of their land according to their agricultural produce. Once they owned the property, they employed an overwhelming majority of their 110 workers from within a 10km radius. The only exceptions to this rule were skilled craftsmen that they brought in from other countries in the region. Also the supervisor was a Belgium-trained Rwandan from the local environs who, later, stayed at the lodge as assistant manager. One of his most important responsibilities is to keep a good relationship with the adjacent community.

Today, the majority of staff in the lodge is locals trained on-the-job or in other Volcanoes Safaris lodges in Uganda. Some of the construction workers have also been retained for ongoing maintenance works, and the best of them have been offered permanent jobs on other Volcanoes Safaris project sites. Community empowerment plays a generally vital role in the company's management strategies. It is the intention that employees from the area are able to reach the highest levels of lodge management, as long as they bring the abilities and expertise. In Rwanda, a country with very limited experience and knowledge in tourism, this was so far rather difficult. But the area around the Virunga Lodge will hopefully follow the example of Bwindi National Park in Uganda. There, communities have had several years of exposure to tourism and have produced a lot of talented young individuals. As a result, three of Volcanoes Safaris' four lodge managers in Uganda and Rwanda now come from Bwindi.

The lodge benefits the community in a number of further ways. The small track that leads up to the lodge and that also provides crucial access infrastructure for the surrounding area has been converted into an all-season road. The financing was jointly brought up by Volcanoes Safaris and the Dutch government. The actual work was carried out by no less than 480 local laborers who found temporary jobs under the public works program HIMO. Half of them were women. Today, Volcanoes Safaris continues to provide the financial resources for ongoing maintenance.

The lodge also encourages its guests to visit a nearby village together with a guide and, for example, to donate to a fund that supports the local school with uniforms and equipment. Even greater is the impact of the lodge's dance project. The management brought in two trainers from Gisenyi that have worked with the community full-time

since 2003. During these years, they have trained a number of school children who now perform several times per week throughout the year during afternoons for the company's clients as well as interested members of the community. They are paid per performance, and additional funds from the guests are used for the purchase of equipment and uniforms. The community is generally welcome to participate, and the project is now a major entertainment factor in the area with frequently between 50 and 200 villagers joining the show. The lodge also employs a community poet and musician who supports these cultural events, and a new girls' folk dancing group is underway. Last but not least, the managers frequently use these community gatherings to disseminate information to the locals. Subjects include requests not to beg, to welcome clients and show hospitality, or to politely provide directions when asked.

All of these activities make the Virunga Lodge a very valuable role model for other accommodation providers. Through a number of simple steps, they could certainly do even more. For example, the community gatherings could be harnessed for other types of education on subjects as diverse as HIV/AIDS, community-based tourism opportunities or environmental conservation. But given the inexistence of similar projects in the entire country, it is recommendable that the lodge receives more attention by other stakeholders and is credited for its pioneering work.

Recommendations:

- To explore and advocate for potential neighborhood partnerships by referring to best-practice examples.
- To strongly support existing and to initiate the creation of new projects.
- To change the mentality among tourism officials and pay tribute to the great achievements of the few companies that have tried to create strong community links.

IV.3.8. Revenue sharing by the public sector

Differential diagnosis: Revenue sharing by the public sector

- ORTPN revenue sharing mechanism

Revenue sharing activities that allow communities around the national parks to benefit from tourism in their region have taken place since 2002. There were, however, no

clear guidelines as to how the funds could be used in the beginning. Even though the system has since developed to a certain extent and a mechanism has been launched in 2005, experts claim that it is still in its infancy and undergoing adjustments (Townsend, 2006: 27). Currently, 5% of all revenues collected from tourism activities through ORTPN are allocated to projects in the communities near the three national parks. The dissemination takes place in a participatory manner and via district level community development committees.

This way, a total of FRw 315m or over \$570,000 was in use by May 15, 2007 for a variety of projects (Ngoga, 2007: 1f.). They include, among others, initiatives to provide access to clean water, to build school facilities and infrastructure, to encourage handicraft centers, to support bee-keeping as well as mushroom and passion fruit growing and goat rearing, or to provide infrastructure for dairies. These activities are very diverse and range from small to big self-sustaining projects.

Some criticism has come up though. Among others, the still rather limited expertise and the ongoing adjustments have led to the fact that implementation of projects has been very slow. During the entire year of 2005, for example, only a single initiative was fully executed around ANP and many others remained in the pipeline without much progress. This sometimes resulted in frustration among villagers and was not a good promotion for the country's conservation and tourism efforts (Pina Cortez, 2005: 13). Secondly, voices are growing louder that call for an increase in the percentage that is shared with the communities. With mountain gorilla permits costing as much as \$500 per person since June 2007, many tourists believe that more than just \$25 of their money could and should go to community projects. In fact, Rwanda's reputation as a responsible ecotourism destination is on the line here. Finally, it is very difficult for interested parties to obtain more information about the revenue sharing mechanism, even though this could be a major tool for positive public relations and marketing work.

Recommendations:

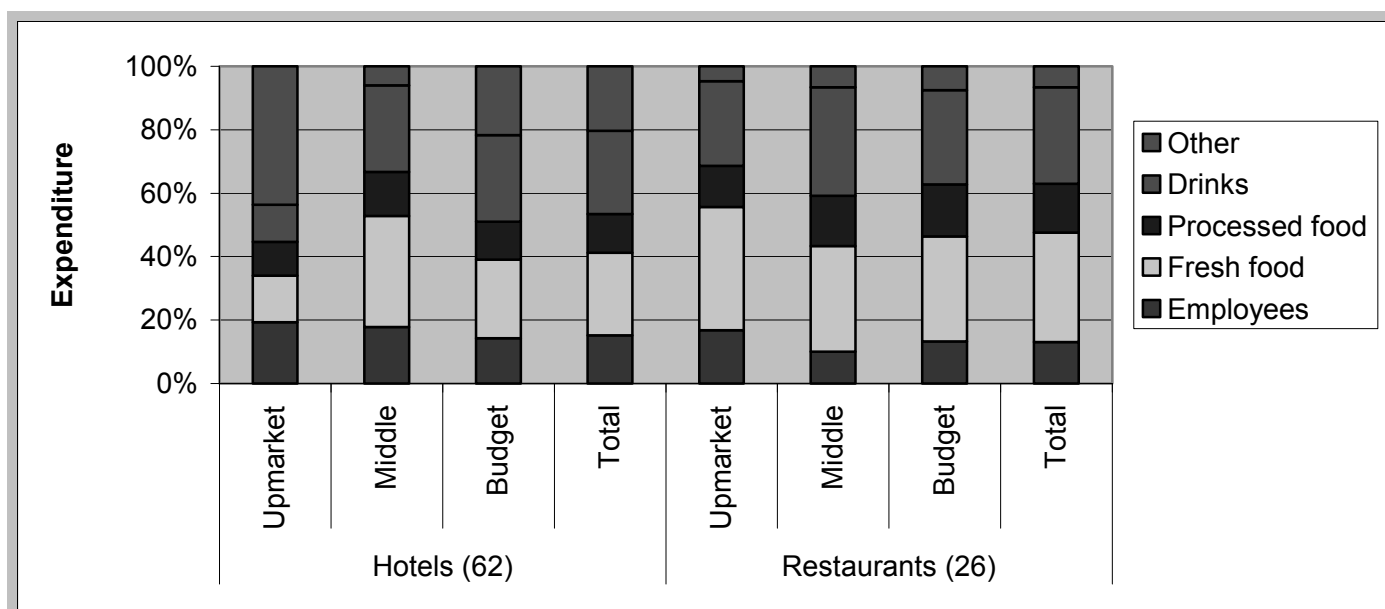
- To better coordinate the implementation of projects financed by the revenue sharing mechanism.

- To reassess the possibility to increase the percentage of income shared with local communities.
- To provide comprehensive information about the revenue sharing mechanism and to harness it for positive public relations and marketing work.

IV.3.9. Deeper analysis of the visitors' spend

The above analyses provided us with very valuable indications according to who benefits in what way from tourism in Rwanda. Table A2.10 of Annex 2 summarizes a breakdown of the direct visitor spend per day. At least with regards to accommodation providers and restaurants, it would also be desirable to determine the indirect impacts of the visitor spend, i.e., to further break it down according to the linkages with the local economy. We asked, therefore, both types of businesses to provide us with an estimate of what percentage of their income they actually spend on employees' salaries, the purchases of fresh food, processed food and drinks, and on other things. Figure IV.5 below illustrates the results.

Figure IV. 5: Spend of accommodation providers and restaurants on employees and suppliers

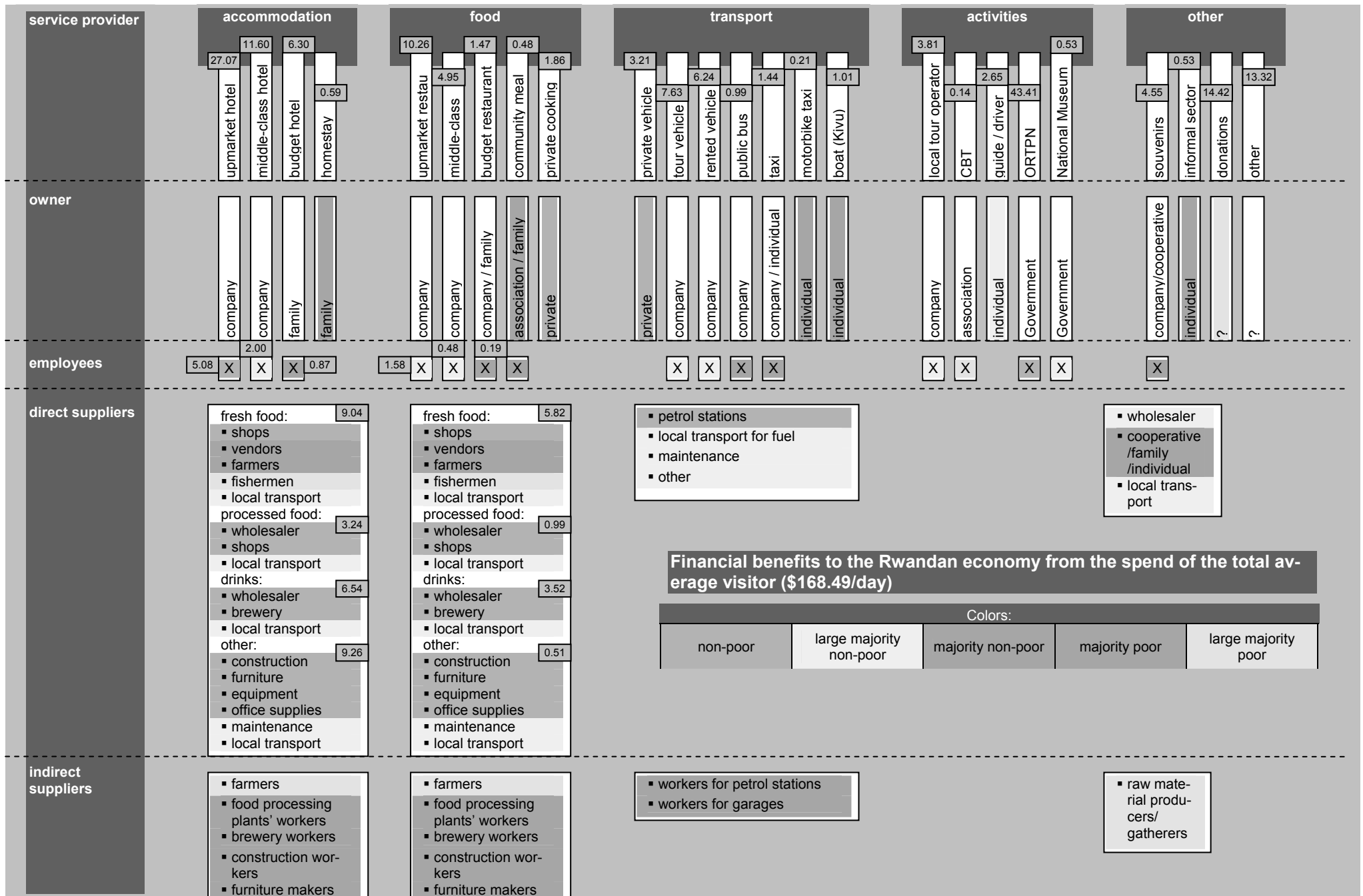


Taken together with the information that we have gathered about the origin of the purchased goods along the supply chain (IV.3.7.3.), we are now able to calculate how much money goes to Rwandans or Rwandan companies that supply labor, fresh food, processed food, drinks and other supplies to accommodation providers and

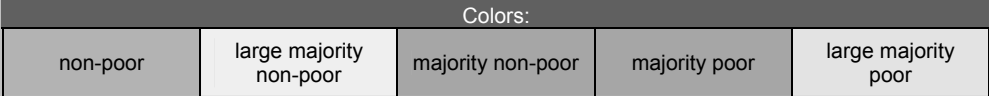
restaurants in each visitor category. Accordingly, we are able to add numbers for the indirect impacts of the visitor spend.

In figure IV.6, we attempt to summarize all these data and to provide a complete overview of the financial benefits that accrue to the Rwandan economy from a tourists' visit. Horizontally, we display the five types of expenditure, including accommodation, food, transport, activities and other. Vertically, we introduce four types of beneficiaries, i.e., the owners of the service provider, the employees, the direct suppliers and the indirect suppliers. Working with different colors, we then make assumptions as to who these individuals, families, cooperatives or companies are and what their personal income status might be on a five-point scale from 'large majority poor' to 'sufficient'. We finally add exact figures where available – in this case from the spend per day of the total average visitor. Similar figures with the breakdowns for the individual visitor types are available in Annex 4.

Figure IV. 6: Financial benefits to the Rwandan economy from the spend of the total average visitor (\$168.49/day)



Financial benefits to the Rwandan economy from the spend of the total average visitor (\$168.49/day)



While we are less concerned about the actual amount of leakages and more interested in how to improve linkages, the data also provides us with an indication of where the leakage rate at least of the daily business is. According to our calculations, it lies at just below 20% for accommodation providers and just above 20% for restaurants. We believe that these figures have to be used very cautiously because they are far below those of other LDCs. One important factor might be the relative newness and limited sophistication of the entire tourism industry which, coupled with a high percentage of local ownership and comparably little foreign investment, could lead to significantly less foreign interaction and outsourcing. Likewise, the costs of importing are very high due to the country's landlocked position as well as high duties. Nevertheless, the little diversification in the Rwandan economy in general does not really support the assumption that leakages would be far below LDC standard.

But, as pointed out earlier, the extent of the leakages is not as interesting to our research as the extent and quality of the linkages. In a final step, we attempt, therefore, to extrapolate the figures from the direct tourist benefits with the official ORTPN visitation numbers. As a result, the 29,884 visitors in 2006 should have created a total income of about \$41.28 million. Figure IV.7 breaks this income down into detailed service providers along the categories accommodation, food, transport, activities and other. The following figure IV.8 further illustrates the dissemination of income according to groups of stakeholders.

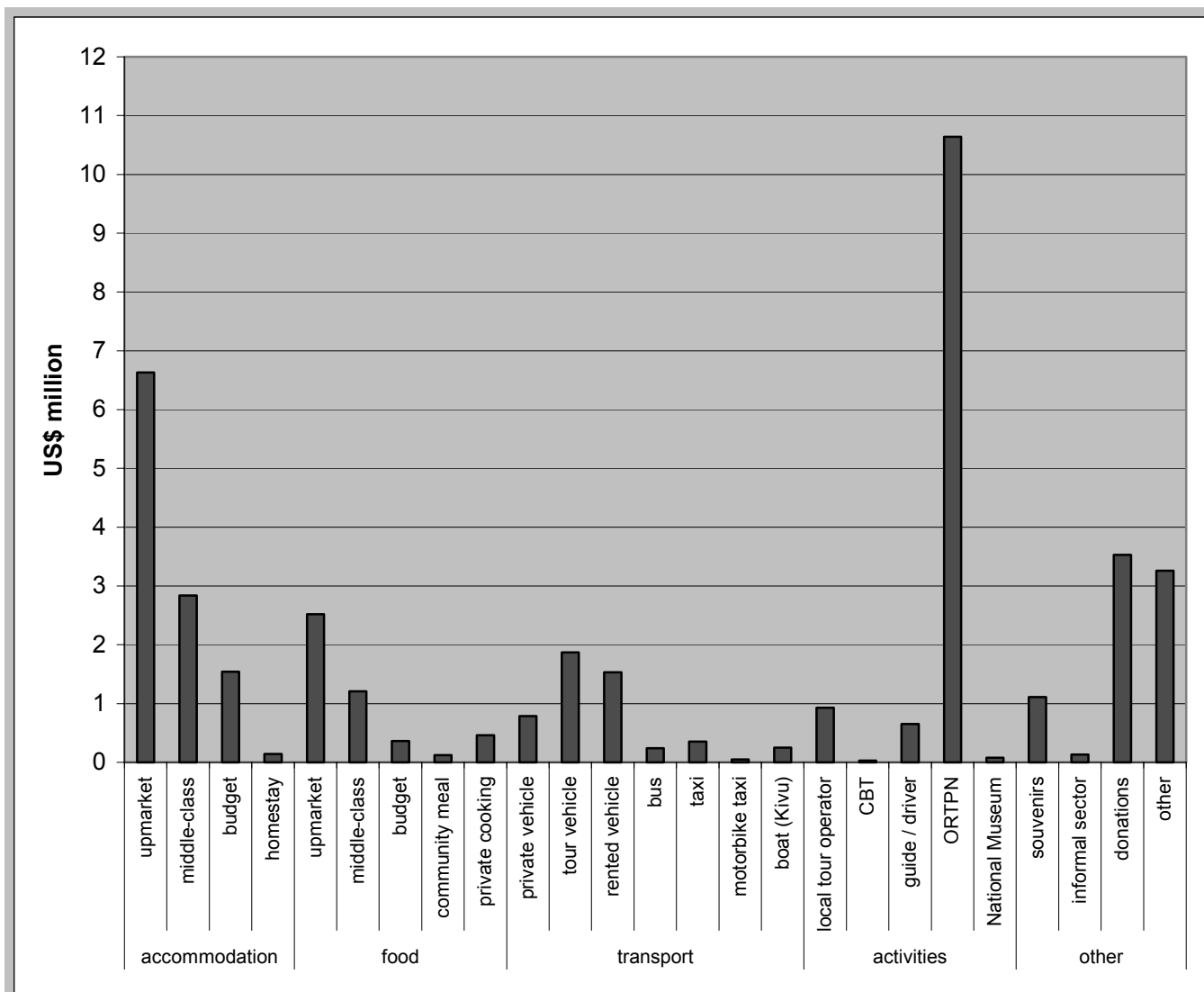
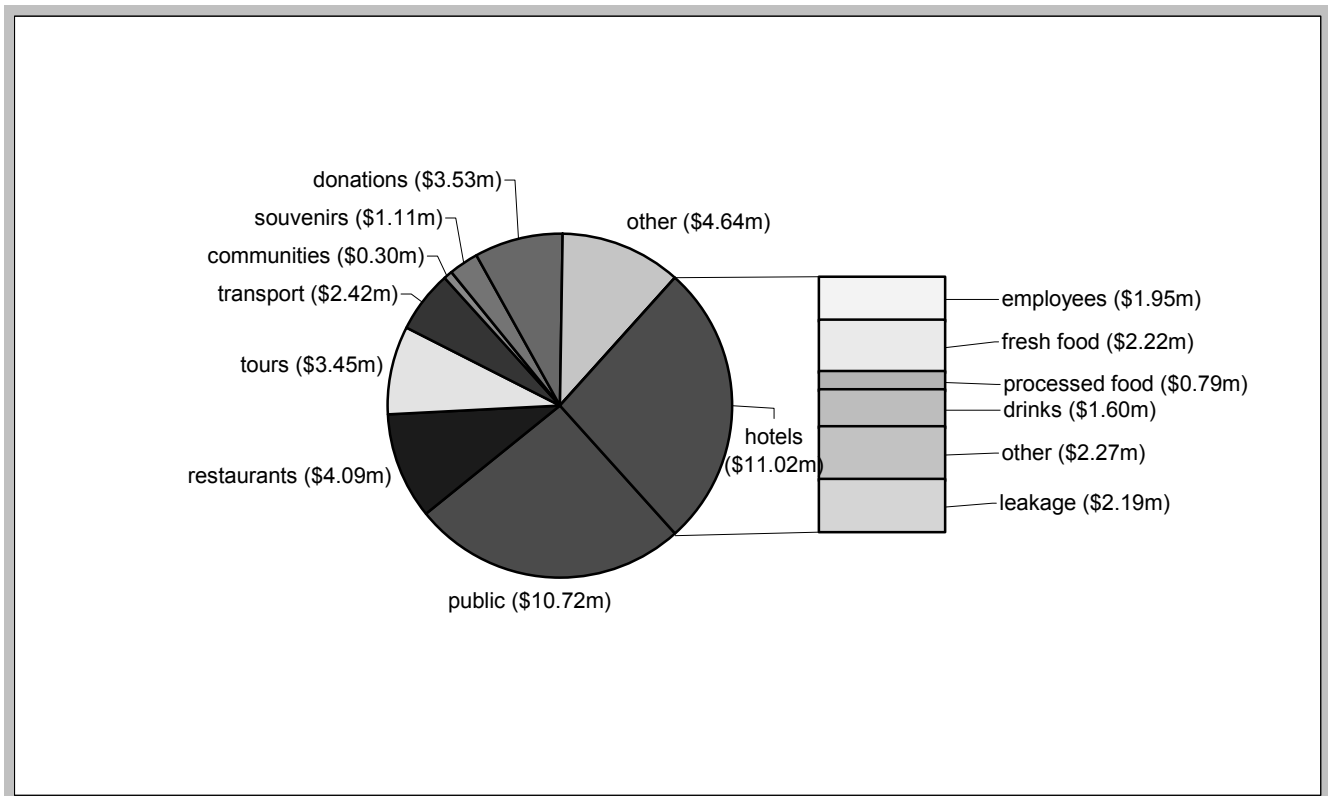
Figure IV. 7: Total income from visitors per year I (\$41.28m in 2006)

Figure IV. 8: Total income from visitors per year II (\$41.28m in 2006)

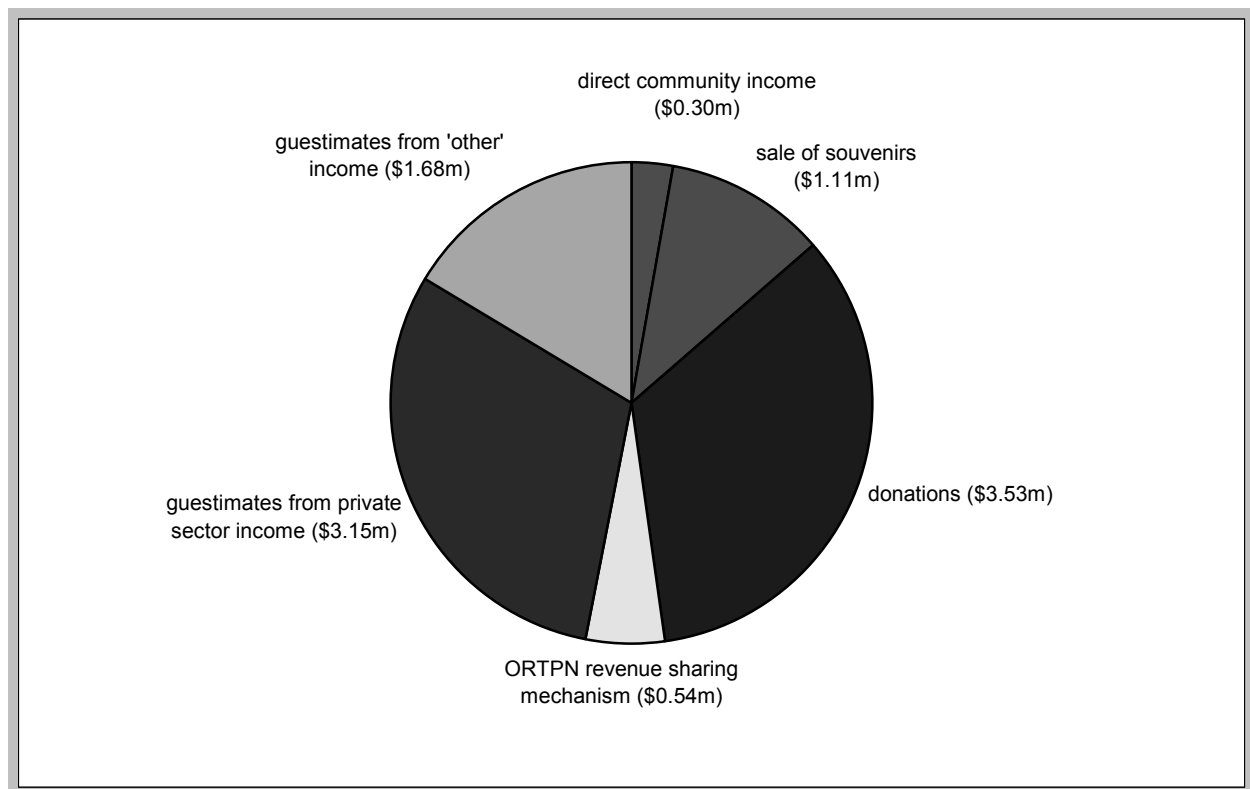


In summary, financial benefits reach the less advantaged in a variety of ways. Directly, a relatively small percentage of the 2006 tourist spend, namely about \$0.30 million, went to community tourism initiatives or SMEs included in this category. More significant were the \$1.11 million that were spent on souvenirs – usually in the form of locally produced handicrafts – and the \$3.53 million offered as donations. Through ORTPN’s benefit sharing mechanism, another \$0.54 million was supposedly used for rural community projects around the national parks. Some smaller formal tourism enterprises such as budget hotels and restaurants as well as informal guides and drivers were also among the direct less advantaged beneficiaries. And, finally, we can only guess what was included in the big chunk of \$4.64 million considered to be ‘other’. Apart from the informal sector benefits which we included here, it is very likely that a lot of the remainder referred to tips that usually reach less advantaged employees. Our guesstimate is that about 35% of this or \$1.62 million reached the less advantaged.

More indirectly, the tourism private sector spent a high percentage of its combined \$20.98 million on its staff as well as its supply chain. For example, about \$2.22 million reached Rwanda's agricultural sector for the purchase of fresh food through accommodation providers alone. Many of the beneficiaries are likely to be among the less advantaged members of society. Our guestimate here is that about 15% or \$3.15 million of the combined private sector earnings reached the less advantaged.

If we add up all these incomes of the less advantaged, they have earned about \$10.31 million in 2006, equivalent to 25.0% of the total visitor spend. Again, these figures should be treated with caution as they are based on several guestimates and assumptions and have a variety of potential pitfalls. For example, we do not know how big the profit of potential intermediaries might be. Souvenirs, fresh food products and others are not always sold directly to the tourism company. Likewise, a high percentage of the tips might actually accrue to highly qualified employees in the major hotels and restaurants and, therefore, not count for the less advantaged. Nevertheless, taking exact figures aside, we believe that our calculations provide a representative overview of the beneficiaries of the visitors' spend. The final figure in this chapter, figure IV.9, summarizes the estimated earnings of the less advantaged.

Figure IV. 9: Total income of the less advantaged (\$10.31m in 2006)



To our knowledge, there is only one other study to date with comparable data – an analysis of the tourism economy in the Laotian destination Luang Prabang. Its author, Caroline Ashley of the Overseas Development Institute (ODI), calculated that about 27% of total receipts went to semi-skilled and unskilled producers, suppliers and workers (Ashley, 2006b: 38). This is considerably more than in our Rwandan case study, particularly since she did not include such items as donations or a revenue sharing mechanism by the Tourism Board. She mentions, however, that her figure is likely to be high by international comparison because of the structure of the products in Luang Prabang. We conclude, therefore, that our results can well be adequate and that they demonstrate that there are certainly ways of how the participation of the less advantaged can be further improved.

We can draw various recommendations for each element of the income of the less advantaged. The direct community income of \$0.30m shows that far too few opportunities exist for visitors to spend their money in community-based tourism. This has already been noted above (IV.3.3.2) and needs to be addressed urgently. On the one hand, the amount of projects and initiatives in the country is very limited, and, on the

other hand, the existing experiences lack in quality and professionalism. To address these issues should become a priority for actors involved in product development, capacity building, mentoring, quality enhancement as well as marketing.

The sale of souvenirs with \$1.11m also offers much space for further increases. Rwanda has a good variety of interesting handicrafts, but the industry also faces several challenges. So far, only few cooperatives reach high quality standards, and a lot more training initiatives are required for the majority of producers. Some items even lack in quantity – in particular, the unique *imigongo* cow dung paintings. Once the typically Rwandan handicrafts are available in sufficient quality and quantity, shops will probably start themselves to reduce on the amount of non-Rwandan products on offer. But a more general industry consensus and a code of conduct for vendors could also be helpful. Last but not least, sales outlets are far too limited in the country. While Kigali now features a growing number of over 15 souvenir shops as well as the CAPLAKI crafts market, the search for souvenirs outside of the capital is still very frustrating. Even more important tourist areas such as the lakeside towns around Lake Kivu totally lack souvenir shops. This shows that the information dissemination mechanisms for potential business opportunities are inadequate and require improvements.

We have already mentioned that the amount of donations is a big positive surprise. Too little is known about the way they are used and the sustainability. This requires further research and, possibly, the setting up of more organized mechanisms to harness the philanthropic activities of visitors and companies. As for the revenue sharing, appropriate information is also scarce. It becomes obvious, however, that the authorities might want to rethink their current approach and, possibly, increase on the percentage used for direct community development projects. This would help to justify the very high prices for some natural tourism products, especially the mountain gorillas.

For improvements on the share of benefits to the less advantaged from private sector activities, we refer to our recommendations of the linkage sub-chapters above (IV.3.7). Finally, the guestimate of \$1.68m from the category 'other' leaves room for

discussion. Most importantly, it requires further research as to what this element possibly contains and whether the figure can be confirmed.

Recommendations:

- To improve the opportunities of the less advantaged to benefit from community-based tourism by setting up a variety of new projects and initiatives and by increasing the quality and professionalism of existing ventures.
- To improve the opportunities of the less advantaged to benefit from the sale of souvenirs by increasing the quality and quantity of handicrafts through training measures, by creating an industry consensus to sell a greater percentage of local products, and by encouraging the creation of more sales outlets, particularly around major tourist attractions.
- To improve the opportunities of the less advantaged to benefit from donations by further researching the types and ways of philanthropic activities of visitors and companies, and by creating organized mechanisms to harness them.
- To improve the opportunities of the less advantaged to benefit from the ORTPN's revenue sharing mechanism by increasing the percentage of income used for it, and by better controlling the implementation of existing projects.

IV.4. Institutional environment

IV.4.1. Non-market institutions

IV.4.1.1. Security issues

Differential diagnosis: Security issues

- National defense
- Internal security situation, reconciliation efforts and remaining challenges

In light of the potential regional security threats introduced above (IV.1.4.1), it is inevitable that Rwanda has a strong and effective defense force. The Rwandan army has a very good reputation. It is believed to be “highly competent, professionalized and disciplined” (USAID, 2004: 13). But keeping this level also requires a great amount of resources. By the end of the transition period, the Government began, therefore, a reduction in the armed forces through programs of sustainable demobilization of soldiers (Government of Rwanda, 2002a: 57). Still, the regional environment will continue to make it imperative to maintain a strong military. Furthermore, the country is getting increasingly involved in continental peace missions. Among others, it has de-

ployed one of the two largest contingents for the African Union's force in Sudan's Darfur province.

The internal security situation has improved even more than the external environment. The rate of reported crimes fell by 30% from 2003 to 2004 and another 11% until 2006 (Republic of Rwanda, 2006j: 6). The two main factors were sensitization campaigns in communities and a strengthened capacity of the police force. In a similar way, the number of road accidents also decreased dramatically because of the higher presence of traffic police. But even the strong police force would probably be unable to prevent ethnically motivated violence if the Government did not engage in a series of reconciliation efforts.

Zorbas (2004: 31) calls reconciliation measures "attempts at striking the balance between justice and healing, vengeance and forgiveness". In Rwanda, they include diverse mechanisms such as formal and informal justice, the National Unity and Reconciliation Commission (NURC) as well as forms of cultural reconciliation. Until early 2004, the Rwandan national court system had tried over 5,500 individuals (Zorbas, 2004: 34f.). Apart from that, 55 high-ranking officials and leaders of the genocidal regime were handed over to the International Criminal Tribunal for Rwanda (ICTR) in Arusha. Created through UN Security Council resolution 955 in late 1994, this specialized court heard its first case in early 1997. Since then, it has rendered 22 judgments involving 28 accused, and another eleven trials involving 27 accused were still in progress in June 2006 (ICTR, 2006: internet). Because of its slow and costly procedure and its meager results, the Tribunal has increasingly come under criticism.

The Government has realized that the formal justice system with these two mechanisms would probably require over a century to judge the more than a hundred thousand prisoners in custody (Gabisirege & Babalola, 2001: 1). It presented, therefore, an adapted version of traditional informal justice called *gacaca*, literally 'lawn'. Officially reintroduced at a national forum in 1998, *gacaca* had been practiced in Rwanda for centuries and was still present in the society as a cultural value of conflict resolution. At cell, sector, district and province levels, the communities elect persons of integrity as judges and then function as the 'general assembly' or jury for their peers.

This way, *gacaca* is more than an instrument for administering justice – it is also an important way to promote community dialogue and reconciliation.

Today, there are more than 12,000 *gacaca* tribunals in the entire country (APRM, 2006: 145) with more than 250,000 judges (Republic of Rwanda, 2003b: 5). They hear crimes of genocide of lesser severity, i.e., those that did not involve planning, incitation, supervision, rape, excessive cruelty or people in positions of authority, which remain the competence of the national jurisdiction. Prisoners have an incentive to confess and ask for forgiveness, as this may reduce their penalties. While *gacaca* processes certainly lack various elements of formal justice and are, therefore, closely watched and sometimes criticized, they still present the probably only workable solution for prompt justice. Observers have called them a “real opportunity” (APRM, 2006: 127), but also a “gamble” (Uvin, 2002: 121) because, if not implemented sincerely and successfully, they could have seriously destabilizing consequences. *Gacaca* processes are supposed to end in 2007 – after judgments of an estimated 800,000 cases (UNHCR, 2006: 3).

Apart from the formal and informal judicial systems, the Government is supporting reconciliation through the activities of its NURC. Created in early 1999, the Commission focuses on civic education, peace building and conflict management as well as the dissemination of information. Organized meetings and conferences culminated in two national summits with participants representing all levels of society. About 720 trained voluntary community animators are traveling the country. The Commission is further responsible for ‘solidarity’ camps called *ingando*, and the training for youth and women groups and persons of integrity (Republic of Rwanda, 2006j: 5).

NURC has achieved that the promotion of unity and reconciliation has become an overarching theme of all national efforts. Forms of discrimination have successfully been outlawed, and Rwandans are willing to again live and work together and find consensus around national interests (Ndangiza, in de Boer *et al.*, 2006: 50). Despite quiet criticism of being too top-down and instrumentalized by the Government, NURC has strongly contributed to peace and stability in Rwanda.

Finally, another form of reconciliation is the process of turning the horrible recent experiences into cultural heritage and preserving them as collective memory. This is done by numerous monuments, memorials and museums as well as a variety of films, novels and national holidays.

While the pursuit of reconciliation and national unity has, rightly so, become fundamental in Rwandan politics, a note of caution is necessary. In an environment where forms of dissent are not tolerated and demonized as potentially provoking disharmony, an honest and healing dialogue is seriously hampered. The Government promotes the concept of 'we are all Banyarwanda' up to a point that it denies any difference along historical Hutu-Tutsi lines. This is not only against the self-image of every national who has, in one way or another, experienced ethnic division for many decades. But it also results in the fact that these issues are only discussed in secrecy and among trusted friends – a potential breeding ground for further discontent. As a recent report of Jubilee Action (2004: 4) points out: "You can remove ethnic identity from ID cards [...] but not from memory."

Apart from these "silences" (Zorbas, 2004: 41), the ever-present poverty particularly in rural areas combined with the very high population density also leaves ground for concern. As Sommers (2006: 13f.) points out in reference to interviews conducted in Rwandan villages at the end of the transition period, rural youth live lives of elemental frustration. Decreasing farm sizes and a general lack of employment opportunities result in a feeling of hopelessness. In this situation, conflicts between neighbors and relatives are widespread, and many youth turn towards drinking as a final resort. Added to this, there are fundamental difficulties of reintegrating those mainly male youth who have been involved in the genocide or the wars in the DRC and now return with very different aspirations. Strategies to solve these problems are only piecemeal and largely inadequate.

Despite the remaining challenges and potential threats, Rwanda appears to be on a good way to maintain both external and internal stability and security. This is an absolute prerequisite for continuing peace, development and poverty reduction and, therefore, has precedence over other issues.

Recommendations:

- To emphasize the country's comparably very low crime rates and the strongly perceived security and stability in international image building and marketing campaigns.
- To more fully harness genocide monuments and memorials for education, awareness raising and tourism purposes so that the message of 'never again' remains vivid.
- To exploit the opportunities of tourism for identity building and dialogue, as well as to integrate previous ethnic divisions and conflict into history so that it is viewed as a thing of the past.
- To use tourism and related cultural exchange as a tool for peace building and reconciliation.

IV.4.1.2. Civil and political rights

Differential diagnosis: Civil and political rights

- Political system
- Constitution with fundamental rights
- Democratic institutions
- Political pluralism and freedom of expression
- Free media and NGOs

The transition period after the 1994 genocide was reflected by a Government of National Unity and the suspension of party-based political activity. It ended with the adoption of a new Constitution as well as presidential and legislative elections in 2003. Today, Rwanda's presidential republic is led by President Paul Kagame.

The President is the head of state, the commander-in-chief of the defense forces, and he has the power to appoint senior civil and military officers as well as to initiate legislation and other proposals before Parliament. He is elected by universal suffrage through a direct and secret ballot and serves a seven-year term which is renewable only once. His Cabinet consists of the Prime Minister, the Ministers, the Ministers of State and potential other members. At the moment, there are 20 Ministers and eleven Ministers of State. According to the Constitution, the cabinet must represent members of several different parties, with not more than half of the seats occupied by the largest party. President Kagame ensured this political pluralism by appointing six

members of his own party, three members of the opposition and eight independents (APRM, 2006: 36f.).

The legislature consists of a bi-cameral and independent Parliament with a Chamber of Deputies and a Senate. While deputies are elected every five years by universal adult suffrage and a secret ballot, senators serve a single eight-year term. Parliament enacts laws that have been introduced as a bill by a member of Cabinet or as a private member bill by one of its own members (Ernst & Young, 2006: 12).

The third arm of Government is the judiciary. Independent in theory, some observers have voiced some concern. In particular, the President of the Republic also has the power to appoint the President and Deputy President of the Supreme Court who preside over the Superior Council of the Judiciary. This powerful body, in turn, appoints and disciplines judges and other judicial officers. One external report criticized this fact as an “apparent fusion of powers” (APRM, 2006: 42). Another report hinted that observers, NGOs and opposition candidates encountered during fact finding believed that “the judiciary is by and large controlled by the President and the RPF” (Samset & Dalby, 2003: 13).

Rwanda’s new Constitution from May 26, 2003 takes precedence in the legal system. It contains guarantees for civil, political, social and cultural rights and prohibits discrimination on the basis of race, gender, religion and employment. The proclaimed standard of human rights protection is consistent with current UN practice (APRM, 2006: 36). Gender equality receives a particularly strong emphasis, an approach that is further reflected in the current political life. Women are beginning to play key roles in politics with female parliamentarians occupying over 48% of the seats and eight out of 31 Ministers or Ministers of State being women. There are also a growing number of women’s councils at all political levels.

Various new institutions have been established to assist the Government in delivering good governance. They include an Ombudsman, an Electoral Commission, the Supreme Council of the Judiciary, the National Human Rights Commission, the NURC, the High Council of the Press as well as a proposed Civil Service Commission (APRM, 2006: 30).

