



Findings

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The Tourism Sector in Madagascar

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Madagascar has an impressive array of biodiversity, natural beauty and cultural resources to support tourism. The world's fourth largest island, Madagascar is home to many species found nowhere else on the planet, among them 30 species of lemur – currently the main tourist attraction. Madagascar's nearly 5,000 km of coastline is coupled with a continental shelf equal to 20 percent of the island's land area which presents numerous opportunities for developing resort-based tourism to complement eco-tourism.

At present, the scientific community knows Madagascar better than the traveling public. Nonetheless, Madagascar has the potential to welcome more than the current level of 170,000 tourists if growth is well planned in a broad, multi-sectoral way, focusing on economics, infrastructure constraints, policy reforms, environmental and social concerns.

Madagascar is now focusing on developing its tourism through a cluster approach to support growth. In parallel, it recently approved the third environmental program with ANGAP, (Association Nationale pour la Gestion des Aires Protégées) supported by the donor community.

The Madagascar Poverty Reduction Strategy Paper (PRSP) recog-

nizes the importance of tourism as a development tool and some government policies have been designed to address some of the serious constraints to its expansion. Most importantly, macro-economic policies have helped to create sustained economic growth recently and to provide an improved business environment. Decisions to streamline the national airline and introduce "Open Skies" policies should reduce costs and make itineraries more flexible. Privatization of government-held hotels should also lead to their greater efficiency. The use of donor funding for improving the road network will also benefit tourism. Local tour operators note that communications have improved greatly, compared with five years ago, with the widespread use of cell phones and e-mail. The government has also announced plans to more than triple the size of its network of areas under protection from 1.7 million hectares (about 3 percent of the country's surface) to 6 million hectares over the next five years not only to ensure watershed protection and safeguard endangered species, but also to benefit tourism.

Many "willingness to pay" studies indicate that tourists can be tapped to support environmental or

cultural protection, either through entrance fees, departure or other taxes, and voluntary contributions. In addition, the larger accommodation units and those in sensitive ecological areas should aim for accreditation that they have met clear environmental standards. This valuable marketing tool will enhance the island's image as well as help preserve the natural resource base.

By creating backward and forward linkages to other production and service sectors, the tourism industry can make significant contributions to poverty alleviation. First, because tourism assets are found throughout the island, tourism creates pockets of economic growth in regions that have no alternative sources of income and employment. Second, both ecotourism and resort-based tourism, properly managed, can help to preserve environmental assets. More needs to be done to build a dynamic partnership between business and conservation, in recognition of the fact that a sound business plan for tourism, an effective environmental plan, and a framework for social inclusion are mutually reinforcing and that the absence of any one may put the others in jeopardy.

Tourism has a beneficial impact on the economic lives of local populations by creating jobs and providing additional sources of income and wealth creation. On the other hand, the quality of tourism assets is also affected by poverty. Deforestation, a continuing threat in Madagascar, reflects the desperate attempt at survival by very poor rural populations, with few economic alternatives to subsistence agriculture and the use of trees as fuel wood. Similarly, population

pressures and over-fishing are among the main threats to the coastal zone. Nevertheless, some NGOs are assisting local communities to introduce tourism as an income-generating activity and these case studies provide models that could be replicated elsewhere in the country.

Of course, the success of these small-scale activities is dependent upon the growth of the tourism sector as a whole. Any investor, foreign or local, for tourism or any other sector, looks first for a stable macro-economic framework fostering stability, confidence and predictability. Social and political stability have broadly been re-established since the 2002 crisis. There are positive signs that the economy is recovering from the 2002 collapse in growth. Some measures have also been taken by the government to improve the business environment (such as anti-corruption efforts and tax reform). However, several tourism-specific factors are currently impeding the catalytic business environment required for tourism to thrive. The cost of international airline access and restrictions on internal travel are among the major factors. International airfares from the main generating markets are among the highest in the world. Internal air flights are costly and unreliable, with frequent cancellations or re-scheduling. For internal travel, climate and lack of road maintenance have been limiting factors. From January to March, the wet season brings heavy rain and only 7,000 km out of the 35,000 km in the road network are weatherproof. Rough seas can delay inter-island travel or make it dangerous, especially on the East coast. Simultaneously,

the inability of the sector to accommodate and transport groups of tourists, discerning tourists especially, constrains its growth.

