University of Dar es salaam

From the SelectedWorks of Abel Alfred Kinyondo

Winter March 19, 2015

Tourism, Development, and Inequality: The Case of Tanzania

Abel A Kinyondo, *University of Dar es salaam*
Riccardo Pelizzo

Available at: https://works.bepress.com/abel_kinyondo/11/

Poverty & Public Policy
A Global Journal of Social Security, Income, Aid, and Welfare

Tourism, Development, and Inequality: The Case of Tanzania

Abel Kinyondo[1] and Riccardo Pelizzo[2]
[1]*REPOA, United Republic of Tanzania*
[2]*Nazarbayev University, Astana, Kazakhstan*

For most of the post-WWII era, scholars have attempted to understand, define, and measure development. A large and growing body of work has in fact investigated its causes and the consequences and has dissented as to whether tourism represents a proper determinant of growth and development. Yet, while scholars have started investigating the contribution that tourism can make to economic growth and development from the 1970s onward, considerably less attention has been paid to assessing whether tourism-induced growth is pro-poor or not—that is, whether tourism-induced growth and development contribute to the reduction of poverty and income inequality.
Building on data collected from several institutional sources and on the insights gathered in the course of several interviews with the officials from the Ministry of Natural Resources and Tourism, we wish to investigate the relationship between the development of the tourism industry, economic development, employment and income inequality in Tanzania.

KEY WORDS: tourism, development, inequality

Introduction

For most of the post-WWII era, scholars have attempted to understand, define, and measure development. A large and growing body of work has in fact investigated its causes and the consequences and has dissented as to whether tourism represents a proper determinant of growth and development. Yet, while scholars have started investigating the contribution that tourism can make to economic growth and development from the 1970s onward, considerably less attention has been paid to assessing whether tourism-induced growth is pro-poor or not—that is, whether tourism-induced growth and development contribute to the reduction of poverty and income inequality.

Building on data collected from several institutional sources and on the insights gathered in the course of several interviews with the officials from the Ministry of Natural Resources and Tourism, we wish to investigate the relationship between the development of the tourism industry, economic development, employment, and income inequality in Tanzania.

1944-2858 © 2015 Policy Studies Organization
Published by Wiley Periodicals, Inc., 350 Main Street, Malden, MA 02148, USA, and 9600 Garsington Road, Oxford, OX42 DQ.

Our analyses reveal that the development of tourism in Tanzania has been associated with (and possibly been responsible for) growth in employment and aggregate wealth, but much less so with the distribution of wealth. Foreign ownership, vertical integration, and the economic treatment of workers employed in the tourism industry are identified as the primary reasons why, in spite of the impressive rise of the tourism sector and similarly impressive economic development over a sustained period of time, the level of income inequality in recent years is identical to what it had been nearly 20 years before, and we formulate some suggestions as to what could be done to distribute more equitably the wealth that the tourism sector creates.

The article is divided into five sections. In the first section, we place the literature on tourism, growth, and development in the context of the broader literature on development. In doing so, we underline that in spite of the fact that the contribution of the tourism industry to economic development has been extensively debated, not much evidence was produced to show whether tourism and tourism-induced growth contributed to the reduction of poverty and income inequality. Critics were challenging the notion that tourism could create the conditions for sustainable growth and therefore saw no reason for investigating whether tourism-led growth could contribute to poverty reduction. By contrast, advocates of tourism showed that tourism could create wealth but never addressed how such wealth was then distributed to the society in general. And, as a result, the relationship between tourism and poverty reduction remained a largely unexplored issue.

In the second section, we discuss the data sources and the data that we employ for our analysis. In the third section, we analyze the relationship between the development of the tourism industry, on the one hand, and several indicators of socioeconomic development, on the other hand. The data analysis reveals that the development of the tourism industry in Tanzania was associated with socioeconomic development, however defined, and with the creation of employment.

In the fourth section, we show that tourism-induced growth was not always pro-poor and did not consistently make a contribution to the reduction of poverty and inequality. On the basis of government data and of interviews conducted with government officials, we formulate some explanations as to why this may have been the case. In addition to drawing some conclusions, we formulate policy suggestions as to how the development of the tourism industry could make a more significant contribution to the redistribution of wealth in Tanzania in the fifth and final section.

Theories of Development

From the 1950s onward, several theories for the understanding of economic development have been formulated. Modernization theory was one of the most influential, if not the most influential, of such theories (Przeworski, 2004; Przeworski and Limongi, 1993, 1997; Przeworski et al., 2000). Modernization theory stated that sustainable economic growth and development were the result of progress and modernization that, in their turn, were the product of a series of social changes such as urbanization, literacy, industrialization, reduction in child mortality, and increase in life expectancy (Lipset, 1959, 1960).

Neo-institutional economists' view, such as North (North, 1990; North & Thomas, 1973), was that innovation, growth, and development are the consequence, of the institutions, of appropriate institutional changes and choice of appropriate institutional arrangements, which, by transforming individual incentives, create the conditions for growth and development.

Dependency theorists such as Cardoso and Faletto and world-system theorists such as Wallerstein (1974) have suggested instead that the economic fortunes of a country or a region are deeply affected by the impact of what we now call global dynamics, whereas political development scholars such as Huntington (1968) suggested that sustainable economic growth and development were favored first and foremost by political stability.

The development literature has integrated, more recently, structural (modernization theory), global (dependency theory and world-system theory), and institutional explanations by developing a large body of work on the role that the state, especially the "developmental" state, may play in securing the conditions for sustainable economic growth and hence development.