Criticism is generally voiced against excessive emphasis on national unity, consensus and inclusiveness – to a point where free speech, free expression of opinions and political pluralism are seriously constrained when it comes to these issues. Mechanisms to prevent the divisionism and violence of the past are embodied in all spheres of national policy and practice as well as Rwanda's legislation. The Constitution emphasizes consensus rather than competition of ideas and outlaws expressions of dissent. This way, the Government accepts that its performance with regards to political rights and civil liberties is likely to remain below internationally recognized norms and standards (USAID, 2004: 14).

While the principle of political pluralism is formally entrenched in the Constitution, political parties, in practice, face various constraints. Rwandans enjoy a guaranteed freedom to form, join or belong to a political party, but there are some onerous conditions attached. For example, political parties may only operate at the central or provincial levels. This denies much political activity of citizens at the grassroots levels. Furthermore, just prior to the 2003 elections a main opposition party was dissolved on the grounds of divisionism (Samset & Dalby, 2003: 8). The Country Review Mission of the APRM concludes that “[p]olitical parties may be *de jure* authorized but *de facto* impossible to realize and operate freely” (APRM, 2006: 38). Nevertheless, Freedom House (2007: 3) notes that ministers and other officers of the executive are now frequently questioned by parliamentary committees and that the local press has also started to report some of these deliberations.

The legacy of the genocide is even stronger with regards to the Rwandan media. Until today, the number of well-trained and professionally experienced journalists is still very limited. They lack resources and adequate finance. But, more importantly, the recent history has led the Government to be careful with regards to allowing press freedom. Radio and print media played a vital role in disseminating hateful thinking. In several instances, certain radio stations even incited the residents to kill and gave specific names of victims.

Under the new press law of 2003, the operation of more newspapers is allowed again, and six private radio stations received a license (APRM, 2006: 40). However,

in practice they perform a sort of self-censorship, and at least the radio stations were required to sign a commitment to avoid political issues (Jubilee Action, 2004: 7).

Non-Governmental Organizations (NGOs) are recognized by the State as important stakeholders. They play very diverse roles, including the delivery of publicly funded services and the effective provision of work in areas where the state has limited capacity, such as street children projects. In many instances, they act as an interlocutor between the people and the State, and the Government even acknowledges their importance in monitoring the outcomes of public programs (Government of Rwanda, 2002a: 34). However, NGOs also complain about excessively time-consuming and onerous registration and reporting procedures. Furthermore, the government prohibits activities that it identifies as 'divisive', without defining this term beyond broadly talking about the existence and spread of a 'genocide ideology' (Freedom House, 2007: 4).

In conclusion, country assessments widely agree that Rwanda has achieved impressive progress in establishing a democratic state with a number of valuable institutions and the firm recognition of human rights, gender equality and a variety of civil and political rights. In the light of the incomprehensible atrocities that took place only little more than a decade ago on grounds of ethnic divisions, it is also reasonable to place a heavy emphasis on national unity and consensus and to even restrict certain rights. But it is obvious that such restrictions are unsustainable in the long run and that the Government has to work on slowly opening up more political space and grant increased freedom of expression. Otherwise, those members of the society who do have dissenting opinions might become restless and discontent and eventually seek other forms of expression, including violent ones.

Recommendations:

- To harness tourism as a tool for dialogue and cultural exchange that helps to slowly open up more space for freedom of expression.
- To harness tourism as a tool for further progress on human rights and gender equality.

IV.4.1.3. Public management systems

Differential diagnosis: Public management systems

- Institutional capacity
- Corruption patterns

Good governance is presented in Rwanda as a prerequisite to poverty reduction and, therefore, prioritized in all important policy documents. Nevertheless, the civil service is still suffering from the legacy of the genocide. Most institutions and their internal structures have been wiped out in 1994, and the institutional capacity is still very weak today. Many public sector employees have only limited technical skills, are inefficient and are poorly motivated. This seriously undermines the implementation of new policies in most sectors (MINECOFIN, 2006: 8).

Today, there are a number of reform programs in place that start to show first signs of progress. They particularly touch on the ineffective organizational structures and operating procedures inside of many public institutions and also create more appropriate conditions for recruitment. Capacity building and human resource development are of vital importance. A variety of training measures have been introduced, and future specialists are now educated at the Rwanda Institute of Administration and Management. A new emphasis on accountability, discipline and integrity is widely perceptible, and the Government is not reluctant to use dismissals for indiscipline, inefficiency, incompetence or corruption even up to the ministerial level (APRM, 2006: 44).

Particularly successful is the Government's fight against corruption. While it does exist in Rwanda at all levels and while the country ranked only 83rd out of 158 in Transparency International's 2006 Corruption Perception Index (Transparency International, 2006: internet), it is widely acknowledged that corruption in Rwanda is very low relative to other African countries. The APRM's Country Review Mission, for example, stated that it "commends the Government of Rwanda in its endeavor to fight corruption" (APRM, 2006: 43). This is of fundamental importance to tourists and tourism companies. Industry stakeholders agree that corruption is completely inexistent in their daily operations, and no visitor from our survey ever mentioned anything related to corruption in his or her answers.

Decision-making processes are increasingly decentralized, and the budget process is more or less transparent with timely publications of financial operations and the development of a comprehensive reporting system (Bigsten & Lundström, 2004: 35). Furthermore, the creation of the Ombudsman was another important step. The institution is leading population sensitization campaigns at all levels to highlight the prevention of corruption and the fight against injustice. It further undertakes examinations of laws, regulations, transparency in operations, internal and external control mechanisms as well as governance. Citizens may launch a complaint to the Ombudsman (Republic of Rwanda, 2006e: 4).

Recommendations:

- To clearly point out Rwanda's exceptional status as a country that is basically free of everyday corruption and to use this as an asset to attract more investment in the tourism industry.

IV.4.1.4. Decentralization and fiscal federalism

Differential diagnosis: Decentralization and fiscal federalism

- Decentralization policy
- Administrative structure
- Management systems at community level

In May 2000, the Government adopted a comprehensive decentralization policy. Its main goals are the promotion of democratic governance at local level, the strengthening of pro-poor delivery of services and the creation of a basis for sustainable participatory community development (MINECOFIN, 2006: 32). This shall be achieved through the objectives of mobilization and empowerment, reinforced transparency and accountability, strengthened sensitivity to the local environments, increasingly sustainable capacity for planning and management, and enhanced efficiency and effectiveness (MINALOC, 2002: 5f.).

An important step was the recent administrative restructuring, accomplished in early 2006. The formerly twelve provinces and 106 districts or municipalities have been transformed into five regions and 30 administrative districts (Republic of Rwanda, 2006a: i). During the summer of 2006, local elections followed.

The main local mechanism is the institution of Community Development Committees. According to the policy, this new management system involves the grassroots communities and makes them responsible for their own development. Community members are involved with all levels of the project cycle, including identification, prioritization of needs, project design, tendering process, implementation, monitoring and reporting. While this institutional framework has started to show success, similar progress has not yet been achieved with regards to fiscal decentralization. Communities often simply do not have a sufficient local economic base to generate the revenues required to cover administrative and project costs (Republic of Rwanda, 2005c: 11). To overcome this challenge, the Government recently established a Community Development Fund through which 10% of the national annual budget as well as donor funding shall be channeled to these community projects (Bigsten & Lundström, 2004: 34).

A second major difficulty is the largely inadequate capacity both in terms of human capital and facilities. Human resources for administration as well as project design and implementation are particularly weak at local levels, and information sharing mechanisms are unavailable or inappropriate (MINECOFIN, 2006: 6). Consequently, there is a great need for capacity building measures, and involvement of NGOs and the private sector at least during these early stages is indispensable.

Recommendations:

- To explore the opportunities to use the new local government structures for empowerment in tourism at community level, including participation in decision-making processes and planning.
- To harness these opportunities for the development of more community-based tourism and conservation initiatives.
- To guarantee a two-way flow of information between the representatives of concerned communities and other stakeholders in tourism development.

IV.4.1.5. Independent and fair judiciary

Differential diagnosis: Independent and fair judiciary

- Judiciary with appropriate structures and competent personnel
- Modern, comprehensive and transparent legal system

By the end of the year of the genocide, the Rwandan judiciary was close to non-existent. There were 244 judges, twelve prosecutors and 137 support staff left in the country, and their buildings were pillaged and heavily damaged (UNCTAD, 2006a: 30). The few remaining lawyers had almost no trial experience, entered the job after extremely short training periods, lacked all sorts of equipment and were badly paid. At the same time, there were over 100,000 prisoners charged mainly with genocide-related crimes.

The Government's task was, therefore, to create a new judiciary almost from scratch. Today, a bit more than a decade later, Evans *et al.* (2006: 58) describe the progress. The judicial and prosecutorial system underwent a highly significant transformation with new structures and responsibilities. The separation of powers and the independence of the judiciary are guaranteed, even though there are continuing voices criticizing political interference in the system (see, e.g., Zorbas, 2004: 34f.). The new structures have started to work smoothly, and the lowest courts are dealing with the immense case back-log from the inadequate previous system.

Specialized chambers are dealing with business, financial and tax-related matters, and a range of dispute resolution mechanisms further complement commercial litigation options that will be introduced below (IV.4.2.3). In the field of criminal justice, the introduction of the traditional *gacaca* courts was a major step forward in order to deal with the immense number of prisoners waiting for their trial. General access to the judicial system has also improved. Among others, the Government has introduced mobile courts that deal with cases in rural areas.

In line with the development of a competent judiciary, Rwanda also undertook extensive reforms of its legal system. Today, it presents a mixture of parts of the Romano-Germanic civil law system and the Anglophone common law system. It found inspiration in the Canadian, the Scandinavian, the Mauritius, the South African and the Ethiopian systems – countries in which a mixed legal system is practiced to varying degrees (APRM, 2006: 151).

The main challenge remains the lack of human capacity. This is particularly obvious when it comes to the consistent and prompt application of the new laws. In many

cases, there are long delays, and the judicial personnel do not receive any specific training for the new legislation (Republic of Rwanda, 2005a: 56). The recent establishment of a national judicial training center might improve this situation.

IV.4.1.6. Fiscal framework

Differential diagnosis: Fiscal framework

- Public sector revenues and expenditures
- Tax administration and expenditure management
- Budget financing

Rwanda's public finance management system was basically nonexistent after the genocide in 1994. The Government had no budget, no accounts and no audit function. The first years of reconstruction and, later, transition were extremely difficult, and the country heavily depended on foreign aid. In the past few years, however, there has been a lot of progress towards the development of a modern public finance management system. And, while the systems are still comparably weak, representatives of the donor community recently expressed confidence due to the Government's direction of reform, its strong political will and a number of visible improvements (Amis *et al.*, 2005: 6).

The new budget system has been rebuilt from scratch. Major activities focused on a revival of the tax administration, the restoring of processes for budget preparation and execution, as well as capacity building measures for the responsible authorities (Purcell *et al.*, 2006: 204). The Rwanda Revenue Authority (RRA) is the single-purpose agency to collect revenues. Its performance and effectiveness have improved considerably. Nevertheless, the share of government revenue of GDP is still low at 12.6%, compared to a sub-Saharan African average of about 20% (Republic of Rwanda, 2005a: 2f.). This is expected to further increase due to a growing tax base and greater earnings from the value added tax that has been newly introduced in 2001.

Likewise, despite still unsatisfactory execution rates in many sectors, public expenditures recently experienced substantial and continued improvements. Since 2004, a medium-term economic framework (MTEF) links all sectoral strategies to the budget, and ministries are required to classify all expenditures according to programs and

sub-programs, expected outputs, activities and inputs. There is a functioning budget process with clear procedures, respected schedules and a computerized preparation and reporting structure.

In 2005, the budget allocation was as follows: 32.1% for general public services, 14.6% for education, 8.7% for public order and safety, 8.1% for defense, 7.9% for health, 7.2% for social protection, 5.4% for transport and communication, 4.7% for fuel and energy, 4.3% for land, housing and community amenities, 3.0% for agriculture, 2.4% for water and sanitation, 1.7% for industry and commerce, 0.8% for youth, culture and sports, and 0.3% for environmental protection. Particularly worth mentioning is the budget allocation to defense which continuously decreased from 14.6% in 2003 to 8.4% in 2004 and 8.1% in 2005 (APRM, 2006: 107).

Rising public expenditures have sustained Rwanda's weak fiscal position. Currently, some 45% of the budget is financed by development partners (MINECOFIN, 2005: 6). This dependence on foreign aid is a matter of great concern. Furthermore, these sources are not always fully reliable and usually depend on varying conditions and priorities.

Recommendations:

- To collect currently unavailable data with regards to tax receipts through tourism, including taxes paid by private sector companies, the ORTPN and relevant employees, as well as other fees such as airport taxes and visa fees.

IV.4.2. Market institutions

IV.4.2.1. Macroeconomic environment

Differential diagnosis: Targets for macroeconomic environment

- High growth rate
- Low inflation rate
- Stable exchange rate
- Favorable balance of payments
- Sustainable rate of public debt
- Balanced budget
- Stable economic policies

A favorable macroeconomic environment is vital for sustainable poverty reduction. Indicators include a high growth rate, a low inflation rate, a stable exchange rate, a

favorable balance of payments, a sustainable rate of public debt, a balanced budget and stable economic policies. Judging on recent overall progress, the Country Review Mission of the African Peer Review Mechanism concluded in its 2006 report (APRM, 2006: 56): “The CRM shares the assessment made by the two Bretton Woods Institutions that Rwanda had largely achieved macroeconomic stability and established a good track record of policy implementation in 2004.”

Rwanda’s average growth rate since 1995 is high at 8%, but it slowed considerably after 2002 mainly due to severe drought and an energy crisis. Particularly during the years of 2003 and 2004, the country was far off track from its medium-term growth objective of at least 6% with 0.3% and 5.3% respectively. Since then, the growth rate has recovered and it stood at 7.2% in 2005 and 6.3% in 2006 (Republic of Rwanda, 2007: 15). It appears, therefore, possible that the country will be able to attain its medium-term goal, especially if the natural climate remains favorable.

Similarly, inflation was kept at relatively low levels of less than 4% until 2002. Then, however, it increased strongly to over 10% during 2004 and early 2005. In line with the decreasing growth rate, this increase was caused by external shocks and not by expansionary monetary policy. In particular, the drought led to food shortages and higher consumer prices, and this was complemented by rising energy costs due to the energy crisis (Republic of Rwanda, 2005a: 2). If food and energy items are excluded from the calculation, inflation remained unchanged at about 5% (Republic of Rwanda, 2006h: 17).

With regards to the exchange rate, Rwanda pursues a policy of managed float of the currency. Since 1997, the foreign exchange rate system is generally market-determined. Exceptional light interventions include the supply of predetermined amounts of foreign exchange to a weekly auction as well as the smoothing out of market fluctuations (Bigsten & Lundström, 2004: 32f.). The *Banque Nationale du Rwanda* (BNR) has full supervisory and regulatory power, even though it continues to depend on MINECOFIN with regards to conducting the monetary policy (APRM, 2006: 79). Since 1995, the BNR orchestrated a progressive depreciation of the Rwandan Franc. Up to 2006, the real exchange rate has lost about 12% of its value

(Republic of Rwanda, 2005a: 5f.), and, currently, the Rwandan Franc stands at FRw 550 to the US\$ and at FRw 730 to the € (May 2007).

Similarly to most other LDCs, Rwanda's balance of payments suffers from a chronic deficit. Evaluating the five-year term between 1997 and 2002, the World Trade Organization found that the volume of the country's exports with 4-5% of GDP remained constantly low at about a third of its imports with 12.5-14% of GDP (WTO, 2004b: 4). Since 2004, the trade balance improved thanks to high increases in export receipts, but this also triggered a higher demand for imports (Republic of Rwanda, 2005c: 13). The latest available figures from early 2007 confirm this trend: while export receipts grew by 20.5% from 2005 to 2006, imports increased even further so that the trade balance showed a deficit of -\$353.8 million compared to -\$276.3 million the year before (MINECOFIN, 2007: 3). It remains crucial, therefore, to further diversify the export base and increase foreign exchange receipts. Tourism can play an important role here. Its receipts contribute to a more favorable balance of payments and help, thereby, to stabilize the country's total foreign currency receipts. It also reduces the dependence on other export sectors and provides a cushion against the instability of merchandise exports.

The sustainability of Rwanda's public external debt was deteriorating until 2005. Since then, the situation has improved considerably with the granting of relief from both the Heavily Indebted Poor Countries Initiative (HIPC) in April 2005 and the Multilateral Debt Relief Initiative (MDRI) during the course of 2006 (Republic of Rwanda, 2006h: 18). Through HIPC alone, the country saves approximately \$48 million each year until 2015 (Republic of Rwanda, 2005c: 13). Nevertheless, the external debt levels remain a concern even after this debt relief. Nkulikiyimfura (in de Boer *et al.*, 2006: 28) has calculated that, in order to reach a sustainable debt situation, the country's borrowing needs to be limited to a maximum of \$20 million a year. To meet the financial requirements in order to achieve the MDGs, it needs, however, to attract about \$150 million of additional funding each year. Unless the country manages to find the necessary additional resources, it might have to cut back on public spending that is crucial for poverty reduction.

Recommendations:

- To conduct research on the impacts of the macroeconomic environment on tourism's role for poverty reduction.

IV.4.2.2. Property rights

Differential diagnosis: Targets for property rights

- Clear legal status of land property
- Security of tenure
- Easy, fast and cost-effective registration

In a country with a very high population density and a largely agrarian society, land is the most important asset for the great majority of inhabitants. While it can be bought and sold in Rwanda, a number of historical factors and events created an environment marked with persistent doubt about its legal status. Current reforms are supposed to drastically improve this situation. In particular, Rwanda is in the process of introducing a modern cadastral system, and land tenure is starting to be guided by provisions of the new land law adopted in 2005.

In the meantime, however, land property rights continue to be problematic. Historically, land ownership was regulated by a complex system of different traditions and customs. The Belgian colonial rulers added a centralized written law and, thereby, disrupted the existing balance. At the time of independence, about 90% of the arable land was still governed by customary law, and the rapidly increasing population caused first disputes to break out (Rurangwa, 2002: 3ff.). Over the decades – but especially after the 1994 genocide – hundreds of thousands of refugees returned to the country in search for their old family plots which had long been taken by new occupants. To smooth out the situation, the Government made available large chunks of previously uninhabited state land, including parts of Akagera National Park. It also invented a new form of more or less forced settlements so that many returnees were united in new villages called *imidugudu* (Bigsten & Lundström, 2004: 28). Nevertheless, it is not surprising that 80% of court cases before prefects continue to be concerned with land issues over competing claims of ownership (Mackinnon *et al.*, 2003: 110).

In general, the Government is the owner of all land. According to the written law, it gives out certificates of ownership of a long leasehold of 99 years. This guarantees the security of tenure (Rurangwa, 2002: 9). In exceptional cases of public interest, the Government has the power to expropriate land. It is, however, required to compensate the former inhabitants, even though no national guidelines about the type of compensation exist (Townsend, 2006: 23).

Until the current reforms are completed – experts estimate an implementation phase of well over a decade (UNCTAD, 2006a: 50) –, residents as well as investors will continue to face a number of obstacles and hardships with regards to property registration. According to the World Banks' *Doing business in 2006*, it requires five different procedures, takes up to 371 days and costs approximately 9.6% of the total value of the property. As a comparison, delays are much shorter in other countries in the region with registration taking 48 days in Uganda, 61 days in Tanzania and 73 days in Kenya. Likewise, the costs are lower with approximately 5.1% and 4.1% of the value in Uganda and Kenya respectively (World Bank, 2006c: 133ff.).

Given the importance of tenure security for both households and businesses, completion of the land reform is pivotal. In the light of the role of land with regards to peace, it becomes absolutely vital.

Recommendations:

- To provide appropriate and complete information as well as support to potential investors in the tourism industry who want to buy and register land property.
- To guarantee ownership rights to foreign investors.
- To explore innovative forms of land ownership by local communities so that they can actively engage in and benefit from tourism developments through business partnerships with private sector entrepreneurs.

IV.4.2.3. Business environment

Differential diagnosis: Targets for business environment

- Appropriate and efficient corporate legal framework (including contract law, company law, tax regime, labor regulations, land law, environmental regulations, legislation on intellectual property and competition law)
- Dealing with market failures (including monopolies and information asymmetries)
- Effective law enforcement

The business environment is the 'soft infrastructure' of a country. First and foremost, it relates to an appropriate legal and administrative framework that inspires a high degree of confidence in all stakeholders.

General assessments of Rwanda's business environment praise the progress in recent years. Neil McMillan, the envoy of the WTO to discuss the country's *Trade Policy Review*, observed that "Rwanda's policy direction was extremely good" and that "it was doing the right things economically to point itself towards a better economic future" (quoted in WTO, 2004a: 15). Likewise, the World Bank stated in its *Doing business in 2006* that "[i]f reformers of business regulation in Africa are seeking an example, they should look nearby – to Rwanda" (World Bank, 2006c: 4). The same Report identified Rwanda as the eleventh best reformer in 2004 (World Bank, 2006c: 2).

Such a statistic, however, can be rather deceiving because it does not say anything about the real quality of the business environment. Again in the same Report, the World Bank ranked Rwanda number 139 out of 155 in terms of "ease of doing business" (World Bank, 2006c: 92). Similarly, the assessments of the APRM's Country Review Mission and the Diagnostic Trade Integration Study warn that considerable progress might have been achieved but that the legal framework as well as a range of institutions require further reforms or developments (Republic of Rwanda, 2005a: 53; APRM, 2006: 76).

In a first phase of reforming the corporate legal framework, several crucial business laws have been amended and harmonized. These include the tax code and tax procedures, customs legislation, the land law, the labor law, the investment and export promotion and facilitation law, and the environmental law. Despite these achievements, Rwanda is still far from having a codified set of rules that could function as a genuine commercial code (Republic of Rwanda, 2005a: 56). Further reform is, therefore, imperative, and the Government has already announced a second phase with reviews of laws dealing with companies, contracts, insolvencies and bankruptcies, accountancy regulations, intellectual property and so on (FIAS, 2005: 3; APRM, 2006: 77).

The current law regulating companies dates back to 1988, when it was closely modeled to the Belgian Companies Law before amendments. It allows four forms of enterprise, namely general partnerships, limited partnerships, limited liability companies, and public limited liability companies (Ernst & Young, 2006: 24).

A major shortcoming is that there are no up-to-date laws on contracts, as well as the operation, management and dissolution of companies. These laws date back to colonial and early post-independence times. To register a business, a new company needs to endure nine procedures which take an approximate 21 days on average. In this regard, Rwanda is sufficiently competitive in comparison with other countries in the region. Starting a business in Uganda, for example, requires twelve procedures and 47 days, while in Kenya there are six procedures taking 25 days (Republic of Rwanda, 2005a: 57). More of an obstacle is the comparably very high Rwandan start-up costs of more than 315% of income per capita, i.e., over \$730 (FIAS, 2005: 4). This makes it close to impossible for the great majority of locals to found formal companies and is one of the main reasons why there is so little domestic investment.

The tax regime has improved considerably with the introduction of the revised tax code in 2005, and, at least on paper, it now reflects international best practice (FIAS, 2005: 4f.). The corporate income tax rate has been lowered to 30% of profits. Alternatively, small companies can choose to pay 4% of the turnover. Added to this is a 15% withholding tax on dividends. Companies are also supposed to pay to the social security fund *Caisse Sociale du Rwanda* for their employees and to contribute to the *Fond d'Aide aux Rescapés du Génocide*, a fund for genocide survivors (Ernst & Young, 2006: 26).

In 2001, Rwanda further introduced a value added tax (VAT), and the current rate applying to most locally produced or imported goods and services is 18%. Exempt are, among others, health care, educational services, transport services, books, agricultural inputs, ICT goods and, vital for the purpose of this thesis, tour operations. Furthermore, exports are also without VAT (Republic of Rwanda, 2006h: 18). Other taxes including property tax, the trading license and tax on rental revenues have been decentralized in 2002 and are now collected by local government. This imposes

heavy time constraints on companies who now have to visit several offices in order to pay all taxes and fees.

Altogether, Rwanda's corporate tax regime can be qualified as "average" (UNCTAD, 2006a: 38). It does not place an excessive burden on investors, but the country is also not a low tax oasis. Problems remain, in particular, in the area of tax administration (FIAS, 2005: 4f.). Currently, there are about 3,000 companies registered at the Rwanda Revenue Authority (RRA), paying taxes and duties. 280 of them are recorded as 'large taxpayers'. They account for about 90% of all tax income. The others are, by and large, SMEs, a third of which have a turnover below FRw 20 million per year (Republic of Rwanda, 2006b: 31).

Labor regulations are felt to be rather rigid for an LDC context (UNCTAD, 2006: 43ff.). The new labor code of 2001 aims at mirroring standards applied in European economies. In a number of instances this is very positive – especially with regards to child labor, non-discrimination and the right to form trade unions. Certain hiring and firing procedures as well as the organization of work in general, however, considerably limit labor market flexibility.

For example, a fixed-term contract can only be concluded for a maximum of two years. If it has been renewed for at least two successive terms, it is deemed an indefinite contract. Trial periods are restricted to six months. In case of dismissal, employers may have to pay indemnities of up to six months of wage or even a full year's wage if the employment period exceeds ten years. Furthermore, employees may only work 40 hours a week and, while they need to be compensated for any overtime, this latter is limited to a maximum of ten hours per week. Finally, employers are bound to grant a minimum of 18 days of paid holiday per year. With all these rigid provisions, Rwanda moves far beyond international practice – especially in an LDC context – and hampers much-needed employment creation (UNCTAD, 2006a: 45).

Similarly unnecessary rigidities exist with regards to the employment of foreigners, even though a relaxation of these procedures is currently debated (Republic of Rwanda, 2006b: 41). Rwanda has no incentives that would amount to an active seeking of much-needed skills. On the contrary, it places a number of burdens and

obstacles on the allocation of work and residence permits to expatriates. In particular, the employer needs to prove that no national with appropriate skills was available for the position and that the expatriate holds a university degree and appropriate professional experience. He or she may then obtain a costly one-year work permit as well as a one-year residence permit. Both may be renewed up to three times only, which effectively limits the contract of the expatriate to four years. Additionally, the company needs to hire a so-called *understudy* who is to be trained to eventually replace the expatriate. Reports on the training progress are to be provided for each renewal of the work and residence permits (UNCTAD, 2006a: 46).

As already mentioned above (IV.4.2.2), the Government has started to implement a new land law from 2005 which features a comprehensive land registration and a modern cadastral system. Individuals and companies may buy, sell, mortgage or bequeath private property which they own under leasehold of up to 99 years. The State, however, retains the right to exploit the sub-soil and any natural resources found in it (Rurangwa, 2002: 9).

Environmental regulations are also very recent and will need time until they are fully and efficiently implemented. The law on environmental protection was adopted in 2005. It establishes modern principles in environmental management. Among others, these include the rules of 'polluter-pays' and 'precaution in the face of uncertainty'. Certain types of projects will require *ex-ante* environmental impact assessments, and the overseeing agency is the newly created Rwanda Environmental Management Authority (REMA) (UNCTAD, 2006a: 52).

Legislation on intellectual property rights is largely outdated. A law from 1963 regulates industrial property, while copyright protection is guaranteed by a law from 1983. These two still provide some essential protection and have not been identified as major hurdles to domestic or foreign investment so far, but updating is still desirable. Currently, the World Intellectual Property Organization (WIPO) is providing technical assistance for the drafting process of a new law that will be in compliance with international standards (UNCTAD, 2006a: 53f.).

Competition law is also rather sketchy. The most recent legislation dealing with unfair competition is a decree dating back to 1950 (Chane Kune & Abbate, 2004: 17f.). Among others, there are no provisions as to how much market dominance is to be tolerated, or provisions for mergers and acquisitions, for the monitoring and regulation of prices in markets with high concentration of power, or for anti-competitive trade practices. Monitoring and enforcement mechanisms are poor, and an independent competition agency does not exist. Competition issues are broadly dealt with under MINICOM.

Nevertheless, the Government implemented certain laws that regulate, for example, monopolies and thereby contribute to an elimination of market failures. According to the law on the organization of domestic trade of 2001, MINICOM exceptionally sets prices under three circumstances. These include monopolies that are explicitly established in order to avoid speculation in certain sensitive products, monopolies in the production or distribution of specific products, as well as *de facto* monopolies on consumer goods and services. The law further prohibits any practices that lead to a distortion of market prices or seek to establish a monopoly (UNCTAD, 2006a: 53).

To test potential impacts of competition issues on the tourism industry, we asked local tour operators in our survey (n=15) whether they had anything to complain about. Interestingly enough, the most often cited problem with three mentions was a generally bad lobby for those companies owned by foreigners. They lamented that locally owned companies often received favorable treatment, for example, when it comes to marketing efforts or direct referrals by the ORTPN. This is certainly a noteworthy finding that requires the attention of the responsible people.

A second problem that was mentioned twice consisted of unregistered informal guides and drivers that are attempting to find clients in the parking lots of the major hotels. While this is a good indication of positive competition, it is true that such informal micro-entrepreneurs pose the threat of not living up to the quality standards aspired to in the formal industry. This could potentially throw a negative light on the entire tourism sector. It should be noted, however, that it is also extremely difficult for these small informal agents to receive a formal license and become registered, given

the number of obstacles described above. Some action to this regard would be appropriate.

Further problems that were mentioned by one operator respectively include complaints about the own industry as well as fears about the accession to the East African Community (EAC). The former concerned lacking communication among private sector entrepreneurs as well as limited professionalism and quality standards of some companies. These complaints are possibly warranted since the requirements to become registered are generally unclear and lack a solid basis. The fear about the EAC mainly consists of worries that larger tour companies from other member states such as Kenya could eventually flood the Rwandan tourism market and drive out less competitive and less experienced local entrepreneurs. This argument relates to calls for infant industry protection that, as has been argued above (II.5.2.5) is rarely appropriate and successful. On the contrary, it would be desirable to increase the amount of competition in the industry in order to improve on quality standards, professionalism and competitiveness. Nevertheless, it is also clear that not enough research has been conducted about the potential effects of Rwanda's accession to the EAC.

Another form of severe market failure is large-scale information asymmetries. A recent consulting report on private sector development concluded that a culture of information does not yet exist in Rwanda (Republic of Rwanda, 2006b: 25). Rwanda generally suffers from a variety of information gaps. Potential exporters, for example, often do not know which foreign markets might have an interest in their products. And once they learn about such demand, they have no information on how to penetrate these markets. Under such circumstances, even the best business environment will be unable to cause a good exporting performance. To remedy this shortcoming, the Government has the duty to introduce organizations that can stimulate such a culture by preparing and distributing business information to economic operators (Chane Kune & Abbate, 2004: 75f.). As an example, an 'investor's guide' might be very helpful.

With regards to the enforcement of the legal framework, general lack of capacity is the major obstacle. It is important to have a set of appropriate laws in place – but

their also needs to be an ability to enforce the rules and to sanction any infringements. This will require, first of all, a number of training and capacity building measures in all regulatory bodies, including the RRA, REMA, the Rwanda Bureau of Standards, the Rwanda Insurance Commission or the National Tender Board. But, secondly, it also depends on an appropriate and efficient commercial justice system.

Since 2004, contractors can choose to use a new form of dispute settlement to solve their commercial disputes. The Centre for Arbitration and Expertise of Rwanda (CAER) is a typical arbitration mechanism that is presided by a judge as well as two assessors that are designated by the Rwanda Private Sector Federation (RPSF). Additionally, the classical court system is also playing an increasing role with its new Commercial Chambers in Kigali, Butare and Ruhengeri. As a perceived feeling, the judicial system is thought to be generally fair but not efficient (UNCTAD, 2006a: 52). The capacity of the judges to apply the various commercial laws and to particularly deal with technical business issues is rather limited (APRM, 2006: 85). The courts further lack resources and qualified personnel. All of this frequently results in long delays. On average, contract enforcement currently requires up to 29 procedures, takes about 395 days and incurs costs to the amount of 49.5% of the debt. As a comparison, the Ugandan judicial system requires 15 procedures, 209 days and costs of 22.3% of the debt, while in Kenya it takes 25 procedures, 360 days and 41.3% of the debt (Republic of Rwanda, 2005a: 57).

Recommendations:

- To quickly install appropriate modern laws regulating companies and contracts.
- To explore options to reduce on the costs of starting a business or to offer cheap and simple start-up opportunities for small local entrepreneurs.
- To think about centralizing the payment of taxes and fees for tourism investors in order to lift current time constraints and reduce bureaucracy.
- To explore flexible tax incentives for SMEs as well as certain tourism companies that strongly contribute to societal expectations and poverty reduction.
- To explore more flexible labor regulations that encourage employment creation.

- To ease the unnecessary rigidities concerning the employment of foreigners, particularly with regards to experts in the tourism industry.
- To install an appropriate modern competition law and to conduct research about how competition issues currently affect the tourism industry.
- To address the perceived injustice that foreign-owned tour operators meet with regards to dealings of the ORTPN.
- To explore the introduction of quality assurance measures for comfort, safety, professionalism, environmental impacts and social impacts, for example through certification processes that are unbureaucratic, easy-to-understand, flexible, non-costly, speedy and transparent.
- To explore mechanisms of better communication among stakeholders and to create and enforce quality standards in the tourism industry.
- To conduct research on the impacts that Rwanda's accession to the EAC is likely to have on its tourism industry.
- To compile and disseminate information about opportunities in tourism, market research, supplier research and so on, in order to counter large existing information asymmetries.
- To provide large-scale public sector training to all employees that somehow get in touch with the private sector, such as officers for law enforcement and property or company registration, tax officers and the like.
- To improve on the effectiveness of the judicial system, particularly in relation to commercial disputes.

IV.4.2.4. Credit markets and banking system

Differential diagnosis: Targets for credit markets and banking system

- Healthy banking system
- Healthy capital market
- Appropriate credit systems for a range of stakeholders including formal credit as well as microfinance

Rwanda's banking system is small and comparably unsophisticated. There are six commercial and three development or cooperative banks. Most of them were dominated by the State until only few years ago. With an aggressive privatization program, however, the Government has sold more than half of its shares and now owns only 22% of the banking sector (APRM, 2006: 161). The Banque Nationale du

Rwanda enjoys wide regulatory and supervisory powers over commercial banks and other financial institutions, including non-bank financial institutions, development and building banks. Its approach towards regulation is rather strict and restrictive, leaving only little room for innovative financial instruments. The fragility of the past decade certainly justified a lot of caution, even though now the numerous restrictions start to become serious obstacles (UNCTAD, 2006a: 59).

Apart from the banks and six local insurance companies, the country still lacks a conventional capital market. For some years, there have been talks about installing a Kigali Stock Exchange. But so far, there has only been a feasibility study as well as a strong desire by various stakeholders who believe that such an institution would be the first step for setting up and developing a capital market (APRM, 2006: 84).

The commercial banks are mainly present in the larger urban areas. Only a small percentage of the wealthier segments of the population have any contact with them. There are various serious constraints that hamper the effectiveness of formal credit systems. Nominal interest rates are very high – typically around 15-16% – and need to be repaid within five years or less. Additionally, the banks generally require collateral of around 115-120% of the loan (Bigsten & Lundström, 2004: 36). This is, however, a big problem for most as formal collateral such as land or property is only slowly being registered through the ongoing land reform. The sector also suffers from strong information and capacity deficits. On the one hand, information and awareness about available financing schemes are very limited. On the other hand, bankers are often unfamiliar with risk assessment procedures (Republic of Rwanda, 2005a: 49ff.).

The structure of the credit systems leads to an important urban-rural divide. While commercial banks are often not present in rural areas, popular banks offer only limited services. To bring credit to rural areas in order to channel resources to SMEs and to finance productive opportunities in agriculture is, therefore, a great challenge. In an attempt to remedy the situation, the Government has opened a credit line with the BNR in 2004 in order to facilitate imports of fertilizers. Furthermore, it made funds available through *Banques Populaires* to finance seasonal credits (Republic of Rwanda, 2005c: 37f.).

Some observers believe that microfinance initiatives could considerably fill the remaining gaps. In 2004, the Government introduced a regulatory framework for the sector and developed a microfinance policy. This became vital after several institutions had gone bankrupt and many poor people had lost their money. Today, there are about 13 microfinance institutions and their services are slowly becoming more competitive (APRM, 2006: 120). It is, however, obvious that they are unlikely to be sufficient and that formal credit systems are also vital to provide financial services in rural areas.

Acknowledging the current limited investment in the tourism industry facilitated by banks, the Rwandan Tourism Financing Forum held discussions among members of the Tourism Workgroup and representatives of key Rwandan financing institutions in March 2007 (OTF Group, 2007: 1). A variety of obstacles were uncovered for both groups, the banks and the finance-seekers. The former have very limited understanding about the unique characteristics of tourism projects and require extensive training and guidance. Furthermore, they provide far too little information about the requirements to obtain credit and their marketing activities are largely inappropriate. The latter often fail to demonstrate the viability of their project because their business plans are incomplete and lack professionalism. Additionally, they frequently have difficulties to meet the collateral requirements since they usually provide services and do not deal with hard assets. It was urged to take these obstacles into consideration and to explore innovative ways to bring the two sides together.

Recommendations:

- To train banks about the unique characteristics of tourism projects by conducting awareness building and industry education campaigns and workshops, as well as by organizing familiarization trips for bankers.
- To mentor actors in the tourism industry to create complete and professional business plans.

IV.4.2.5. Investment policy

Differential diagnosis: Targets for investment policy

- Attractive FDI regime
- Incentives to both large companies and SMEs

Rwanda's regime for FDI has changed significantly in the recent past. From the outset, the country is not among the most attractive destinations for investments. It lacks the main drivers as there are only limited proven natural resources, small markets and no internationally competitive centers of production due to a low level of human capital, poor quality of infrastructure and high operating costs. It is, therefore, not surprising that it has never attracted large amounts of investment.

FDI in Rwanda averaged \$4 million per year in the 1970s, \$17 million per year in the 1980s, \$3.1 million per year in the 1990s after the genocide and \$7 million per year in the beginning of the new millennium. This corresponds to less than \$1 per capita per year on average – compared to \$12 on average in LDCs in general (UNCTAD, 2006a: 17ff.). In 2004, however, the country experienced a dramatic increase in investments. The 39 out of 60 registered FDI projects that were operational at the beginning of 2005 related to over \$60 million. Added to this were 155 operational local investments with a value of over \$350 million (APRM, 2006: 166).

The Government is well aware of the inherent challenges to attract FDI. It has, therefore, created “one of Africa's most open regime[s]” (UNCTAD, 2006a: 31). There are no restrictions on entry and establishment of foreign companies, and foreign investors benefit from almost full national treatment. Constitutional guarantees include the right to private property, the general exclusion of expropriation of property rights and the seniority of international treatments and agreements over national laws.

Support for investors is available from the Rwanda Investment and Export Promotion Agency (RIEPA), a one-stop center assisting with services such as incorporation, licensing, customs clearance, access to land, and immigration. In order to formally register with RIEPA and receive a certificate, foreigners are required to invest a minimum of \$250,000, while for nationals this is reduced to \$100,000. Benefits include fiscal incentives, the entitlement to three work and residence permits for foreigners, investment protection, and guarantees for the international transfer of funds.

In terms of fiscal incentives, registered companies benefit, first of all, from duty and VAT exemptions for capital goods and machinery. Also exempt are equipment and materials for the education sector, airplanes for the transportation of tourists as well as a range of specialty vehicles including tourist cars and hotel shuttles. If an investor is operating in a free economic zone, all goods can be imported duty free. It should be noted, however, that Rwanda does still not have any such zone. If the company's business assets surpass FRw 30 million, it is further entitled to certain income tax exemptions. They amount to an investment allowance of 40% of the value of the cost of business assets. Furthermore, all training and research expenses are fully deductible. Other tax discounts of between 2-7% are granted to investors that create more than 100 jobs or that repatriate more than \$3 million of foreign currency in export earnings. Finally, additional discretionary incentives can be granted by the Government on an individual basis (Ernst & Young, 2006: 15ff.).

The thresholds of \$250,000 and \$100,000 respectively are extremely high for most service providers. In tourism, the construction of a new hotel is likely to bring so much investment. The creation of a tour operator or of similar companies, however, will, in most cases, not generate such high amounts. At the moment, this effectively means that they are excluded from the benefits of RIEPA-registration and have to fight the Rwandan bureaucracy on their own. This is an unnecessary discrimination, and a more diversified policy without strict thresholds should be considered. Alternatively, the Government might want to think about installing another agency or a branch within RIEPA to facilitate incorporation, licensing, customs clearance, access to land, and immigration issues for companies with smaller amounts of investment as well.