There are too few good hotels, lodges, and camps throughout the island and most are small. Group travel is a characteristic of international tourism today and most hotels outside Antananarivo cannot accommodate groups of 16 people or more. The presence of an internationally recognized flagship resort hotel or ecotourism lodge in Madagascar would bring name recognition, raise standards through technology transfer, and bring with it international campaigns to promote the island.

The high cost of communications is a cross-cutting issue for the private sector, including in tourism where communications is the main lifeline. This issue received the most criticism in a visitor survey completed in 2000. Communications, specifically reliable, reasonably priced Internet connectivity is vital in terms of advertising, reservations, and credit card purchasing. Small companies are particularly at a disadvantage, not being able to afford Internet sites, which greatly facilitate reaching foreign buyers.

Complex procedures for land acquisition and difficulty in securing financing continue to deter new investors. The tourism industry complains about the number of taxes that have to be passed on to the consumer resulting in higher tourist costs. Although there are reformers in government, red tape and rent-seeking behavior still deter investors from investing in the country. Madagascar is addressing some of these issues (with French, German and US assis-

tance) through a mechanism called the “tourism land reserves” (*réserve foncière touristique*), which gives clear access to special land reserves in tourist areas. Were these to carry the same benefits as the EPZ regime, they would be a very attractive package for tourism investment.

In spite of these constraints, tourism is currently one of the top three sectors in terms of foreign exchange earnings but it lacks a solid database to assist in decision-making. Currently, tourism is included in sectoral GDP as “Trade, Hotels and Restaurants”. By lumping trade with tourism, the contribution of neither can be well understood. The Government of Madagascar is fully cognizant of the implications of this lack of information. In 1993, the United Nations called on all countries to develop a Tourism Satellite Account (TSA) to provide a credible measure of its true contribution to the national economy and Madagascar wishes to adopt such a system.

The World Bank’s current program in Madagascar is helping to remove overall constraints to development. Tourism is cross-sectoral and with greater strategic focus, many on-going sector programs could increase the outreach of tourism to rural areas and help alleviate poverty. An example is transport, where a focus on tourism as a priority sector led to changes in emphasis within the program in favor of tourism.

In parallel, the government intends to complete master plans for its tourism zones. With the support of GATO AG (a German apex or umbrella organization for tourism), it has prepared a “concept for tourism”, to provide short- and long-

term frameworks for the growth of tourism. These participatory studies examine tourism’s potential externalities and integrate it into the macro-economic framework to create linkages to other productive sectors. The study also identifies poles for development, ways to eliminate constraints and barriers to growth, encourages sustainability through physical planning and community participation, as well as analyzes demand and proposals for appropriate tourist accommodation and services. It also addresses the policy framework, financing of tourism, the “greening” of the island, pro-poor tourism, and the idea clusters of high-quality accommodation and services to upgrade the product.

To take advantage of this, it is clear to all stakeholders that there needs to be a more effective partnership between the public and private sectors. To make progress on this front, the government set up the *Maison du Tourisme* as a private sector umbrella organization with European Union support. In addition, a new agency, the *Office du Tourisme* was also established. However, the next step of streamlining these institutional arrangements and improving coordination of their activities would go far to achieving better public-private dialogue and facilitating agreement on a framework for promoting “Destination Madagascar.” Policy discussions with the government should include the need to improve the business environment for tourism and, particularly, to adopt measures that will enable new investors to follow-through on their investment plans.

Tourism in Madagascar has been affected by acts of terrorism

worldwide and by political upheavals at home. The World Tourism Organization suggests that tourism is resilient and will bounce back – and indeed some countries in Asia saw growth in tourism in 2002. After three years of uncertainty for the tourism sector, the World Travel and Tourism Council recently released a forecast of 8.8 percent real growth in the measure of Travel and Tourism Demand for Sub-Saharan Africa in 2004, with real growth estimated at 6.0 percent between 2005-2014. Indeed, since the beginning of the political hiatus in Madagascar in 2002, occupancies in higher-income hotels seem to have held up, (although smaller tourism operations have seen a decline). It is also a remarkable tribute to Madagascar’s assets and its people, that despite lack of competitiveness in many facets of the sector, most tourists express high satisfaction with their visit and many confirm this sentiment by booking a return visit.

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