This literature has also underlined that some of the previous developmental strategies adopted by the countries and governments in the developing world, such as the import substitution strategy, were not economically profitable and that it would be more profitable to adopt an export-led strategy, as Japan and the Asian tigers (Hong Kong, Singapore, Taiwan) had done. In this way, instead of trying to promote the national economy by producing locally what could be imported from abroad, the development is promoted by focusing on how to increase exports. In short, the growth is driven by exports and is therefore called "export-led."

The tourist industry, or rather international travel, for countries that are appealing tourism destinations, is a subcategory of exports. Previous studies showed that international tourism has grown faster than traditional exports (Diamond, 1977, p. 539), as evidenced by the fact that while international travels amounted to 3.4 percent of the exports in 1950, in 1970 they amounted instead to 6.5 percent. And since exports were a major determinant of growth for many countries, the fact that international travels had come to represent a larger portion of the exports meant that international travels and tourism had become a more significant determinant of economic growth and development.

In the 1970s, the economic importance of tourism was recognized, and several studies investigated whether, how, and to what extent the development of the tourism sector could contribute to economic growth, employment, and socio-economic development (Martin et al., 2004). Over this same period, the scientific literature has produced several analyses of the relationship between the tourism industry, economic growth, and economic development. This relationship has been studied for African, Caribbean, and Latin American countries as well as for the countries of Southeast Asia, where there were also significant developments in the high-tech industry.

This scholarly debate has been characterized by a plurality of voices. One stream of research has underlined that tourism has environmental costs, may be

environmentally damaging, is exploitive and low paying, and that the benefits of the tourism business are often enjoyed by international economic actors and not by local actors. For example, some of the critical voices in this debate have argued that developing countries do not benefit enough from the development of the tourism industry because of foreign ownership (Jules, 2005).

This view was voiced quite forcefully by Pleumarom (2007), who lamented that "local residents do not get a fair share because most of the tourism revenue is siphoned away by urban-based and foreign investors. The tourism sector is notorious for causing financial 'leakage' (due to high import content, repatriation of profits by foreign-owned tourism companies, etc.), and unbalanced and inequitable distribution of income. According to current statistics compiled by the UN Conference on Trade and Development (UNCTAD), leakages in the tourism sector total up to 85% in some African least developed countries (LDCs), more than 80% in the Caribbean, 70% in Thailand and 40% in India."

Similar views have surfaced in some of the interviews that we conducted across Africa. For instance, the then *Directeur des Affaires Communes* of the Ministry of Tourism in Togo in the course of our conversations told us that the tourism industry in Togo could trigger pro-poor growth under two conditions: an increase in the number of arrivals of international tourists and the development of a system of smaller, locally owned, hotels, for he believed that the profits generated by large, internationally owned hotels were repatriated and did not contribute in any meaningful way to the betterment of Togolese society.[1]

Another stream of scholarship has underlined instead the economic benefits associated with tourism. Studies produced in this line of argument have underlined that tourism contributes to economic growth, that it does so more than other industries, that it creates employment for unskilled workers who would otherwise struggle to find employment, and that it can be a main driver of growth in developing countries. Specifically, studies by Durbarry (2004) on the Mauritius Islands, by Dritsakis (2004) on Greece, by Ivanov and Webster (2007) on three Mediterranean countries, by Kim et al. (2006) on Taiwan, and by Martin et al. (2004) on Latin American countries all confirmed a clear causal relationship between growth of the tourism industry and economic development, even when complex regression models have been used to control for the effects of other variables.

The basic explanation for why tourism stimulates economic growth is fairly intuitive. Tourism requires investments, creates employment, pays salaries, and sustains (domestic) consumption, and the combination of greater investments and greater consumption is conducive to higher rates of economic growth (Martin et al., 2004). This Keynesian explanation for why the development of the tourism industry can contribute to sustainable economic growth and development also provides an indication as to why the development of the tourism industry can alleviate poverty and reduce inequality. By creating employment opportunities for low-skilled workers, the development of the tourism industry provides employment and an income to previously unemployed individuals, and by doing so it could contribute to alleviating poverty and reducing income inequality.

While this debate has been rich and informative, it has failed to prove conclusively whether the development of the tourism industry is associated with and/or contributes to poverty reduction and to a more equitable redistribution of wealth in society. Studies produced in the first line of research neglected the objective benefits that tourism can produce, such as the creation of wealth, whereas studies produced in the second stream of research never addressed how the wealth created by tourism was distributed. By focusing exclusively on the relationship between tourism and the creation of wealth, in the form of either yearly economic growth or income per capita, analyses did not say much as to whether the benefits of economic growth and wealth creation are enjoyed by all segments of society and as to whether tourism-led growth is pro-poor or not.

Because of the foci of their respective analyses, studies conducted in either stream of scholarship paid little to no attention to the fact that tourism can contribute to poverty alleviation only if it redistributes the wealth it creates. Hence, in the course of this article, we wish to analyze not only whether and to what extent the development of the tourism industry has been associated with economic development but also whether this tourism-induced growth has played any role in alleviating poverty and/or in redistributing wealth more equitably.

In the course of our analysis, we will focus on the case of Tanzania. We do so for two reasons. The first reason is that Tanzania is a developing country and very attractive tourism destination. The country offers many tourist attractions that are special and unique and that can appeal to a wide variety of tourists. With its national parks, conservation areas, game reserves, marine parks, and lake zone, Tanzania is an ideal destination for natural adventure and ecotourism.[2] With some of its World Heritage Sites, Tanzania is a desirable destination for a variety of cultural tourists.[3] Finally, with white sandy beaches, Tanzania is a perfect location for sun and beach tourism. Hence, given its tourism potential and its developing status, Tanzania provides the ideal setting to investigate the relationship between tourism development, socioeconomic development, and poverty alleviation.