With regards to financial affairs, all residents as well as non-residents can open foreign currency accounts in all banks. There is, however, a restriction on withdrawing more than \$50,000 per year per individual. Such transactions are subject to permission from the *Banque Nationale du Rwanda* (Republic of Rwanda, 2006b: 29).

Despite the recent improvements, Rwanda still scores poorly in international investment rankings. The Index of Economic Freedom of 2005, for example, ranked Rwanda number 121 out of 161, with direct competitors such as Uganda, Kenya and

Tanzania faring far better at numbers 74, 93 and 109 respectively (Republic of Rwanda, 2005a: 55). This is further amplified by the criticism that the country lacks a well-defined strategy to integrate FDI into the national development policy agenda (UNCTAD, 2006a: 10). While policy papers acknowledge the important role of FDI, they do not provide a more detailed analysis with regards to the prospects of attracting it as well as to the great potential to harness it for development and poverty reduction.

In this regard, incentives could be created for companies that strongly contribute to the country's development and poverty reduction strategy. In addition to the already existing economic criteria such as the creation of over 100 jobs or the repatriation of over \$3 million, this should include incentives for companies that meet certain social or environmental criteria. As an example, tour operators that move their social agenda far beyond normal corporate social responsibility and implement successful programs for sustainable development and poverty reduction should be rewarded with certain incentives. This would create an environment where tourism companies see more value in pursuing social and environmental goals and, thereby, benefit the development and poverty reduction agendas in the country.

One major channel to attract FDI is the ongoing privatization program. According to the Privatization and Public Investment Law of 1996, the Government may liquidate, restructure and divest partially or wholly any public enterprise. A general privatization process started in 1998 with up to 90 public enterprises enlisted. By late 2004, 52 of them had been privatized with 31 more to go (ADB & OECD, 2005: 388).

By looking at the structure of companies in Rwanda, it becomes obvious that large transnational enterprises are generally not attracted to the country. This opens numerous opportunities for a range of SMEs. The incentive system in place, however, tends to discriminate against small investors. According to a recent survey, there were about 10,000 registered SMEs and another 60,000 informal micro- and small-sized enterprises in 2002 (ADB & OECD, 2005: 389). They do not benefit from the incentives granted to large investors due to minimum capital requirements. It is debatable whether this is in Rwanda's interest. Small investors play a very important

role in the economy and it might, therefore, be reasonable to make available similar incentives to them as well.

With regards to tourism, the Tourism Policy of 2006 (Government of Rwanda, 2006: 23) correctly points out a number of necessary actions. They include, among others, the dissemination of information on investment opportunities in the tourism sector to potential international and domestic investors, the promotion of tourism as a priority sector for development and the streamlining of procedures.

Recommendations:

- To ensure that not only investors that meet a certain high threshold of invested capital but also smaller investors will benefit from facilitation with regards to issues such as incorporation, licensing, customs clearance, access to land, and immigration.
- To create strong incentives for service providers, such as tour operators, that actively pursue social and environmental agendas, and meet certain criteria for development and poverty reduction.
- To revise the incentive structure and also include opportunities for SMEs.
- To disseminate information on investment opportunities in tourism and to streamline transparent investment procedures in the industry.
- To harness tourism as a tool to attract more FDI by fighting the country's image deficit.

IV.4.2.6. Coverage of key infrastructure relevant for doing business

Differential diagnosis: Targets for coverage of key infrastructure relevant for doing business

- Efficient transport that guarantees fast and cheap access to markets: by road, rail, air and water
- Sufficient and cheap energy supply
- Efficient and cheap ICT

To be internationally competitive, businesses rely on an efficient transport system that does not cause unnecessary delays or amount to burdensome costs. On a regional and international scale, imports and exports depend upon reliable road, rail, air and water networks. As a landlocked country, Rwanda does not offer any water ways, and the nearest ports are Dar-es-Salaam in Tanzania at a distance of 1,500km and Mombassa in Kenya at 1,700km. It also lacks any railways – the nearest stations

are at Kampala in Uganda and Issaka in Tanzania from where goods can be driven to the ports. Air transport is available out of Kigali's international airport at Kanombe, but flights are infrequent and expensive.

Regional and international transport links create, therefore, a number of obstacles and challenges. Costs on the two main corridor routes to the ports are very high. Diop *et al.* (2005: 6) calculated that up to 80% of the original producer prices have to be added for transport between the farm gate and the port in Mombassa. Further costs result from customs duties and procedures in the transit countries. This places very high burdens on exporters. Likewise, import costs are increased by 30 to 40%. For example, to send a standard container from Rotterdam in the Netherlands to Dar-es-Salaam costs about \$1,400. In order for it to reach Kigali, these costs are doubled (ILEAP, 2005: 19).

Transport is, however, not the only cost incurred for exporters and importers. Delays, various forms of red tape, inconsistent regulations and irrelevant fees and charges can be even more burdensome. Djankov *et al.* (2006: 21) estimate that each additional day of delay reduces trade by at least 1% on average. The time it takes for a standard container from arrival at one of the gateway ports to clearance in Kigali is typically about four weeks – but longer delays of two months or more are not uncommon (Republic of Rwanda, 2005a: 28). This causes implicit costs as well as unpredictability to businesses.

It is, therefore, estimated that regional integration through Rwanda's accession to the East African Community will be extremely beneficial as it is likely to reduce costs related to border transactions, delays and transport by 15 to 20% (Imani Development, 2005: 1). Other promising developments include the desire of Tanzania to construct a continuous tarmac road that links the Rwandan border with the port in Dar-es-Salaam, the plans to build a rail link from Kigali to the station at Issaka in Tanzania, as well as the anticipated construction of a new mega-airport south of Kigali that is supposed to function as a regional transport hub.

Apart from the burdensome regional and international transport costs, there are also various challenges on the national scale. Due to the often poor state of the rural

transport network (see IV.2.4 above), it is estimated that only 25% of the population have an easy access to local markets (Republic of Rwanda, 2004a: 23). Not more than 15% of all cells have at least a weekly market, and the average distance to a market is 4.6km (Bigsten & Lundström, 2004: 24). This considerably limits the access of the majority of households to important product and factor markets and substantially reduces their opportunities to escape poverty.

Exporters of coffee, for example, already pay an estimated 40% of the farm gate price just to reach Kigali. A simple calculation can, therefore, show the enormous impact that improved transport would have on poverty. Through a reduction of 50% in rural transportation costs, the poverty incidence among coffee farmers would decrease by almost 6%, lifting 16,409 people above the poverty line (Republic of Rwanda, 2005a: 9f.).

It is, therefore, not surprising that the key recommendations of the recent Diagnostic Trade Integration Study focus on transport. They include the improvement of rural road networks, the reduction of transport costs particularly to reach markets, the improvement of transit networks to the two international gateway ports, the upgrading of cold storage facilities, and the continuing modernization and computerization of customs (Republic of Rwanda, 2005a: 28).

Energy is also an important production factor. As was shown above (IV.2.4), Rwanda's energy supply is largely insufficient and very expensive by regional standards. This seriously impacts on the competitiveness of companies in the country. The improvement of the energy supply is, therefore, a vital policy to simplify doing business.

Finally, entrepreneurs also rely on effective and cheap information and communication technologies. Very low access and penetration rates and high costs in Rwanda negatively affect their businesses (Nsengiyumva & Stork, 2005: 120). The outlook for ICT is, however, increasingly promising. The high demand for competitive services has created a rapidly growing market for a number of local and international business ventures. And the Government has also started to play its role in encouraging competition. Among others, it has privatized the national provider Rwandatel, provided a

mobile phone license to Terracom as a competitor of MTN, granted licenses for internet services to MTN, Terracom, Artel and Mediapost, and installed fiber optic cables for government buildings in Kigali with an envisaged extension to other cities (MINE-COFIN, 2006: 15).

In this regard, Rwanda has been selected to become a model for executing the so-called *e-tourism* initiative. This project of IT-enabled tourism is a partnership between the UNWTO and the American IT giant Microsoft. In particular, they promise to provide ICT systems and tools for emerging tourism economies to improve product quality, competitiveness and support skills. As a result, online marketing and selling tools as well as value-added services will become available, including online booking procedures and immediate confirmations (Africa Research Bulletin, 2006: 17063). The internet in general has proven to be very beneficial to entrepreneurs in developing countries. It allows them to skip intermediaries and does not require fancy software. Most importantly, it supports simple communication via emails and, increasingly, internet phone calls, and functions as pivotal marketing tool.

Recommendations:

- To create an inter-ministerial commission that links, among others, tourism issues to a variety of fields including priorities for road construction and ICT developments.
- To better harness the inexpensive opportunities that new media such as the internet provide to tourism companies.

IV.4.2.7. Human capital

Differential diagnosis: Targets for human capital

- Skilled and well-qualified human capital
- Sector-specific education and training
- Appropriate and coherent strategy for skills import and transfer

Human capital is generally very weak. The genocide has left a big mark and has robbed the country of an entire generation of qualified workers as well as of the necessary infrastructure to quickly train a new work force. Skills and entrepreneurial talents are widely missing. Only slowly is a new generation of bright and well-educated university graduates emerging. They join the few Rwandan entrepreneurs who have

survived the turbulent times of the early 1990s or who have returned from the diaspora in the years after 1994.

The tourism sector is a good example. The only training facilities consist of two institutions that accept students at secondary school level, i.e., ages 13+, and the newly founded Rwanda Tourism Institute which was launched in late May 2007. The former engage mainly in hotel management classes and, additionally, offer limited guiding experience. They generally lack qualified and experienced teachers, there is no involvement of the MINEDUC and, hence, they do not adhere to any standard curriculum. In fact, such a national tourism training curriculum is still unavailable in Rwanda and has become a priority for both the Tourism Chamber and the ORTPN (personal communication, Mazimhaka, Feb 5, 2007). As for the Rwanda Tourism Institute, it will become a college for students who already have some field experience, and options range from short trainings to longer courses. Since this institution has just opened, an evaluation of its impact on the country's tourism sector is not yet available.

At university level, the Kigali Institute of Science and Technology (KIST) had started a bachelor course on tourism and hospitality management some years ago, but, due to a number of obstacles, had to close it again. In fact, the few students at the time had to be transferred to South Africa and India in order to finish their bachelor degrees. Finally, the National University of Rwanda (NUR) in Butare does not offer any course related to tourism or hospitality issues, even though a new master's course in economics is supposed to contain a class on ecotourism in the future.

Options for practical experiences in the tourism sector are also fairly limited. The ORTPN accepts interns and trainees, as do very few tour operators and the majority of hotels and restaurants. There are no guidelines for these, there is no national consensus on skills development in tourism, and practical experiences are generally not linked to theoretical education. The Government is, therefore, right to emphasize the need for active involvement of the private sector in skills development (Government of Rwanda, 2006: 22). A good way forward would be to create a national consensus in which private sector stakeholders generally accept their role and promise to engage in training, coaching and mentoring activities.

Furthermore, general knowledge about tourism is close to non-existent. The great majority of Rwandans is unaware of what tourism or what a tourist is. Apart from specific sector-related education and training opportunities, this requires a much broader approach that includes awareness raising and sensitization campaigns at all levels. Tourism could and should be discussed in schools, students should have the chance to visit local attractions in their area, and the media could also be harnessed more fully. These efforts would not only help to make the destination more hospitable and to possibly limit begging and hassling. Far beyond, they would create desires and show interested young Rwandans opportunities of how they can become involved in the tourism sector and earn a living in it.

Another option for skills development is to harness existing knowledge and skills of expatriate workers. Despite the obvious lack of human capital for business, the Government has, however, not yet come up with a coherent strategy for skills imports and transfers. On the contrary, it is making it difficult to employ foreigners (see IV.4.2.3 above). While there is always a point in creating employment for nationals, an open and welcoming policy towards skilled expatriate workers would be vital, particularly in a country like Rwanda. One lesson from the East Asian miracle was the importance of technology transfers and the training of young and bright local people in using the new technologies. This has not yet been fully acknowledged in Rwanda.

Recommendations:

- To develop and monitor the use of a national tourism training curriculum and training standards.
- To support the creation of appropriate and high-quality tourism education and training facilities that cover all skills required in the sector.
- To introduce tourism and hospitality management in universities and other institutions of higher learning.
- To include tourism education in school curriculums and to support visits of local school children to tourism attractions in their area.
- To harness the media as a tool for awareness raising and sensitization of the general public about tourism.

- To support the activities of private sector stakeholders and NGOs who actively engage in skills development through capacity building, mentoring, support or advice schemes, and to build a national consensus through which more companies and institutions accept their role in this.
- To acknowledge the potential importance of skills imports and transfers, and to establish a more welcoming regime for the employment of expatriate workers.

IV.4.3. Externalities

Differential diagnosis: Targets for negative externalities

- Environmental impacts
- Socio-cultural impacts

Another area where government's subsidiary role is potentially important consists of negative externalities that the actions of a free market cause. In tourism, this relates first and foremost to negative environmental and socio-cultural impacts. Rwanda's leadership acknowledged this in its first PRSP which states that the country's economic development needs to be sustainable. In particular, it shall not destroy the natural resources on which it depends (Government of Rwanda, 2002a: 70f.).

As a result, the environment has become an important field of interest that is supposed to be taken into consideration in discussions on any other subject as a 'cross-cutting issue'. Apart from that, the Government has enacted a new Environmental Law that recognizes the rights of Rwandans to a proper environment, but also their obligation to protect it for future generations. It further institutes several important environmental principles such as precaution, polluter-pays, information, communities' participation, and cooperation (APRM, 2006: 92). Apart from the new Law, the Government created the Rwanda Environmental Management Agency (REMA) to oversee issues related to the environment. Finally, a number of special measures are used to raise awareness about the environment. They include the creation of a 'tree planting day', the complete stop of fishing in lakes where over-fishing is a threat, the prohibition to use polythene bags throughout the country, or the installation of trash bins all over Kigali.

Despite these improvements in policies, institutions and awareness, observers remain skeptical. Evans *et al.* (2006: 47) critically summarize their concern: "Environ-

mental issues nevertheless remain weakly articulated across government, falling, along with some other systemic themes, into a virtual 'cross-cutting oblivion'."

With regards to tourism, the protection of ecosystems and biodiversity is of particular importance. A major concern since colonial times when the first national parks were created, there continue to be a number of threats that most often find their roots in the growing population. The ORTPN (2004: 4ff.) particularly laments the ongoing destruction of habitat and the loss of biodiversity. This is caused by illegal activities such as poaching, cattle grazing, uncontrolled bush fires, encroachment and so on. Furthermore, it notes increasing human pressure due to the need to acquire land for housing and farming as well as to exploit natural resources such as firewood.

As a result, monitoring and law enforcement activities have become of vital importance to the Agency. In fact, it has to take into consideration a number of potential trade-offs. For example, it has to weigh its mandate with the impacts suffered by the residents who lose access to natural resources. One way of mitigating this is the creation of buffer zones and multiple use areas as is attempted in all three national parks. Another concern is the occasional damage and personal danger caused by wildlife. From time to time, buffalos, elephants and other animals appear in the national newspapers after they have destroyed houses and farmland or even attacked humans.

Another important role is the education of tourists and industry stakeholders, as well as the policing of their actions. The country has a clear interest to limit environmental degradation and littering by tourists. Measures in use include clear guidelines and codes of conduct for the three national parks as well as country-wide activities such as the prohibition of polythene bags already mentioned above. As for tourism companies, the encouragement and support of environmental management is still almost non-existent. One practice in the right direction is a requirement of the mandatory use of environmental impact assessments for new construction projects.

The recent Tourism Policy acknowledges that a lot more needs to be done. It demands, for example, the design of environmentally-friendly tourism guidelines and of tourism master plans for specific areas. It also calls for the creation of environmental

awareness and the sensitization of both tourists and the local population. Finally, it reminds that the country needs to develop mechanisms to ensure that tourist activities respect biodiversity, wildlife conservation and habitats (Government of Rwanda, 2006: 19f.).

To get a glimpse of practices in the tourism sector, we also asked tour operators in our survey (n=15) about their environmental protection measures. The results were rather alarming. While ten companies claimed that they at least collect the waste produced by their clients, only three of them could report of more specific actions, usually relating to the use of solar energy, for example, for preparing coffee. Only one company tries to fully live up to the responsibility that it derives from calling itself a premier ecotourism company: Volcanoes Safaris attempts to ensure that every part of its core product is environmentally friendly. It also owns and operates the Virunga Lodge near Kinigi which combines traditional knowledge and modern environmental technology to deserve the title *ecolodge*.

Apart from potential environmental externalities, negative socio-cultural impacts can also be important. Sub-chapter III.1.1.3 above has explained phenomena like the demonstration effect or acculturation processes that can be amplified by tourism. Rwanda's government tries to walk the line between old traditions and values, and a modern and efficient society, even though there is frequently a tendency towards the latter. For example, traditional places within Kigali such as the central market or the central minibus station have recently been demolished to make way for a modern mall and car park. But even in rural areas, this indoctrination of modernization principles sometimes has serious impacts on traditional cultural practices. Probably the most unique expression of regional culture is found in a few villages in the southeast of the country. Here, a 19th century king had introduced the tradition of cow dung paintings called *imidongo* that, until recently, decorated entire house walls. Within a few years, this has changed dramatically. Today, only few houses still have such ornaments, and the culture is adapted for commercial purposes, in a way that small paintings are sold in souvenir shops in Kigali or, increasingly, even exported. In cases like this, tourism could play a strong role of preserving unique traditions and forms of cultural expression for future generations. Recently, consultants of New Dawn Associates Ltd have started to encourage and mentor villagers interested in

harnessing cow dung paintings for tourism purposes. This way, it is hoped that this old tradition could be reconciled with the government's modernization drive.

Beyond that, despite the limited extent of current tourism developments in the country, first signs of seriously negative impacts can already be found and need to be addressed. This is most strongly visible in areas around Ruhengeri and Kinigi, the gateways to Volcanoes National Park with the famous mountain gorillas and Rwanda's only prime tourism region. Here, the incidence of begging and hassling, in particular, has increased sharply and is much more present than in other parts of the country. Acknowledging this, the ORTPN has initiated a number of awareness raising and community conservation activities in the area, and the revenue sharing mechanism also contributes to a decline in these undesired side effects. Another impact is a strongly increased presence of prostitutes in the area. Apparently attracted by the money that changes hands because of tourism, clients mainly include local businessmen, but also visitors (personal communication, Mugisha, Jun 11, 2007). Other frequent behaviors of tourists that could have negative effects on Rwandan culture include smoking, drinking, taking drugs and introducing a gay culture.

Measures to monitor and counter these impacts are rare and generally uncoordinated. Laws prohibit the strongest excesses, such as the use of drugs, the use of locally produced gins, smoking in public, or public displays of gay affection. Beyond that, local governments usually have a Department of Social Affairs at district level. Their role includes awareness raising, advice and education, and, together with religious institutions, they often become the area's moral instance. Hardly any specific action is undertaken by stakeholders in the tourism sector, whether they are public institutions, private companies or community initiatives. Only the two tour operators that actively engage in community-based tourism, Amahoro Tours and New Dawn Associates Ltd, have created codes of conduct and officially provide extensive briefings to their clients before visiting a project. As a result, the creation of an industry-wide code of conduct through a consultative process as well as monitoring mechanisms would be desirable.

Recommendations:

- To address and limit negative environmental impacts through a multi-stakeholder consultative process that creates an industry-wide code of conduct as well as monitoring mechanisms that enable the country to live up to its claim to be a prime ecotourism destination.
- To initiate more projects that harness tourism as a tool for the preservation of culture and traditions, without standing in the way of desired modernization processes.
- To address and limit negative socio-cultural impacts through a multi-stakeholder consultative process that creates an industry-wide code of conduct as well as monitoring mechanisms.

IV.4.4. Complementary proactive measures

Differential diagnosis: Targets for complementary proactive measures

- Creation, development and acceleration of markets
- Interventions focusing on different population groups, especially those active as entrepreneurs

Rwanda has a comparably young and virgin economy. The reconstruction and transition period after the 1994 genocide effectively meant the rebirth of the country as well as its commercial activities. In such an environment, it goes without saying that not everything runs smoothly, that a variety of opportunities first need to be discovered or created, that there are enormous information deficits, and that linkages and network effects are still largely missing. This implies that the Government has an important role to undertake a variety of complementary proactive measures – in tourism as in any other sector.

A first likely set of interventions concerns the creation, development and acceleration of markets. It is the government's role to ensure the development of a coherent product base that fits into an overall strategy and can be promoted as such. This is already widely achieved, even though the current overall destination product is rather unbalanced and little diversified. While the private sector should be strongly engaged in product development itself, government institutions have a proactive role to play in introducing and including products and services that depend on assets of the less advantaged members of society and that can be provided by them. This could be achieved through the identification of specific opportunities for tourism products and

services that are small enough for local micro-entrepreneurs or community institutions with only few skills to undertake. ORTPN and local governments could jointly become involved here – possibly with the support of NGOs and donors as well as responsible private sector entrepreneurs.

Furthermore, the authorities are also in the best position to support the creation and improvement of a variety of business linkages between tourism companies and other stakeholders. Often, this requires market research, the development of databases, the matching of qualities and quantities, institution building, capacity building, the facilitation between different actors, and general mentoring activities. While the relevant ministry, MINICOM, as well as the ORTPN can effectively engage in some of these activities, other bodies and institutions that deal more specifically with such services are necessary. We will introduce two existing institutions below, namely the *Centre d'Appui aux Petites et Moyennes Entreprises au Rwanda* (CAPMER) and the *Projet pour la Promotion des Petites et Micro-Entreprises Rurales* (PPPMER).

Beyond the local level, the young tourism industry in general requires support to identify international markets, learn about the demands and desires of tourists and tour operators, to position the Rwandan tourism product on the international tourism map and to understand processes related to marketing, establishing contacts and finding appropriate business partners. Here, the ORTPN would be most suitable to conduct extensive market research and to provide the collected information as well as initial contacts to the private sector in an unbiased way. It should also further improve the coordination of the country's marketing efforts, in order to offer a coherent image to visitors, international tour operators as well as the media.

A second likely set of interventions should focus directly on different population groups, especially those who are or would like to become active as entrepreneurs. Their goals should be to provide individually adjusted support in order to improve the entrepreneurial spirit, fill information gaps, develop productive capacities and skills, increase the use of modern technologies, improve the access to finance, and support the fragmented marketing activities. While this is already facilitated in some cases, a coherent policy would be helpful that integrates the work of different public institutions as well as NGOs and donors.

SMEs, for example, require a number of interventions in order to become competitive. Through its private sector support institutions, RIEPA, RPSF, CAPMER and PPPMER, the Government currently disseminates information on exemplary projects or enterprises, offers to conduct project evaluation or feasibility studies, undertakes enterprise monitoring measures, and provides permanent advice and support as well as specific consultancy follow-ups during the first three years of activity. Provincial capitals also feature enterprise registration formalities centers (Republic of Rwanda, 2005b: 23).

CAPMER and PPPMER are particularly important for SMEs and micro-entrepreneurs. Part of a joint project between MINICOM and UNIDO, CAPMER helps emerging businesses and trains them to develop their activities. Among others, it facilitates access to information, builds capacities, facilitates access to finance and reinforces organization within and among SMEs (CAPMER, 2007: 4). Likewise, PPPMER promotes rural micro-enterprise development. Specific interventions include the promotion of the development of viable enterprises, the training of individuals with entrepreneurial potential, the provision of demand-driven support to local-level initiatives, the strengthening of capacity of grassroots organizations and other stakeholders, and the provision of access to financial services to the poorest segments of the rural population (IFAD, 2006: internet).

Among the many sectors that CAPMER has already been involved with since its creation in 2000, tourism has signed responsible for a small part of support interventions. For example, only three of the 42 projects for which it has written business plans between 2000 and 2006 were related to the sector. Similarly, in 2006, the institution has provided one-week consultant support to four enterprises related to tourism and group training for 13 hotel managers (CAPMER, 2007: 12f.). This is certainly a valuable start, but a lot more could be done. In particular, business linkages across different economic sectors should receive the attention of the institution. Vital activities would include management, product development and quality enhancement support, the identification and approach of markets, general awareness raising and marketing, and so on. CAPMER could and should become the prime mentoring and

facilitation institution for business linkage schemes in tourism and other fields in Rwanda.

As for PPPMER, we were not able to identify any incidence where the institution has initiated direct support to tourism-related projects to date. But valuable conclusions can be drawn, for example, from its help to artisans in the handicrafts sector to increase their competitiveness. Accordingly, there are a variety of potential opportunities to harness PPPMER for tourism activities in rural areas. Micro-entrepreneurs could be supported to become small-scale service providers that cater to individual tourists as well as tour operators. Such initiatives could include, for example, the provision of special guiding services, of nature- or culture-based activities, of food-related experiences and so on. Even small guesthouse and homestay options should be taken into consideration. Similar to CAPMER, PPPMER could and should, therefore, adopt the role of a mentor and facilitator for micro-entrepreneurs in tourism.

Local communities should also be encouraged and supported to become involved in tourism activities in the form of community-based tourism cooperatives or individual community entrepreneurs. The *Guidelines for Community-based Tourism in Rwanda* of 2006 (Townsend, 2006) are a valuable start for this. There is, however, not a clear structure as to which government agency is best suited to take on the support of community institutions and products. The *Guidelines* suggest that the ORTPN would be in the right position to become a coordinator of CBT development. This would not necessarily encompass overseeing the process and being technically involved. It would, however, mean that one institution catalyzes the interest in and understanding of community-based tourism, and facilitates communication among the stakeholders (Townsend, 2006: 31f.).

Beyond the institutionalization of such a coordinating agency, a strong public-private-partnership process is indispensable since even the best tourism product is worthless if it does not create an interest with tourists and the operators bringing them. Furthermore, a few donors and NGOs also engage in the field – mainly through capacity building and other support measures. These should be more strongly integrated in the national community-based tourism development process. In Rwanda, they include, among others, SNV and SDT. Finally, the services of CAPMER and PPPMER

should also be harnessed here. The two institutions could become active, for example, in training of community entrepreneurs as well as local government officials who will then become involved in further facilitating the developments at community level.

Apart from the community-based tourism development activities, the ORTPN as national tourism board also has the duty to support operators and local projects in marketing and promotion activities for community-based tourism initiatives. It is in the right position to create and establish a national community-based tourism brand and to place it in its own marketing materials such as its website and brochures. Most importantly, the current stigma among ORTPN officials of community-based tourism being a product that does not really fit into the strategy of high value tourism needs to be changed. Community-based tourism can be a very important complementary product for most visitors, and it certainly also creates a number of additional benefits in line with the country's economic development and poverty reduction strategies.

On a different level, particular attention should be provided to members of society that have certain difficulties and face a number of individual challenges, such as women entrepreneurs, the youth or the disabled. Women frequently require specific support with regards to skills development, capacity building, access to credit, and introduction to commercial networks. Various interventions have improved their situation, such as the ongoing land reform and the introduction of gender-related credit programs. But the enterprise support institutions still have difficulties to reach women entrepreneurs (FIAS, 2005: 10). Likewise, the youth are particularly vulnerable and need a range of support services. Currently, they benefit from programs for career advice, internship courses, vocational training and programs to encourage entrepreneurship. Further specific interventions are required for disabled members of society. The Government's strategy is to encourage them to form associations and initiate income-generating activities as well as to introduce incentive measures for businesses to employ persons with disability (Republic of Rwanda, 2005b: 24f.). Clear support structures are necessary.

Finally, the Government currently lacks a coherent strategy to deal with the huge informal economy. It is estimated that over 900,000 firms operate informally in sectors such as retail trade, agri-business or handicrafts, contributing at least about 42% of

GDP (FIAS, 2005: 6). This practice not only diverts valuable resources, encourages unregulated business practices, limits the competitiveness of the entrepreneurs, constrains their access to markets and resources, and creates additional avenues for corruption. But it also considerably reduces the fiscal revenue of the State. Various policies, however, discourage the step out of the informality, including high fiscal burdens, no fiscal incentives and unreasonable administrative barriers. Informal sector companies should, therefore, benefit from specific incentives, reduced bureaucratic hurdles as well as training and marketing assistance. Furthermore, the Government should assume its role in making them aware of the long-term gains from joining the formal economy.

In summary, despite the primacy of free markets, the Rwandan government – through its various institutions – has an important proactive role to play in tourism. It includes the creation, development and acceleration of markets, and, beyond this, also the provision of particular support to a variety of specific groups that require help in order to become successful stakeholders in these markets.

Recommendations:

- To identify specific opportunities for tourism products and services that could be provided by local micro-entrepreneurs or community institutions.
- To create strong and comprehensive business linkage schemes within the Rwandan enterprise support institutions that provide mentoring support to small and micro-entrepreneurs as well as community cooperatives and link them to existing private sector networks and agents.
- To conduct extensive market research and to make the acquired information available to all stakeholders in the tourism industry in an unbiased way.
- To further improve the coordination of the country's marketing efforts, in order to provide a coherent image to visitors, international tour operators as well as the media.
- To expand the services offered by CAPMER and PPPMER to particularly suit the needs of tourism SMEs and micro-entrepreneurs as well as community institutions.

- To create an institutional framework that is able to play a strong coordinating role in the development of community-based tourism.
- To increase awareness among and to train local government officials about opportunities in tourism, both at community level and through micro-enterprise development.
- To harness ORTPN's marketing and promotion opportunities to support community-based tourism initiatives.
- To change the perception of many ORTPN officials that community-based tourism activities do not fit into the country's tourism strategy.
- To integrate specific support programs for those members of society that face specific challenges, such as women, the youth or the disabled, and to ensure that they have at least equal opportunities to engage in tourism activities.
- To create a strong support strategy for informal sector entrepreneurs that encourages them to step out of the informality through, among others, fiscal incentives and a reduction of administrative burdens.

IV.5. Recommendations for maximizing tourism's poverty-reducing role in Rwanda

How can I forgive, when my livelihood was destroyed and I cannot even pay for the schooling of my children?

(Widowed Rwandan woman, quoted in Staub, 2000: 379)

The tourism-related differential diagnosis of Rwanda has allowed us to examine the state of poverty in the country and the role that tourism plays to reduce it. It now leads us to a number of conclusions and recommendations as to how this role can be maximized. There is, obviously, an enormous range of possible interventions. It is, therefore, necessary to focus on the most important issues and to summarize them. As a result, the suggestions are supposed to introduce the priorities and to group them according to the six basic freedoms of table II.1 above. This way, our work captures the essence of our definition of poverty – a *deprivation of basic capabilities that prevents individuals to pursue what they have reason to value*.

We will subsequently introduce tourism's current and potential contributions to achieve greater political freedoms (IV.5.1), economic freedoms (IV.5.2), social opportunities (IV.5.3), transparency guarantees (IV.5.4), protective security (IV.5.5) and ecological security (IV.5.6). In sub-chapter IV.5.7, we will conclude with a few cross-cutting issues.

IV.5.1. Political freedoms

The possibly most important political freedoms that tourism can create and amplify are different stages of empowerment granted to the different members of a society, including the less advantaged. Where this happens, it strengthens participative democratic processes and allows citizens to become proactive in demanding and performing their political rights. Empowerment increases with granting a voice to the otherwise voiceless, with an exchange of information, with the possibility to participate in decision-making processes and planning, or with the opportunity of independently developing, managing and benefiting from one's own tourism venture.

In Rwanda, signs of empowerment through tourism are, unfortunately, still very rare. While the centralized sectoral planning is slowly moving away from an obsessive focus on the mountain gorilla monoculture, the understanding of how less advantaged Rwandans could possibly be more involved in tourism is very limited. Decision-makers at ORTPN and related institutions are pushed into statements that the sector shall become more pro-poor, without having a clear vision or concept of how this could be achieved. The general mentality of a strongly authoritarian society and the widespread lack of entrepreneurship and business sense do not support this either. Furthermore, knowledge about tourism at a local level is close to non-existent – both within communities as well as local government.

Incidences where the less advantaged are granted a voice are, currently, limited to the ORTPN's revenue sharing mechanism and related community conservation programs. But even these are more or less only concepts to win support and mitigate potential negative impacts. The residents near the national parks have no choice but to accept the tourism activities that take place in their area. They are not consulted for the planning and very rarely included in the implementation. A few potentially promising exceptions are the sporadic and not well managed community-based tour-

ism initiatives as well as a community-owned lodge currently under construction. Beyond these, business and neighborhood partnerships with private sector entrepreneurs are almost non-existent, and most projects miss a general spirit and desire of collaboration. Finally, there are also no information exchange mechanisms between the less advantaged and other stakeholders. The only permanently active donor is SNV, and, while they sporadically attempt to lobby for more empowerment, their priorities lie elsewhere on the capacity of the individuals themselves.

These shortcomings leave a lot of room for improvements. If the government authorities are serious about enhancing the pro-poor impacts that tourism has in the country, they will first of all have to learn to listen to those they want to support. This requires granting them a voice and an opportunity to be heard during national and local planning processes. The country requires mechanisms of permanent information exchange between the various stakeholders, including the less advantaged. This collaboration needs to be a two-way process in the true meaning of the word. The decision-makers have a strong desire to diversify the tourism experience, and there are some valuable ideas for new products. There is, however, no flow of information concerning these opportunities, and there is also no urgently needed support for the less advantaged to realize them.

As a result, a first important step would be for the decision-makers to change their general perceptions and their mentality. The less advantaged can make very valuable contributions to planning processes, but they need to be given a voice. This can start at the local level, where the newly established decentralized decision-making structures offer great opportunities. The *imidugudus* with their development committees as well as cell, sector and district administrations need to be trained to facilitate empowerment in tourism. This can only be achieved by the national institutions, possibly in cooperation with the voluntary sector. Beyond the local level, the less advantaged should be more strongly represented and respected during multi-stakeholder forums such as the Tourism Workgroup. The ORPTN, in particular, should develop mechanisms to frequently exchange information and opinions with community representatives and other stakeholders. The entire environment needs to change from an exclusive top-down to an inclusive two-way approach. This does not mean that tour-

ism planning should be completely decentralized because it would end up in chaos. But those that are currently largely excluded need to be empowered to play their role.

Apart from the public level, empowerment should also include stronger participation in private undertakings. The authorities should lobby for more local involvement through business as well as neighborhood partnerships. This could be achieved through the provision of information about the benefits of such collaboration, the publication of best-practice case studies, the proactive linkage building and the facilitation between the different stakeholders. In this regard, it is important to guarantee that the power relations between private entrepreneurs and local communities or individuals are just and fair. Brokerage of such dealings by government or the voluntary sector is vital.

In addition to increased empowerment, tourism can contribute to further political freedom through increased experience and confidence as well as through processes of dialogue and exchange that slowly open up more space for freedom of expression. Many of the less advantaged members of society have only very few opportunities to deal with outsiders. Often, they lose out during negotiations with more knowledgeable and often shrewd counterparts, and this frequently leads to instances of exploitation. Tourism allows them to gain experience and confidence through regular interaction with foreign visitors as well as entrepreneurs. Beyond that, tourists ask a myriad of questions and often do not shrink back even from sensitive subjects. Their hosts learn, thereby, to speak openly and to also see the issues in different lights. Such a form of dialogue and cultural exchange can become fundamental as a tool for civic education and an enhanced desire for political freedom.

Again, such opportunities are, unfortunately, very rare in Rwanda – at least in a formal way. The great majority of tourism experiences have been developed in a non-participatory way, and interaction with local people other than service providers and employees is very limited. The few community-based tourism initiatives are a possible exception, but even they do not offer many true opportunities for cultural exchange. The language barriers are fundamental, and the projects are frequently also badly designed for personal interaction. These challenges offer enormous opportunities for further formal product development. Locals – particularly the less advantaged

– should be fully engaged in these processes. Language and cultural barriers need to be addressed during the project design, and the government's new focus on English education already at primary school level is certainly helpful.

Apart from the formal opportunities to meet, almost all tourists have some kind of informal interaction with local people. Whether they explicitly stop at a village in order to visit a market or school, or whether they are simply approached by a person who desires to sell them food, who wants to beg or who simply comes to say hello, hosts and guests regularly come into contact. In order to make these meetings more meaningful, both sides require education. For the locals, this can be achieved through formal teaching at schools and community meetings, and also through public awareness raising and media campaigns. 'Who are these visitors', 'what are the motifs for their visits' and 'how can I approach them without offending or annoying them' are questions that should be addressed. Tourists, on the other hand, can be educated about 'dos and don'ts' in order to respect cultural values, but also to overcome their shyness and reservations to interact. Such information cannot be provided only by the public tourism authorities. It requires a public-private-partnership approach supported also by the private sector and, possibly, donors and NGOs.

Increased political freedoms with regards to free expression and speech can be of particular importance in a country like Rwanda with its violent and tragic recent history. For good reasons, the society is still strongly controlled and sometimes even repressed. Tourism can help to slowly open more space for dialogue and can even broker such dealing with history and socio-economic and socio-cultural diversity from the perspective of an outsider. The positive consequence can be an accelerated healing process as well as a further increase in political freedoms of all members of society. If the government wants to keep control of these opportunities, it is, however, fundamental that it recognizes them and proactively engages in their creation. This can be achieved through the development of unique formal tourism products and experiences as well as through education and awareness raising. Inter-institutional cooperation particularly between the ORTPN, the National Unity and Reconciliation Commission and others is vital in this process. To explore the opportunities, regular information exchange and a task force could be established with public as well as private sector stakeholders.

In summary, tourism can play a very important role in the development and the amplification of political freedoms in Rwanda. Much of this potential has, however, not yet been realized. It requires a series of measures, including policy and mentality changes, the development of mechanisms for exchange of opinions, the inclusion of local communities in planning and product development, more careful project design and guidance for community-based tourism initiatives, education and awareness raising campaigns, and proactive engagement in harnessing tourism as a tool for increased dialogue and freedom of expression. The government – especially the ORTPN – has a fundamental role in these processes, but it also needs support from the private sector, the donors and NGOs as well as the media.

IV.5.2. Economic freedoms

Arguably, tourism's most fundamental impacts on poverty are of economic nature. The various sub-chapters of chapter IV have demonstrated that the opportunities of increasing the economic freedoms of the less advantaged in Rwanda are manifold. To structure them, we will explore a set of four main approaches that has also been used by Ashley:

1. *Expand the overall market size in order to increase demands for goods and services provided by the poor.*
2. *Seek to change the relative proportions of different products within the tourism sector, to expand the share of those provided by the poor.*
3. *Upgrade the production of the poor to more skills-intensive or information-intensive products or functions, to increase their value-added and earnings.*
4. *Facilitate the entry of new poor producers into the value chain.*

(Ashley, 2006b: 41)

IV.5.2.1. Expanding the overall market size

Expanding the overall market size requires a general improvement of the market environment. To some more idealistic proponents of pro-poor tourism this strategy appears to be the most difficult to support. They merely want to benefit the less advantaged and, frequently, do not believe in trickle-down economics. They ask why they have to take into account that the already more advantaged members of society become even richer, thereby increasing inequality. While we do not wish to speak for

other countries that might already have a flourishing tourism sector, we strongly counter this argument in the case of Rwanda. The country's tourism industry is simply too small and unsophisticated, and the market environment has too many flaws to function properly. Under such circumstances it is ever more difficult for the less advantaged to find a way to participate in the sector. Or, as Ashley and Elliott put it:

Tourism can be both a motor of macro growth and a means of delivering pro-poor local growth. It is not necessarily a case of choosing between the two – indeed PPT works best where tourism as a sector is growing and there is private sector competition and new investment.

(Ashley & Elliott, 2003: 5)

The first important element of a positive tourism market environment is an appropriate overall tourism policy and strategy. While Rwanda's targets appear to be reasonable and many valuable steps have already been undertaken, we mainly criticize three important areas. First of all, the decision-makers need to move beyond their current black-and-white perception of different visitor segments. Our empirical research has demonstrated that a major emphasis on high-quality and high-value products is indeed justified – also for poverty reduction purposes. An overly rigid commitment to only three visitor types is, however, inappropriate. In particular, the almost demonization of backpackers creates barriers to valuable developments and also limits the economic and other benefits that this group might contribute. We fully support the intention to prohibit certain types of tourism that absolutely minimize their costs in the host country, but we disagree that an entire segment should be excluded. A lot of backpackers look for high-quality experiences and are willing to pay if there is an appropriate value-for-money.

Secondly, the commonly held perception among the Rwandan authorities that tourism products related to community-based tourism do not fit into the current strategy of high-quality and high-value tourism and are, therefore, not desirable, is out of place. It might be true that current initiatives are not very well designed and lack general professionalism. But this does not imply that all community-based tourism is inconsistent with desired tourism developments. On the contrary, it proves that the support to these initiatives and the overall coordination are inadequate. This is some-

thing that the authorities should tackle quickly – in cooperation with other relevant stakeholders – because they miss out on a valuable opportunity to further diversify the product base and make it more pro-poor.

Thirdly, the Rwandan tourism policy and strategy environment does not live up to its expectations when it comes to harnessing tourism for economic development and poverty reduction. While such links are more and more frequently mentioned in speeches and papers, there is no coherent understanding of them, leave alone an appropriate approach to harness them. Pro-poor tourism is now treated as a cross-cutting issue that should be taken into consideration for all new developments. But this effectively prevents the creation of initiatives and environments to really tackle the issue. Rwanda needs a coherent strategy to harness tourism as a tool for poverty reduction. This should include direct programs – we will give more details below – as well as an overarching mentality change that allows concepts of pro-poor tourism to influence all new tourism developments.

The second major area that requires improvements is the statistical base. There is close to no reliable data both for tourism developments within Rwanda and for foreign markets. This severely impacts on the possibility of taking appropriate decisions for, among others, product development, investment incentives and marketing. Even basic statistics are missing, including an exact number of visitors per year, the number of jobs in tourism, the number of entrepreneurs, the macro-economic impacts of the sector, competition issues and so on. Furthermore, the private sector requires support with market research. All of this information should then be made publicly available to all stakeholders in an unbiased way.

A diverse product base is the third major area of necessary intervention. While the authorities attempt to move beyond merely being a mountain gorilla destination, developments have been extremely slow and have shown very little creativity. The main idea is to extend the mountain gorilla product to other nature-based experiences in order to become a prime ecotourism destination. But that is already the end of serious new developments. Infrequently, there are talks about developing a culture-based exploration circuit, but the last few years have not seen any significant pro-

gress. In general, the country offers numerous further natural, cultural and historical assets that could and should be harnessed for tourism purposes.

Another valuable idea is to create more educational experiences that build on cultural exchange and interaction. Finally, again, the authorities require a change of perception because there appears to be a strong belief that new developments also require large financial investments in order to fit into the high-quality and high-value strategy. This is certainly wrong. On the contrary, they should think about creative ways of harnessing local knowledge and skills in order to provide opportunities to local micro-entrepreneurs or community institutions, and how they can support these initiatives.

Frequently linked to the issue of product development is the area of marketing. The ORTPN's marketing efforts have, admittedly, strongly improved in recent years. It is not yet as sophisticated as it could be, but, at least, there is a more coherent message now. It is also appropriate that the authorities take the lead role in the country's marketing efforts so that they can ensure that the projected image reflects policy choices. What should be improved, however, is the cooperation with the private sector. There is, currently, very little dialogue and two-way exchange of information, and it is unclear whether most local tour operators and accommodation providers portray a similar image of the destination.

With regards to the content of the marketing, a major focus should still be placed on image improving measures. From our perspective, not enough is done to create the belief that Rwanda is today one of the safest and most stable countries in Africa. As a destination, it is not clearly de-linked from some of its more troublesome neighbors. Our research has also demonstrated that foreign travel advisories are extremely diverse and, in some instances, very discouraging. This is an issue that requires immediate attention. Beyond clearly emphasizing that insecurity and instability are a thing of the past, the marketing efforts could even attempt to turn the negative image into opportunities. There is certainly a growing niche market of people who are curious and desire to discover and explore a fascinating yet tragic history and culture.

While the importance of the mountain gorillas as the major pull factor cannot be overemphasized, it is important to diversify the marketing and to also include a range

of other attractions that increase the desire to explore more of the country. It could be particularly valuable to satisfy an internationally growing desire to learn. This can relate to nature and conservation efforts, as well as to culture, history, more particularly the genocide, the everyday life, or even development questions. Furthermore, marketing activities should also be used to recognize exceptional initiatives and best-practice examples. This can relate to a well-designed community-based tourism experience as well as to the activities of a project or private sector investment that strongly contributes to the achievement of policy goals and societal expectations. Possible tools are the introduction and promotion of awards or certification schemes for responsible or pro-poor tourism.

Last but not least, the ORTPN's revenue sharing mechanism is not yet included in any marketing efforts. There is a lot of controversy simply because clear information is unavailable. The result is even negative public relations. This issue should be addressed immediately, and a comprehensive overview of the scheme should be used to contribute to a positive image.

The fifth major area that requires improvements is the destination's hard infrastructure. Appropriate hotels and restaurants are limited and mostly available only in Kigali. This does not help to diversify the tourism products and geographically spread the benefits from tourism. The support infrastructure leaves also a lot to desire, in particular money exchange options as well as credit card facilities. Furthermore, it is difficult to simply access the country from abroad. Air links to major tourist generating countries need to be improved, and visa and entry procedures require serious simplification. Finally, while there is a lot of talk about the benefits of new media such as the internet, most stakeholders lack comprehensive knowledge and experience about the opportunities. Training sessions would be appropriate especially for those responsible for the country's marketing efforts, both in the public and the private sectors.

When infrastructure improvements are discussed, it would be helpful to look beyond the individual project, institution or company involved. Often, such developments could be extended for relatively low costs. This could greatly benefit local communi-

ties that live in close vicinity of tourism sites or hotels and should be taken into consideration when planning for new projects.

Probably the biggest area that requires further improvements is the general business environment. Despite huge progress in recent years, several fundamental laws and regulations are still either outdated or inexistent. They include, among others, modern laws regulating companies and contracts, a modern competition law, and quality assurance regulations, for example, for comfort, safety, professionalism, environmental impacts or societal impacts. When certification processes are established for these latter, it is important to ensure that they are unbureaucratic, easy-to-understand, flexible, non-costly, speedy and transparent. And, in the event of a dispute, the country needs to have an appropriate judicial system that can quickly and effectively judge on commercial matters. More efforts should, therefore, be placed on rapidly increasing the capacity of the current system and on providing special training to its personnel.

While decentralization is often helpful, in terms of paying taxes and fees it has, unfortunately, led to a lot of additional bureaucracy and time constraints. Investments in tourism are frequently too small to be eligible for RIEPA registration and to benefit from the 'one-stop shop'. If that is the case, investors have to battle with officials of various offices and institutions. Centralization of the start-up process as well as tax collection would be a welcome relief. Similarly burdensome are the overly rigid labor regulations that discourage the creation of formal jobs, and an unwelcoming regime for the employment of foreigners. The country needs to acknowledge that skills imports and transfers of foreign experts are vital in order to increase the competitiveness of sectors such as tourism. A more welcoming regime and less red tape are urgently advisable.

Rwanda also lacks a mechanism to recognize efforts to contribute to societal expectations. Incentives are granted only to large investors that create a certain number of jobs or that bring in a specified amount of foreign exchange. Similar advantages should be promised to companies that strongly contribute to economic development, poverty reduction or environmental protection in other ways. This could include, first

and foremost, tax incentives, but also awards and certificates that the companies can use as marketing tools.

This latter point brings us to the seventh major area that requires improvements, namely investment incentives. The current policy only supports large investors who meet certain high thresholds of invested capital. They benefit from facilitation for incorporation, licensing, customs clearance, access to land or immigration, and are also eligible for tax incentives. Such an environment does not support companies that actively pursue social and environmental targets or that meet certain criteria for development and poverty reduction. It also excludes the many SMEs that form the backbone of the Rwandan economy. The country should, therefore, revise its incentive structure to also benefit those stakeholders that are vital for its development process.

On a different note, the authorities should increase and differentiate their promotional efforts for investment opportunities in tourism. The current mentality targets mainly large-scale investments, even though a number of important developments could be achieved through small projects or partnerships. The dissemination of information is also inadequate. For example, for a long time, the ORTPN wanted to establish boat transport links on Lake Kivu. Instead of actively promoting this opportunity and creating facilitation incentives, the officials sat still and only wondered why nobody picked up on the idea. To further improve on the country's attractiveness for investments, certain support measures and guarantees should be offered in a transparent way. Here, the ORTPN should work hand in hand with RIEPA and create an appropriate incentive structure.

Last but not least, the eighth area that requires improvements is linked to the regional and international environments. The country is a member to several regional groupings and has also undertaken commitments at the international level. The impacts of these activities on the tourism industry have not, however, been thoroughly analyzed. Regional integration and international commitments offer a lot of advantages, but also a number of potential pitfalls. Only detailed research can inform appropriate policy directions. Beyond this, proactive regional integration can also have very practical impacts, particularly with regards to tourism. Trans-boundary environmental conser-

vation is vital where several countries draw on the same natural assets, as is the case with the mountain gorillas that inhabit an area that is part of three countries. Furthermore, cooperation and partnerships for destination marketing and combinations can create win-win situations with regional neighbors. These options should be more thoroughly assessed and exploited.

IV.5.2.2. Expanding the share of products/services provided by the poor

A second set of interventions relates directly to the less advantaged members of society and looks at how their share of products and services in tourism can be expanded. It is important to start with an assessment of the personal barriers that the majority of Rwandans face. Apart from largely inadequate human development elements such as education or health, they often lack opportunities because of a number of systemic and environmental factors. The situation of land property still gives reasonable amount of doubt, and it is vital for the country to finish the current land reform process. Most Rwandans further lack necessary sources of funding. Many of them have no access to formal credit, and micro-finance initiatives have not yet sufficiently picked up.

Access to information is another vital area. The great majority of Rwandans does not understand tourism and has no knowledge about the needs and desires of tourists. They do not see the opportunities or do not know how to exploit them. Furthermore, market entry barriers are enormous. They include high start-up costs as well as a lot of red tape.

To counter these and many other challenges, improvements are required in a variety of areas. As mentioned in the previous sub-chapter (IV.5.2.1), concepts of pro-poor tourism should run through the tourism policy and strategy environment as an overarching theme with direct interventions as well as a strong overall background. They should address all six forms of linkages mentioned above (IV.3.7), i.e., philanthropy, employment, supply chain management, support to SMEs and community organizations, business partnerships and neighborhood partnerships.

With regards to product development, there should be a more specific focus on those areas that have the highest poverty rates, such as Gikongoro, Kigali Ngali, Ru-

hengeri, Butare and Kibuye. Particularly the three latter ones already have a lot to offer to visitors. These thoughts need to be taken into consideration. Beyond that, ideas for product development should particularly explore opportunities for the less advantaged. Once such projects have been identified, the authorities should adequately spread information about the requirements of potential products and services, and also develop mechanisms for support and facilitation.

Marketing is another area where the authorities can help less advantaged service providers. Information on official websites and through other appropriate channels, possibly even the creation of new materials such as brochures, would greatly contribute to increasing the knowledge about the products. For related products along the supply chain, an inventory or supplier auditing of existing entrepreneurs with appropriate contact information would be helpful.

Possibly the most important role of an outside facilitator is to create business linkages along the supply chains of existing tourism companies. First of all, this requires a lot of research that goes beyond the empirical data collection accomplished for this thesis. It has to focus both on the supply and the demand levels and should result in a matching process. To increase the companies' desire to use supplies from the area, the authorities could conduct research about the visitors' preferences with regards to a 'local feel' and disseminate this information through awareness raising campaigns. Our surveys have demonstrated that most restaurants and middle-range accommodation providers require specific attention as their supply chain practices are less targeted towards the local markets than, for example, those of budget or upmarket hotels.

To further facilitate the collaboration between tourism enterprises and potential local suppliers, the establishment of a business linkages mentoring mechanism is fundamental. It can help to create marketing networks, support institution and capacity building, provide general training and education, and function as a link between the different stakeholders. SMEs, micro-entrepreneurs and community cooperatives require specific attention. Certification and the enforcement of standards could help to reach quality, quantity and reliability conditions. The two micro business support institutions CAPMER and PPPMER have started to do promising work as facilitators and

mentors. They should be linked up with the ORTPN and the Tourism Chamber of the Rwanda Private Sector Federation in order to establish strong quality links and to ensure that activities reflect policy choices and best practice in pro-poor tourism linkages. Most importantly, all relevant officials require proper training and education.

IV.5.2.3. Increasing the value-added and earnings of the poor

Increasing the value-added and earnings of the poor through upgraded products and services requires a variety of training and mentoring measures. In general, the options for tourism and hospitality education and training are very limited in Rwanda. The recent opening of the Rwanda Tourism Institute in Kigali is a promising first step to improve the situation of human resources in the sector. But a lot more is needed, particularly with regards to industry training and skills development activities. The measures currently undertaken by the private sector are largely insufficient, and they are usually not linked to formal training programs. In general, tourism and conservation education should start already at primary school age in the entire country, and an adaptation of the current school curriculum would be appropriate.

Beyond the measures focusing on employment, a major emphasis is needed for skills development of SMEs, micro-entrepreneurs and community institutions. Again, the establishment of a business linkages mentoring mechanism is vital to assist the existing projects and initiatives to upgrade their products and services. Apart from their technical skills, they need to learn about management and marketing issues. Eligibility for credit, for example, depends on the ability to provide a complete and professional business plan. Furthermore, products from related sectors are frequently not competitive. Rwandan handicrafts, for example, have a high potential, but the majority of articles have a limited quality.

Public authorities, particular business support institutions such as CAPMER and PPPMER, but also the ORTPN and the Tourism Chamber at the Rwanda Private Sector Federation, should play a leading role here. They should actively seek the establishment of public-private partnerships with a range of stakeholders, including leading industry players, donors and NGOs. Finally, the showcasing of best-practice projects can help to engage others in replication and to learn from successes as well as setbacks.

IV.5.2.4. Facilitating the entry of new poor producers into the value chain

The final set of interventions to increase the economic freedom of less advantaged Rwandans consists of measures that facilitate the entry of new poor producers and service providers into the value chain. This relates, first and foremost, to the business environment. Currently, start-up costs are prohibitively high and cannot be met by the great majority of Rwandans. It is, therefore, vital to explore options to reduce on these costs at a national level.

Once established, entrepreneurs face a myriad of challenges related to extensive red tape. The system suffers from bureaucracy with regards to various payments of taxes and fees, and with regards to unnecessarily rigid standards. The next step is, therefore, to review these mechanisms and to create unbureaucratic and easy-to-understand procedures. Further support should be provided in the form of special deductions and incentives for small and micro-entrepreneurs to leave informality, and through the dissemination of information about opportunities. It is particularly these information asymmetries and deficits that hinder full realization of the business potential.

Beyond the business environment, credit markets are also difficult to reach for small and micro entrepreneurs. The authorities should enter into a dialogue with the financial institutions to create a plan to provide increased access to credit, to facilitate application procedures, to disseminate information about the availability of credit, and to ensure unbiased provision.

As mentioned above (IV.5.1), the policy and environmental changes need to go hand in hand with empowerment measures related to training and mentoring. Finally, awareness raising measures about opportunities in tourism and best-practice cases are vital.

IV.5.3. Social opportunities

A third way how tourism can contribute to the reduction of poverty is through an increase of social opportunities. This is achieved, among others, through improvements of human capital, physical capital and infrastructure, and social capital.

Activities in tourism correlate both directly and indirectly with education. Interaction and exchange with visitors frequently creates a desire to learn more about the world and other cultures and to look beyond the community or the country level. Being involved in the industry also leads to silent learning processes, as employees and entrepreneurs pick up on standards of hygiene, basic healthcare, nutrition, clean drinking water, proper sanitation and many others. The educational impact on the population is higher if more and more people are exposed to tourism and tourists. Furthermore, the types of interaction are crucial, and product development should keep in mind this potentially very positive role of tourism.

Apart from that, at least three types of activities linked to the sector can also have strong impacts on the general education system. Schools and training centers are some of the main targets of philanthropic activities. Harnessed in an appropriate way, this could help to counter the current quality challenges with regards to appropriate teaching and learning materials, food in schools, or uniforms. Responsible volunteering of qualified foreigners who stay for sustainable amounts of time of at least a year can strongly improve the quality of teaching. And money derived from the ORPTN's revenue sharing mechanism is also sometimes used for the construction of classrooms and other educational infrastructure. The positive impact would, however, be much stronger if a coherent approach was employed to these activities. This requires regular dialogue between the MINEDUC and public and private stakeholders in the tourism sector. A mechanism to control the use of philanthropic funds for education, for example, would go a long way.

On the opposite level, it is important to introduce education about tourism already at primary school level. That way, the local population will be able to understand the needs and desires of tourists, can counter potential negative socio-cultural effects and misunderstandings, and can harness the economic opportunities that might arise.

Similar to education, tourism can have positive effects on the health sector. Again, philanthropic measures, the revenue sharing mechanism and, possibly most importantly, volunteer doctors and health workers can have a sustainable impact. This is

not at all harnessed in a coherent way at the moment. There are a few responsible volunteers working in the sector, but there are no regular programs and no collaborations at inter-agency and inter-sectoral levels.

On a different note, the knowledge of local medicine in the country could become a very interesting tourism product. If managed responsibly, interaction between tourists and traditional healers could have great cultural benefits because it would enhance the value of traditional knowledge and create pride in it. It is, however, important to firmly control the harnessing of these activities. While we are strongly against a blind condemnation of the commoditization of cultural elements, the responsible people themselves need to be empowered to take their own decisions as to if and how they are willing to share and make accessible their knowledge and values.

Tourism's role in the development of physical capital and infrastructure has already been mentioned before (IV.5.2.1). To summarize again, the responsible authorities should make it a point to strongly encourage such developments to extend to surrounding areas. This counts for private construction projects as much as for public ones. Some good case studies are available that demonstrate how adjacent communities can benefit, for example, from the availability of an all-season access road. A lot more could be done, and this should be supported by appropriate incentive structures. They could consist of tax deductions or, also, of enhanced marketing value and promotional support. Last but not least, the ORTPN's revenue sharing mechanism should be mentioned again here because it could strongly contribute to the construction of beneficial physical capital and infrastructure.

While most of the aforementioned existing or potential impacts of tourism in Rwanda are not necessarily very different from effects in other countries, the contribution to the communities' social capital can be exceptionally strong. This is mainly attributable to the unique historical and socio-cultural background of the country.

Tourism and tourists can play a particularly important role in healing and unifying processes of Rwandan society. The dealing with foreigners, the reflection upon the history and the perceived social differences from an outside perspective, the interest in dialogue, open curiosity, as well as the creation of optimism, pride and a sense of

purpose all contribute to reconciliation, identity building and peace. These effects need to be fully recognized by the country's top decision makers and then passed on as an all-embracing message to the population.

On a product level, the authorities should aim at creating opportunities for meaningful cultural exchange and education that deal with issues such as genocide, civil war and social diversity in a proactive and open way. Collaboration between tourism stakeholders and institutions such as the National Unity and Reconciliation Commission should be strengthened. Moreover, existing monuments such as genocide memorials and museums should be more strongly included in these educational activities.

Beyond the reconciliation capacity, tourism can play a much wider role for cultural exchange. Meaningful opportunities are, however, still very limited, and this should become a major focus in product development activities both from the public and the private sectors. Such positive encounters would boost tourism's educational role with regards to human development factors as already mentioned above. Furthermore, tourism can arouse an interest to 'become connected' with the world. This has often positive impacts on the educational behavior and the desire to learn about the use of modern ICT.

Tourism can also play an important role with regards to gender equality. To support this, the authorities should more actively promote female engagement and openly speak in favor of women initiatives in tourism. In addition, skills development programs and training measures could be designed to specifically target women. This is likely to enhance a societal transformation that has already begun with the genocide after which thousands of courageous and strong women assumed their roles as heads of household and in reconstructing the country. Beyond that, positive encounters with visitors – especially successful foreign women – further contribute to this process of change.

Similarly, tourism can have positive impacts on the human rights situation. Not only do local hosts become aware of potential injustices through the interaction with their guests, but the country is also under constant scrutiny from tens of thousands of for-

eigners who represent moral standards of their home societies. While individual cases of human rights violations through tourism have not yet become known in Rwanda, it is never too early to sensitize the responsible authorities about potential abuses and to install mechanisms of inter-agency and inter-ministry cooperation. A constant two-way flow of information on these issues would be beneficial. Likewise, working conditions do not appear to be of priority concern in the country. Nevertheless, there is a noticeable decline from upmarket to budget companies, whether they are hotels, restaurants or tour operators. Industry stakeholders should, therefore, convene and discuss what particularly the lower-class establishments could do to raise their working conditions.

The situation of Rwanda's only minority culture, the Twa, is rather uncertain. Apparently pushed into following the government's modernity drive, at least some of the few remaining communities find it difficult to adjust. This struggle between traditional lifestyles and mainstream Rwandan society is of potential interest to tourists. It is, however, also very dangerous because displaying their culture and lives can very easily drift towards exploitation. Following the country's general unity drive, the authorities do not accept any special treatment for the Twa minority. This climate makes it even more difficult to include them in meaningful ways in tourism development. Nevertheless, their traditions particularly with regards to pottery and music are very unique and certainly valuable for tourism. It is, therefore, vital to start a dialogue about their role in society and their possible responsible contribution to tourism.

Like the traditions of the Twa, there are a number of cultural elements and values that are of great importance to Rwandan society but that fall more and more into oblivion because of the country's desired modernization drive. Without wanting to stand in the way of the latter processes, many Rwandans lament the loss of traditions. Tourism can help to reevaluate some parts of the local culture and lead them into modernity. They include the famous cow dung paintings called *imigongo*, other traditional handicrafts, local medicine, or the performing arts. Tourism obviously contributes to the commoditization of these elements which is why it is of fundamental importance that the communities are empowered to take their own decision as to if and how they would like to exploit their culture. This could be the role of public institutions as well as donors and NGOs.

When speaking about social capital, we need to also have a look at the impacts on existing social ties. Rwanda has a strong sense of community cohesion with various traditional customs of communal activities. We believe that the development of community-based tourism can further enhance these social networks – but only if the design of the initiatives is appropriate. If it is not, then failed projects can even result in a deterioration of relations. We emphasize, therefore, again the need to establish mechanisms to control the developments. This requires extensive training for and exchange of ideas and experiences between officials of ORTPN, other relevant public institutions, local governments, community representatives and private stakeholders involved in the development of community-based tourism. Only with the right environment and support, these initiatives can generate a variety of benefits as well as strengthen the country's social capital.

Last but not least, there must also be space for protecting the existing social capital. We have explained above that tourism is a powerful agent of socio-cultural change. While it is not necessarily responsible for such processes, it can, at least, amplify them. Increasing numbers of tourists will also cause or increase possible disruptions of social networks, intrusion, exploitation, inequitable power balances, problems in collective management and commoditization. Observers have already noticed a growing incidence of prostitution in Ruhengeri. These negative socio-cultural impacts should not be dismissed as a necessary evil. On the contrary, they should be addressed and limited through a multi-stakeholder consultative process that creates an industry-wide code of conduct as well as monitoring mechanisms. Such an approach can only be led by the public authorities, probably the ORTPN in collaboration with relevant ministries.

IV.5.4. Transparency guarantees

Rwanda's strong anti-corruption drive is certainly noteworthy. This creates a comparably positive environment for investment and also offers fair opportunities for SMEs, micro-entrepreneurs and community institutions that desire to become involved in the tourism industry. The vigilance of tens of thousands of tourists per year can further contribute to the situation because word would spread if the country did not live up to

its publicly announced commitments. Apart from that, the sector has rather little effects on transparency guarantees.

IV.5.5. Protective security

Where its positive economic impacts reach Rwanda's less advantaged, tourism is very beneficial to their protective security. It increases the asset base, decreases their exposure to vulnerability and risk, and ensures food security through small incomes. This happens, however, far too seldom. The more of the measures discussed above (IV.5.2) are implemented, the greater will be the number of less advantaged Rwandans that are reached through tourism. We have demonstrated that potential mechanisms go far beyond employment and micro-enterprise opportunities, and also include, among others, philanthropic activities, responsible volunteering and neighborhood partnerships.

Where it happens, tourism is also likely to contribute to physical safety due to effective policing. This is not as important in Rwanda as it is in many other countries because the safety is already comparably high. Nevertheless, additional measures in tourism hotspots are certainly welcome.

But tourism and related activities can also pose a potential threat to the people living around major attractions. This is particularly the case for communities around the national parks. Through the creation of these protected areas, they have mostly lost access to valuable natural resources. Furthermore, wildlife gives sometimes cause for concern – both through damage as well as personal danger. These issues are of fundamental importance to the affected people and require sensitive and appropriate measures from the relevant authorities, particularly the ORTPN.

Finally, the psychological effects of the sector also increase the protective security. As was mentioned above (IV.5.3), tourism can function as a tool for tolerance, reconciliation, gender equality, human rights and peace. That way, it reinforces cohesion and possibly limits the potential for conflict. Measures to better harness this role would have very positive effects.

IV.5.6. Ecological security

The ecological security is a big subject of its own. Tourism frequently touches on it, but to go into much more detail requires in-depth research about the linkages between the sector, the environment and human activities in Rwanda, and is beyond the scope of this thesis. We will, therefore, only briefly mention a few basic issues.

Since tourism strongly depends on functioning ecosystems and attractive natural assets, the industry has a general interest to protect the environment. Apart from very few exceptions, however, private sector stakeholders do not yet take any specific measures for environmental protection. Once there will be more tourists, this is likely to become a matter of great concern. But even now the situation could adversely impact on the country's image if it does not live up to its expectations of being a prime ecotourism destination.

It would, therefore, be advisable to address it as soon as possible and to form a national consensus through a multi-stakeholder consultative process. The result should be a mix of appropriate standards that do not necessarily limit the opportunities of SMEs, micro-entrepreneurs and community cooperatives, tax incentives, award incentives, and voluntary codes of conduct. All of these require strong, non-bureaucratic and transparent monitoring and appropriate policing mechanisms. While government institutions such as ORTPN and REMA should take the lead role, they depend on the cooperation of the private sector stakeholders. Input by relevant donors and NGOs is also welcome.

Beyond this, tourism positively impacts on the country's ecological security in at least two ways. First of all, it contributes strongly to increased awareness and a desire to protect the environment. And, secondly, it generates the necessary funding for the conservation of wildlife and ecosystems in the three national parks.

IV.5.7. Cross-cutting issues

The three cross-cutting issues relate to the contributions of donors and NGOs, the role of the media, and three forms of government involvement that create an environment for proactive engagements of the public authorities. Donors and NGOs are currently underrepresented when it comes to harnessing tourism's poverty-reducing

role. With the exception of SNV, no agency has a direct tourism program and only few of them have projects that contain a tourism component, usually linked to environmental conservation. The vast amount of opportunities through linkages remains largely untapped. This is very sad as many initiatives require an initiator, a facilitator, a mentor or an organization that becomes involved with technical and training aspects.

To provide just two examples: The public institutions that offer business development services lack knowledge, technical know-how, human resources and a general understanding of how regional or even national mentoring programs could be established. Donors could take on a coaching role or even accept entire tasks for themselves. Beyond this, they could develop permanent advice schemes to support the new partnerships between formal tourism companies and their suppliers. Secondly, the situation of community-based tourism in the country has demonstrated that the few current initiatives all lack competitiveness, especially for Rwanda's targeted up-market clientele. This could become a vital area of interest to donors and NGOs that support the existing and new projects with, among others, institution building, product development, capacity building and marketing. They should, however, not forget about the vital importance of the private sector to actually sell the products. Hence, identifying and approaching partners is fundamental from the start.

The media can play an important role as a tool for awareness raising and sensitization of the general public as well as in the promotion of best-practice projects. Both public and private sector stakeholders should start to harness these opportunities, and media representatives themselves should develop a better understanding and a greater interest in issues related to tourism's poverty-reducing role. A joint workshop with tourism professionals and media representatives should be initiated and familiarization trips should be organized.

Finally, the public sector's general attitude and environment require a strong change of directions if measures to maximize tourism's role for poverty reduction in Rwanda are to be successful. It was a frequently recurring issue throughout the last sub-chapters that most government officials lack the knowledge of such links and also have a mentality that is not necessarily helpful. It is, therefore, fundamental to in-

crease their awareness and change their attitude at policy level, to win their support in terms of recognition of and advocacy for exemplary initiatives, and to establish communications mechanisms that ensure a permanent two-way flow of information.

To increase awareness and knowledge at all levels of public involvement, specific workshops and seminars should be organized for ORTPN staff, decision-makers at policy level at the relevant ministries, RIEPA staff, representatives of the institutions that offer business development services, civil servants who come into contact with tourists, including at embassies, the immigration authorities, the military and the police, leaders of local government, and representatives of all other public institutions that could and should become involved with tourism development and that have been mentioned in this thesis. The awareness raising measures should focus on all the different links that exist between tourism and economic development and poverty reduction.

Beyond being aware of the possible contributions of the tourism sector, the officials need to start to recognize the less advantaged as equal stakeholders and advocate in an open way for their inclusion and empowerment. Public support could include the granting of tax incentives to exemplary initiatives or companies, the introduction of awards, strong promotion in national marketing materials and the showcasing of best-practice projects and their value.

Last but not least, communication between the various stakeholders is vital. This includes a better exchange of information about best-practice projects, but also inter-ministerial and inter-sectoral commissions that link tourism issues to a variety of fields. To give just three examples: A tourism representative should be at the table when priorities for road construction or ICT developments are discussed. Tourism stakeholders should be involved when new ideas for reconciliation and identity building are born. And, the interests of the tourism sector should be taken into full consideration when new tax incentives are introduced. Table IV.12 contains a summary of these key recommendations.

Table IV. 12: Key recommendations

Recommendation	Institution
1. Political freedoms:	
<ul style="list-style-type: none"> • Empowerment: 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To grant a voice during national/local planning processes. 	ORTPN, Tourism Workgroup, local government
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To establish mechanisms of permanent information exchange. 	ORTPN
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To lobby for more local involvement through private partnerships, and to actively engage in their creation and facilitation. 	ORTPN, donors/NGOs
<ul style="list-style-type: none"> • Experience and confidence to deal with outsiders: 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To provide education to locals about interaction with tourists. 	MINEDUC, ORTPN, local government, media
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To provide education to tourists about interaction with locals. 	Public-private partnership with ORTPN, Tourism Chamber, donors/NGOs
<ul style="list-style-type: none"> • Freedom of expression (processes of dialogue and exchange): 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To exchange information and to establish a task force for product development concerning dialogue and exchange even for sensitive issues. 	NURC, ORTPN, private sector, donors/NGOs
2. Economic freedoms:	
<ul style="list-style-type: none"> • Expanding the overall market size: 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To consider other visitor segments and move beyond a black-and-white approach. 	MINICOM, ORTPN
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To embrace CBT more fully and to provide support and coordination to relevant initiatives. 	ORTPN, private sector, donors/NGOs
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To create a coherent strategy for PPT comprising all linkages. 	MINICOM, ORTPN
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To collect and make publicly available data for both tourism developments within Rwanda and foreign markets. 	ORTPN, Rwanda Bureau of Statistics
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To actively engage in creative product development, including educational products and products building on local knowledge and skills. 	ORTPN, private sector, donors/NGOs
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To initiate more dialogue and information exchange on coherent marketing with the private sector. 	ORTPN
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To focus the marketing more strongly on safety and stability and to turn the genocide into opportunities in tourism. 	ORTPN, private sector
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To support exemplary initiatives through awards and promotion. 	ORTPN, Tourism Chamber
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To create comprehensive documentation for the revenue sharing mechanism. 	ORTPN
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To address and lobby for infrastructure improvements. 	relevant ministries, RIEPA
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To seek local benefits through infrastructure improvements. 	relevant ministries, RIEPA, ORTPN, private sector
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To further improve the general business environment (update laws, establish appropriate certification processes, create adequate commercial justice system, centralize start-up and tax collection processes, ease labor regulations, create welcoming regime for employment of foreigners, create incentives to recognize efforts to contribute to societal expectations etc). 	relevant ministries, RIEPA, RRA, Rwanda Bureau of Standards
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To improve the regime of investment incentives, particularly to include companies that actively pursue social or environmental targets or that meet criteria for economic development and poverty reduction, as well as SMEs. 	RIEPA, RRA
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To increase research about potential benefits and pitfalls of regional integration as well as international commitments. 	MINICOM, ORTPN
<ul style="list-style-type: none"> • Expanding the share of products and services provided by the poor: 	
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To focus product development on the areas with the highest poverty rates and on activities that promise opportunities for the less advantaged. 	ORTPN
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To promote products of the less advantaged through official marketing channels. 	ORTPN, private sector
<ul style="list-style-type: none"> <ul style="list-style-type: none"> ➤ To create business linkage mechanisms (collect data on supply and demand, provide incentives, disseminate best-practice examples, create an extensive mentoring and support scheme). 	CAPMER, PPPMER, ORTPN, Tourism Chamber, donors/NGOs
<ul style="list-style-type: none"> • Increasing the value-added and the earnings of the poor: 	

➤ To introduce education on tourism and conservation to the school curriculum.	MINEDUC, ORTPN
➤ To introduce extensive mentoring schemes to upgrade products and services of the less advantaged.	CAPMER, PPPMER, ORTPN, Tourism Chamber, donors/NGOs
• Facilitating the entry of new poor producers into the value chain:	
➤ To explore options to reduce start-up costs.	MINICOM
➤ To create unbureaucratic and easy-to-understand procedures and reduce red tape.	MINICOM, RRA
➤ To provide special incentives to leave informality.	MINICOM, RIEPA, RRA, CAPMER, PPPMER
➤ To tackle information asymmetries and deficits through the comprehensive dissemination of information about opportunities in tourism.	MINICOM, CAPMER, PPPMER
➤ To create a plan to provide increased access to credit.	MINICOM, banks
3. Social opportunities:	
• Human capital:	
➤ To establish mechanisms to harness philanthropy in a coherent way to improve human development factors.	MINEDUC, MINISANTE, ORTPN, private sector
➤ To establish mechanisms to attract and harness responsible volunteering to improve factors of human development.	MINEDUC, MINISANTE, ORTPN, private sector
➤ To introduce education on tourism and conservation to the school curriculum.	MINEDUC, ORTPN
• Physical capital and infrastructure:	
➤ To create incentive structures to encourage infrastructure extensions to benefit local communities.	ORTPN, Tourism Chamber, MININFRA, RIEPA
• Social capital:	
➤ To create opportunities for meaningful cultural exchange and education.	NURC, ORTPN, private sector, donors/NGOs
➤ To actively promote female engagement in tourism.	ORTPN, MIGEPROFE
➤ To specifically target women in skills development programs and training measures.	CAPMER, PPPMER
➤ To sensitize relevant authorities about potential human rights abuses and to establish mechanisms for inter-agency and inter-ministry cooperation.	relevant ministries, ORTPN
➤ To increase labor standards particularly in lower-class tourism establishments.	Tourism Chamber
➤ To start a dialogue about the role of the minority Twa with their representatives.	ORTPN
➤ To empower guardians of traditional culture to take decisions as to if and how they would like to economically exploit their culture.	ORTPN, donors/NGOs
➤ To establish appropriate mechanisms to control and support CBT development.	ORTPN, local government, community representatives, private sector, donors/NGOs
➤ To establish a multi-stakeholder consultative process to create socio-cultural codes of conduct and monitoring mechanisms.	ORTPN, relevant ministries, private sector, donors/NGOs
4. Transparency guarantees	
5. Protective security:	
➤ To address issues of lost access to natural resources as well as damage and injuries caused by wildlife.	ORTPN
6. Ecological security:	
➤ To establish a multi-stakeholder consultative process to create appropriate environmental standards, tax incentives, award incentives, voluntary codes of conduct, and monitoring and policing mechanisms.	ORTPN, REMA, private sector, donors/NGOs
7. Cross-cutting issues:	
• Donors/NGOs:	
➤ To lobby for more engagement of donors/NGOs as suggested above.	ORTPN, relevant ministries
• Media:	
➤ To harness the media for awareness raising and sensitization.	ORTPN, private sector

• Public sector involvement:	
➤ To organize workshops and seminars to increase awareness and provoke a change of attitude.	ORTPN
➤ To explore opportunities to recognize the less advantaged as equal stakeholders.	ORTPN
➤ To ensure that the interests of the tourism sector are safeguarded in all government activities.	ORTPN, MINICOM

V. Conclusion

This thesis has attempted to develop and test a methodology for analyzing and maximizing tourism's poverty-reducing impacts on a national level. We have recognized from the very beginning that tourism is only one potential weapon in the large arsenal of tools to fight poverty. Because of that, we accepted poverty – and not tourism – as the central element of our work, and we started our reflections with an analysis of what poverty actually is and how it can possibly be alleviated on a general macro scale.

Previous work on tourism's contribution to poverty reduction has frequently underestimated this vital perspective and, thereby, more often than not captured the linkages only in an incomplete way. Even the otherwise very innovative research on pro-poor tourism has insufficiently documented these links, which is why it was so fundamental for our work to create the appropriate theoretical background.

We realized that poverty is much more than what is commonly associated with the term. From a holistic perspective, it is best described as the *deprivation of basic capabilities that prevents individuals to pursue what they have reason to value*. As such, being poor is related to lacking a wide range of freedoms – in the political, economic and social spheres, as well as with regards to transparency guarantees, and protective and ecological securities. Taking this very broad definition as starting point, it becomes obvious that the impacts of an economic sector such as tourism are manifold and very diverse, and that they cannot be pressed into a simple approach.

We asked, therefore, what today's best practice on general poverty reduction has to offer to our analysis. This led us to adopt a pro-poor growth model that is based on a mixed market economy with powerful and usually free markets as well as a govern-

ment that understands its important subsidiary role and is based on strong principles of liberal democracy.

Equipped with this model, we then examined what tourism's contribution could be in theory. In particular, we analyzed the theoretical and empirical bases of the current-day literature on tourism and poverty reduction and adapted the findings to our model. The results clearly indicated that quick and easy examinations of country contexts are unlikely to be successful. On the contrary, we suggested that only an extensive differential diagnosis could effectively analyze tourism's contribution to poverty reduction in a given country in a holistic way.

The final step of the first part of the thesis was, therefore, to develop a research methodology that would do justice to this immense task. Borrowing from general development economics and reflecting on the elements of our pro-poor growth model, we decided that the diagnosis had to contain analyses of the country environment, the particular poverty context, the tourism market forces and the country's institutional environment.

While our research methodology looked good on paper, we were still unsure whether it actually worked in practice. We decided, therefore, to conduct an extensive case study of the country context of Rwanda, in order to test the appropriateness and effectiveness of our methodology.

The analyses of the country environment, the poverty context and the institutional environment were largely possible with descriptive means, falling back on government, donor, NGO and private literature, as well as beefing this up with interviews and observations. If this kind of tourism-related differential diagnosis is conducted by a larger team with appropriate resources, it is certainly desirable to use more empirical research for these subjects. But that was beyond the scope of our humble work.

The sub-chapter on the tourism market forces required much more in-depth analysis, and we conducted a series of questionnaire surveys as well as semi-structured interviews. We realized how extensive the necessary research is already for a small country like Rwanda, and this will be further multiplied in countries with larger tourism

sectors. We are convinced, however, that this substantial amount of work is justified by very useful results that give a clear picture especially of the tourism sector's socio-economic benefits to the country. In the case of Rwanda, our empirical research dealt with the tourists on the one hand, and various industry players on the other, including the local tour operators, accommodation providers, restaurants, transport providers and the local souvenir industry. In other country contexts, this list might have to look slightly different, depending on the structure of the tourism industry and the major stakeholders.

In a final sub-chapter, we were able to bring all findings together and to structure them according to our definition of poverty. The result was a detailed list of priority recommendations for all stakeholder groups that addressed the various freedoms that are required to leave poverty. We believe that we have successfully captured these multiple elements, and are convinced, therefore, that our methodology is indeed appropriate and effective.

The value of a Ph.D. dissertation depends, to a certain extent, also on the ways how its lessons can influence similar contexts and situations and, therefore, be generalized. While we have repeatedly stated that the results of our Rwandan case study are uniquely suitable for this particular country environment, it is very likely that a number of findings will also hold true for a variety of other destinations in sub-Saharan Africa so that they can be compared to these. In-depth analyses require, of course, similar differential diagnoses of those contexts, but a few general observations are certainly possible. To demonstrate this, we will subsequently go through the six freedoms of our poverty construct.