The second reason we focus on Tanzania is because Tanzania's tourism industry has been extensively investigated (Adelson, 1976; Elkan, 1975; Richards, 1973). However, most of the scholarship produced on this topic is by now quite outdated, and it is not clear whether and to what extent lessons learned several decades ago still provide an accurate description of the tourism industry in the country. For instance, Ankomah and Crompton (1990) were lamenting that because of falling exports, fewer funds were available for the maintenance of accommodations so that they were claiming only 30 percent of the rooms in some beach hotels were usable. The unavailability of rooms was seen then a serious obstacle for tourists coming to Tanzania has increased so much that one is left to wonder whether Ankomah and Crompton's assessment still applies to the present situation.

Furthermore, while a large body of scholarship has analyzed the tourism industry in Tanzania, its environmental impact, and its contribution to growth

(e.g., Kweka, 2004), it has only produced little more than anecdotal evidence on the contribution of the development of the tourism industry to poverty alleviation, and even the few studies that did indeed address this issue are by now somewhat outdated (Luvanga & Shitundu, 2003) or have an extremely narrow geographic focus. For example, one of the most recent analyses on this topic (Mitchell et al., 2009), upon analyzing the value chain of Mount Kilimanjaro climbing, suggests that the growth of the tourism industry does contribute to poverty reduction. But while the evidence presented in the paper may sustain the claim that tourism reduces poverty at the local level, it is insufficient to support the conclusion that the development of the tourism industry contributes to poverty alleviation at the national level.[4]

Data and Data Sources

From the late 1950s onward, development has been measured on the basis of various indicators. For instance, in his seminal work, Lipset (1959) measured development on the basis of wealth education, industrialization, urbanization, and education.

While Lipset's work, in the words of Przeworski and Limongi (1997, p.156), "has generated the largest body of research on any topic in comparative politics," most of the analyses conducted in the years following its publication, instead of measuring development on the basis of all the indicators, dimensions, and subdimensions discussed by Lipset (1959), went on to measure development on the basis of wealth alone. And wealth, in its turn, was measured, usually, on the basis of income per capita.

In this article, in order to test whether and to what extent the development of the tourism industry in Tanzania is related to development and income inequality, we employ a plurality of data from various data sources.

Development is measured in this article on the basis of wealth, infant mortality, and life expectancy. Wealth is measured on the basis of GNI per capita, infant mortality is measured by counting the number of infants dying in the first year of life out of 1,000 live births, and life expectancy is indicated by how many years a person would be expected to live, all other things being equal. Data for each of these three variables are taken from the World Bank's Database on Development Indicators.

Data on income inequality and poverty are taken from the World Bank's Poverty and Inequality Database and from two sets of publications of Tanzania's National Bureau of Statistics. The data from 2001 to 2007 have been taken from the Household Budget Survey report (2007) of the National Bureau of Statistics, and the data for 2011–2012 are taken from "Key Findings (2011/12) Household Budget Survey," which was put together in November 2013 by Tanzania's National Bureau of Statistics.

Data on tourism are taken from a variety of sources. The number of arrivals and on tourism receipts are taken from the World Bank's Development Indicators Dataset and from Tanzania's Ministry of Natural Resources and Tourism. Since

these data are only available for the 1995–2012 period, we limit our analysis to this specific time frame.

The two series on the number of arrivals displaying minor differences because the estimates by the Tanzanian Ministry of Natural resources and tourism are consistently higher than World Bank estimates.[5] In fact according to World Bank' data, the number of arrivals increased by 278 per cent from 285 thousand arrivals in 1995 to 795 thousand arrivals in 2011. The data from the Tanzanian government indicate that the number of arrivals grew by 293 per cent from 295 thousand arrivals in 1995 to 867 thousand arrivals in 2011. The upward trend is even more striking if one considers that according to the Tanzanian Ministry of Natural Resources and Tourism the number of Tourism arrivals was of 1,077,058 in 2012—which represents a 24 per cent increase over the previous year (United Republic of Tanzania, 2012).

This remarkable growth in the number of arrivals is mirrored by the growth in the expenditures by international inbound visitors.[6] The receipts for such expenditures have increased by 296 per cent from 502 million (current US $) in 1995 to 1487 million (current US $) in 2011. Data available from the government of Tanzania which only covers the period between 2006–2012, also show a similar upward trend. Thus there is no doubt that the tourism industry in Tanzania has experienced a significant increase, that the development of the tourism industry has made major contribution to the steady increase in the country's wealth and employment.

The data also suggest that the tourism industry has steadily increased over the period under study. In fact when we correlate the number of arrivals, as measured respectively by the Tanzanian government and the World Bank, with the years, we find that both series of data are very strongly, positively and significantly correlated with time and that the strength of the relationship between the number of arrivals and time is more evident when using the World Bank data than using the data from the Tanzanian government (Table 1).

Tourism, Employment, and Development in Tanzania

The three indicators of development that we employ in this analysis are all strongly and significantly related to one another. Higher levels of wealth (GNI per capita) are associated and possibly responsible for lower levels in infant

Table 1. Correlations. Number of Arrivals and Year (sig.)

	Number of arrivals (MNRT)	Number of arrivals (World Bank)	Year
Number of arrivals (MNRT)	1	.995 (.000)	.933 (.000)
Number of arrivals (World Bank)		1	.963 (.000)
Year			1

Source: World bank development indicators, Ministry of Natural Resources and Tourism

mortality and for higher levels in life expectancy. Furthermore, life expectancy was strongly, significantly and negatively related to infant mortality. This meant that lower values in infant mortality were associated with a longer life expectancy, while higher values in infant mortality were associated with a shorter life expectancy. This evidence sustain the claim that as one country develops, all the good things go together. See Table 2.