Rwanda scored rather weakly when it comes to the enhancement of political freedoms through tourism. Empowerment measures and processes of dialogue and exchange happen very rarely. We have seen similar challenges in other countries on the continent, particularly in emerging tourist destinations such as Malawi or Ethiopia. There, local involvement in tourism is comparably limited, and communities are not frequently invited to participate in planning and decision-making processes. While in Malawi the industry is dominated by a few local and regional elites and focuses almost exclusively on nature and beach tourism, Ethiopia with its fascinating cultural

tourism products suffers from a very low local understanding of tourism-related issues as well as deep-rooted mentality problems.

Other, more established destinations, however, demonstrate the immense opportunities. Ghana, for example, has also started small with a few natural attractions. But today the country receives over 500,000 visitors a year (compare table III.1 above) and has diversified its tourism sector with a range of historical, cultural as well as community- or otherwise locally run initiatives and enterprises. We have witnessed, among others, how an entire district, namely Hohoe District in the Volta Region, is turned into a community-based ecotourism destination with exclusive bottom-up approaches and some little outside support and training. Factors for success appear to be a comparably good understanding of related processes, better-than-average education and skills and, possibly most importantly, a welcoming mentality and widespread support. A country like Rwanda has a lot to learn from this positive example.

The challenges to better harnessing economic freedoms through tourism in Rwanda are certainly comparable to a wide range of countries in sub-Saharan Africa as well as other LDCs. Only few destinations have managed to expand the overall market size beyond the 1 million arrivals per year threshold, and all of those few have a long history in tourism developments, strong industries and exceptional tourism products that appeal to a mainstream tourist market, usually related to nature and wildlife as well as beaches. In that sense, Rwanda is probably easier to compare to a country with rather similar tourism endowments such as Gabon. The latter also pays its entire attention to marketing a strong ecotourism product, with the western lowland gorillas and other primates being the main attractions. At least in these initial stages of tourism development, this creation of a tourism monoculture makes it difficult for a further diversification process. There are a few cultural and community-based initiatives emerging – but they receive very little support and are hampered by systemic challenges. As a result, the expansion of the overall market size is severely limited.

An increase of the share of products and services provided by the poor as well as the facilitation of entry of new poor producers into the value chain have rarely been attempted in strategic and coherent ways on the continent. Frequent are the examples like Ethiopia where very few linkages exist between the tourism industry and other

sectors along the supply chain and where onerous procedures and red tape as well as forbiddingly high start-up costs reduce the options for disadvantaged entrepreneurs. These destinations could learn from countries like the Gambia, despite their very different tourism products. The exploration of linkages has become fundamental in the Gambia, and a variety of mainstream tourism enterprises now source their supplies locally, promote the activities of local micro-entrepreneurs or enter into business and neighborhood partnerships. As a result, leakages have been strongly reduced and a lot of benefits are reaching local disadvantaged entrepreneurs. Elements of success include a very strong business services mentoring process as well as extensive lobbying from external and internal facilitators that slowly leads to a mentality change in the industry as well as the government. This example shows that a shift in thinking is very well possible and that some innovative initiatives can break the path for stronger linkages and mentality changes.

Likewise, the value-added and, as a result, the earnings of the poor can be increased. While this requires extensive training and capacity building work as well as the establishment of strong marketing and brand building activities, the success can be exceptional. Examples where such strategies have worked are the diverse handicrafts of the Massai in Tanzania and Kenya or the famous *kente* weavings in Ghana that are now found in shops around the world.

When it comes to increasing the social opportunities created by tourism, Ghana is, again, a good example for more successfully improving the human capital. The country has, possibly, the most widely developed network of responsible volunteer options on the whole continent. *Voluntourism* as it is frequently called there forms a major part of the tourism sector, and widespread links were created with educational institutions, conservation projects, children's initiatives and the like. These activities strongly contribute to the development of human capital in rural areas. It is recommended to replicate these models of good practice in countries like Rwanda where responsible volunteering activities are still almost unheard of.

A good example of how tourism can contribute to improvements in physical capital can be drawn from Malawi. Especially around the national parks, communities have benefited widely from infrastructure extensions offered by the safari lodges and other

entrepreneurs. We have, for example, visited a lodge on the Nyika plateau that signed responsible for road networks, electricity, communication and many other developments that improved the lives of over a thousand people. Similar initiatives are spread across the country. These strategies were so successful here because a few best-practice stories were widely disseminated so that other stakeholders could learn and see the simplicity and the exceptional opportunities created by a few small and frequently rather inexpensive measures. Today, the successes are used extensively as positive public relations. In a country like Rwanda, however, where competition is still extremely limited, the incentives of the few lodges and other entrepreneurs to engage in such strategies are far too low. Only when more stakeholders emerge on the scene and explore innovative options for corporate social responsibility will the initially established companies see the necessity to become more responsible themselves.

The situation concerning tourism's role to improve the country's social capital is much more difficult to compare to other contexts because of the very unusual historical and socio-cultural background in Rwanda. The immense potential to contribute to healing and unifying processes, to create an interest in dialogue, and to promote optimism, pride and a sense of purpose can only be felt in countries that share these enormous cleavages in their societies as well as similarly tragic recent pasts. Examples how the positive forces of tourism are used for reconciliation, unity and peace have only been sporadic and require stronger conceptual and strategic background work. In this way, Rwanda could even become a role model for other countries that are emerging from years or decades of turmoil. We have, among others, made a suggestion for future research collaboration that was very warmly welcomed by the Director of the Center for Conflict Management at the National University of Rwanda in Butare. Rwanda could, in this sense, lead the way for countries like Burundi, Liberia or Sierra Leone that are slowly finding more stability and see tourism as an interesting option for sustainable economic development and poverty reduction.

In terms of transparency guarantees as well as protective security, we have emphasized that Rwanda has made enormous progress in recent years and that, currently, there are no serious complaints about corruption or insecurity. Such a situation is extremely rare on a continent that can tell of countless stories of baksheesh mentali-

ties as well as small-scale criminality or even armed robberies. While corruption is a serious issue in diverse societies, including Cameroon, Nigeria, Kenya, the DRC or Uganda, crime rates have become a serious threat to the respective tourism industries in large parts of countries like Kenya or South Africa.

Last but not least, the ecological security plays an important role particularly in destinations that rely on intact ecosystems and extraordinary wildlife. We have noted that Rwandan industry players still do very little to conserve their country's natural heritage. It might well be that this is also one of those issues that only start to become interesting when an industry matures and expands, and when pioneer stakeholders harness the benefits of positive public relations through exemplary activities and strategies. Another glance at Ghana will support this view. Numerous Ghanaian tour operators and accommodation providers have realized the enormous value-added of *greening* their activities and introducing – and promoting – environmentally-sensitive activities. These initiatives have started to offer strong competitive advantages and are, therefore, contributing to a general mentality change.

The past paragraphs have attempted to draw a bigger picture of the tourism contexts and environments in sub-Saharan Africa. They demonstrated that comparisons with other destinations are very welcome and that countries have a lot to learn from each other. In particular, emerging destinations such as Rwanda should look at more established and increasingly responsible tourism sectors such as the one in Ghana. But it can also serve as a role model for countries that are only now rising from years or decades of turmoil, such as Burundi, Liberia or Sierra Leone. While these examples are all very valuable, we still emphasize that only thorough background research in the form of a differential diagnosis can lead to sustainable and coherent results. It is, therefore, important not to overly generalize findings of individual country contexts.

A few difficulties, challenges and shortcomings arose that require more research attention in the future. First of all, we realize that our poverty reduction model is leaning strongly towards a development economics perspective. While we believe that this is at least partly justifiable by the current-day best practice theoretical thinking that does not attribute a major importance to the polity background, we agree that more in-depth analysis would be necessary. We have attempted to examine this issue for the

sub-Saharan African context and concluded that liberal democracy was indeed intrinsically fundamental to our definition of poverty reduction. But how this actually relates to the polity that could implement our model as well as to the realities on the ground, remained largely beyond the scope of the thesis. This would be an interesting field of future research.

Secondly, we have to admit that we are limited in our knowledge of economic models. Hence, when we speak about issues such as the 'primacy of free markets', 'market failures' or the 'imperfect conditions of our world economy', we are not in a position to prove our statements and assumptions with fancy formulae. But this is also not desirable in a political science thesis. Nevertheless, it would be interesting if an economist decided to approach these issues from his or her own point of view, in order to arrive at an interdisciplinary working model for poverty reduction.

Thirdly, several shortcomings have to be noted for the application and testing of our methodology – partly related to the challenging research conditions in Rwanda, partly to our own choices. In Rwanda, appropriate statistics are very limited. We had severe difficulties to test the representativeness of the sample of visitors who participated in our empirical survey. Because of this, we are also unable to say whether we actually used the most appropriate data collection process possible. The research findings make a generally good impression, but their exactness cannot be proven. More background research would have been desirable, but was beyond the scope of the thesis.

Likewise, we cannot guarantee the accurateness of our supply chain calculations for the empirical research on accommodation providers, restaurants and transport providers. Not only do they appear to be potentially superficial, but also is it unclear whether individual participants did not practically enhance their figures to suite their own agendas. The major difficulty here was that the companies were not willing to provide more details and that we felt already lucky to have obtained the data at hand. We believe that only company insiders would be in the position to provide more accurate and complete answers.

As for the calculations on the visitors' financial benefits to the Rwandan economy – a vital part of our empirical research –, we had to make various assumptions especially with regards to the second and third level of the supply chains. This led us to various 'guestimates' when trying to calculate the total income of the less advantaged. While this is certainly a very important starting point and, to date, has only been documented in one other destination (Ashley, 2006b), this issue is of fundamental importance and deserves further research in the future.

Finally, we focused entirely on the national perspective and did not examine related processes that happen outside of Rwanda's borders. This was our deliberate choice because our goal was really to look at the country context. We recognize, however, that certain international processes also impact heavily on tourism's effects on a host destination and should, therefore, not be ignored. They include, among others, the activities of international tour operators and the international media who have a lot of influence on the way how a destination is marketed and sold and to whom, as well as international industry supply chains that are responsible for potential leakages of financial benefits. We warmly recommend future research in these fields.

Despite these difficulties, challenges and shortcomings, we are very pleased with our research results and believe that our created and tested methodology is, on the whole, very successful. We recommend, therefore, that it is replicated in other country contexts in order to examine how tourism's contribution to poverty reduction can be maximized there as well.

In Rwanda, the research findings will be presented to the national Tourism Workgroup, which is made up of representatives of the public, private and donor sectors, and is the leading policy development stakeholder group. We are looking forward to the debates and hope that as many recommendations as possible will be put into action. This is certainly a great opportunity for the country to set its tourism industry on a more responsible and pro-poor path. It would be interesting to repeat our research in a few years' time in order to determine the impact of our recommendations and to find out whether our humble work was indeed able to improve tourism's contribution to poverty reduction in Rwanda.

When the wind of change begins to blow, some people build windbreaks while others build windmills.

(Chinese proverb, quoted in Norberg, 2003: 141)

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Personal communications

Bakunzi, Greg	Director, Amahoro Tours	Aug 17, 2006
Bakunzi, Greg	Director, Amahoro Tours	Sep 5, 2006
Batamuriza, Anny	Director for Event Management, NDA	Apr 11, 2007

Birori, Joseph	Director, Primate Safaris	Nov 23, 2006
Bjarnason, Jan	Chief Tourism Consultant, Grontmij / Carl Bro	Jun 20, 2007
Feldmann, Jonas	Advisor, ACOTA	Aug 16, 2006
Feldmann, Jonas	Advisor, ACOTA	Sep 3, 2006
Hochleithner, Manfred	Director, Endangered	Oct 21, 2006
Honeck, Dale	Counselor, Trade in Services Division, WTO	Apr 26, 2006
Honeck, Dale	Counselor, Trade in Services Division, WTO	Jun 23, 2006
Karega, Vincent	Minister of State, Investment Promotion	Apr 5, 2006
Mazimhaka, Joan	Consultant, OTF Group	Feb 5, 2007
Moman, Praveen	Director, Volcanoes Safaris	Mar 3, 2007
Moman, Praveen	Director, Volcanoes Safaris	Jul 1, 2007
Mugisha, David	Tourism Consultant, NDA	Apr 27, 2007
Mugisha, David	Tourism Consultant, NDA	May 18, 2007
Mugisha, David	Tourism Consultant, NDA	Jun 11, 2007
Ndangiza, Fatuma	Secretary General, NURC	Apr 5, 2007
Nkurunziza, William	Director, RIEPA	May 22, 2006
Nshuti, Paul	Minister, MINICOM	Nov 11, 2004
Rwigamba, Rica	Director of Tourism, ORTPN	Jul 14, 2006
Rwigamba, Rica	Director of Tourism, ORTPN	Mar 8, 2007
Sebujisho, Jane	Statistics Officer, ORTPN	Feb 19, 2007
Sebujisho, Jane	Statistics Officer, ORTPN	Apr 23, 2007
Watts, Helen	International Sales / Rwanda, Governors' Camp	Apr 4, 2007
Werabe, Emmanuel	Tourism Officer, ORTPN	Nov 15, 2006
Zingg, Margit	Director, Zingg Event Travel AG	Oct 10, 2005

Individual	94	27.9%	55	70.5%	30	46.9%	14	45.2%	193	37.8%
Partner	172	51.0%	8	10.3%	12	18.8%	6	19.4%	198	38.8%
Group	48	14.2%	14	17.9%	15	23.4%	10	32.3%	87	17.1%
Family	23	6.8%	1	1.3%	7	10.9%	1	3.2%	32	6.3%
Travel experience:										
East Africa	279	82.8%	46	59.0%	34	53.1%	22	71.0%	381	74.7%
Average amount	2.2		1.7		1.5		1.7		2.0	
South Africa	161	47.8%	31	39.7%	18	28.1%	8	25.8%	218	42.7%
Average amount	1.4		1.1		0.6		0.8		1.2	
Other Africa	180	53.4%	43	55.1%	26	40.6%	9	29.0%	258	50.6%
Average amount	1.8		1.6		0.8		0.6		1.6	
Average total visits	5.4		4.4		2.9		3.0		4.8	

Table A1. 2: Visitation patterns (n=510)

	Tourists	Days spent in:								
		Rwanda	Other countries	Kigali	Butare	ANP	VNP	NNP	Kivu	Other
Holiday	337	7.2	11.8	2.8	0.5	0.2	2.1	0.4	1.1	0.2
Business	78	7.3	3.5	5.5	0.7	0.3	0.3	0.0	0.4	0.1
VFR	64	8.1	4.9	3.7	0.9	0.7	0.8	0.2	1.4	0.5
Other	31	21.9	5.5	9.9	2.5	0.3	0.6	0.5	2.1	5.9
Total	510	8.2	9.3	3.8	0.7	0.3	1.6	0.3	1.1	0.6

Table A1. 3: Accommodation preferences of visitors (n=510)

	Holiday total (337)	Holiday up-market (96)	Holiday budget (175)	Holiday other (66)	Business (78)	VFR (64)	Other (31)	Total (510)
4*/5*	22.2%	57.4%	10.3%	19.5%	45.2%	11.1%	5.5%	21.3%
2*/3*	23.6%	24.1%	24.4%	22.0%	32.9%	12.3%	15.1%	22.2%
Low budget	40.3%	14.8%	55.1%	30.5%	15.1%	17.3%	27.9%	32.1%
Campsites	1.4%	0.0%	1.3%	0.0%	0.0%	3.7%	0.9%	1.4%
Homestay	2.8%	1.9%	2.6%	2.4%	0.0%	8.6%	3.2%	3.2%
Private	9.7%	1.9%	7.7%	24.4%	8.2%	48.1%	47.5%	20.4%

Table A1. 4: Restaurant preferences of visitors (n=510)

	Holiday total (337)	Holiday up-market (96)	Holiday budget (175)	Holiday other (66)	Business (78)	VFR (64)	Other (31)	Total (510)
Upmarket	33.3%	59.3%	24.4%	29.3%	46.6%	14.8%	17.8%	30.4%
Middle class	31.9%	24.1%	35.9%	29.3%	24.7%	18.5%	19.6%	27.4%
Low budget	19.4%	7.4%	26.9%	12.2%	11.0%	9.9%	14.2%	16.3%
Local community	5.6%	1.9%	5.1%	8.5%	4.1%	6.2%	8.7%	6.0%
Private cooking	9.7%	3.7%	7.7%	22.0%	13.7%	49.4%	39.7%	20.1%

Table A1. 5: Transport preferences of visitors (n=510)

	Holiday total (337)	Holiday up-market (96)	Holiday budget (175)	Holiday other (66)	Business (78)	VFR (64)	Other (31)	Total (510)
Private vehicle	15.3%	9.3%	11.5%	29.3%	41.1%	58.0%	29.7%	26.5%
Tour vehicle	22.2%	55.6%	9.0%	22.0%	4.1%	2.5%	7.3%	14.9%
Rented car	12.5%	14.8%	11.5%	13.4%	8.2%	7.4%	5.9%	10.3%
Public bus	20.8%	5.6%	30.8%	14.6%	4.1%	12.3%	20.5%	17.5%
Taxi	19.4%	13.0%	23.1%	14.6%	37.0%	11.1%	21.0%	21.1%
Motorbike taxi	8.3%	1.9%	12.8%	3.7%	5.5%	7.4%	14.6%	8.9%
Boat	1.4%	0.0	1.3%	1.2%	0.0	1.2%	0.9	1.1%

Table A1. 6: Local tour operators, private guides and private drivers (n=510)

	Holiday total (337)	Holiday up-market (96)	Holiday budget (175)	Holiday other (66)	Business (78)	VFR (64)	Other (31)	Total (510)
Local TO	68	43	15	10	1	1	1	139
% of total	20.2%	44.8%	8.6%	15.2%	1.3%	1.6%	3.2%	27.3%
Private guide	33	8	23	2	5	2	5	45
% of total	9.8%	8.3%	13.1%	3.0%	6.4%	3.1%	16.1%	14.9%
Private driver	100	20	70	10	13	7	5	125
% of total	29.7%	20.8%	40.0%	15.2%	16.7%	10.9%	16.1%	24.5%

Table A1. 7: Activities (n=510)

	Holiday total (337)	Holiday upmarket (96)	Holiday budget (175)	Holiday other (66)	Business (78)	VFR (64)	Other (31)	Total (510)
Gorillas	266	89	136	41	17	17	10	310
% of total	78.9%	92.7%	77.7%	62.1%	21.8%	26.6%	32.3%	60.8%
Other VNP	72	19	42	11	1	0	5	78
% of total	21.4%	19.8%	24.0%	16.7%	1.3%	0.0%	16.1%	15.3%
Chimpanzees	60	15	35	10	2	7	8	77
% of total	17.8%	15.6%	20.0%	15.2%	2.6%	10.9%	25.8%	15.1%
Other NNP	29	8	17	4	0	3	6	38
% of total	8.6%	8.3%	9.7%	6.1%	0.0%	4.7%	19.4%	7.5%
Safari ANP	42	7	18	17	8	31	9	90
% of total	12.5%	7.3%	10.3%	25.8%	10.3%	48.4%	29.0%	17.6%
Kivu boat	53	6	30	17	12	12	6	83
% of total	15.7%	6.3%	17.1%	25.8%	15.4%	18.8%	19.4%	16.3%
Kigali City Tour	21	7	12	2	4	5	2	32
% of total	6.2%	7.3%	6.9%	3.0%	5.1%	7.8%	6.5%	6.3%
Butare	93	18	58	17	13	23	13	142
% of total	27.6%	18.8%	33.1%	25.8%	16.7%	35.9%	41.9%	27.8%
Nyanza	38	15	16	7	7	12	9	66
% of total	11.3%	15.6%	9.1%	10.6%	9.0%	18.8%	29.0%	12.9%

CBT	50	18	25	7	0	2	7	59
% of total	14.8%	18.8%	14.3%	10.6%	0.0%	3.1%	22.6%	11.6%

Table A1. 8: Souvenirs (n=510)

	Holiday total (337)	Holiday up-market (96)	Holiday budget (175)	Holiday other (66)	Business (78)	VFR (64)	Other (31)	Total (510)
Handicrafts	69	14	40	15	14	28	10	121
% of total	20.5%	14.6%	22.9%	22.7%	17.9%	43.8%	32.3%	23.7%
Wood carvings	38	8	26	4	2	6	12	58
% of total	11.3%	8.3%	14.9%	6.1%	2.6%	9.4%	38.7%	11.4%
Banana leaf art	43	6	30	7	4	11	6	64
% of total	12.8%	6.3%	17.1%	10.6%	5.1%	17.2%	19.4%	12.5%
Jewelry	7	2	5	0	5	6	3	21
% of total	2.1%	2.1%	2.9%	0.0%	6.4%	9.4%	9.7%	4.1%
Batiks	21	7	12	2	2	6	2	31
% of total	6.2%	7.3%	6.9%	3.0%	2.6%	9.4%	6.5%	6.1%
Cloth	7	0	6	1	1	5	1	14
% of total	2.1%	0.0%	3.4%	1.5%	1.3%	7.8%	3.2%	2.7%
Dolls	5	1	3	1	1	0	0	6
% of total	1.5%	1.0%	1.7%	1.5%	1.3%	0.0%	0.0%	1.2%
Pottery	10	1	9	0	0	0	1	11
% of total	3.0%	1.0%	5.1%	0.0%	0.0%	0.0%	3.2%	2.2%
Weaving	36	9	23	4	12	7	8	63
% of total	10.7%	9.4%	13.1%	6.1%	15.4%	10.9%	25.8%	12.4%
Embroidery	2	0	2	0	0	0	0	2
% of total	0.6%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	0.4%
Masks	17	6	9	2	4	2	3	26
% of total	5.0%	6.3%	5.1%	3.0%	5.1%	3.1%	9.7%	5.1%
Imigongo	3	0	2	1	1	0	0	4
% of total	0.9%	0.0%	1.1%	1.5%	1.3%	0.0%	0.0%	0.8%
T-shirts	10	7	2	1	0	2	0	12
% of total	3.0%	7.3%	1.1%	1.5%	0.0%	3.1%	0.0%	2.4%
Paintings	14	2	7	5	2	2	1	19
% of total	4.2%	2.1%	4.0%	7.6%	2.6%	3.1%	3.2%	3.7%
Coffee	39	12	22	5	16	12	6	73
% of total	11.6%	12.5%	12.6%	7.6%	20.5%	18.8%	19.4%	14.3%
Tea	24	10	8	6	3	10	7	44
% of total	7.1%	10.4%	4.6%	9.1%	3.8%	15.6%	22.6%	8.6%
Drums	6	0	6	0	1	5	1	13
% of total	1.8%	0.0%	3.4%	0.0%	1.3%	7.8%	3.2%	2.5%
Books	5	0	2	3	2	0	1	8
% of total	1.5%	0.0%	1.1%	4.5%	2.6%	0.0%	3.2%	1.6%
Carved gorillas	13	3	7	3	1	3	2	19
% of total	3.9%	3.1%	4.0%	4.5%	1.3%	4.7%	6.5%	3.7%
Calabashes	4	0	4	0	0	2	0	6
% of total	1.2%	0.0%	2.3%	0.0%	0.0%	3.1%	0.0%	1.2%
Walking sticks	2	1	1	0	0	0	0	2

% of total	0.6%	1.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.4%
CDs	1	0	1	0	0	0	0	1
% of total	0.3%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.2%
Total	389	89	233	67	73	111	65	638

Table A1. 9: Interaction with the local economy (n=510)

	Holiday total (337)	Holiday up-market (96)	Holiday budget (175)	Holiday other (66)	Business (78)	VFR (64)	Other (31)	Total (510)
Bars (city)	111	17	75	19	29	24	14	178
% of total	32.9%	17.7%	42.9%	28.8%	37.2%	37.5%	45.2%	34.9%
Bars (rural)	73	14	47	12	10	17	10	110
% of total	21.7%	14.6%	26.9%	18.2%	12.8%	26.6%	32.3%	21.6%
Supermarkets	131	21	88	22	30	29	19	209
% of total	38.9%	21.9%	50.3%	33.3%	38.5%	45.3%	61.3%	41.0%
Shops (rural)	194	38	126	30	41	47	27	309
% of total	57.6%	39.6%	72.0%	45.5%	52.6%	73.4%	87.1%	60.6%
Market	172	44	102	26	26	34	20	252
% of total	51.0%	45.8%	58.3%	39.4%	33.3%	53.1%	64.5%	49.4%
Internet cafe	143	31	94	18	23	24	23	213
% of total	42.4%	32.3%	53.7%	27.3%	29.5%	37.5%	74.2%	41.8%
Post office	80	11	59	10	10	13	9	112
% of total	23.7%	11.5%	33.7%	15.2%	12.8%	20.3%	29.0%	22.0%
Bank	123	22	85	16	24	16	18	181
% of total	36.5%	22.9%	48.6%	24.2%	30.8%	25.0%	58.1%	35.5%
Forex bureau	157	30	103	24	28	24	18	227
% of total	46.6%	31.3%	58.9%	36.4%	35.9%	37.5%	58.1%	44.5%
Maps	36	12	15	9	4	3	5	48
% of total	10.7%	12.5%	8.6%	13.6%	5.1%	4.7%	16.1%	9.4%
Newspapers	70	15	44	11	23	19	18	130
% of total	20.8%	15.6%	25.1%	16.7%	29.5%	29.7%	58.1%	25.5%
Postcards	124	29	79	16	13	20	10	167
% of total	36.8%	30.2%	45.1%	24.2%	16.7%	31.3%	32.3%	32.7%
Cinema	6	0	4	2	1	3	4	14
% of total	1.8%	0.0%	2.3%	3.0%	1.3%	4.7%	12.9%	2.7%
Entertainment	26	8	13	5	7	16	5	54
% of total	7.7%	8.3%	7.4%	7.6%	9.0%	25.0%	16.1%	10.6%
TOTAL	1446	292	934	220	269	289	200	2204
% of total	429.1%	304.2%	533.7%	333.3%	344.9%	451.6%	645.2%	432.2%
Comparison	0.993	0.704	1.235	0.771	0.798	1.045	1.493	1.000

Table A1. 10: Interaction with the informal economy (n=510)

	Holiday total (337)	Holiday up-market (96)	Holiday budget (175)	Holiday other (66)	Business (78)	VFR (64)	Other (31)	Total (510)
Fruits	69	16	44	9	5	14	10	98
% of total	20.5%	16.7%	2.1%	13.6%	6.4%	21.9%	32.3%	19.2%
Snacks	28	5	19	4	1	2	3	34
% of total	8.3%	5.2%	10.9%	6.1%	1.3%	3.1%	9.7%	6.7%
Cookies	28	1	25	2	0	2	0	30
% of total	8.3%	1.0%	14.3%	3.0%	0.0%	3.1%	0.0%	5.9%
Water	33	6	27	0	1	2	2	38
% of total	9.8%	6.3%	15.4%	0.0%	1.3%	3.1%	6.5%	7.5%
Sweets	11	1	10	0	0	1	1	13
% of total	3.3%	1.0%	5.7%	0.0%	0.0%	1.6%	3.2%	2.5%
Groceries	5	2	3	0	0	2	1	8
% of total	1.5%	2.1%	1.7%	0.0%	0.0%	3.1%	3.2%	1.6%
Tissues	3	0	3	0	0	0	0	3
% of total	0.9%	0.0%	1.7%	0.0%	0.0%	0.0%	0.0%	0.6%
Bread	4	0	4	0	1	2	0	7
% of total	1.2%	0.0%	2.3%	0.0%	1.3%	3.1%	0.0%	1.4%
Sunglasses	5	0	3	2	0	0	0	5
% of total	1.5%	0.0%	1.7%	3.0%	0.0%	0.0%	0.0%	1.0%
Nuts	4	1	3	0	0	0	0	4
% of total	1.2%	1.0%	1.7%	0.0%	0.0%	0.0%	0.0%	0.8%
Phone cards	1	0	1	0	1	0	0	2
% of total	0.3%	0.0%	0.6%	0.0%	1.3%	0.0%	0.0%	0.4%
Pens	1	0	1	0	0	0	0	1
% of total	0.3%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.2%
TOTAL	192	32	143	17	9	25	17	243
% of total	57.0%	33.3%	81.7%	25.8%	11.5%	39.1%	54.8%	47.6%
Comparison	1.197	0.700	1.716	0.542	0.242	0.821	1.151	1.000

The following tables A1.11 to A1.14 relate to our study of the image of Rwanda as a tourist destination. Table A1.11 provides the compiled answers for the first question, i.e. what three images or characteristics come to mind when the participants think of Rwanda as a tourist destination.

Table A1. 11: Open-ended question 1 (n=510)

	Image1		Image2		Image3		Total	
Nature	383	77.5%	272	60.6%	187	48.4%	842	63.4%
Gorillas	228	46.2%	59	13.1%	33	8.5%	320	24.1%
Scenery/landscape	62	12.6%	48	10.7%	35	9.1%	145	10.9%
Mountains/hills	49	9.9%	56	12.5%	30	7.8%	135	10.2%
Lakes	13	2.6%	41	9.1%	28	7.3%	82	6.2%
Volcanoes	14	2.8%	30	6.7%	21	5.4%	65	4.9%
National parks	6	1.2%	12	2.7%	9	2.3%	27	2.0%
Wildlife	5	1.0%	10	2.2%	10	2.6%	25	1.9%
Rainforest	3	0.6%	10	2.2%	5	1.3%	18	1.4%
Good climate	3	0.6%	3	0.7%	7	1.8%	13	1.0%
Nature activities	0	0.0%	3	0.7%	9	2.3%	12	0.9%
Culture, life and people	55	11.1%	109	24.3%	115	29.8%	279	21.0%
Positive images of people (friendly, hospitable, kind, hardworking)	28	5.7%	54	12.0%	50	13.0%	132	9.9%
Images of daily life	9	1.8%	11	2.4%	16	4.1%	36	2.7%
Genocide memorials	7	1.4%	10	2.2%	18	4.7%	35	2.6%
Food (e.g., bananas, coffee, tea)	5	1.0%	12	2.7%	6	1.6%	23	1.7%
General culture	3	0.6%	4	0.9%	12	3.1%	19	1.4%
Bustling towns	1	0.2%	5	1.1%	7	1.8%	13	1.0%
Community-based tourism	1	0.2%	8	1.8%	3	0.8%	12	0.9%
National Museum, King's Palace	1	0.2%	5	1.1%	3	0.8%	9	0.7%
Internal problems	32	6.5%	43	9.6%	51	13.2%	126	9.5%
Genocide	15	3.0%	26	5.8%	28	7.3%	69	5.2%
Poverty	5	1.0%	7	1.6%	9	2.3%	21	1.6%
Bad infrastructure	3	0.6%	6	1.3%	9	2.3%	18	1.4%
Begging, hassling, staring	8	1.6%	4	0.9%	5	1.3%	17	1.3%
Diseases	1	0.2%	0	0.0%	0	0.0%	1	0.1%
"Rwanda is..."	24	4.9%	25	5.6%	33	8.5%	82	6.2%
Colorful or green	6	1.2%	8	1.8%	11	2.8%	25	1.9%
Peaceful and safe	3	0.6%	5	1.1%	8	2.1%	16	1.2%
Clean	6	1.2%	3	0.7%	4	1.0%	13	1.0%
Genuine and authentic	3	0.6%	2	0.4%	6	1.6%	11	0.8%
Exotic and unique	2	0.4%	5	1.1%	2	0.5%	9	0.7%
Back on track and forward-looking	4	0.8%	2	0.4%	2	0.5%	8	0.6%
TOTAL	494	100.0%	449	100.0%	386	100.0%	1329	100.0%

Table A1.12 provides the compiled answers to the second open-ended question, which asked the participants to describe the atmosphere or mood that they had experienced in Rwanda.

Table A1. 12: Open-ended question 2 (n=510)

	Counts	
People positive	226	48.3%
Friendly	131	28.0%
Hospitable, warm, helpful	46	9.8%
Gentle, smiling	14	3.0%
Progressive, optimistic	12	2.6%
Determined, committed	10	2.1%
Disciplined, organized	8	1.7%
Busy, hardworking	5	1.1%
Life positive	112	23.9%
Peaceful, safe	43	9.2%
Relaxed	32	6.8%
Quiet, calm, tranquil	23	4.9%
Vivid, energetic, vibrant	14	3.0%
Country positive	98	20.9%
Pleasant	49	10.5%
Good, positive, great	46	9.8%
Mysterious, African	3	0.6%
Negative	32	6.8%
Tense, cool, closed, reserved, suspicious, somber	27	5.8%
Poor	1	0.2%
Disorganized	4	0.9%
TOTAL	468	100.0%

Table A1.13 provides the compiled answers to the third open-ended question, which asked the respondents to list any distinctive or unique tourist attractions that they can think of in Rwanda.

Table A1. 13: Open-ended question 3 (n=510)

	Attraction 1		Attraction 2		Attraction 3		Total	
Nature	381	86.0%	162	65.1%	76	63.3%	619	76.2%
Gorillas	257	58.0%	27	10.8%	10	8.3%	294	36.2%
Lakes (incl. Kivu)	25	5.6%	43	17.3%	24	20.0%	92	11.3%
Volcanoes	14	3.2%	17	6.8%	10	8.3%	41	5.0%
VNP	27	6.1%	7	2.8%	1	0.8%	35	4.3%
ANP	13	2.9%	13	5.2%	4	3.3%	30	3.7%
National Parks	15	3.4%	9	3.6%	5	4.2%	29	3.6%
Other fauna (birds, wildlife, chimps)	7	1.6%	13	5.2%	7	5.8%	27	3.3%
NNP	7	1.6%	10	4.0%	5	4.2%	22	2.7%
Countryside, landscape	7	1.6%	10	4.0%	5	4.2%	22	2.7%
Hills, mountains	8	1.8%	6	2.4%	2	1.7%	16	2.0%
Nature activities (hiking etc)	1	0.2%	7	2.8%	3	2.5%	11	1.4%
Culture	62	14.0%	87	34.9%	44	36.7%	193	23.8%
Genocide memorials	34	7.7%	59	23.7%	24	20.0%	117	14.4%

Rural life, community-based tourism	8	1.8%	13	5.2%	8	6.7%	29	3.6%
National Museum, King's Palace	4	0.9%	8	3.2%	6	5.0%	18	2.2%
Bustling towns	8	1.8%	6	2.4%	3	2.5%	17	2.1%
Friendly people	7	1.6%	1	0.4%	2	1.7%	10	1.2%
History (Kandt Museum etc)	1	0.2%	0	0.0%	1	0.8%	2	0.2%
TOTAL	443	100.0%	249	100.0%	120	100.0%	812	100.0%

Table A1.14 provides the compiled answers to the fourth open-ended question, which asked the respondents if there was anything that made them feel uncomfortable about Rwanda.

Table A1. 14: Open-ended question 4 (n=510)

	Counts	%	% of 510
Genocide	38	14.3%	7.5%
Infrastructure (roads, electricity, water, hotels, banks, bus system, street lights)	37	13.9%	7.3%
Poverty	31	11.7%	6.1%
Begging	25	9.4%	4.9%
Military, police	18	6.8%	3.5%
Constant shouts of "musungu" (meaning 'white man')	16	6.0%	3.1%
Staring	15	5.6%	2.9%
Bad service	13	4.9%	2.5%
Political situation (exclusion, dictatorship, control of media etc)	12	4.5%	2.4%
Language	11	4.1%	2.2%
Close to conflict	8	3.0%	1.6%
Bureaucracy	6	2.3%	1.2%
Diseases	6	2.3%	1.2%
Reckless driving	5	1.9%	1.0%
Unhelpful tourism authorities (ORTPN)	5	1.9%	1.0%
Expensive	4	1.5%	0.8%
Other	16	6.0%	3.1%
TOTAL	266	100.0%	52.2%

Annex 2: Visitor spend

In order to determine the local economic impacts of tourism in Rwanda, we examined the visitors' direct financial contributions to the local economy. We asked our sample of 510 visitors to estimate their total spend in the country and to also provide indications with regards to the amounts of money needed for 'accommodation', 'local transport', 'food', 'activities' and 'other'. 444 respondents provided these data so that we could compare the spending behavior of 96 upmarket holidaymakers, 175 budget holidaymakers, 78 businessmen, 64 visitors to friends and family, and 31 visitors in the category 'other'.

A note of caution is necessary here. The responses depend on estimates and guesses of the participants. Some might have interpreted their spending in more generous and others in more conservative ways. The questions relating to their spending behavior were particularly difficult to answer for those participants whose trip to Rwanda had been completed several months – and, in very few cases, even years – before our survey. We are not in a position to judge on the adequateness of the data and cannot give any guarantees as to the correctness of the following calculations.

The survey results indicate that the average respondent spent \$168.49 per day in the country. With a stay of 8.2 days, this creates preliminary revenue of \$1,387.97 per trip for the local economy – ignoring potential leakages for the moment. Upmarket holidaymakers have both the highest daily as well as total spend. On average, they leave \$398.12 per day in the country. Since they stay for 5.4 days, they contribute \$2,149.84 to the local economy. Budget holidaymakers spend \$130.71 during each of their 7.8 days in the country, thereby contributing \$1,019.17 on average to the local economy. The other figures are \$218.86 per day and a total of \$1,598.21 for businessmen, \$93.50 per day and a total of \$757.33 for VFR, and \$81.75 per day and a total of \$1,790.87 for visitors in the category 'other'. Divided into the different product and service categories, the respondents spent an average of 26.1% on accommodation, 12.3% on local transport, 11.3% on food, 30.6% on activities, and 19.7% on other things. Table A2.1 displays the exact figures.

Table A2. 1: Visitor spend (n=444)

	Holiday up-market (96)	Holiday budget (175)	Business (78)	VFR (64)	Other (31)	Total (444)
Days in Rwanda	5.4	7.8	7.3	8.1	21.9	8.2
\$ total	206,385	178,355	75,116	34,080	41,190	535,126
\$/day	398.12	130.71	218.86	93.50	81.75	168.49
\$/trip	2,149.84	1,019.17	1,598.21	757.33	1,790.87	1,387.97
Accommodation	22.4%	21.6%	48.5%	23.9%	24.8%	26.1%
\$/day	89.37	28.19	106.16	22.39	20.25	44.16
\$/trip	482.61	219.91	775.00	181.38	443.50	362.13
Transport	13.6%	11.5%	11.2%	12.1%	12.0%	12.3%
\$/day	54.25	14.99	24.48	11.31	9.84	20.90
\$/trip	292.94	116.96	178.71	91.63	215.45	171.37
Food	8.8%	11.5%	11.9%	15.1%	18.2%	11.3%
\$/day	35.12	15.00	26.05	14.09	14.91	19.05
\$/trip	189.65	116.99	190.18	114.13	326.59	156.24
Activities	33.6%	37.7%	15.4%	21.8%	19.6%	30.6%
\$/day	133.77	49.31	33.63	20.37	16.03	51.80
\$/trip	722.35	384.59	245.47	165.00	351.09	424.73
Other	21.5%	17.7%	13.1%	27.1%	25.4%	19.7%
\$/day	85.61	23.17	28.61	25.33	20.74	33.35
\$/trip	462.29	180.72	208.85	205.19	454.24	273.50

Since we already analyzed the visitor patterns, we can now create a breakdown of the total spend according to individual product and service components. Some of these are difficult to determine without further knowledge. We asked the respondents, therefore, to provide detailed data for these components. They include the services of private guides and drivers, community-based tourism products, money spent on souvenirs, purchases made from the informal sector, and donations. The results for these additional components are displayed in tables A2.2 and A2.3.

Table A2. 2: Spend on guides, drivers, CBT, souvenirs and informal sector (n=444)

	Holiday up-market (96)	Holiday budget (175)	Business (78)	VFR (64)	Other (31)	Total (444)
N° of private guides used	8	23	5	2	5	43
\$ total	500	1,128	301	60	185	2,174
\$/total/person	5.21	6.45	3.86	0.94	5.97	4.90
N° of private drivers used	20	70	13	7	5	115
\$ total	1,750	3,754	964	532	452	7,452
\$/person	18.23	21.45	12.36	8.31	14.58	16.78
N° of CBT experiences	18	25	0	2	7	52
\$ total	20	237	0	30	230	517
\$/person	0.21	1.35	0.00	0.47	7.42	1.16
N° of souvenir purchases	89	233	73	111	65	571

\$ total	5,428	4,977	1,801	2,899	1,446	16,551
\$/person	56.54	28.44	23.09	45.30	46.65	37.28
N° of informal sector purchases	32	143	9	25	17	231
\$ total	280	1,097	84	175	303	1,939
\$/person	2.92	6.27	1.08	2.73	9.77	4.37

Table A2. 3: Donations (n=444)

	Holiday up-market (96)	Holiday budget (175)	Business (78)	VFR (64)	Other (31)	Total (444)
Donors	37	52	16	17	14	136
% of total	38.5%	29.7%	20.5%	26.6%	45.2%	30.6%
\$ total	12,278	14,055	7,525	7,677	10,980	52,515
\$ total/person	127.90	80.31	96.47	119.95	354.19	118.28
Money donors	25	35	9	12	9	90
\$ total	2,940	12,318	5,885	5,447	290	26,880
\$/person	30.63	70.39	75.45	85.11	9.35	60.54
Food donors	0	3	0	0	0	3
\$ total	0	5	0	0	0	5
\$/person	0.00	0.03	0.00	0.00	0.00	0.01
Clothes donors	0	3	0	1	0	4
\$ total	0	100	0	30	0	130
\$/person	0.00	0.57	0.00	0.47	0.00	0.29
School supply donors	8	7	2	2	2	21
\$ total	638	132	500	1,400	10,040	12,710
\$/person	6.65	0.75	6.41	21.88	323.87	28.63
Medical supply donors	3	1	3	0	1	8
\$ total	8,000	0	540	0	50	8,590
\$/person	83.33	0.00	6.92	0.00	1.61	19.35
Computer donors	1	2	0	1	0	4
\$ total	700	1,200	0	500	0	2,400
\$/person	7.29	6.86	0.00	7.81	0.00	5.41
Volunteers	0	1	2	1	2	6
\$ total	0	300	600	300	600	1,800
\$/person	0.00	1.71	7.69	4.69	19.35	4.05

These data allow us to provide a complete breakdown of the respondents' total spend in the country. The following tables A2.4 to A2.8 show the calculations for the five different visitor types. Table A2.9 presents the final overview.

Table A2. 4: Breakdown of total spent – upmarket holidaymakers (n=96)

	Ø COSTS	GROSS %	NET %	SPENT
TOTAL				\$2,149.84
Accommodation		20.9%		\$449.32
4*/5*	\$75.00	57.4%	79.7%	\$358.27
2*/3*	\$35.00	24.1%	15.6%	\$70.20
Low budget	\$15.00	14.8%	4.1%	\$18.48
Camping	\$15.00	0.0%	0.0%	\$0.00
Homestay	\$15.00	1.9%	0.5%	\$2.37
Private	\$0.00	1.9%	0.0%	\$0.00
Transport		12.7%		\$273.03
Private	\$10.00	9.3%	2.9%	\$8.05
Tour	\$40.00	55.6%	70.5%	\$192.54
Rented	\$50.00	14.8%	23.5%	\$64.06
Bus	\$5.00	5.6%	0.9%	\$2.42
Taxi	\$5.00	13.0%	2.1%	\$5.63
Moto	\$2.00	1.9%	0.1%	\$0.33
Boat	\$30.00	0.0%	0.0%	\$0.00
Food		8.2%		\$176.29
Up	\$10.00	59.3%	76.4%	\$134.61
Middle	\$6.00	24.1%	18.6%	\$32.82
Low	\$3.00	7.4%	2.9%	\$5.04
Local family	\$3.00	1.9%	0.7%	\$1.29
Private	\$3.00	3.7%	1.4%	\$2.52
Activities		31.4%		\$675.05
Guides				\$5.21
Drivers				\$18.23
Gorillas	\$375.00	92.7%	88.1%	\$573.70
Other VNP	\$125.00	19.8%	6.3%	\$40.85
Chimpanzees	\$80.00	15.6%	3.2%	\$20.60
Other NNP	\$40.00	8.3%	0.8%	\$5.48
ANP	\$40.00	7.3%	0.7%	\$4.82
Kivu	\$30.00	6.3%	0.5%	\$3.12
Butare	\$5.00	18.8%	0.2%	\$1.55
Nyanza	\$5.00	15.6%	0.2%	\$1.29
CBT				\$0.21
Local TO		5.3%		\$113.94
Other		21.5%		\$462.21
Donations				\$127.90
Souvenirs				\$56.54
Informal sector				\$2.92
Other				\$274.85

Table A2. 5: Breakdown of total spent – budget holidaymakers (n=175)

	Ø COSTS	GROSS %	NET %	SPENT
TOTAL				\$1,019.17
Accommodation		21.3%		\$217.08
4*/5*	\$75.00	10.3%	30.8%	\$66.77
2*/3*	\$35.00	24.4%	34.0%	\$73.82
Low budget	\$15.00	55.1%	32.9%	\$71.44
Camping	\$15.00	1.3%	0.8%	\$1.69
Homestay	\$15.00	2.6%	1.6%	\$3.37
Private	\$0.00	7.7%	0.0%	\$0.00
Transport		11.3%		\$115.17
Private	\$10.00	11.5%	8.3%	\$9.57
Tour	\$40.00	9.0%	26.0%	\$29.95
Rented	\$50.00	11.5%	41.5%	\$47.84
Bus	\$5.00	30.8%	11.1%	\$12.81
Taxi	\$5.00	23.1%	8.3%	\$9.61
Moto	\$2.00	12.8%	1.8%	\$2.13
Boat	\$30.00	1.3%	2.8%	\$3.25
Food		11.3%		\$115.17
Up	\$10.00	24.4%	42.2%	\$48.57
Middle	\$6.00	35.9%	37.2%	\$42.88
Low	\$3.00	26.9%	13.9%	\$16.07
Local family	\$3.00	5.1%	2.6%	\$3.05
Private	\$3.00	7.7%	4.0%	\$4.60
Activities		37.1%		\$378.11
Guides				\$6.45
Drivers				\$21.45
Gorillas	\$375.00	77.7%	82.6%	\$288.27
Other VNP	\$125.00	24.0%	8.5%	\$29.68
Chimpanzees	\$80.00	20.0%	4.5%	\$15.83
Other NNP	\$40.00	9.7%	1.1%	\$3.84
ANP	\$40.00	10.3%	1.2%	\$4.08
Kivu	\$30.00	17.1%	1.5%	\$5.08
Butare	\$5.00	33.1%	0.5%	\$1.64
Nyanza	\$5.00	9.1%	0.1%	\$0.45
CBT				\$1.35
Local TO		1.3%		\$13.25
Other		17.7%		\$180.72
Donations				\$80.31
Souvenirs				\$28.44
Informal sector				\$6.27
Other				\$65.70

Table A2. 6: Breakdown of total spent – businessmen (n=78)

	Ø COSTS	GROSS %	NET %	SPENT
TOTAL				\$1,598.21
Accommodation		48.4%		\$773.53
4*/5*	\$75.00	45.2%	71.1%	\$549.97
2*/3*	\$35.00	32.9%	24.2%	\$186.81
Low budget	\$15.00	15.1%	4.8%	\$36.75
Camping	\$15.00	0.0%	0.0%	\$0.00
Homestay	\$15.00	0.0%	0.0%	\$0.00
Private	\$0.00	8.2%	0.0%	\$0.00
Transport		11.1%		\$177.40
Private	\$10.00	41.1%	34.2%	\$60.68
Tour	\$40.00	4.1%	13.6%	\$24.21
Rented	\$50.00	8.2%	34.1%	\$60.54
Bus	\$5.00	4.1%	1.7%	\$3.03
Taxi	\$5.00	37.0%	15.4%	\$27.32
Moto	\$2.00	5.5%	0.9%	\$1.62
Boat	\$30.00	0.0%	0.0%	\$0.00
Food		11.9%		\$190.19
Up	\$10.00	46.6%	66.5%	\$126.50
Middle	\$6.00	24.7%	21.2%	\$40.23
Low	\$3.00	11.0%	4.7%	\$8.96
Local family	\$3.00	4.1%	1.8%	\$3.34
Private	\$3.00	13.7%	5.9%	\$11.16
Activities		15.3%		\$244.53
Guides				\$3.86
Drivers				\$12.36
Gorillas	\$375.00	21.8%	85.6%	\$195.48
Other VNP	\$125.00	1.3%	1.7%	\$3.89
Chimpanzees	\$80.00	2.6%	2.2%	\$4.97
Other NNP	\$40.00	0.0%	0.0%	\$0.00
ANP	\$40.00	10.3%	4.3%	\$9.85
Kivu	\$30.00	15.4%	4.8%	\$11.05
Butare	\$5.00	16.7%	0.9%	\$2.00
Nyanza	\$5.00	9.0%	0.5%	\$1.08
CBT				\$0.00
Local TO		0.2%		\$3.20
Other		13.1%		\$208.85
Donations				\$96.47
Souvenirs				\$23.09
Informal sector				\$1.08
Other				\$88.21

Table A2. 7: Breakdown of total spent – visitors to friends and family (n=64)

	Ø COSTS	GROSS %	NET %	SPENT
TOTAL				\$757.33
Accommodation		23.8%		\$180.24
4*/5*	\$75.00	11.1%	48.8%	\$87.90
2*/3*	\$35.00	12.3%	25.2%	\$45.46
Low budget	\$15.00	17.3%	15.2%	\$27.40
Camping	\$15.00	3.7%	3.3%	\$5.86
Homestay	\$15.00	8.6%	7.6%	\$13.62
Private	\$0.00	48.1%	0.0%	\$0.00
Transport		12.1%		\$91.64
Private	\$10.00	58.0%	47.6%	\$43.64
Tour	\$40.00	2.5%	8.2%	\$7.52
Rented	\$50.00	7.4%	30.4%	\$27.84
Bus	\$5.00	12.3%	5.1%	\$4.63
Taxi	\$5.00	11.1%	4.6%	\$4.18
Moto	\$2.00	7.4%	1.2%	\$1.11
Boat	\$30.00	1.2%	3.0%	\$2.71
Food		15.1%		\$114.36
Up	\$10.00	14.8%	32.5%	\$37.16
Middle	\$6.00	18.5%	24.4%	\$27.87
Low	\$3.00	9.9%	6.5%	\$7.46
Local family	\$3.00	6.2%	4.1%	\$4.67
Private	\$3.00	49.4%	32.5%	\$37.21
Activities		21.7%		\$164.34
Guides				\$0.94
Drivers				\$8.31
Gorillas	\$375.00	26.6%	72.2%	\$111.70
Other VNP	\$125.00	0.0%	0.0%	\$0.00
Chimpanzees	\$80.00	10.9%	6.3%	\$9.76
Other NNP	\$40.00	4.7%	1.4%	\$2.11
ANP	\$40.00	48.4%	14.0%	\$21.68
Kivu	\$30.00	18.8%	4.1%	\$6.32
Butare	\$5.00	35.9%	1.3%	\$2.01
Nyanza	\$5.00	18.8%	0.7%	\$1.05
CBT				\$0.47
Local TO		0.2%		\$1.51
Other		27.1%		\$205.19
Donations				\$119.95
Souvenirs				\$45.30
Informal sector				\$2.73
Other				\$37.21

Table A2. 8: Breakdown of total spent – other (n=31)

	Ø COSTS	GROSS %	NET %	SPENT
TOTAL				\$1,790.87
Accommodation		24.6%		\$440.55
4*/5*	\$75.00	5.5%	29.0%	\$127.89
2*/3*	\$35.00	15.1%	37.2%	\$163.85
Low budget	\$15.00	27.9%	29.5%	\$129.75
Camping	\$15.00	0.9%	1.0%	\$4.19
Homestay	\$15.00	3.2%	3.4%	\$14.88
Private	\$0.00	47.5%	0.0%	\$0.00
Transport		11.9%		\$213.11
Private	\$10.00	29.7%	25.9%	\$55.15
Tour	\$40.00	7.3%	25.4%	\$54.22
Rented	\$50.00	5.9%	25.7%	\$54.78
Bus	\$5.00	20.5%	8.9%	\$19.03
Taxi	\$5.00	21.0%	9.1%	\$19.50
Moto	\$2.00	14.6%	2.5%	\$5.42
Boat	\$30.00	0.9%	2.4%	\$5.01
Food		18.1%		\$324.15
Up	\$10.00	17.8%	36.8%	\$119.36
Middle	\$6.00	19.6%	24.3%	\$78.86
Low	\$3.00	14.2%	8.8%	\$28.57
Local family	\$3.00	8.7%	5.4%	\$17.50
Private	\$3.00	39.7%	24.6%	\$79.86
Activities		19.5%		\$349.22
Guides				\$5.97
Drivers				\$14.58
Gorillas	\$375.00	32.3%	63.5%	\$204.14
Other VNP	\$125.00	16.1%	10.6%	\$33.92
Chimpanzees	\$80.00	25.8%	10.8%	\$34.79
Other NNP	\$40.00	19.4%	4.1%	\$13.08
ANP	\$40.00	29.0%	6.1%	\$19.55
Kivu	\$30.00	19.4%	3.1%	\$9.81
Butare	\$5.00	41.9%	1.1%	\$3.53
Nyanza	\$5.00	29.0%	0.8%	\$2.44
CBT				\$7.42
Local TO		0.5%		\$8.95
Other		25.4%		\$454.24
Donations				\$354.19
Souvenirs				\$46.65
Informal sector				\$9.77
Other				\$43.63

Table A2. 9: Total spend according to five visitor types (n=444)

	Holiday up-market (96)	Holiday budget (175)	Business (78)	VFR (64)	Other (31)	Total (444)
TOTAL	\$398.12	\$130.71	\$218.86	\$93.50	\$81.75	\$168.49
Accommodation	\$83.21	\$27.83	\$105.96	\$22.24	\$20.11	\$45.78
4*/5*	\$66.35	\$8.56	\$75.34	\$10.85	\$5.84	\$27.07
2*/3*	\$13.00	\$9.46	\$25.59	\$5.61	\$7.48	\$11.60
Low budget	\$3.42	\$9.16	\$5.03	\$3.38	\$5.92	\$6.30
Camping	\$0.00	\$0.22	\$0.00	\$0.72	\$0.19	\$0.22
Homestay	\$0.44	\$0.43	\$0.00	\$1.68	\$0.68	\$0.59
Private	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Transport	\$50.56	\$14.76	\$24.30	\$11.32	\$9.74	\$19.97
Private	\$1.49	\$1.23	\$8.31	\$5.39	\$2.52	\$3.21
Tour	\$35.66	\$3.84	\$3.32	\$0.93	\$2.48	\$7.63
Rented	\$11.86	\$6.13	\$8.29	\$3.44	\$2.50	\$6.24
Bus	\$0.45	\$1.64	\$0.42	\$0.57	\$0.87	\$0.99
Taxi	\$1.04	\$1.23	\$3.74	\$0.52	\$0.89	\$1.44
Moto	\$0.06	\$0.27	\$0.22	\$0.14	\$0.25	\$0.21
Boat	\$0.00	\$0.42	\$0.00	\$0.33	\$0.23	\$0.25
Food	\$32.65	\$14.77	\$26.06	\$14.12	\$14.80	\$19.02
Up	\$24.93	\$6.23	\$17.33	\$4.59	\$5.45	\$10.26
Middle	\$6.08	\$5.50	\$5.51	\$3.44	\$3.60	\$4.95
Low	\$0.93	\$2.06	\$1.23	\$0.92	\$1.30	\$1.47
Local family	\$0.24	\$0.39	\$0.46	\$0.58	\$0.80	\$0.48
Private	\$0.47	\$0.59	\$1.53	\$4.59	\$3.65	\$1.86
Activities	\$125.00	\$48.48	\$33.49	\$20.30	\$15.95	\$47.09
Guides	\$0.96	\$0.83	\$0.53	\$0.12	\$0.27	\$0.60
Drivers	\$3.38	\$2.75	\$1.69	\$1.03	\$0.67	\$2.05
Gorillas	\$106.24	\$36.96	\$26.78	\$13.79	\$9.32	\$36.87
Other VNP	\$7.56	\$3.81	\$0.53	\$0.00	\$1.55	\$2.88
Chimpanzees	\$3.81	\$2.03	\$0.68	\$1.20	\$1.59	\$1.88
Other NNP	\$1.01	\$0.49	\$0.00	\$0.26	\$0.60	\$0.48
ANP	\$0.89	\$0.52	\$1.35	\$2.68	\$0.89	\$1.08
Kivu	\$0.58	\$0.65	\$1.51	\$0.78	\$0.45	\$0.76
Butare	\$0.29	\$0.21	\$0.27	\$0.25	\$0.16	\$0.23
Nyanza	\$0.24	\$0.06	\$0.15	\$0.13	\$0.11	\$0.12
CBT	\$0.04	\$0.17	\$0.00	\$0.06	\$0.34	\$0.14
Local TO	\$21.10	\$1.70	\$0.44	\$0.19	\$0.41	\$3.81
Other	\$85.60	\$23.17	\$28.61	\$25.33	\$20.74	\$32.82
Donations	\$23.69	\$10.30	\$13.22	\$14.81	\$16.17	\$14.42
Souvenirs	\$10.47	\$3.65	\$3.16	\$5.59	\$2.13	\$4.55
Informal sector	\$0.54	\$0.80	\$0.15	\$0.34	\$0.45	\$0.53
Other	\$50.90	\$8.42	\$12.08	\$4.59	\$1.99	\$13.32

This leaves us the opportunity to break the total spend per visitor per day down into gross revenues for different categories of product and service providers. Table A2.10 offers such a breakdown into public sector earnings, private sector earnings, earnings of the 'less advantaged', and earnings of general society, often involving the less advantaged, for the daily expenditure.

Table A2. 10: Breakdown of daily spend into categories of product and service providers (n=444)

	Upmarket (96)	Budget (175)	Business (78)	VFR (64)	Other (31)	Total (444)	Beneficiary
TOTAL /day	\$398.12	\$130.71	\$218.86	\$93.50	\$81.75	\$168.49	
Public	\$120.04	\$44.30	\$29.76	\$19.03	\$14.41	\$43.76	
% of total	30.2%	33.9%	13.6%	20.4%	17.6%	26.0%	
Gorillas	\$106.24	\$36.96	\$26.78	\$13.79	\$9.32	\$36.87	ORTPN
Other VNP	\$7.56	\$3.81	\$0.53	\$0.00	\$1.55	\$2.88	ORTPN
Chimpanzees	\$3.81	\$2.03	\$0.68	\$1.20	\$1.59	\$1.88	ORTPN
Other NNP	\$1.01	\$0.49	\$0.00	\$0.26	\$0.60	\$0.48	ORTPN
ANP	\$0.89	\$0.52	\$1.35	\$2.68	\$0.89	\$1.08	ORTPN
Butare	\$0.29	\$0.21	\$0.27	\$0.25	\$0.16	\$0.23	Museum
Nyanza	\$0.24	\$0.06	\$0.15	\$0.13	\$0.11	\$0.12	Museum
Camping	\$0.00	\$0.22	\$0.00	\$0.72	\$0.19	\$0.22	ORTPN
Private	\$185.74	\$56.10	\$152.34	\$43.90	\$42.02	\$85.39	
% of total	46.7%	42.9%	69.6%	47.0%	51.4%	50.7%	
Local TO	\$21.10	\$1.70	\$0.44	\$0.19	\$0.41	\$3.81	Local operators
4*/5*	\$66.35	\$8.56	\$75.34	\$10.85	\$5.84	\$27.07	Up hotels
2*/3*	\$13.00	\$9.46	\$25.59	\$5.61	\$7.48	\$11.60	Mid hotels
Low budget	\$3.42	\$9.16	\$5.03	\$3.38	\$5.92	\$6.30	Low hotels
Private cars	\$1.49	\$1.23	\$8.31	\$5.39	\$2.52	\$3.21	Private cars
Tour	\$35.66	\$3.84	\$3.32	\$0.93	\$2.48	\$7.63	Car rentals/TOs
Rented	\$11.86	\$6.13	\$8.29	\$3.44	\$2.50	\$6.24	Car rentals/TOs
Bus	\$0.45	\$1.64	\$0.42	\$0.57	\$0.87	\$0.99	Transport companies
Up	\$24.93	\$6.23	\$17.33	\$4.59	\$5.45	\$10.26	Up restaurants
Middle	\$6.08	\$5.50	\$5.51	\$3.44	\$3.60	\$4.95	Mid restaurants
Low	\$0.93	\$2.06	\$1.23	\$0.92	\$1.30	\$1.47	Low restaurants
Private cooking	\$0.47	\$0.59	\$1.53	\$4.59	\$3.65	\$1.86	Shops/markets
Less advantaged	\$17.75	\$11.59	\$11.46	\$11.17	\$7.16	\$11.60	
% of total	4.5%	8.9%	5.2%	11.9%	8.8%	6.9%	
CBT	\$0.04	\$0.17	\$0.00	\$0.06	\$0.34	\$0.14	CBT
Homestay	\$0.44	\$0.43	\$0.00	\$1.68	\$0.68	\$0.59	CBT
Local family	\$0.24	\$0.39	\$0.46	\$0.58	\$0.80	\$0.48	Shops/markets/CBT
Kivu	\$0.58	\$0.65	\$1.51	\$0.78	\$0.45	\$0.76	Fishermen/owners
Boat	\$0.00	\$0.42	\$0.00	\$0.33	\$0.23	\$0.25	Fishermen/owners
Souvenirs	\$10.47	\$3.65	\$3.16	\$5.59	\$2.13	\$4.55	Shops/producers
Informal sector	\$0.54	\$0.80	\$0.15	\$0.34	\$0.45	\$0.53	Vendors
Guides	\$0.96	\$0.83	\$0.53	\$0.12	\$0.27	\$0.60	Private guides
Drivers	\$3.38	\$2.75	\$1.69	\$1.03	\$0.67	\$2.05	Private drivers
Moto	\$0.06	\$0.27	\$0.22	\$0.14	\$0.25	\$0.21	Moto drivers
Taxi	\$1.04	\$1.23	\$3.74	\$0.52	\$0.89	\$1.44	Taxi drivers
General society	\$74.59	\$18.72	\$25.30	\$19.40	\$18.16	\$27.74	
% of total	18.7%	14.3%	11.6%	20.7%	22.2%	16.5%	
Donations	\$23.69	\$10.30	\$13.22	\$14.81	\$16.17	\$14.42	Society
Other	\$50.90	\$8.42	\$12.08	\$4.59	\$1.99	\$13.32	Society
TOTAL	\$398.12	\$130.71	\$218.86	\$93.50	\$81.75	\$168.49	

Annex 3: Overview of participants from tourism industry surveys

We conducted surveys with local tour operators, accommodation providers, restaurants, local transport companies and souvenir shops. This annex provides an overview of the participants.

As incoming agencies, 15 of 17 registered Rwandan tour operators participated in the survey. Of the remaining two, one could not be located and the other one was too preoccupied with other business and refused to contribute to our research. The remaining participants include ten of the eleven companies that bought mountain gorilla permits in 2005, representing 99.2% of all permits sold to local operators during that year. An overview of these agencies with regards to their ownership structure, the amount of their clients, their average length of stay and spend per day, as well as a distinction according to the products on offer is presented in table A3.1 below. We divided them into three categories according to the spend per day of their clients. This way, five 'budget' operators have a spend of up to \$300 per day, clients of five companies in the 'middle' class spend between \$300 and \$400 per day, and five 'upmarket' agencies offer tours with a spend of more than \$400 per day.

Table A3. 1: Overview of Rwandan tour operators (n=15)

	Budget (5)	Middle (5)	Upmarket (5)	Total (15)
Ownership:				
National	4	3	2	9
Regional	0	0	1	1
International	1	2	2	5
Clients 05	1125	2450	1499	5074
Ø length	4.8	5.2	4.0	4.7
Ø spend/day	\$200-300	\$300-400	\$400-500	\$341.92
Products:				
Package	26.3%	42.5%	62.0%	45.0%
Tailor-made	73.7%	57.5%	38.0%	55.0%

Asked about their main client markets, they named the US (23.7%), followed by the UK (22.8%), Germany (9.4%), Australia (8.5%), Belgium (4.9%), Switzerland (4.5%), Austria (4.5%), Canada (4.5%) and Sweden (4.0%). As for their tours, table A3.2 below provides a comprehensive description of the attractions they offer, the accommodation, restaurants and transport companies they use, and the visits of their clients to other establishments from the local economy.

Table A3. 2: Components of the tours of Rwandan tour operators (n=15)

	Budget (5)	Middle (5)	Upmarket (5)	Total (15)
Attractions:				
Gorillas	89.8%	76.0%	95.6%	87.1%
Other VNP	21.0%	23.8%	31.0%	25.3%
Chimpanzees	15.0%	16.4%	34.0%	21.8%
Other NNP	22.4%	16.4%	24.0%	20.9%
ANP safari	35.8%	16.0%	47.0%	32.9%
Kivu boat	32.2%	18.6%	14.4%	21.7%
Butare	26.8%	15.2%	53.0%	31.7%
Nyanza	26.8%	74.6%	48.0%	49.8%
Accommodation:				
4*/5*	44.0%	58.0%	74.0%	58.7%
2*/3*	42.0%	29.6%	22.0%	31.2%
Low budget	4.0%	8.0%	4.0%	5.3%
Camping	9.0%	3.4%	0.0%	4.1%
Homestay	1.0%	1.0%	0.0%	0.7%
Restaurants:				
Upmarket	47.0%	58.0%	81.0%	62.0%
Middle class	43.0%	36.0%	18.0%	32.3%
Low budget	1.0%	2.0%	1.0%	1.3%
Local community	6.0%	2.0%	0.0%	2.7%
Private cooking	3.0%	4.0%	0.0%	2.3%
Transport:				
Own vehicles	55.6%	73.0%	36.0%	54.9%
Formal rent	4.0%	20.0%	61.0%	28.3%
Informal rent	37.4%	5.0%	3.0%	15.1%
Public vehicles	3.0%	2.0%	0.0%	1.7%
Local economy:				
City bar	35.0%	23.0%	38.0%	32.0%
Rural bar	25.0%	22.0%	10.0%	19.0%
Supermarket	16.0%	27.4%	19.0%	20.8%
Local shop	21.0%	36.0%	39.0%	32.0%
Market	26.0%	31.0%	54.0%	37.0%
Street vendor	13.0%	10.4%	30.0%	17.8%
Internet cafe	22.6%	13.0%	48.0%	27.9%
Post office	34.4%	14.0%	25.0%	24.5%
Bank	13.2%	13.0%	40.0%	22.1%
Forex bureau	73.0%	44.0%	64.0%	60.3%
Maps	27.0%	15.0%	28.0%	23.3%
Newspaper	1.4%	7.0%	5.0%	4.5%
Postcards	74.0%	37.0%	51.0%	54.0%
Entertainment	16.0%	23.6%	18.0%	19.2%

In addition to their visits to the major attractions, we asked them to name any other site or activity that they offer to their clients on a regular basis. In an order of frequency, they mentioned visits to coffee and tea plantations (4), visits to genocide memorials (4), visits to the twin lakes Burera and Ruhondo (3), visits to the

Bugarama hot springs (2), visits to Rusumo Falls (2), explicit community-based tourism (2), birding tours (2), visits to caves near Ruhengeri (1), visits to Lake Muhazi (1), and golfing tours (1).

As for the accommodation providers, 62 establishments participated in our survey – 30 from Kigali, twelve from Butare, seven from Cyangugu, five from Ruhengeri, four from Gisenyi, two from Kinigi, one from NNP and one from ANP. They represent 77.5% of all hotels near tourist sites described in the most common travel guide book, the 2004 edition of the Bradt Travel Guide on Rwanda (Booth & Briggs, 2004). They further contain a total of 1,504 rooms, 65.4% of the 2,300 that Enger (2006: 167ff.) had described. Broken down into three categories according to room rates, they include 45 budget facilities with rooms for less than \$40, eleven middle-class hotels with a room rate between \$40 and \$90, and six upmarket establishments where a room goes for above \$90. Table A3.3 below summarizes data on the rooms, on the ownership and the origin of the guests.

Table A3. 3: Overview of Rwandan accommodation providers (n=62)

	Budget (45)	Middle (11)	Upmarket (6)	Total (62)
Rooms:				
Amount	840	291	373	1504
Ø amount	18.7	26.5	62.2	24.3
Cost per room	<\$40	\$40-90	>\$90	
Ownership:				
National	44	10	3	57
Regional	1	0	0	1
International	0	1	3	4
Origin of guests:				
National	53.6%	31.4%	3.4%	36.8%
Regional	27.8%	26.7%	11.6%	23.6%
International	18.6%	41.9%	85.0%	39.6%

In terms of restaurants, we conducted our survey with 26 establishments, 18 of which are located in Kigali, six in Butare and two in Cyangugu. Most other major tourism sites do not have separate restaurants but combinations with hotels, and are, therefore, covered by the accommodation providers. Broken down into three categories according to the prices for their drinks, they represent twelve budget establishments,

eight middle-class places and six upmarket restaurants. An overview of the price range, the ownership and the type of cuisine is provided in table A3.4 below.

Table A3. 4: Overview of Rwandan restaurants (n=26)

	Budget (12)	Middle (8)	Upmarket (6)	Total (26)
Prices:				
Beer (Mützig)	FRw 300-400	FRw 400-500	FRw 500+	FRw 519
Soft drink (Coke)	FRw 200-300	FRw 300-400	FRw 400+	FRw 333
Ownership:				
National	10	5	3	18
Regional	0	0	0	0
International	2	3	3	8
Type of cuisine:				
African	11	4	2	17
Asian	1	1	3	5
Continental	0	3	1	4

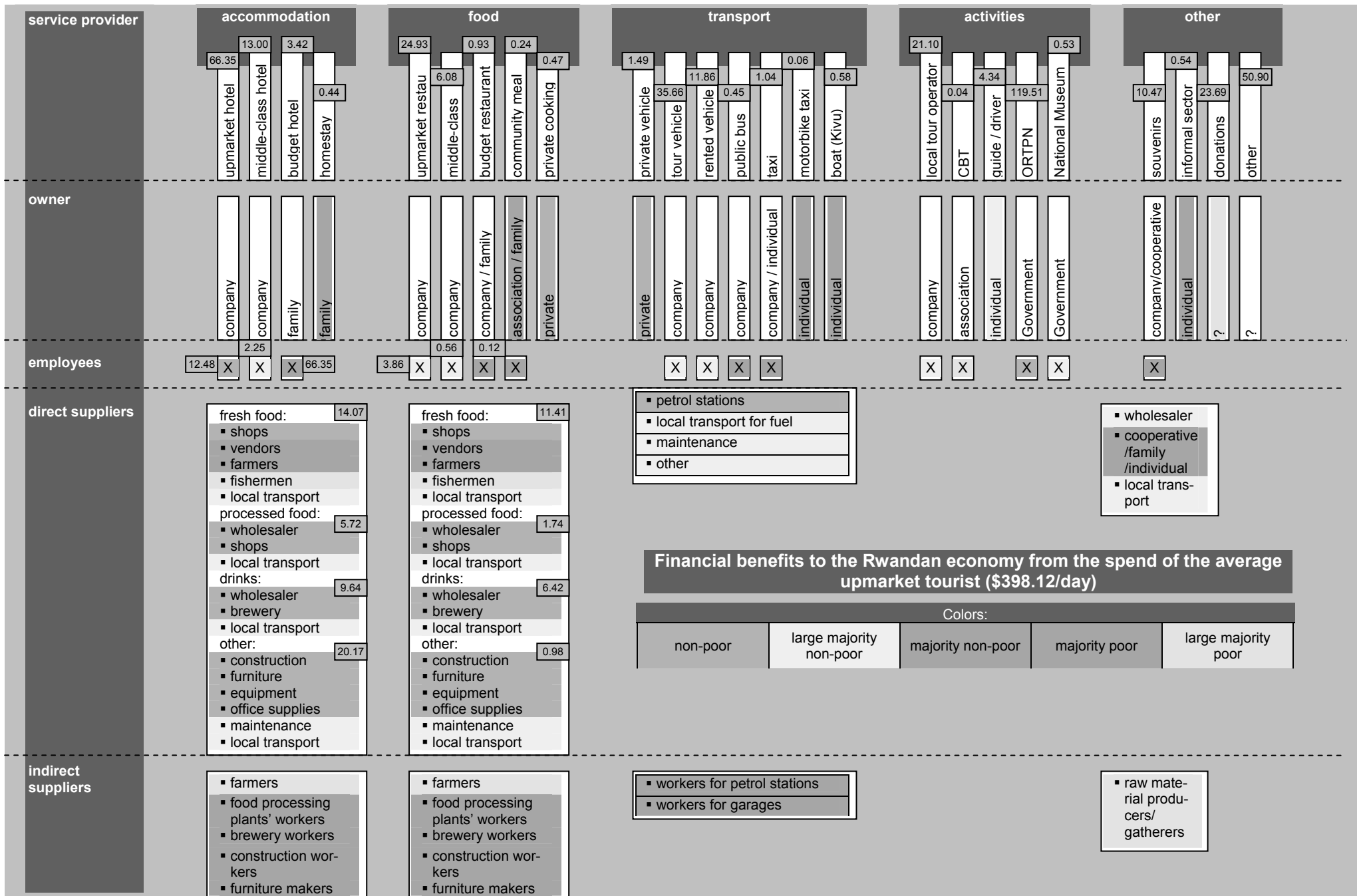
For the transport providers, we found seven companies that all participated in the survey. They include one public and six private enterprises. An overview of their business type, services and number of vehicles is provided in table A3.5 below.

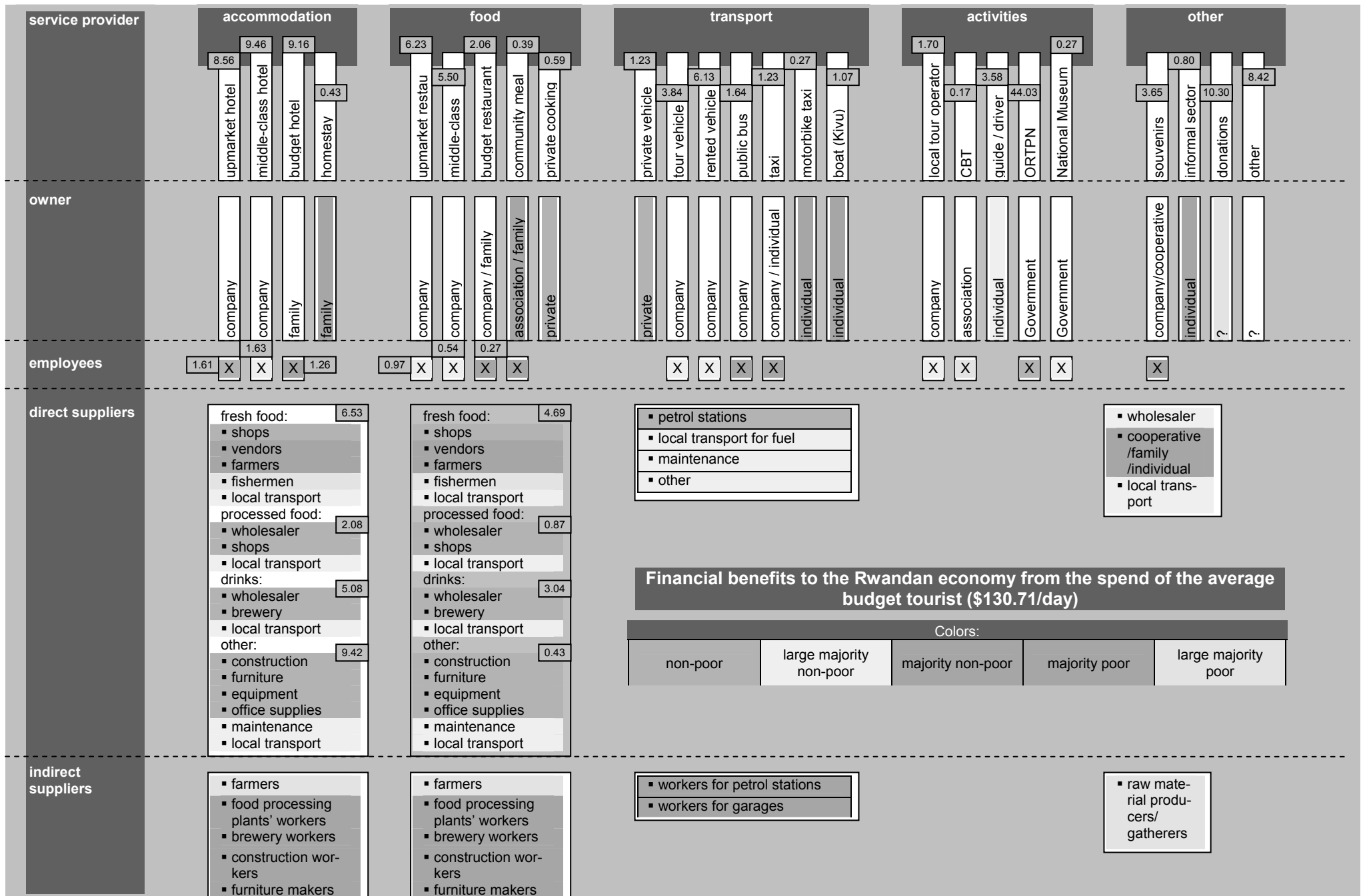
Table A3. 5: Overview of Rwandan transport providers (n=7)

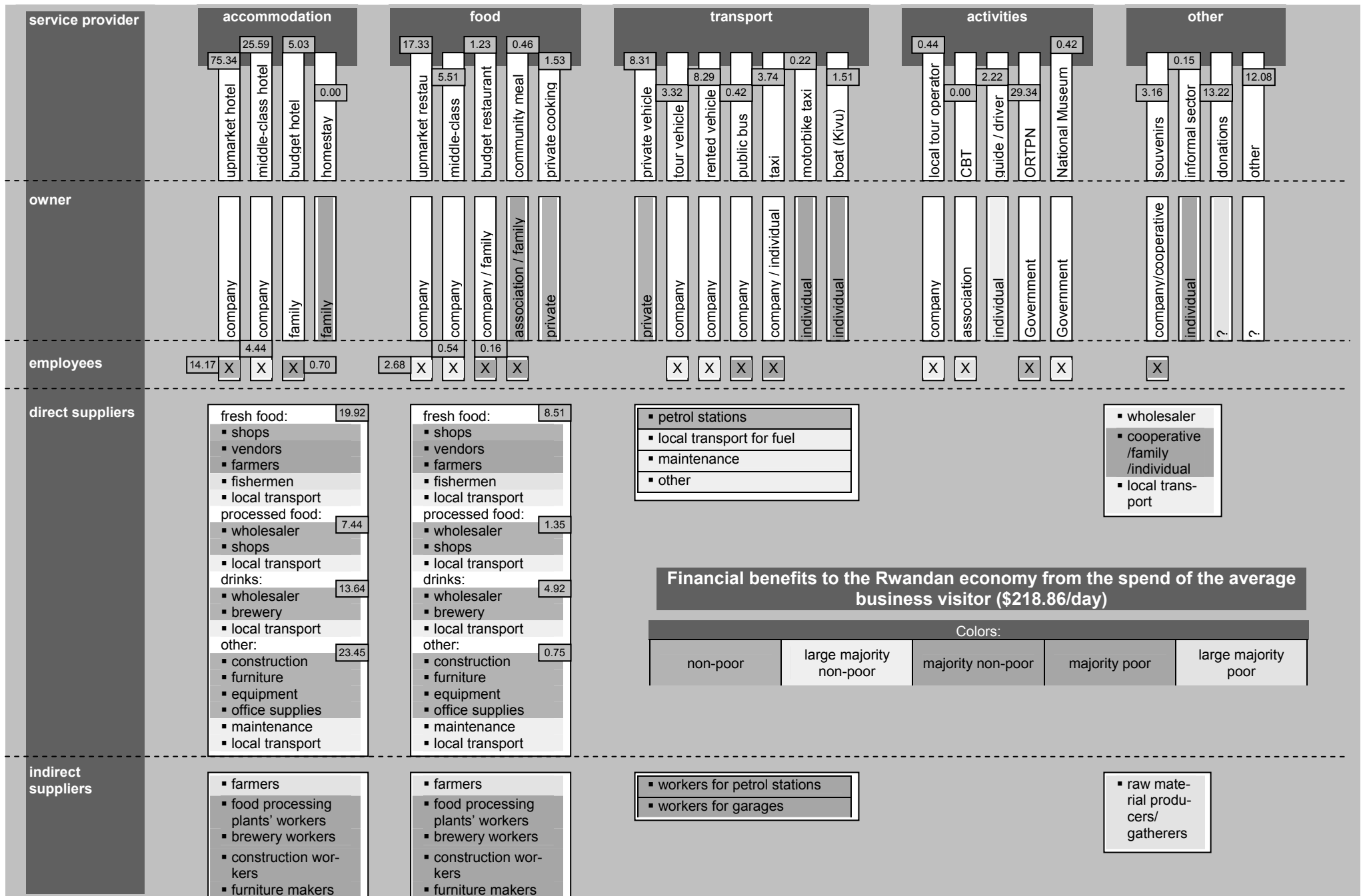
	Total (7)
Business type:	
Private company	6
Public company	1
Services:	
Local	2
National	3
Local/national	2
Number of vehicles:	
Total	358
Ø per company	51.1

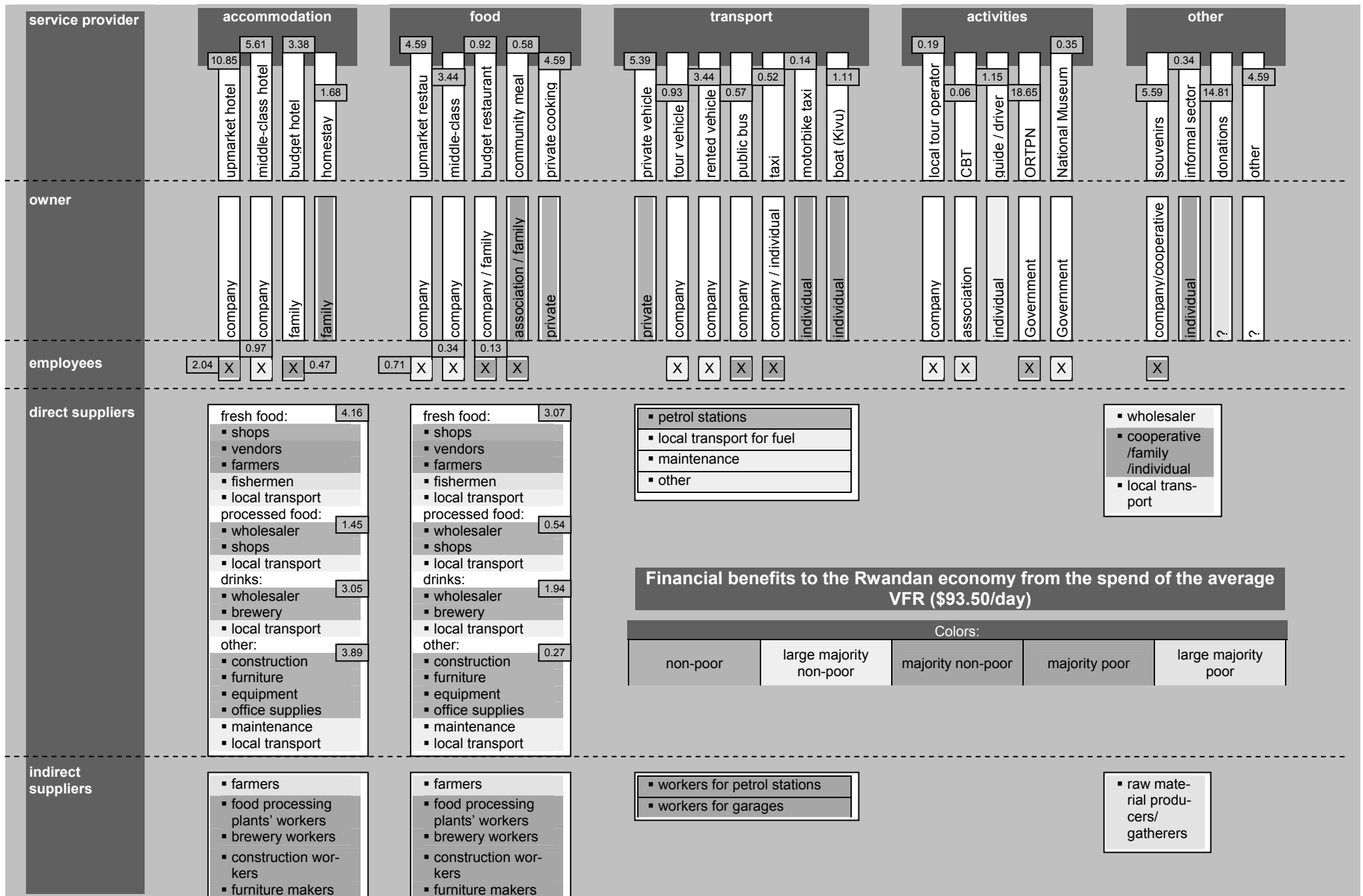
Finally, we conducted a survey with 16 souvenir shops which we found in Kigali. Outside of the capital city, separate souvenir shops are almost non-existent. They usually form part of accommodation providers.