In the light of this evidence, there are two questions that we need to address: the first is whether the development of the tourism industry in Tanzania is associated with and possibly affects the level of socioeconomic development like in every other country for which similar analyses have been conducted and, second, whether the development of the tourism industry in Tanzania is related to and possibly affects income inequality. In other words, we need to ask whether tourism industry not also generates but also redistributes wealth and contributes to reducing poverty.

With regard to the first question, the answer unequivocally yes: tourism and the tourism industry generate wealth and promote development however measured. In fact, as the tourism industry developed and more tourists came to Tanzania, the country experienced socioeconomic development: GNI per capita increased, infant mortality declined and life expectancy increased (Table 3).

The data presented in Table 3 show however that while the arrival of more tourists, regardless of whether ones uses Tanzanian or World Bank data, is strongly associated to, and possibly responsible for, a marked increase in wealth (GNI per capita) and a marked decline in the infant mortality rate, it has a relatively weaker impact on life expectancy which is affected not only by a country's overall wealth but also by how wealth is distributed.[7]

With regard to the second question, that is whether the development of the tourism industry contributed to the redistribution of wealth, reduction of income inequality and to the reduction of poverty, the evidence at our disposal does not seem to confirm the existence of such an impact. Note that tourism industry has grown in Tanzania.[8] And it clear that the development of the tourism industry has created employment.

According to the data made available by ILO, in 2006 less than 2.1 per cent of the Tanzanian labor force was employed in the tourism industry. Of these 377,5 thousand workers, 98,5 thousand were males, the other 279 thousand were females. It is important to note that female workers were paid 28.1 per cent less than males.[9]

Table 2. Correlations. GNI per Capita, Infant Mortality, and Life Expectancy in Tanzania (sig.)

	Infant mortality	Life expectancy
GNI per capita	−.972 (.000)	.657 (.004)
Infant mortality		−.638 (.006)

NB: Data on employment in the tourism industry and on salaries in the tourism industry were taken from ILO and from Tanzania's National Bureau of Statistics.

Table 3. Correlations. Number of Arrivals and Development

	GNI per capita	Infant mortality	Life expectancy
Number of arrivals (MNRT)	.944 (.000)	−.902 (.000)	.531 (.028)
Number of arrivals (World Bank data)	.959 (.000)	−.951 (.000)	.555 (.021)

Source: Data on life expectancy, infant mortality, GNI per capita and number of arrivals are taken from the World Bank's Dataset on World Development Indicators. The second series of data concerning the number of arrivals are taken from Tanzania' Ministry of Natural Resources and Tourism.

The data from Tanzania's National Bureau of Statistics are somewhat inconsistent with the ILO data. In fact, while the ILO data provides an indication of the number of workers employed in the Tourism industry, the data from the National Bureau of Statistics shows the number of workers employed in Hotels and Restaurant for the 2005–2007 period, and cover the number of workers employed in accommodation and food service activities.

The different categorization of professional sectors translates itself into a slight discrepancy in the number of people employed, loosely speaking, in the tourism sector. In fact, while ILO reports that 2.1 per cent of the Tanzanian labor force worked in the tourism sector in 2006, the data from the National Bureau of Statistics records 4.4 per cent. More recent data made available by Tanzania's National Bureau of Statistics (2013) reveal that workers in accommodation and food service activities represented 7.0, 7.1 and 7.7 per cent of the labor force respectively in 2010, 2011 and 2012 (see Figure 1 below).

Since ILO provided only a data point for 2006, we use the Tanzanian government's data to assess whether and to what extent the development of the tourism industry has expanded the size of the labor force not only in absolute terms but also in relative terms, that is as a percentage of the total labor force.

Visual inspection of Figure 2 suggests that as the tourism sector developed, the portion of the total labor force employed in the tourism sector increased accordingly. Correlation analysis supports this conclusion. In fact when we correlate the percentage of the labor force working in the tourism industry with the number of arrivals (Tanzanian data), we find that the correlation yields a strong, positive and statistically significant coefficient ($r = .881$, sig. $= .020$).

But while the growth of the tourism industry has been a significant determinant of economic growth, by creating employment and producing wealth, it is not equally clear whether and to what extent it contributed to the distribution of wealth, to reducing income inequality, and eradicating poverty.

Tourism-Induced Growth and Poverty Reduction

The evidence we have presented in the previous section sustains the claim that the development of the tourism industry contributed to the creation of wealth, jobs, and economic development of Tanzania. Since the literature (e.g., Donaldson, 2007) has shown that not all tourism-induced economic growth is