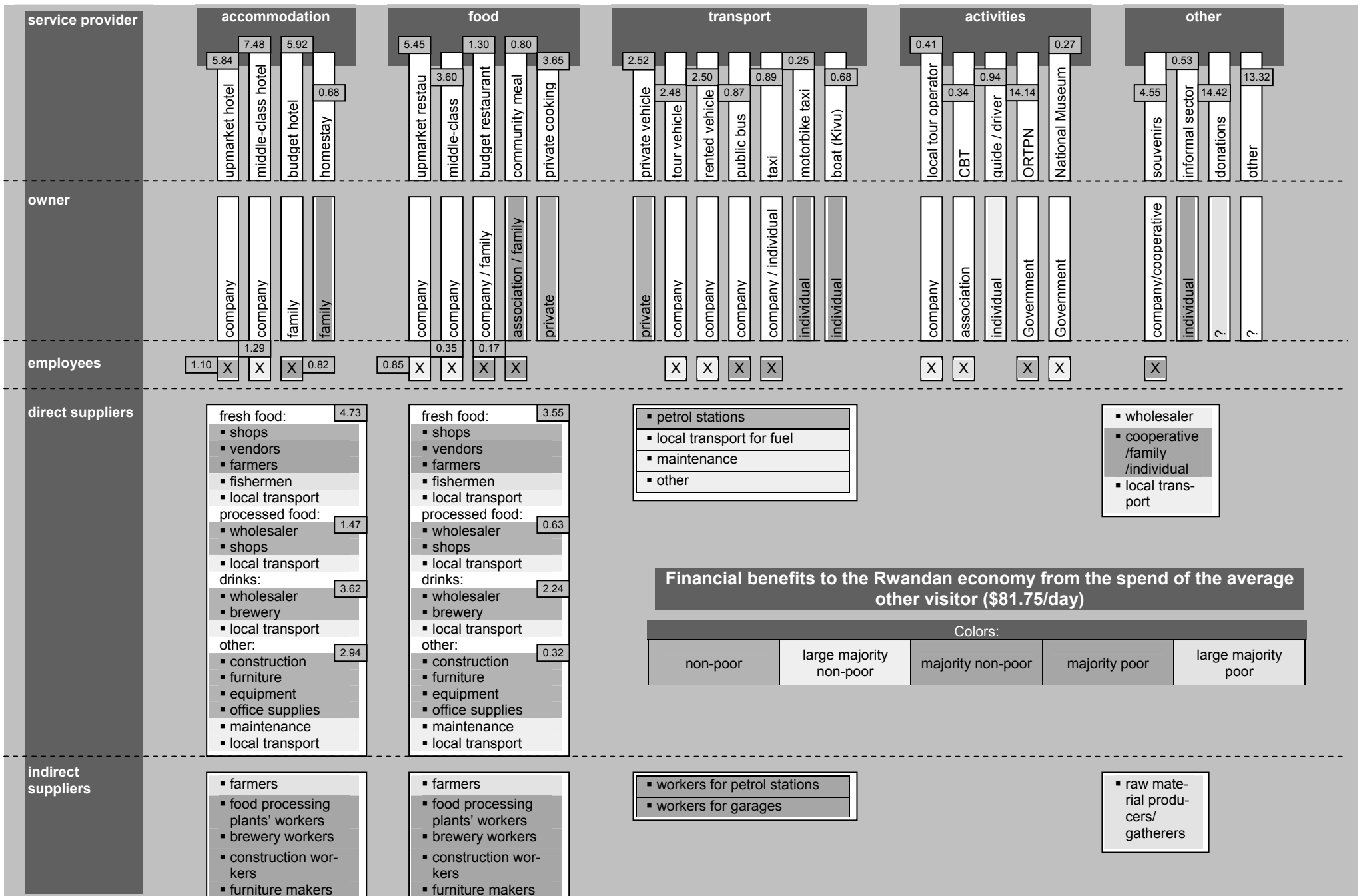
Annex 4: Financial benefits to the Rwandan economy from the spend of individual visitor types











Summary in German

Maximierung der armutsbekämpfenden Wirkung des Tourismus in Ruanda

Kapitel 1: Einleitung

Seit Menschengedenken streben wir nach Entwicklung und Fortschritt. Über viele Jahrtausende jedoch blieb extreme materielle Armut ein allgegenwärtiges Phänomen. Erst mit der *Industriellen Revolution* in Europa im späten 18. Jahrhundert und entscheidenden technischen Erfindungen wie der Dampfmaschine gelang es uns, nach und nach die Armut zu beseitigen – zumindest in den Gegenden der Welt, die aktiv an der Industrialisierung teilnahmen. Heute sind wir an einem Punkt angelangt, an dem Jeffrey D. Sachs, der Direktor des Millennium Projektes der Vereinten Nationen, erstmalig einen realistischen Plan aufgestellt hat, ein „Ende der Armut“ bis zum Jahr 2025 zu erreichen (Sachs, 2005).

Heute werden die Vorzüge und Nachteile einer ganzen Reihe von möglichen Interventionen in vielen einzelnen Themengebieten diskutiert, die zur Armutsbekämpfung beitragen sollen. In einigen davon sind uns die Wirkungen bereits gut bekannt – so gilt zum Beispiel als sicher, dass Bildung und Gesundheit fundamental wichtig sind. In anderen stehen wir noch immer ziemlich am Anfang unserer Erkenntnisse. So gehört der Tourismus als Wirtschaftssektor nicht häufig zu den ersten Themen, die im Rahmen von armutsbekämpfenden Maßnahmen angesprochen werden. Jedoch ist der Tourismus heute zur Realität in praktisch jedem Land der Erde geworden und seine vielseitigen Auswirkungen beeinflussen auch stark das Leben der armen Bevölkerungsteile.

Spätestens in den vergangenen zehn Jahren sind die armutsbekämpfenden Wirkungen des Tourismus zu einem interessanten Spezialgebiet für ein paar wenige Forscher und Praktiker geworden, die interdisziplinär zwischen Fachbereichen wie Geographie, Betriebswirtschaftslehre, Entwicklungsstudien, Volkswirtschaftslehre, Politikwissenschaft, Sozialwissenschaften, Ethnologie oder Umweltwissenschaften arbeiten. Immer mehr Fallstudien sowie die theoretische Erforschung der Hintergründe tragen zu einem wachsenden Wissensstand bei.

Diese Literatur hat sich zumeist auf die Mikroebene beschränkt. So entstand eine Reihe von Analysemodellen sowie Zusammenstellungen beispielhafter Projekte, die sich mit Gastgesellschaften sowie einzelnen Firmen beschäftigten. Nur wenige Studien gingen über diese Ebene hinaus und behandelten ganze Destinationen. Untersuchungen auf nationaler Ebene blieben regelmäßig bruchstückhaft und bezogen sich entweder auf die Policies der Regierungen oder auf Aktivitäten der gesamten Industrie. Bis heute konnten wir keinen einzigen Versuch finden, der die armutsbekämpfenden Effekte des Tourismus in einem holistischen Ansatz auf der Makroebene untersucht und dabei sowohl das Handeln der unterschiedlichen Akteure als auch das nationale Umfeld mit einbezieht.

Aus mehreren Gründen ist dies ein trauriges Versäumnis. Obwohl es bei der Armutsbekämpfung im Endeffekt immer um individuelle Menschen geht, ist es dennoch sehr wichtig, auch das gesellschaftliche Umfeld sowie die darauf einwirkenden Kräfte zu verstehen. Studien auf der Mikroebene schaffen dies in aller Regel nicht. Darüber hinaus entdecken immer mehr Regierungen den Tourismus als interessantes Instrument, ihre Wirtschaft anzukurbeln. Ihr Verständnis des Sektors in Bezug auf dessen armutsbekämpfende Wirkungen reicht allerdings – wenn überhaupt – selten über die Mikroebene hinaus. Als Folge bleiben eine Menge Möglichkeiten ungenutzt, und häufig werden sogar unwissentlich neue Probleme geschaffen. Schließlich trägt das Versäumnis auch dazu bei, dass der internationale Wissensstand unvollständig bleibt, was derzeitige und zukünftige Forschungsbestrebungen ernsthaft einschränkt.

Unsere Dissertation versucht daher, diese Lücke zu schließen. Das Hauptziel ist es, *eine Methodologie zu entwickeln und zu testen, mit der die armutsbekämpfende Wirkung des Tourismus auf nationaler Ebene analysiert und maximiert werden kann*. Die Dissertation gliedert sich in zwei Teile. Nach der Einleitung (Kapitel I) beschäftigt sich der erste Teil (Kapitel II und III) mit der Entwicklung der Methodologie. Dazu wird zunächst die Literatur bezüglich der Theorie und der heutzutage vorherrschenden Praxis der Armutsbekämpfung untersucht, um einen holistischen Ansatz für Armutsbekämpfung zu entwickeln. Anschließend wird der Tourismus mit diesem Modell verknüpft, sodass die armutsbekämpfenden Wirkungen des Sektors theoretisch untersucht werden können. Die hier erforderliche Arbeit wurde in der Vergangenheit zu-

meist vernachlässigt, und die existierende Literatur blieb häufig oberflächlich. Ein dritter Schritt ist die Entwicklung der Forschungsmethodologie.

Der zweite Teil der Dissertation (Kapitel IV) besteht aus einer Anwendung der Methodologie in Bezug auf eine Fallstudie zu Ruanda. Die Forschungsergebnisse werden in jedem Unterkapitel jeweils direkt diskutiert, und es werden individuelle Empfehlungen ausgesprochen. Abschließend werden alle Aspekte noch einmal zusammengeführt und unter den Gesichtspunkten unserer Definition von Armut analysiert. Kapitel V beinhaltet eine Zusammenfassung, die sowohl auf den Inhalt der Arbeit als auch auf die Effektivität der Methodologie eingeht.

Ruanda wurde aufgrund verschiedener Gegebenheiten für die Pilotfallstudie ausgewählt. Das sehr arme Land an der Grenze zwischen Ost- und Zentralafrika ist vergleichsweise sehr klein, und seine Tourismusindustrie ist nur etwas über zehn Jahre nach einem schrecklichen Bürgerkrieg und Genozid noch sehr überschaubar. Sowohl die Regierung als auch der Privatsektor wünschen sich eine verantwortungsbewusste und nachhaltige Tourismusentwicklung, und sie bauen vor allem auf Ökotourismus und vereinzelt Kulturtourismus. Darüber hinaus wird der Tourismus in allen wichtigen nationalen Wirtschafts- und Armutsbekämpfungsstrategien genannt.

Die zuständige nationale Behörde für Tourismus und Nationalparks (ORTPN) hat die Durchführung unserer Fallstudie begrüßt und ist gerne bereit, die Nutzung der Ergebnisse und Erkenntnisse für die Ausarbeitung zukünftiger Strategien zu untersuchen. Dies bedeutet, dass unsere Dissertation nicht nur ein wichtiger Beitrag zur Erweiterung des internationalen Wissenstandes ist, sondern darüber hinaus auch auf praktische Art und Weise für Ruanda und seine Menschen von Nutzen sein wird.

Kapitel 2: Armutsbekämpfung – Theorie und vorherrschende Praxis

Dieses Kapitel hat die Aufgabe, aus Theorie und vorherrschender Praxis einen holistischen Ansatz für Armutsbekämpfung zu entwickeln. Dazu wird zunächst der Armutsbegriff selbst untersucht. Gemäß einer weithin verbreiteten orthodoxen Betrachtungsweise wird Armut in der Regel unter materiellen Gesichtspunkten definiert (Thomas, 2001: 562). Es handelt sich demnach um eine Situation, in der Menschen

nicht genug zu essen haben und auch andere grundlegende materielle Bedürfnisse nicht befriedigen können. Wir werden täglich mit monetären Armutsgrenzen konfrontiert, wonach ein Mensch zum Beispiel als arm gilt, wenn er weniger als einen Dollar am Tag zum Leben hat. Wenn wir diese von der Weltbank und der UNO genutzte Grenze als Basis nehmen, leben heutzutage mehr als 1,2 Milliarden Menschen in Armut (UNDP, 2003: 5).

Bereits Aristoteles bemerkte jedoch, dass „Reichtum offensichtlich nicht das ist, wonach wir streben, da es lediglich nützlich für etwas Anderes ist“ (zitiert in Sen, 1999: 14). Armut ausschließlich unter materiellen Gesichtspunkten zu definieren, würde daher bedeuten, dass wir unsere Ziele mit unseren Mitteln verwechseln würden. Immer mehr Beobachter sprechen von Armut als „multidimensionalem Phänomen“ (World Bank, 2003a: 2).

In unserer Dissertation folgen wir den Formulierungen von Amartya Sen, einem Gewinner des Nobelpreises für Ökonomie, der seine persönliche Sichtweise in dem einflussreichen Buch *Development as freedom* [Entwicklung als Freiheit] darstellt. Danach ist Armut schlichtweg ein „Mangel an Basisfähigkeiten“ und „Freiheiten“ (Sen, 1999: 87). Während Sen bewusst ist, dass es unmöglich wäre, eine abschließende Liste von solchen lebenswichtigen Freiheiten aufzustellen, die weltweit Akzeptanz findet, nennt er lediglich fünf verschiedene Typen, die einen besonderen Wert haben: politische Freiheiten, wirtschaftliche Freiheiten, soziale Gelegenheiten, Transparenzgarantien und persönliche Sicherheit. Den Wissenschaftlern Duraiappah (2001) und Cosby (2004) vom International Institute for Sustainable Development (IISD) folgend, ergänzen wir noch eine ökologische Komponente, sodass wir eine Liste von sechs Hauptfreiheiten erhalten.

Als Arbeitsdefinition für Armut nutzen wir demnach den Begriff des *Mangels an Basisfähigkeiten, wodurch Individuen nicht in der Lage sind, dem nachzustreben, was sie für wichtig halten*. Dies beinhaltet ein notwendiges materielles sowie eine Vielzahl von weit verstrickten nicht-materiellen Elementen. Wir werden dort, wo quantitative Betrachtungen nötig sind, nicht um die allgemein vorherrschenden Armutsgrenzen herumkommen, wollen jedoch nach Möglichkeit multidimensionale qualitative Er-

kenntnisse mit einfließen lassen. Unter anderem wird dies auch besonders auf die Entwicklung der angestrebten Methodologie Einfluss nehmen.

Wie man Armut bekämpfen kann, ist ein häufig hitzig diskutiertes Thema. Unbestritten ist vermutlich, dass Wirtschaftswachstum fundamental wichtig ist. Daraus resultieren dann aber zwei Fragen, die nicht so einfach zu klären sind. Zum einen gibt es immer mehr Beobachter, die der Ansicht sind, dass Wachstum alleine nicht ausreicht, und einen so genannten *pro-poor growth* fordern, also Wachstum, das spezielle positive Effekte auf die armen Bevölkerungsschichten hat. Und darüber hinaus streitet man über die Ansätze, wie dieses Wachstum erreicht werden kann.

Wir werfen einen Blick auf jüngste Erkenntnisse des UNDP (2005) und der World Bank (2005c), wo auf die wichtige Rolle von sozialen Ungleichheiten verwiesen wird, und schließen uns der Forderung nach *pro-poor growth* an. Während wachstumsfördernde Maßnahmen in allen Ländern entscheidend sind, kommt es sowohl auf die bestehenden sozialen Ungleichheiten als auch auf Veränderungen mit der Zeit an, inwiefern zusätzlich noch Policies nötig sind, die diese Ungleichheiten eindämmen. Besonders in den ärmsten Ländern, die häufig unter tiefen Armutsfallen und Teufelskreisen leiden, sind in der Regel reine wachstumsfördernde Maßnahmen nicht ausreichend. Es bleibt aber festzustellen, dass diese zusätzlichen die Ungleichheit eindämmenden Policies häufig auch positiv fürs Wachstum sind, sodass die Regierungen nur in den wenigsten Fällen tatsächlich eine Entscheidung für das Eine oder Andere treffen müssen.

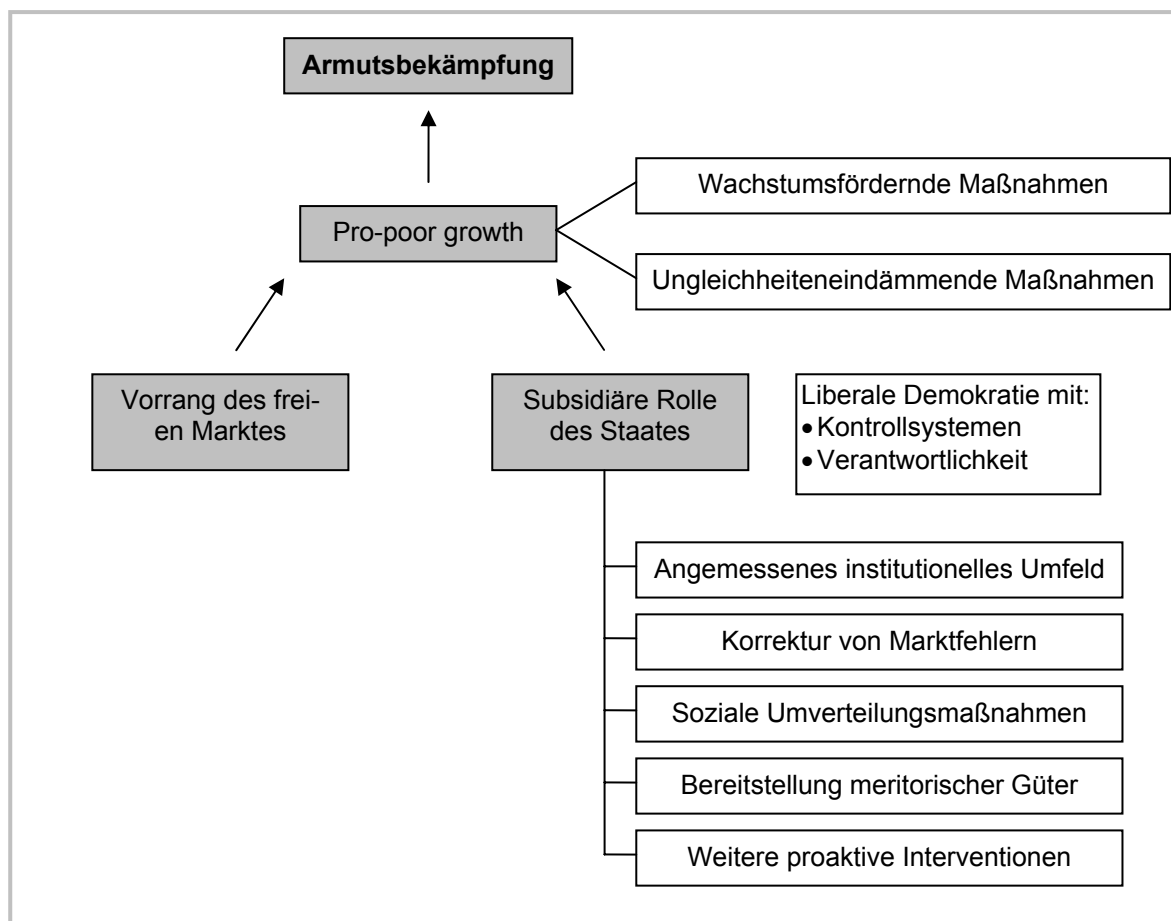
Die Frage, wie man diesen *pro-poor growth* erreicht, hatte lange Zeit einen starken politischen und ideologischen Hintergrund. Basierend auf historischen Ansätzen wie der Dependenztheorie und der Modernisierungstheorie wurden viele Entwicklungsländer zum Spielfeld, auf dem häufig Ziele und Mittel verwechselt wurden. Weder die protektionistischen Haltungen in Lateinamerika und einigen afrikanischen und asiatischen Staaten noch die neoliberalen Grundsätze, die vom *Washington Consensus* gepredigt wurden, konnten jedoch einen Durchbruch für eine nachhaltige Entwicklung und Armutsbekämpfung schaffen. Erst nach dem Ende des *Kalten Krieges* und einer immer lauter werdenden Debatte zwischen Globalisierungsbefürwortern und -

gegnern wurden die ideologischen Zwänge langsam abgelegt, sodass der Weg frei war für pragmatische Erwägungen.

Wir beschreiben die neuen Ansätze als post-neoliberal, da sie zwar weiterhin den freien Handel als Fundament betrachten, dem Staat jedoch eine ganze Reihe von subsidiären Aufgaben zukommen lassen. Diese beinhalten die Bereitstellung eines angemessenen institutionellen Umfelds, die Korrektur von Marktfehlern, gewisse soziale Umverteilungsmaßnahmen, die Bereitstellung einiger meritokratischer Güter und in Ausnahmefällen mögliche proaktive Interventionen, um Märkte zu schaffen und zu entwickeln, sowie um benachteiligten Bürgern die Teilnahme an der Wirtschaft zu ermöglichen.

Schließlich stellen wir noch die Frage, welche Art von Staat diese subsidiären Aufgaben überhaupt wahrnehmen kann, und gehen dabei kurz auf die aktuelle Polity Diskussion im Afrika südlich der Sahara ein. Dabei stellen wir klar, dass demokratische Staatsformen vielleicht nicht unbedingt nötig sind, um materielle Armut zu bekämpfen. Wenn wir jedoch unsere weite Definition der Armut zugrunde legen, hat die liberale Demokratie eine Vielzahl an eigenen intrinsischen Werten, die für die Armutsbekämpfung unabdingbar sind. Dies bedeutet nicht, dass wir traditionelle Konzeptionen der Demokratie eins zu eins kopieren müssen. Vielmehr sollten die speziellen historischen und soziokulturellen Hintergründe des afrikanischen Kontinents Einfluss nehmen, sodass wir eine „afrikanische Variante“ (Banseka, 2002: 295) der Demokratie entwickeln können. Besonders wichtig sind hierbei nicht unbedingt freie Wahlen um jeden Preis – wie uns die Weltgemeinschaft häufig glauben machen will –, sondern vor allem auch effektive Kontrollsysteme und Möglichkeiten, eine Regierung für ihre Staatsführung verantwortlich zu machen.

So kommen wir zu folgendem Modell für einen post-neoliberalen Ansatz der Armutsbekämpfung:



Kapitel 3: Anwendung des Modells für einen post-neoliberalen Ansatz der Armutsbekämpfung auf den Tourismus

Tourismus wird häufig als Spaß und Unterhaltung abgeschrieben, als Aktivitäten, die man als Industrie nicht wirklich ernst nehmen kann. Umso überraschender ist die Feststellung, dass der Tourismus mit seinen weitläufigen Komponenten einen der größten Wirtschaftssektoren der Welt darstellt und sehr gute Wachstumschancen hat. Unter anderem ist der Tourismus für 8,7% der gesamten weltweiten Arbeitsplätze verantwortlich. ‚Exotischere‘ Destinationen in der Entwicklungswelt und besonders im Afrika südlich der Sahara erhalten immer noch vergleichsweise wenig Touristen, aber auch diese Zahl ist stark am Steigen. Daher drängt sich die Annahme auf, dass Tourismus eine wichtige Rolle für Wirtschaftswachstum, die Schaffung von Arbeitsplätzen, Entwicklung und Armutsbekämpfung auf dem afrikanischen Kontinent spielen kann.

Als Entwicklungsstrategie beschäftigt man sich mit dem Tourismus mindestens seit den 1960ern. Dargestellt als „elegante“ Form der Entwicklungshilfe (Backes & Goethe, 2003: 1), passte der Sektor gut in die Konzepte der Weltbank und anderer Institutionen. Es gab aber auch immer wieder starke Kritik aufgrund der potentiellen negativen Auswirkungen auf Kultur, soziale Gefüge und die Umwelt, weswegen der Tourismus für mehrere Jahrzehnte wieder aus den Armutsbekämpfungsstrategien verschwand. Erst gegen Ende der 1990er begannen Wissenschaftler und Entwicklungshelfer, die armutsbekämpfende Rolle des Tourismus im Zusammenhang zu untersuchen. Man fand heraus, dass der Tourismus in 45 der 50 Länder mit der höchsten Anzahl an Menschen unter der Armutsgrenze mindestens 2% zum BIP und/oder 5% zu den Exporten beiträgt, in 41 davon sogar mindestens 5% zum BIP und/oder 10% zu den Exporten (Ashley *et al.*, 2004: 2). Auch ist der Tourismus der dritt wichtigste Exportsektor in allen Entwicklungsländern (UNWTO, 2004b: 9).

Umso erstaunlicher ist es, dass viele Beobachter immer noch sehr misstrauisch sind und lieber ganze Kataloge an Risiken zusammenstellen, als die potentiellen positiven Auswirkungen für eine nachhaltige Entwicklung und Armutsbekämpfung zu untersuchen und zu nutzen. Es ist klar, dass der Tourismus – wie jeder andere Wirtschaftssektor – immer ein „gemischter Segen“ (Herdin & Luger, 2001: 7) ist und man positive und negative Auswirkungen gegeneinander abwägen muss. Blinde Ablehnung ist jedoch sicherlich nicht der richtige Umgang mit dem Thema.

So beschäftigen sich seit einigen Jahren Forscher und Praktiker mit einem neuen Ansatz im Tourismus, dem *pro-poor tourism* (PPT). Definiert als „Tourismus, der größere Nettogewinne für arme Menschen bewirkt“ (PPT Partnership, 2004a: 1), bietet PPT weder ein neues Nischenprodukt noch eine Art Label oder ein Marketingmittel. Jede Art des Tourismus kann *pro-poor* sein – egal ob es sich um ein kleines gemeindeeigenes Projekt oder eine große *all-inclusive* Hotelanlage handelt.

In der Literatur findet man inzwischen eine ganze Reihe von potentiellen armutsbekämpfenden Auswirkungen des Tourismus. Diese kann man unter den drei Kategorien Gewinne durch Beschäftigung, Gewinne für eine Vielzahl von Unternehmern im formellen und informellen Sektor sowie kollektive Gewinne zusammenfassen. Beispiele bestehen größtenteils aus Studien über Projekte, über individuelle Akteure der

Industrie oder über einzelne Regierungsprogramme. Kohärente Versuche, einen gesamten nationalen Kontext aufzuarbeiten, sind bisher noch nicht bekannt geworden.

Die vorhandenen Ansätze sind zwar sehr nützlich, um Effekte auf der Mikroebene zu untersuchen, reichen aber bei weitem nicht aus, die vollen Zusammenhänge auf der Makroebene zu verstehen und sie in das breite Geflecht anderer Kräfte in einem Land einzuordnen. Ohne dieses Hintergrundverständnis ist es jedoch äußerst schwierig, ein nationales Fundament für nachhaltigen armutsbekämpfenden Tourismus aufzubauen. Um dies zu erreichen, verknüpfen wir unser Modell für einen post-neoliberalen Ansatz der Armutsbekämpfung mit den bereits vorhandenen Erkenntnissen aus der PPT Literatur.

Wir schauen zunächst auf die Ebene des Privatsektors, also auf die Tourismusindustrie. Hierbei kommt es ganz besonders auf die potentiell vielfältigen Formen von *linkages* [Verbindungen, Verkettungen] zwischen privaten Tourismusakteuren und den Menschen in der Destination an. Anhand von Beispielen aus der Literatur können wir sechs verschiedene Typen von *linkages* unterscheiden. Diese beziehen sich auf philanthropische Aktivitäten (z.B. Geld- und Sachspenden sowie Freiwilligendienste), Arbeitsplätze, Handelsketten, Unterstützung von anderen lokalen Tourismusunternehmen (z.B. Klein- und Kleinstunternehmen, den informellen Sektor sowie Gemeindeunternehmen), Geschäftspartnerschaften mit Gemeindeorganisationen (z.B. Joint Ventures) sowie Nachbarschaftspartnerschaften.

Während dem Privatsektor möglichst viele Freiheiten gelassen werden sollten, gilt die subsidiäre Rolle des Staates auch im Tourismus. In Anlehnung an unser Modell für einen post-neoliberalen Ansatz der Armutsbekämpfung müssen wir daher auch näher auf die verschiedenen Aufgaben des Staates eingehen. So überprüfen wir die Bedürfnisse des Tourismus an ein angemessenes institutionelles Umfeld, an die Korrektur von Marktfehlern, an soziale Umverteilungsmaßnahmen, an die Bereitstellung einiger meritotischer Güter und an mögliche proaktive Interventionen.

Daraus ergibt sich schließlich die Möglichkeit, eine Methodologie zu erarbeiten, mit der die armutsbekämpfende Wirkung des Tourismus auf der nationalen Ebene analysiert werden kann. Wir greifen dafür auf die Arbeit des Entwicklungsökonomens Jeff-

rey D. Sachs zurück, der die Aufgabe mit der eines Arztes vergleicht, der eine „differenzierte Diagnose“ der unzähligen potentiellen Ursachen einer Krankheit stellen muss (Sachs, 2005: 83). In unserem Fall ist unser Patient ein ganzes Land, das unter der Krankheit ‚Armut‘ leidet. Um eine geeignete Medizin zu finden – also Strategien zur Armutsbekämpfung – ist es notwendig, die Gesamtsituation zu untersuchen und die unterschiedlichen Gründe zu identifizieren. Daher muss unsere Diagnose nicht nur aus Untersuchen bestehen, die sich direkt mit dem Tourismus in dem Land beschäftigen. Vielmehr müssen wir uns auch mit der Bedeutung des nationalen Umfelds, den besonderen Facetten der Armut und anderen relevanten Themen beschäftigen. Wir kommen somit zu folgender Liste:

Themen für eine differenzierte Diagnose mit Tourismusbezug	
1. Landesumfeld:	
<ul style="list-style-type: none"> • <u>Physikalische Geographie:</u> <ul style="list-style-type: none"> ▪ Klima ▪ Landformen ▪ Natürliche Ressourcen ▪ Wasser Ressourcen ▪ Flora und Fauna • <u>Geschichte</u> • <u>Gesellschaft und Kultur:</u> <ul style="list-style-type: none"> ▪ Soziale Mannigfaltigkeit 	<ul style="list-style-type: none"> ▪ Beziehung der Geschlechter ▪ Private soziale Sicherheitsnetze • <u>Geopolitik:</u> <ul style="list-style-type: none"> ▪ Internationale Sicherheitsbeziehungen ▪ Mitwirkung in regionalen Gruppen ▪ Internationale Verpflichtungen: Menschenrechte, Umwelt, Handel ▪ Entwicklungshilfe
2. Grundlegende Elemente der menschlichen Entwicklung:	
<ul style="list-style-type: none"> • <u>Extreme Armut und Hunger:</u> <ul style="list-style-type: none"> ▪ Proportion von Haushalten, die grundlegende Bedürfnisse nicht befriedigen können ▪ Räumliche Ausbreitung der Armut ▪ Armut und demographische Voraussetzungen des Haushalts ▪ Armut und wirtschaftliche Aktivitäten des Haushalts ▪ Verbreitung und Auswirkungen von Arbeitslosigkeit und Unterbeschäftigung ▪ Nahrungssicherheit ▪ Hauptrisikofaktoren: demographische Trends, Beziehung zwischen Bevölkerung und Land, Umweltkatastrophen etc • <u>Bildung:</u> <ul style="list-style-type: none"> ▪ Zugänglichkeit und hohe Qualität von Grundschulen ▪ Zugänglichkeit und hohe Qualität von weiterführenden Schulen und Hochschulen ▪ Geschlechtergleichheit in der Bildung ▪ Alternative Bildungsprogramme 	<ul style="list-style-type: none"> ▪ Spezielle Bildungsmaßnahmen in Bezug auf Themen wie Demokratie und Bürgerrechte, Hygiene und grundlegende Gesundheitsvorsorge, Familienplanung • <u>Gesundheitsvorsorge:</u> <ul style="list-style-type: none"> ▪ Zugänglichkeit von grundlegender Gesundheitsvorsorge und Proportion von Haushalten, bei denen dies nicht zutrifft ▪ Vorkommen und Auswirkungen von Malaria, Tuberkulose etc ▪ Kindersterblichkeit und Gesundheit von Müttern ▪ Vorkommen und Auswirkungen von HIV/AIDS • <u>Grundlegende Infrastruktur:</u> <ul style="list-style-type: none"> ▪ Zugänglichkeit und hohe Qualität von Wasser und sanitären Einrichtungen ▪ Zugänglichkeit und hohe Qualität von Strom ▪ Zugänglichkeit und hohe Qualität von Straßen ▪ Zugänglichkeit und hohe Qualität von Telekommunikation • <u>Umverteilungsstrategien und öffentliche soziale Sicherheitsnetze</u>
3. Tourismussektor:	
<ul style="list-style-type: none"> • <u>Policyrahmen für Entwicklung und Armutsbekämpfung und die Rolle des Tourismus</u> • <u>Generelle Wirtschaftsstrukturen und die Bedeutung des Tourismus:</u> <ul style="list-style-type: none"> ▪ Wirtschaftsstrukturen ▪ Leistung der Hauptsektoren: Landwirtschaft, Industrie, Dienstleistungen 	<ul style="list-style-type: none"> • <u>Ziele und Strategien der touristischen Policies</u> • <u>Besucherstatistiken:</u> • <u>Image als Tourismusdestination</u> • <u>Linkages mit dem Privatsektor:</u> <ul style="list-style-type: none"> ▪ Philanthropie ▪ Arbeitsverhältnisse ▪ Handelsketten

<ul style="list-style-type: none"> • <u>Vorteile und Beschränkungen der Destination:</u> <ul style="list-style-type: none"> ▪ Natürliche touristische Merkmale ▪ Kulturelle touristische Merkmale ▪ Tourismusinfrastruktur ▪ Hauptbeschränkungen 	<ul style="list-style-type: none"> ▪ Andere lokale Tourismusunternehmen ▪ Geschäftspartnerschaften mit Gemeindeorganisationen ▪ Nachbarschaftspartnerschaften • <u>Ausschüttung öffentlicher Einkünfte</u>
4. Institutionelles Umfeld:	
<ul style="list-style-type: none"> • <u>Nicht-Marktinstitutionen:</u> <ul style="list-style-type: none"> ▪ Sicherheitsangelegenheiten ▪ Zivile und politische Rechte ▪ Öffentliche Managementsysteme ▪ Dezentralisierung und Finanzföderalismus ▪ Unabhängige und faire Gerichtsbarkeit ▪ Finanzrahmen • <u>Marktinstitutionen:</u> <ul style="list-style-type: none"> ▪ Makroökonomisches Umfeld ▪ Besitzrechte ▪ Geschäftsumfeld ▪ Kreditmärkte und Bankensystem 	<ul style="list-style-type: none"> ▪ Investitionspolicy ▪ Umfang von wichtiger Geschäftsinfrastruktur ▪ Humankapital • <u>Externalitäten:</u> <ul style="list-style-type: none"> ▪ Auswirkungen auf die Umwelt ▪ Soziokulturelle Auswirkungen • <u>Weitere proaktive Maßnahmen:</u> <ul style="list-style-type: none"> ▪ Schaffung, Entwicklung und Beschleunigung von Märkten ▪ Interventionen, die auf verschiedene Bevölkerungsgruppen abzielen, besonders auf solche, die als Geschäftsleute tätig sind

Kapitel 4: Ergebnisse einer differenzierten Diagnose mit Tourismusbezug für Ruanda

Die differenzierte Diagnose mit Tourismusbezug für Ruanda ermöglicht es uns, den derzeitigen Armutsstand des Landes sowie die Rolle, die der Tourismus zur Armutsbekämpfung spielen kann, zu untersuchen und Empfehlungen auszusprechen, diese Rolle zu maximieren. Das Ergebnis besteht aus einer Vielzahl von möglichen Interventionen, die wir nach Prioritäten in sieben Gruppen gemäß den sechs grundlegenden Freiheiten (siehe Kapitel 2) und einer ergänzenden Gruppe gliedern. So schafft es unsere Arbeit, die wesentliche Bedeutung unserer Definition von Armut einzufangen, nämlich den *Mangel an Basisfähigkeiten, wodurch Individuen nicht in der Lage sind, dem nachzustreben, was sie für wichtig halten.*

1. Politische Freiheiten:

Tourismus kann in Ruanda eine sehr wichtige Rolle in Bezug auf die Entwicklung und Verstärkung von politischen Freiheiten spielen. Möglichkeiten bestehen besonders in Bezug auf verschiedene Formen von *empowerment* [Ermächtigung] der lokalen und häufig benachteiligten Bevölkerungsteile. Unter anderem können sie eine Stimme erhalten, von wichtigem Informationsaustausch profitieren, Möglichkeiten zur aktiven Teilnahme an Planungs- und Entscheidungsprozessen finden und Gelegenheiten zu Entwicklung und Leitung von eigenen kleinen Tourismusunternehmungen aufgezeigt bekommen. Dies verstärkt partizipative Demokratie und ermöglicht es den

Bürgern, proaktiv zu werden, wenn es um das Einfordern und Ausüben ihrer politischen Rechte geht.