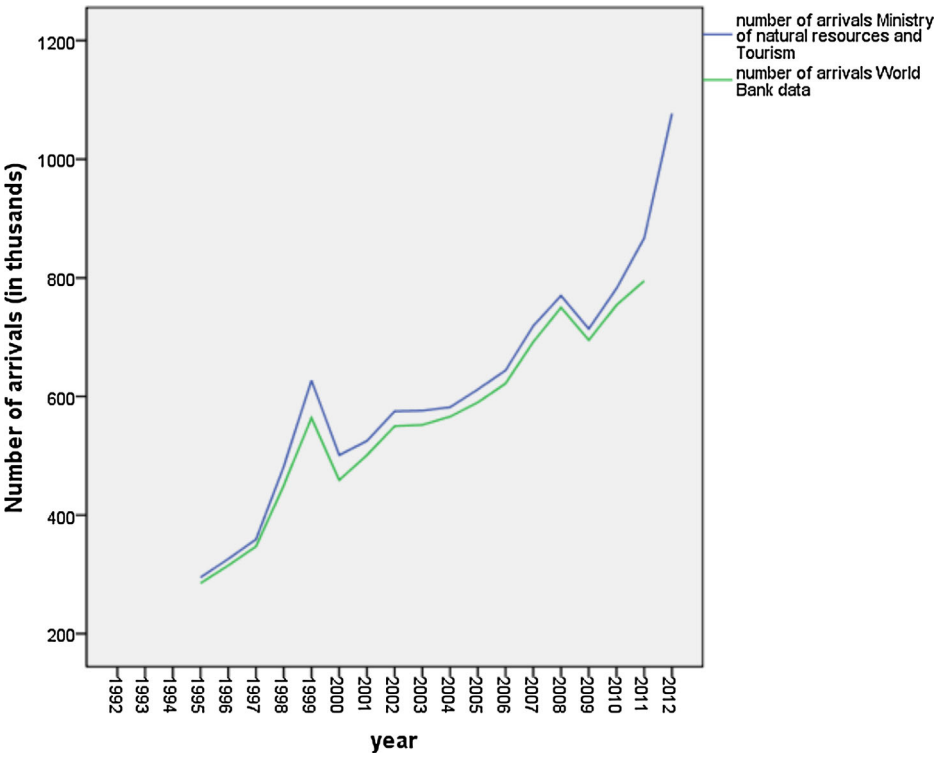


Figure 1. Number of arrivals. Sources: various.

pro-poor, because not all the wealth that is produced by economic growth and development is equitably redistributed in society it is worth investigating whether in the case of Tanzania tourism-led growth contributed to the reduction of poverty and inequality or not.[10]

The data from Tanzania indicate that tourism-induced growth has not always been pro-poor.[11] In fact, the data presented in Figure 3 make it quite clear that growth led initially to an increase in the levels of inequality as captured by the Gini coefficient and, in a second phase, to a decline in inequality. This finding can be read in two different ways. It may indicate that, as Donaldson (2007) had argued, that economic growth and development are not always pro-poor because only certain types of economic activities and the resulting economic growth are able to narrow the gap between the richer and the poorer segments in society or it may indicate that economic growth and development contribute to poverty alleviation only after a certain level of wealth and development have been achieved. These two explanations have very different policy implications. In the first case, the policy implication is that it is necessary to adopt different economic strategy, promote different economic activities, and create the conditions for a different, more pro-poor, kind of growth. In the second case, the policy implication is that a certain level of material well-being has to be achieved and a certain level of wealth has to be created for redistributive

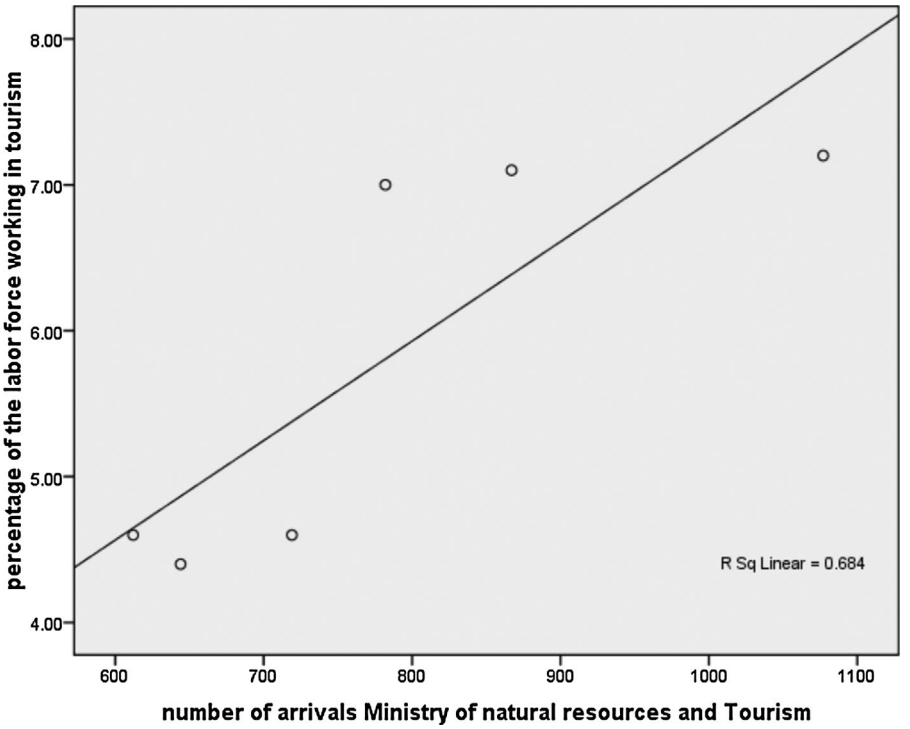


Figure 2. Number of arrivals and employment. Source: various.

policies to be successful and reducing the income gap between the rich and the poor. The data at our disposal do not allow us to make a compelling case as to whether the evidence from the Tanzanian case support the first explanation or the second. But the key point to be kept in mind in this respect is that by the time the level of inequality returned to its 1992 level, GNI per capita had tripled from 180 US dollars in 1992 to 540 in 2011.

The evidence we collected in the course of this study suggests that there are at least three reasons why tourism-induced growth and development were not always and consistently associated with and possibly conducive to poverty alleviation and to a reduction in income inequality. The first reason, as it has emerged from the interviews we have conducted with the officials of the Ministry of Natural Resources and Tourism, is 'vertical integration'. International tour operators use their own charter flights to bring tourists to a destination, they use locally their own means of transport, they accommodate tourists in hotels and resorts that they own and none of this contributes much to local economy.

Second even in the absence of vertical integration, foreign ownership can prevent Tanzania from enjoying the full array of economic benefits of a booming tourism industry. According to Ankomah and Crompton (1990) up to 60 per cent of the profits were repatriated. More recent analyses have confirmed this conclusion and have shown that foreign ownership is not simply an issue with regard to the ownership of accommodation but also with regard to the ownership

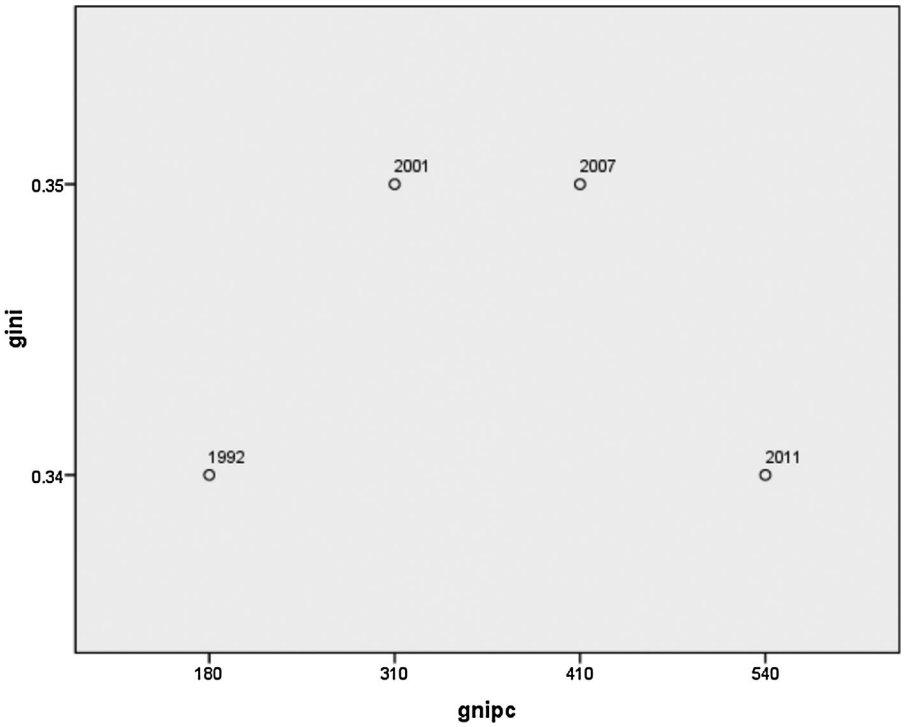


Figure 3. Economic development and income inequality. Source: various.

of tour operating companies. For instance, up until as recent as in 2009, the majority of the then 210 tour operating companies were owned by foreign entrepreneurs (Salazar, 2009).

But repatriation of profits is only part of a bigger story because in many cases profits are not even made in Tanzania. This problem is due to the fact a significant number of tourists pre-arrange for their tour packages from their countries of origin and, therefore, a considerable portion of the money money that would have potentially be destined for Tanzania does not even come to Tanzania.[12]

Third, while it is true that tourism creates employment opportunities for workers with low skills, workers employed in the tourism sector are usually employed in the lower cadres, as Luvanga and Shitundu (2003:28) had already shown and are poorly paid. The data from the National Bureau of Statistics consistently shows that there is no single group of workers from any other sector in Tanzania's economy which is paid less than those employed in tourism (2013:41) and, to make matters worse, female workers who greatly outnumber their male counterparts (2013:19) receive substantially lower wages.[13]

Conclusions

The purpose of the present paper was to investigate whether and to what extent development of the tourism industry in Tanzania, one of the world's most

appealing destinations, has contributed to the economic growth, employment and poverty reduction.

The evidence presented in the course of the paper sustains the claim that development of the tourism stimulated economic development and employment, while the impact of tourism-induced growth on the reduction of income inequality has been remarkably less pronounced.

The literature, that we have discussed, explains this anomaly on the basis of two alternative explanations. One group of scholars has argued that that tourism-induced growth alleviates poverty only if tourism operations are run on a small scale (Rodenburg, 1980; Donaldson, 2007). But we have pointed out that the unclear relationship between development and poverty alleviation could equally well be explained by the fact that that only for economic development to effectively contribute to poverty alleviation a certain level of development has to be achieved in the first place. This interpretation fits well the Tanzanian data were growth was associated initially with rising inequality and then then with declining inequality, but the evidence at our disposal is inadequate to prove such a point conclusively.

That said, the data made available by several institutional sources as well as the insights that we have gathered in the course of our interviews in the Ministry of Natural Resources and Tourism, make it clear that the reason why tourism-induced growth was not as beneficial as it could have been in reducing poverty and inequality has to do with three sets of factors: foreign ownership, vertical integration and inadequate remuneration packages for workers employed in the tourism sector.

In sum, if the analysis of data from this study is anything to go by, it is clear that some policy changes may be necessary in order to ensure that a greater portion of Tanzanians enjoy the wealth that the tourism industry creates in the country. Of the various policy changes that may be adopted, two seem to be particularly urgent. The first concerns the fact that a greater number of operations has to be owned and run by Tanzanians and that specific activities (tour guides etc.) should strictly be reserved to Tanzanian nationals. The second concerns the wages of workers employed in the tourism sector. Salaries should be brought in line with salaries paid to workers employed in other sectors of the economy and, more importantly, women working in the tourism sector should earn as much as men.