Leider finden diese Prozesse in Ruanda noch sehr selten statt. Trotz des wachsenden Willens, sich von der momentanen Berggorillamonokultur abzusetzen, und trotz guter politischer Ansätze bestehen keine klare Vision und kein eindeutiges nationales Konzept, um den Tourismus zur Armutsbekämpfung einzusetzen. Die grundsätzlich stark autoritär geprägte Mentalität, ein weitgehend nicht vorhandenes Unternehmertum und kaum Kenntnisse bezüglich des Tourismus auf lokaler Ebene lassen die Entstehung von lokalen *grassroots* Initiativen als kaum möglich erscheinen.

Eine kleine Ausnahme ist ein Mechanismus, wodurch ein geringer Prozentsatz der öffentlichen Gewinne durch Nationalparkbesuche in die Entwicklung der anliegenden Gemeinden investiert wird. Aber das Hauptziel ist hier eher, Unterstützung zu gewinnen und potentiell negativen Auswirkungen entgegenzuwirken. Im Endeffekt haben die Anwohner der Attraktionen keine Wahl, werden bei Planungsentscheidungen nicht gefragt und selten bei der Umsetzung mit eingeschlossen. Eine weitere Ausnahme sind sporadische und in der Regel schlecht konzipierte gemeindeeigene Tourismusinitiativen, die aber nur wenig Unterstützung von Industrie und Staat erhalten. Im Allgemeinen gibt es kaum Geschäfts- oder Nachbarschaftspartnerschaften mit anliegenden Gemeinden und auch kaum Informationsaustausch. Schließlich hat nur ein internationaler Entwicklungsdienst – der niederländische SNV – ein permanentes Tourismusprogramm. Doch auch hier liegen die Prioritäten eher auf Training und dem Aufbau von kleineren Fähigkeiten als auf einem breit angelegten Programm zum *empowerment*.

Folglich gibt es großen Raum für Verbesserungen. Zunächst bedarf es einer wesentlichen Mentalitätsveränderung. Die Autoritäten müssen lernen zuzuhören und gleichzeitig den Gemeinden auch Möglichkeiten der Mitsprache verschaffen. Mechanismen für permanenten beidseitigen Informationsaustausch sind extrem wichtig. Ferner bestehen bereits interessante Ansätze und Strukturen auf lokaler Ebene, die bisher zwar für Entwicklungsfragen aber noch nicht für den Tourismus genutzt werden. Hier bedarf es starker Trainingsmaßnahmen, damit die zuständigen Vertreter diesen Prozess des *empowerment* vorantreiben können. Auch sollten verschiedene Regie-

rungsagenturen stärker auf Partnerschaften zwischen Gemeinden und dem Privatsektor drängen. Dies kann durch das zur Verfügung Stellen von Informationsmaterialien, die Publikation von besonders positiven Beispielen und aktives Gestalten von *linkages* erreicht werden.

Neben diesen Maßnahmen zum *empowerment* kann Tourismus politische Freiheiten auch durch gesteigerte Erfahrung und Selbstvertrauen sowie durch langsam geöffnete freie Meinungsäußerung verbessern. Benachteiligte Menschen kommen verstärkt in Kontakt mit Außenstehenden und Touristen und lernen dadurch, offener zu sprechen und gewisse Themen aus anderen Perspektiven zu betrachten. Hierdurch entstehen Dialog und Kulturaustausch, die wiederum ein Mittel zur bürgerlichen Erziehung sind und den Wunsch nach mehr politischen Freiheiten nach sich ziehen.

Leider sind auch diese Prozesse noch sehr selten in Ruanda. Die meisten Touristen kommen eigentlich kaum auf formelle Art und Weise in Kontakt mit lokalen Einheimischen – außer mit Angestellten im Tourismussektor. Soziokulturelle Tourismusprodukte gibt es nur sehr selten. Hinzu kommen Sprachbarrieren, die einen bedeutungsvollen Austausch fast unmöglich machen. Die wenigen gemeindeeigenen Tourismusinitiativen sind wieder kleine Ausnahmen. Allerdings sind sie, wie bereits angesprochen, in der Regel so schlecht konzipiert, dass auch hier kaum ansprechende Gelegenheiten für Dialog und Kulturaustausch bestehen.

Um dies zu ändern, ist es wichtig, die großen Möglichkeiten für sinnvolle Produktentwicklung zu nutzen und gleichzeitig Sprach- und kulturelle Barrieren anzugehen. Auch dürfte mit pädagogischen Maßnahmen sowohl bei den Einheimischen als auch bei den Touristen einiges zu erreichen sein. Hierzu ist eine breit gefächerte Partnerschaft zwischen den öffentlichen Institutionen, der Privatwirtschaft, den Entwicklungsorganisationen und auch den Medien notwendig.

Schließlich könnte der Tourismus eine sehr interessante Rolle spielen, langsam auch innerhalb der ruandischen Gesellschaft wieder mehr politischen Dialog anzukurbeln. Im Moment wird die Gesellschaft aufgrund der Ereignisse des Genozids vor nunmehr 13 Jahren noch stark kontrolliert und manchmal sogar unterdrückt. Dies ist in unseren Augen weitgehend zu rechtfertigen, solange es nicht ewig fortgesetzt wird und

man nach Möglichkeiten sucht, politische Rechte zu schaffen. Hier kann der Tourismus die Auseinandersetzung mit der Geschichte sowie mit sozioökonomischen und soziokulturellen Unterschieden erleichtern und auch die Perspektiven von Außenstehenden mit einfließen lassen. Dadurch könnte der Heilungsprozess beschleunigt werden. Es steht aber außer Frage, dass die Regierung diese Maßnahmen leiten müsste, indem sie sich aktiv an der Entwicklung touristischer Produkte beteiligt sowie Aufklärungs- und Bildungskonzepte umsetzt.

All dies hat gezeigt, dass Tourismus in der Tat ein großes Potential hat, größere politische Freiheiten in Ruanda zu schaffen. Ein wichtiges Ergebnis war jedoch auch, dass dies momentan leider kaum geschieht. Es ist an der Zeit, dass die Regierung mit ihren zuständigen Behörden ihre Führungsrolle übernimmt. Gleichzeitig bleibt jedoch auch viel Raum für die Privatwirtschaft, die Entwicklungsinstitutionen, andere Organisationen und die Medien.

2. Wirtschaftliche Freiheiten:

Die stärksten Auswirkungen des Tourismus auf die Armut sind vermutlich von wirtschaftlicher Natur. Zumindest schaffen neue wirtschaftliche Freiheiten eine Vielzahl von Möglichkeiten für die ansonsten benachteiligten Bevölkerungsschichten. Die Ziele, die dabei verfolgt werden sollten, lassen sich in vier Hauptpunkte unterteilen: die grundsätzliche Ausweitung der Märkte, die Vergrößerung des Anteils solcher Produkte und Dienstleistungen, die von den Armen angeboten werden, die prozentuale Erhöhung der Gewinne der Armen und die Förderung des Marktzugangs von armen Anbietern.

Der Tourismusmarkt in Ruanda ist weiterhin sehr klein, vorhandenes Wissen ist gering, und eine Vielzahl von Mängeln macht ein normales Funktionieren kaum möglich. Um ihn grundsätzlich ausweiten zu können, muss daher das gesamte Umfeld verbessert werden. Dies fängt mit einem vernünftigen Strategie- und Policyumfeld an. Hier haben wir festgestellt, dass zwar insgesamt sinnvolle Ziele gesetzt und auch eine Reihe von Schritten in die richtige Richtung gegangen worden sind, dass es aber dennoch einige wichtige Kritikpunkte gibt. Zunächst haben die Autoritäten eine stark vereinfachte Schwarz-Weiß-Sicht von unterschiedlichen Besuchersegmenten. Steif engagieren sie sich für nur drei Arten von Exklusivtouristen, ohne über diesen

Tellerrand blicken zu wollen. Besonders der Begriff ‚Rucksacktourist‘ ist förmlich zu einem roten Tuch geworden. So werden viele interessante Möglichkeiten ganz einfach verpasst. Zusätzlich gibt es häufig die Sichtweise, dass auch auf der Produktebene gewisse Angebote besonders im gemeindeeigenen Tourismus auf keinen Fall in die momentane Strategie von qualitativ hochwertigem Tourismus mit hohen Preisen passen. Schließlich wird der Tourismus in einschlägigen Strategiepapieren zwar immer wieder mit wirtschaftlicher Entwicklung und Armutsbekämpfung in Verbindung gebracht, kohärentes Verständnis und Ansätze gibt es aber keine. Hier gibt es noch viel Nachholbedarf.

Neben dem Strategie- und Policyumfeld stellt auch die mangelhafte Statistikbasis ein großes Problem dar. Zuverlässige Daten sind kaum vorhanden – weder in Bezug auf eigene Tourismusedwicklungen noch auf internationale Märkte. Unter diesem Hintergrund ist es jedoch so gut wie unmöglich, die richtigen Entscheidungen für Produktentwicklung und besonders auch Marketing zu treffen. Inzwischen wird zwar an der Statistikbasis gearbeitet, aber es wird noch Jahre dauern, bevor hilfreiche Daten vorhanden sind.

Des Weiteren müssen sowohl die Produktbasis als auch die dazugehörigen Marketingaktivitäten verbessert werden. Vor kurzem hat das Land endlich begonnen, sich von der Berggorillamonokultur abzuwenden. In Bezug auf die Entwicklung neuer Produkte schieben sich jedoch die Privatwirtschaft und die öffentlichen Einrichtungen gegenseitig den Spielball hin und her, und keiner unternimmt etwas. So kommt die Produktentwicklung nur sehr schleppend und völlig unkoordiniert voran. Ähnlich zielen auch die Marketingaktivitäten noch sehr stark auf die Berggorillas ab, was nicht mehr unbedingt notwendig ist. Während im Marketingbereich in den vergangenen Jahren einige Erfolge zu verzeichnen waren, ist die Zusammenarbeit zwischen der Tourismus- und Nationalparkbehörde (ORTPN) und der Privatwirtschaft weiterhin mangelhaft. Es gibt nur sehr wenig Dialog und beidseitigen Austausch von Informationen, und das generelle Arbeitsklima ist eher verschlossen und von Misstrauen geprägt.

Auch die Infrastruktur des Landes lässt noch vieles zu wünschen übrig. Hotels und Restaurants gibt es fast ausschließlich in einer Handvoll Städte, sodass völlig auto-

matisch touristische Entwicklungen in anderen Gegenden nicht stattfinden. Darüber hinaus sind angelehnte Dienstleistungen wie Geldwechsel- oder Kreditkarteneinrichtungen weit unter internationalem Standard. Ganz grundsätzlich ist es bereits schwierig und teuer, überhaupt bis nach Ruanda zu gelangen, da zu wenig Fluganbindungen ins Land angeboten werden.

In Bezug auf das direkte Geschäftsumfeld ist es ganz klar, dass nur 13 Jahre nach dem Genozid noch nicht alles perfekt sein kann. So ist die Regierung stark engagiert, neue Gesetze und Verordnungen in fast allen Bereichen des Geschäftslebens zu verabschieden. Es wird sicherlich noch einige Zeit dauern, bis die Reformen abgeschlossen werden können. Auch fehlt es in großen Teilen noch an einem angemessenen Rechtssystem für kommerzielle Streitigkeiten. Dies ist in Arbeit, aber in der Zwischenzeit gibt es nur wenig Rechtssicherheit. Des Weiteren haben wir festgestellt, dass Dezentralisierungsbestrebungen zwar in den meisten Fällen sehr positive Effekte hatten, in Bezug auf Firmengründungen und Steuereinzahlung jedoch zu unnötiger Bürokratie und Unsicherheit geführt haben. Hier gibt es noch einigen Reformbedarf. Das ruandische Arbeitsrecht wurde westlichen Standards angepasst, was zwar grundsätzlich sehr loblich ist, aber zu so strenger Umsetzung geführt hat, dass für einen kleinen und unterentwickelten Arbeitsmarkt wie den ruandischen die nötige Flexibilität fehlt. Es gibt kaum Anreize, formelle Arbeitsplätze zu schaffen, was sicherlich nicht im Sinn des Gesetzgebers ist. Auch ist das Land nicht sehr empfänglich für ausländische Angestellte. Da es auf dem einheimischen Arbeitsmarkt jedoch in den meisten Fällen keine qualifizierten Fachkräfte gibt, wären Ausländer die einzige Möglichkeit, die Qualität insgesamt zu erhöhen.

Ein weiterer Punkt ist, dass es an Anreizen für Unternehmer und besonders auch Investoren fehlt, gesellschaftliche Erwartungen und Hoffnungen zu erfüllen. Es werden lediglich große Investoren gefördert – nicht aber solche, die besondere Leistungen für die wirtschaftliche Entwicklung oder Armutsbekämpfung erbracht haben. Auch gibt es keine Anreize für Klein- und Kleinstunternehmen, die in Ruanda wie auch in den meisten anderen Ländern das Rückgrat der Gesellschaft bilden. Hier sollte auf jeden Fall nachgebessert werden.

Schließlich haben Ruandas Mitgliedschaften in regionalen und internationalen Abkommen, Verbänden und Organisationen einen wachsenden Einfluss auf die Geschehnisse innerhalb des Landes. Die potentiellen Auswirkungen sind aber zumeist nur unzulänglich analysiert worden, sodass das Land einer unsicheren Zukunft entgegenblickt. Darüber hinaus könnten solche Mitgliedschaften auch viel stärker genutzt werden. Für den Tourismus könnte man sich zum Beispiel mehr Kooperation in den Bereichen grenzübergreifender Naturschutz sowie gemeinsame Marketingaktivitäten denken.

Der zweite Hauptpunkt besteht aus der Vergrößerung des Anteils solcher Produkte und Dienstleistungen, die von den Armen angeboten werden. Es gibt eine ganze Reihe persönlicher Barrieren, insbesondere unzureichende Entwicklungsfaktoren wie Bildung und Gesundheit, aber auch systemische Herausforderungen. Hierzu zählen vor allem die weiterhin häufig ungeklärten Landrechte, unzulänglicher Zugang zu Krediten und anderen Geldquellen, zu wenig Informationsfluss, sowie unnötige Markteintrittsbarrieren und ständige Bürokratie.

Um die Situation der armen Bevölkerungsteile zu verbessern, ist eine Vielzahl von Veränderungen notwendig. Zunächst sollten sich Überlegungen und Konzepte des PPT durch das gesamte Strategie- und Policyumfeld ziehen und zu einem alles umspannenden Thema werden. Des Weiteren sollten Privatwirtschaft und Regierung eine Partnerschaft bilden, um Tourismusentwicklungen besonders in solchen Gegenden zu fördern, wo prozentual die meisten Armen leben. Ebenso bedürfen benachteiligte Kleinunternehmer, Teilnehmer des informellen Sektors sowie Gemeindeinitiativen einer verstärkten Marketingunterstützung, da sie selbst weder das Wissen noch die nötigen finanziellen Mittel haben. Am allerwichtigsten sind schließlich das aktive Engagement in der Schaffung von *linkages* zwischen formellen Tourismusunternehmen und kleinen Anbietern in einer Vielzahl von Sektoren. Hierzu wäre es sinnvoll, eine Art Mentorenmechanismus einzusetzen, der nach möglichen neuen Geschäftsbeziehungen sucht, diese vermittelt und anschließend auch helfend betreut.

Als drittem Hauptpunkt sollten die Gewinne der Armen prozentual erhöht werden. Auch hier besteht großer Bedarf an Trainings- und Mentorenmechanismen. Formelle

Ausbildung im Tourismusbereich ist in Ruanda so gut wie nicht verfügbar. Ein paar wenige Institutionen bieten inzwischen einige Kurse an, wobei große Zweifel an der Qualität bestehen. Zusammenarbeit mit der Privatwirtschaft ist noch nicht bekannt, und Praktikantenprogramme gibt es nur in den allergrößten Hotels. Aber Bildung für den Tourismus darf nicht erst in speziellen Programmen beginnen. Da der Tourismus Realität für die große Mehrheit der Bevölkerung ist, sollten Aufklärungsmaßnahmen bereits auf Grundschulebene sowie während einiger Fortbildungsaktivitäten in ländlichen Gegenden durchgeführt werden. Hier kommt den nationalen Institutionen für Geschäftsunterstützung für Klein- und Kleinstunternehmer große Bedeutung zu. Dazu ist es aber erst einmal nötig, die Qualität sowie die Angebotsbreite dieser Organisationen zu verbessern.

Der vierte Hauptpunkt beschäftigt sich mit der Förderung des Marktzugangs von armen Anbietern. Hier kommen wir noch einmal auf die Markteintrittsbarrieren und die hohe Bürokratie zu sprechen, die wir bereits zuvor erwähnt haben. Gewisse Standards sind viel zu unflexibel, und Kosten sind für arme Anbieter unerschwinglich hoch. So finden sie keine Anreize, im formellen Tourismussektor aktiv zu werden. Darüber hinaus müssen auch hier unzulängliche Möglichkeiten auf Kreditmärkten angeprangert werden. Die wenigen Kreditinstitute haben kaum Erfahrung und Wissen über den Tourismussektor und sind des Weiteren auch extrem unflexibel. Schließlich müssen wir noch einmal den Bedarf an gewissen Maßnahmen des *empowerment* ansprechen. Trainings- und Mentorenprogramme aber auch grundsätzliche Aufklärungsmaßnahmen über die weitreichenden Möglichkeiten im Tourismus fehlen noch fast gänzlich.

3. Soziale Gelegenheiten:

Die dritte Form der armutsbekämpfenden Wirkung des Tourismus ist die Erweiterung von sozialen Gelegenheiten. Dazu gehören insbesondere die Verbesserung des Humankapitals, des physischen Kapitals und des sozialen Kapitals.

Tourismus beeinflusst die Bildung nicht nur der Gäste sondern auch der Gastgeber. Die lokale Bevölkerung entwickelt den Wunsch, mehr über die Welt und andere Kulturen zu lernen und über den Tellerrand der eigenen Gemeinschaft oder des eigenen Landes zu blicken. Spezielle Lernprozesse finden darüber hinaus bei den Menschen

statt, die selbst im Tourismus tätig sind – als Angestellte oder Unternehmer. Sie erweitern ihr Wissen über Themen wie Hygiene, grundlegende medizinische Versorgung, Ernährung, sauberes Trinkwasser usw.

Viele dieser Prozesse finden zwar regelmäßig statt. Sie könnten aber auch speziell gefördert werden, was in Ruanda noch nicht geschieht. Besonders den Reiseveranstaltern kommt hier eine wichtige Rolle zu, da sie die Aktivitäten ihrer Kunden mehr oder weniger steuern können. Auch andere Institutionen, die sich grundlegend mit Tourismusentwicklung beschäftigen, können im Rahmen der Produktentwicklung Einfluss nehmen. Und auf der anderen Seite sollte bereits im Grundschulalter auf den Tourismus eingegangen werden – zum einen, um größere Anreize und größeres Verständnis zu schaffen, die potentiellen positiven Effekte stärker zu nutzen, zum anderen aber auch, um direkt auf potentielle negative Folgen hinzuweisen. Hier kommt es besonders darauf an, unerwünschte soziokulturelle Veränderungen anzusprechen.

Schließlich kann Tourismus durch verschiedene Mechanismen das physische Bildungssystem stärken. Insbesondere philanthropische Aktivitäten von Touristen und Tourismusunternehmen spielen eine gewichtige Rolle, die zwar in Ansätzen in Ruanda ausgenutzt wird, die aber völlig unkoordiniert bleibt und daher ihre volle Wirkung noch nicht erzielt. Vereinzelt beschäftigen sich auch einige wenige Institutionen damit, Volontäre nach Ruanda zu holen. Dies ist eine in anderen Ländern immer stärker auftretende Form des Tourismus, die in Ruanda noch ziemlich bedeutungslos ist. Hier bestehen große Möglichkeiten für Reiseveranstalter und andere Institutionen.

Im Gesundheitsbereich gibt es sehr ähnliche Mechanismen, die ebenfalls wenn überhaupt dann unkoordiniert genutzt werden. Philanthropische Maßnahmen und erste Volontär-Mediziner sind sporadisch zu finden, aber formelle Programme gibt es nicht. Hier bedarf es besonders auch der Kollaboration zwischen verschiedenen Behörden und Sektoren, was zumeist schwierig ist.

In Bezug auf das physische Kapital ist es wichtig, dass die Tourismusplaner sowohl private als auch öffentliche Projekte noch viel stärker dazu anhalten, die Infrastruktur

gewisser Bauvorhaben wenn möglich auf anliegende Gebiete auszuweiten. Wenn zum Beispiel eine neue Lodge gebaut wird, können auch nahe gelegene Gemeinden von der Zugangsstraße, von Elektrizität, von einem Telekommunikationsnetzwerk, von sanitären Einrichtungen usw. profitieren. Diese Maßnahmen, die auch für die Lodge große Vorteile hätten, werden viel zu selten berücksichtigt. Deswegen wäre es hier angemessen, die Anreizstruktur zu verändern und für gewisse Bauvorhaben zum Beispiel Steuererleichterungen anzubieten, wenn sie spezielle Gesellschaftsziele mit erfüllen.

Während Verbesserungen des Humankapitals sowie des physischen Kapitals so in jedem Land stattfinden könnten, sind die potentiellen Auswirkungen auf das soziale Kapital in Ruanda außergewöhnlich hoch. Dies ist auf Ruandas einzigartige Geschichte und damit verbundene soziokulturelle Hintergründe zurückzuführen.

So kann der Tourismus eine besonders starke Rolle in Bezug auf Heilungs- und Vereinigungsprozesse spielen. Der Umgang mit Außenstehenden, das Reflektieren über Geschichte und empfundene soziale Unterschiede aus einer externen Perspektive, das Interesse an Dialog, offene Neugier, aber auch die Entstehung von Stolz, Optimismus und einem Lebenssinn sind alles nicht zu unterschätzende Elemente. So kann Tourismus zur Aussöhnung, zur Identitätsbildung und allgemein zu Frieden beitragen. Um diese Wirkungen vollends ausschöpfen zu können, ist es unumgänglich, dass die Spitzen der Regierung sich der Möglichkeiten aber auch der Herausforderungen bewusst sind und eine klare, umfassende Botschaft an das gesamte Volk senden. Bereits auf Produktebene ist einiges machbar. In Zusammenarbeit mit Behörden wie der National Unity and Reconciliation Commission könnten Möglichkeiten für kulturellen Austausch und Bildung geschaffen werden, die Themenbereiche wie den Genozid, den Bürgerkrieg oder die sozialen Unterschiede offen und proaktiv ansprechen und ein Forum für Gäste wie für Gastgeber bieten.

Ähnlich starke Rollen können dem Tourismus in Bezug auf Geschlechtergleichheit, Menschenrechte und benachteiligte Minoritäten zukommen. Und schließlich ist es wichtig, besonders auch auf potentiell negative Entwicklungen zu achten. Während in Ruanda bisher kaum soziokulturelle Probleme durch den Tourismus auftreten – vielleicht mit der Ausnahme langsam aufkommenden Bettelns – sollten bereits jetzt Me-

chanismen geschaffen werden, solche negativen Veränderungen sofort zu erkennen und im Keim zu ersticken. Hierfür wäre es sinnvoll, einen regelmäßigen Austauschprozess mit allen Akteuren einzuführen, der unter anderem auch einen Ehrenkodex und Überwachungsmechanismen entwickelt.

4. Transparenzgarantien:

Ruanda hat im Vergleich zu anderen Entwicklungsländern außergewöhnlich starke Erfolge beim Kampf gegen die Korruption erzielt. Hierdurch verbessern sich das Investitionsklima sowie die Möglichkeiten für Klein- und Kleinstunternehmen und Gemeindeinstitutionen, die im Tourismus aktiv werden wollen. Die Wachsamkeit von zehntausenden von Touristen im Jahr kann noch weiter zu dieser positiven Situation beitragen, da schnell bekannt werden würde, wenn das Land nicht seinen eigenen Ansprüchen gerecht wird.

5. Persönliche Sicherheit:

Tourismus trägt auf verschiedene Weisen zur persönlichen Sicherheit in Ruanda bei. Besonders die Menschen, die aktiv beteiligt sind und wirtschaftlich profitieren, erhöhen ihr Vermögen, verringern ihre Verwundbarkeit und garantieren ihre Nahrungssicherheit. Dies geschieht zugegebenermaßen jedoch zu selten, da die Anzahl an benachteiligten Menschen, die sich im Tourismus engagieren (können), noch viel zu gering ist. Es ist unumgänglich, dass möglichst viele von den oben unter wirtschaftlichen Freiheiten diskutierten Maßnahmen umgesetzt werden. Dort haben wir gezeigt, dass Mechanismen weit über Jobs und Mikrounternehmen hinausreichen und unter anderem philanthropische Aktivitäten, Volontärprogramme und Nachbarschaftspartnerschaften mit einschließen können.

Ferner trägt Tourismus häufig auch zur physischen Sicherheit bei. Sowohl dem öffentlichen als auch dem privaten Sektor ist es ein großes Anliegen, Touristen zu schützen, wodurch auch die lokale Bevölkerung profitiert. Dies ist in einem Land wie Ruanda, wo Kriminalitätsraten sowieso vergleichsweise gering sind, nicht so ausschlaggebend wie in anderen Regionen. Aber auch hier sind zusätzliche Maßnahmen sicherlich gern gesehen.

Allerdings kann der Tourismus auch negative Auswirkungen auf die persönliche Sicherheit einiger Menschengruppen haben. Dies wird besonders deutlich, wenn wir uns das Beispiel der ruandischen Nationalparks anschauen. Um diese zu schützen, sind Gemeinden, die seit Jahrhunderten in den Gebieten gelebt haben, der Parks verwiesen worden. Sie dürfen heute weder jagen noch die Naturerzeugnisse aus den Parks nutzen. Zu alledem kommt ein erhöhtes Risiko durch wilde Tiere, die anliegende Felder und Siedlungen verwüsten und auch eine persönliche Gefahr für die Menschen darstellen. Dieses Thema wird bereits durch die zuständige Behörde, das ORTPN, angesprochen und verlangt weiterhin einen sehr sensiblen Umgang.

Schließlich kann der Tourismus positive psychologische Effekte auf die persönliche Sicherheit ausüben. Wir haben bereits die Funktion als Werkzeug für Toleranz, Aussöhnung, Geschlechtergleichstellung, Menschenrechte und Frieden angesprochen. Auf diese Weise verstärkt der Tourismus den Zusammenhalt in der Gesellschaft und schränkt das Konfliktpotential ein. Maßnahmen, die diese Rolle noch besser ausnutzen würden, würden gleichfalls die positiven Auswirkungen verstärken.

6. Ökologische Freiheiten:

Ökologische Freiheiten sind ein umfangreiches Thema für sich, das wir nur oberflächlich streifen. Tourismus hängt zum Beispiel stark von einem intakten Ökosystem und einer attraktiven Natur ab, sodass die Industrie ein grundsätzliches Interesse haben sollte, die Umwelt zu schützen. Abgesehen von sehr wenigen Ausnahmen jedoch unternimmt der Privatsektor noch keine speziellen Maßnahmen für den Umweltschutz. Dies mag noch keine großen, einschneidenden Folgen haben, da die Anzahl an Touristen noch gering ist. Allerdings könnte bereits jetzt das Image des Landes leiden, da sich Ruanda als herausragende Ökotourismusdestination zeigen möchte. Alleine schon aus diesem Grund sollten sich mehr private Unternehmen mit dem Thema Umweltschutz aktiv beschäftigen. Hier wäre es ähnlich den potentiellen negativen soziokulturellen Folgen angebracht, einen regelmäßigen Austauschprozess mit allen Akteuren zu initiieren. Neben einem industrieweiten Ehrenkodex könnte auch die Regierung eingreifen und über gewisse Anreize nachdenken.

Neben diesen und anderen potentiellen negativen Effekten, wirkt der Tourismus aber auch stark positiv auf die ökologischen Freiheiten der Menschen in Ruanda. Zum

einen trägt er dazu bei, dass das Bewusstsein über die Umwelt stärker in den Mittelpunkt gerückt wird und ein Wunsch nach größerem Engagement im Umweltschutz entsteht. Zum anderen werden auch die nötigen finanziellen Möglichkeiten geschaffen, Tiere und Ökosysteme zumindest in den Nationalparks zu schützen.

7. Ergänzende Themen

Zu den ergänzenden Themen zählen wir die Beiträge von internationalen Entwicklungsorganisationen, die Rolle der Medien und spezielle Formen des Regierungsenagements. Die Aktivitäten von internationalen Entwicklungsorganisationen sind erstaunlich gering im Bereich des armutsbekämpfenden Tourismus. So bleibt ein riesiges Potential ungenutzt, da viele Initiativen einen unabhängigen Initiator, Förderer oder Mentor brauchen. Zum Beispiel gibt es zwar öffentliche Institutionen, die Hilfeleistung und Unterstützung für Klein- und Kleinstunternehmer anbieten. Deren eigene Kapazitäten sind jedoch sehr limitiert. Hier könnten internationale Entwicklungsorganisationen eine Art Coaching-Rolle übernehmen. Auch ist die Situation der wenigen kleinen gemeindeeigenen Initiativen sehr unbefriedigend, da die meisten eher unprofessionell arbeiten und keine hohen Qualitätsstandards anbieten können. Hier wären eine ganze Reihe an unterstützenden Maßnahmen angemessen.

Die Medien könnten ein wichtiges Werkzeug für Aufklärung und Sensibilisierung der Öffentlichkeit sein und den Bekanntheitsgrad besonders positiver Beispielprojekte steigern. Sowohl der öffentliche als auch der Privatsektor sollten diese Möglichkeiten stärker nutzen, und Medienvertreter sollten von sich aus kreativer werden und sich ein besseres Verständnis von Prozessen im Tourismus aneignen. Hier wären vielleicht auch ein Workshop sowie Einladungen zur Besichtigung von Beispielprojekten hilfreich.

Schließlich fehlt es in allen Bereichen des öffentlichen Sektors an einer gut informierten und positiven Einstellung gegenüber armutsbekämpfenden Maßnahmen im Tourismus. Häufig ist fehlendes Wissen und unzulängliche Erfahrung der Grund. Daher sollte die Regierung innerhalb ihrer eigenen Behörden Aufklärungs- und Ausbildungsprogramme durchführen. Dies beinhaltet auch relativ banale Themen wie ein gutes Dienstleistungsbewusstsein und Freundlichkeit bei solchen Verwaltungsangestellten, die persönlich mit Touristen in Kontakt kommen, wie zum Beispiel Angestell-

te der Botschaften, der Einwanderungsbehörde oder der Polizei. Darüber hinaus ist es notwendig, dass alle Akteure die benachteiligten Bevölkerungsteile als gleichwertige Mitstreiter betrachten und ihnen Möglichkeiten geben, an Entscheidungen teilzunehmen. Schließlich lässt die Kommunikation zwischen Regierungsinstitutionen stark zu wünschen übrig. Um nur ein Beispiel zu nennen: Wenn in einer Behörde die Prioritäten für die Konstruktion von Straßen und Telekommunikationsnetzen besprochen wird, sollten auch Vertreter von tourismusrelevanten Behörden sowie von der Industrie beteiligt werden.

Aus all diesen Erkenntnissen haben wir abschließend einen Katalog mit Empfehlungen entwickelt, der auch konkret auf die Akteure eingeht, die sich durch die Vorschläge angesprochen fühlen sollten.

Kapitel 5: Schlussfolgerung

In unserer Dissertation haben wir eine erfolgreiche Methodologie erarbeitet und getestet, mit der man die vielen komplexen Elemente der armutsbekämpfenden Wirkung des Tourismus auf holistische Weise untersuchen kann. Die Ergebnisse der Analyse Ruandas haben gezeigt, wie viele verschiedene Punkte ineinander greifen, wenn man Armut als multidimensionales Phänomen betrachtet. Nur so kann gewährleistet werden, dass der Tourismus ganzheitlich verstanden und behandelt wird.

Während eine Vielzahl von Ergebnissen und daraus resultierenden Empfehlungen sicherlich auf eine Reihe von Ländern übertragbar sind, bleibt jedoch auch ein ganz wichtiger Punkt festzuhalten, der im Theorieteil der Dissertation zum Ausdruck kam. Die Zeit der großen Theorien und der Standardlösungen ist vorbei. Man hat erkannt, dass jedes Umfeld seine eigenen speziellen Merkmale aufweist und dass es daher falsch wäre, Lösungsansätze zu kopieren und zu verallgemeinern. Gerade aus diesem Grund haben wir zu dem Konzept der ‚differenzierten Diagnose‘ gegriffen. Wir haben zwar eine Methodologie entwickelt, mit der man jetzt jeden nationalen Entwicklungskontext aufarbeiten und analysieren kann. Aber die Ergebnisse einer solchen Untersuchung sind immer individuell und länderspezifisch. Es lag nicht in unserer Absicht, unsere Ergebnisse zu verallgemeinern und dadurch Lektionen für den gesamten afrikanischen Kontinent zu erarbeiten. Sicherlich werden viele Situationen

auch in anderen Ländern zutreffen – aber uns hierzu ein informiertes Urteil zu erlauben, würde den Rahmen der Dissertation sprengen.

Daraus ergibt sich, dass unser persönlicher Beitrag zum internationalen Wissensstand zwei Komponenten beinhaltet. Zum einen können wir eine generalisierbare Methodologie zur Untersuchung der armutsbekämpfenden Wirkung des Tourismus auf nationaler Ebene beisteuern. Und zum anderen haben wir politisch-praktische Anweisungen für eine verbesserte Nutzung des Tourismus für die Armutsbekämpfung speziell in Ruanda entwickelt. Diese können bei zukünftigen Untersuchungen in anderen Ländern als Maßstab und Beispiel verwendet werden, sollen aber auf keinen Fall als Standardlösungen verstanden werden.

Natürlich sind während der Untersuchung auch einige Schwierigkeiten, Herausforderungen und Versäumnisse entstanden. Zunächst erkennen wir, dass unser Modell der Armutsbekämpfung starke entwicklungsökonomische Perspektiven vertritt. Wir denken zwar umfangreich über Policies nach, messen aber anderen Bereichen der Politikwissenschaft weniger Bedeutung zu. Wir glauben, dass dies zumindest teilweise damit zu rechtfertigen ist, dass das heute vorherrschende theoretische Denken in Entwicklungskreisen die Polity als eher nebensächlich betrachtet. Wir haben dennoch versucht, dieses Thema zumindest ansatzweise im Kontext des Afrikas südlich der Sahara zu untersuchen und haben festgestellt, dass liberale Demokratie tatsächlich intrinsisch wichtig für unsere Definition der Armut ist. Wie dies jedoch zu Polity-Formen in Beziehung steht, die unser Modell umsetzen könnten, lag außerhalb des Anwendungsrahmens unserer Dissertation. Es wäre aber sehr interessant, auf diesem Gebiet in Zukunft mehr Untersuchungen zu sehen.

Zweitens müssen wir zugeben, dass unser Wissen in Bezug auf ökonomische Modelle eingeschränkt ist. Wenn wir also über gewisse Begriffe wie den ‚Vorrang von freien Märkten‘ oder ‚Marktfehler‘ sprechen, können wir dies nicht mit ausgefallenen Formeln belegen. Dies ist aber auch nicht unbedingt wünschenswert für eine politikwissenschaftliche Dissertation. Trotzdem wäre es interessant, unser Konzept von einem Wirtschaftswissenschaftler erörtert zu sehen, um ein interdisziplinäres Arbeitsmodell für Armutsbekämpfung zu entwickeln.

Drittens müssen einige Versäumnisse bei der Anwendung unserer Methodologie eingeräumt werden, die zum Teil durch die schwierigen Forschungsbedingungen in Ruanda, zum Teil aber auch durch unsere eigenen Entscheidungen entstanden sind. Nützliche Statistiken sind in Ruanda stark limitiert, woraufhin wir große Probleme hatten, die Repräsentativität der Besucherstichprobe unserer empirischen Untersuchungen zu testen. Aus diesem Grund ist es auch unmöglich zu bestätigen, ob wir in der Tat den angemessensten Datensammlungsprozess gewählt haben. Die Forschungsergebnisse hinterlassen zwar einen sehr guten Eindruck – ihre Genauigkeit kann aber nicht im Detail überprüft werden. Daher wären mehr Hintergrundforschungen zwar wünschenswert aber im Rahmen unserer Arbeit leider nicht praktikabel gewesen. Ähnliche Schwierigkeiten entstanden in Bezug auf die Genauigkeit der Handelskettenberechnungen für einzelne Industriezweige.

Viertens sahen wir uns bei den wichtigen Berechnungen der finanziellen Gewinne der ruandischen Wirtschaft gezwungen, in mehreren Fällen Annahmen und Spekulationen zu verwenden – besonders in Bezug auf die zweite und dritte Ebene der Handelsketten. So entstanden auch einige Schätzungen in Bezug auf die Gesamtgewinne der ärmeren Bevölkerungsteile. Da ähnliche Untersuchungen außer einem Ansatz von Ashley (2006b) in Luang Prabang / Laos in der Literatur nirgends dokumentiert wurden, ist dies bereits ein guter Ausgangspunkt. Aber für die Zukunft wäre weiterführende Forschung sehr wünschenswert.

Schließlich haben wir uns bewusst nur auf die nationale Perspektive beschränkt und gewisse Prozesse, die außerhalb der Grenzen Ruandas ablaufen, weitgehend ignoriert. Natürlich erkennen wir, dass es auch internationale Prozesse gibt, die starken Einfluss auf die Auswirkungen des Tourismus auf eine Gastdestination haben und daher nicht ignoriert werden sollten. Hierzu gehören unter anderem die Aktivitäten von internationalen Reiseveranstaltern und internationalen Medien, die besonders in Bezug auf Marketing und Verkauf wichtige Entscheidungen treffen. Ebenso spielen internationale Handelsketten große Rollen, wodurch zum Beispiel potentielle *leakages* [Sickerraten] entstehen. Auch hier würden wir weiterführende Forschungsvorhaben wärmstens begrüßen.

Trotz dieser Schwierigkeiten, Herausforderungen und Versäumnisse sind wir mit unseren Ergebnissen sehr zufrieden und empfehlen, unsere Methodologie in anderen Ländern zu replizieren, um auch dort die armutsbekämpfende Wirkung des Tourismus zu maximieren.

In Ruanda werden die Empfehlungen der nationalen *Tourism Workgroup*, einer Interessenvertretung, die aus Regierung, Privatsektor sowie internationalen Entwicklungsorganisationen besteht, vorgestellt werden. Wir freuen uns auf die Debatten und hoffen, dass möglichst viele unserer Vorschläge auch tatsächlich in die Realität umgesetzt werden. Es wäre interessant, unsere Forschung in einigen Jahren zu wiederholen, um herauszufinden, welche praktischen Auswirkungen unsere Arbeit hatte und ob sie in der Tat dazu beitragen konnte, die armutsbekämpfende Wirkung des Tourismus in Ruanda zu maximieren.

Wenn der Wind der Veränderung zu wehen beginnt, bauen einige Menschen einen Windschutz, während andere Windmühlen bauen.

(Chinesisches Sprichwort, zitiert in Norberg, 2003: 141)