Notes

1. The interviews were conducted by one of the authors in December 2013 in Lome, Togo.
2. The 15 national parks are Arusha National Park, Gombe Stream National Park, Katavi National Park, Kilimanjaro National Park, Kitulo National Park, Mahale Mountains National Park, Lake Manyara National Park, Mikumi National Park, Mkomazi National Park, Ruaha National Park, Rubondo Island National Park, Saadani National Park, Serengeti National Park, Tarangire National Park, and Udzungwa National Park. Two of these parks (Serengeti, Kilimanjaro) along with the Ngoro Ngoro conservation area are World Heritage Sites.

3. The list of sites that may appeal to cultural tourists includes the ruins of Kilwa Kisimani, the ruins of Songo Mnara, Kondoa Rock Art Sites, and Stone Town in Zanzibar. These are all World Heritage Sites.
4. We believe that our remark is legitimate in consideration of the fact that only a relatively small portion of tourists who come to Tanzania visit Kilimanjaro. The data presented in the 2012 Tourism Statistical Bulletin show in fact that of the 920,572 tourists who visited national parks in 2011, only 64,467 went to Kilimanjaro.
5. These two series are very strongly related to one another (Pearson $r = .995$, sig. 000) as evidenced in Figure 1.
6. The increase in the receipts is not simply due to the fact that more tourists came to Tanzania, but also to the fact that the duration of an average stay has increased and the average cost per day has also increased. In fact, according to the National Bureau of Statistics & Tourism Department the average number of days per tourist increased from 8 in 2001 to 11 in 2010 and the average expenditure per day has increased from 172,58 US dollars per day in 2001 to 236 and 328 US dollars per day for respectively non package tours and package tours. The data presented in the 2012 Tourism statistical bulletin indicate however that the average number of days per tourist declined from 11 days in 2010 to 10 days for both 2011 and 2012, while the average expenditure per day rose to 247 and 355 US dollars in 2011. The data for 2012, possibly because of a typo, seem to suggest that the average expenditure per day is 3841 and 2302 for respectively package and non-package tours.
7. Note that while there are other sectors such as mining that have been crucial over the years in terms of their significant contribution towards Tanzania's GDP, there is no single sector that has got a better potential to make economic growth in the country more inclusive than the tourism sector. This is justifiable because firstly, it is estimated that the total contribution of tourism sector to GDP is nearly three times greater than its direct contribution (World Travel and Tourism Council, 2012). This suggests that the sector has, potentially, got very high spill-over effects in an economy. Tourism is considered beneficial for growth and employment. Tourism can boost growth because it possesses a high potential for different cross sector linkages of activities due to its wide and varied resource bases, and ample links with domestic, regional and international markets for its outputs (Economic and Social Research Foundation, 2009). Indeed, the sector is a significant consumer of outputs from other sectors which includes food, wild animals, industrial products, floriculture, handicrafts, and entertainment products (World Travel and Tourism Council, 2012). As such, the sector has a potential for triggering high spillover effects in a manner that stimulates growth in other sectors of the economy. Tourism is also believed to be beneficial for employment because it is relatively labour intensive as compared to other booming sectors in Tanzania such as mining and manufacturing. On the basis of tourism' ability to stimulate growth, to have spill over effects, to create employment, tourism was believed to have the potential of contribution to poverty alleviation (Economic and Social Research Foundation, 2009).
8. Tanzania has a comparative and competitive advantage in the sector due to its rich endowment in stunning natural beauties such as the Ngorongoro Crater, the many beautiful beaches and the magnificent game reserves and national parks that host scores of unique wildlife, as well as for the fact that it is the home of the highest single mountain in the world the Kilimanjaro (Economic and Social Research Foundation, 2009; Wane and Morisset, 2012). While these marvels could be expanded to attractions elsewhere out of the Northern circuit by improving facilitative infra-structures, such as in roads, hotels, air transports, power and water supply, the presence of political stability and low rates of criminal activities makes Tanzania even much more competitive (Economic and Social Research Foundation, 2009; Wane and Morisset, 2012).
9. Men were paid 67803 shillings per month, while women were paid only 48690 shillings, hence the difference in income amounted to $(67803–48690)/67803 = 28.1$ per cent.
10. Donaldson (2007) showed that where tourism contributed to rapid economic growth it did not make a major contribution to poverty reduction, whereas where low scale tourism contributed less to growth it made a more significant contribution to poverty alleviation. Donaldson (2007) seemed to explain the difference in which tourism industry contributed to growth and poverty reduction on the basis of the scale of the tourism operations, just like Rodenburg (1980) had argued nearly three decades earlier in pathbreaking analysis.
11. The economy of Tanzania (in terms of GDP) has consistently been growing at 7% per annum since 2000 (United Republic of Tanzania, 2009). This growth rate is not only historically high in

Tanzania but also compares favorably to the performance of the fastest growing economies in Sub-Saharan Africa and the world at large.

12. For instance, according to the National Bureau of Statistics (2011), about 65 percent of tourists came under the package tour arrangement, while 35 percent of the visitors came under the non-package tour in 2011(National Bureau of Statistics, 2011).
13. The low wages for employees in the tourism sector are a cause and a consequence of the short-lived nature of this type of employment. The evidence we have collected in our interviews has suggested that poorly paid employees in the tourism sector change job very frequently and that as a result most employees are junior employees and never or rarely manage to enjoy the economic benefits of more senior positions and appointments.

References

Adelson C. 1976. "Tanzania: Western tourism and African socialism." *Africa Report*.

Ankomah Paul Kwame, Crompton John L. "Unrealized tourism potential: the case of sub-Saharan Africa." *Tourism Management 11*, no. 1: 11–28.

Donaldson John. 2007. Tourism, development and poverty reduction in Guizhou and Yunnan. *The China Quarterly*, 190: pp 333–351.

Dritsakis Nikolaos. (2004). Tourism as a long-run economic growth factor: an empirical investigation for Greece using causality analysis. Tourism Economics, vol.10, (n. 3), pp n-316.

Durbarry Ramesh. (2004). Tourism and economic growth: the case of Mauritius. Tourism Economics, vol 10, n. 4, pp 389-401.

Economic and Social Research Foundation. (2009). Growth sectors and growth drivers: a situational analysis report. Dar ES Salaam.

Elkan Walter. 1975. "The relation between tourism and employment in Kenya and Tanzania." *The Journal of Development Studies*, 11, no. 2, 123–130.

Huntington Samuel, 1968. "Political Order in Changing Societies. New Haven." *Yale University Press*.

Ivanov Stanislav, Webster Craig. 2007. "Measuring the impact of tourism on economic growth." *Tourism Economics*, 13,(3),379–388.

Jules Sharon. 2005. "Sustainable Tourism in St. Lucia." International Institute for Sustainable Development. Heller School.

Kim Hyun Jeong, Chen Ming-Hsian, Soo Cheong "Shawn" Jang. (2006). Tourism expansion and economic development: the case of Taiwan. *Tourism Management*, vol. 27, n. 5, pp. 925-933.

Kweka Josaphat. (2004). "Tourism and the economy of Tanzania: A CGE analysis." In CSAE conference, pp. 21-22.

Lee Chien-Chiang and Chang Chun-Ping. (2008). Tourism Development and economic growth: a closer look at Panels. *Tourism Management*, vol. 29, n. 1, pp. 180-192.

Lipset Seymour Martin. (1959). "Some Social Requisites of Democracy", *American Political Science Review*, vol. LIII, n. 1, p. 69-p.105.

Lipset Seymour Martin. (1960). Political Man. Baltimore: Johns Hopkins University Press.

Eugenio-Martin Juan Luis, Morales Noelia Martín, Scarpa Riccardo. (2004). Tourism and economic growth in Latin American countries: A panel data approach. Fondazione Eni Enrico Mattei.

Luvanga NE, Shitundu Joseph LM. (2003). *The role of tourism in poverty alleviation in Tanzania*. No. 3. Mkuki Na Nyota Publishers.

Mitchell Jonathan, Jodie Keane, Jenny Laidlaw. (2009). "Making success work for the poor: Package tourism in Northern Tanzania." *Oversees Development Institute*.

National Bureau of Statistics. (2007). Household Budget Survey report.

National Bureau of Statistics. (2012). Employment and Earnings Survey. Analytical Report 2007, Dar es Salaam, Ministry of Finance.

National Bureau of Statistics. (2012). Employment and earnings survey. Analytical report 2010-2011, Dar es Salaam, Ministry of Finance.

National Bureau of Statistics. (2013). Employment and earnings survey 2012. Analytical report, Dar Es Salaam, Ministry of Finance.

National Bureau of Statistics. (2013). KEY FINDINGS (2011/12). HOUSEHOLD BUDGET SURVEY.

North Douglass C, Thomas Robert Paul. (1973). *The rise of the western world*, New York: Cambridge University Press.

North Douglass. (1990). *Institutions, institutional change and economic performance*, Cambridge: Cambridge University Press.

Pelizzo Riccardo. (2001). Timbuktu: A lesson in underdevelopment. *Journal of World System Research*, vol. 7, n. 2, pp. 264-283.

Pleumarom Anita. (2007). "Does tourism benefit the Third World?" *Third World Resurgence.* Panang, Malaysia.

Przeworski Adam, Limongi Fernando. (1993). Political Regimes and Economic Growth. *Journal of Economic Perspectives*, vol. 7, n. 3, pp. 51-69.

Przeworski Adam, Limongi Fernando. (1997). Modernization. theories and facts. *World Politics*, vol. 49, n. 2, pp. 155-183.

Przeworski Adam, Limongi Fernando, Alvarez Michael, Cheibub Jose' Antonio. (2000). *Democracy and Deevelopment*, New York: Cambridge University Press.

Przeworski Adam. (2004). "Economic Development and Transitions to Democracy", mimeo, New York University.

Richards G. (1973). "Tourism: Tanzania Style." *Africa Development*, 2:137-139

Rodenburg Eric E. (1980). The effects of scale in economic development: Tourism in Bali. *Annals of Tourism Research*, vol. 7, n. 2, pp. 177-196.

Salazar N. (2009). A troubled past, a challenging present, and a promising future: Tanzania's tourism development in perspective. *Tourism Review International*, vol. 12, pp. 1–14.

United Republic of Tanzania. (2009). Poverty and Human Development Report 2009. Brief 1: The Status of Economic Growth and Poverty Reduction in Tanzania.

United Republic of Tanzania. (2012). The 2012 Tourism Statistical Bulletin. Ministry of Natural Resources and Tourism, Tourism Division.

Wallerstein Immanuel. (1974). *The Modern World System*, New York Academic Press.

Wane W, Morisset J. (2012). Is Tanzania attracting enough tourists? Retrieved from http://blogs.worldbank.org/africacan/ accessed on the 5th of March, 2014.

World Travel and Tourism Council. (2012). Travel and Tourism: Economic Impact 2012 Tanzania, London.