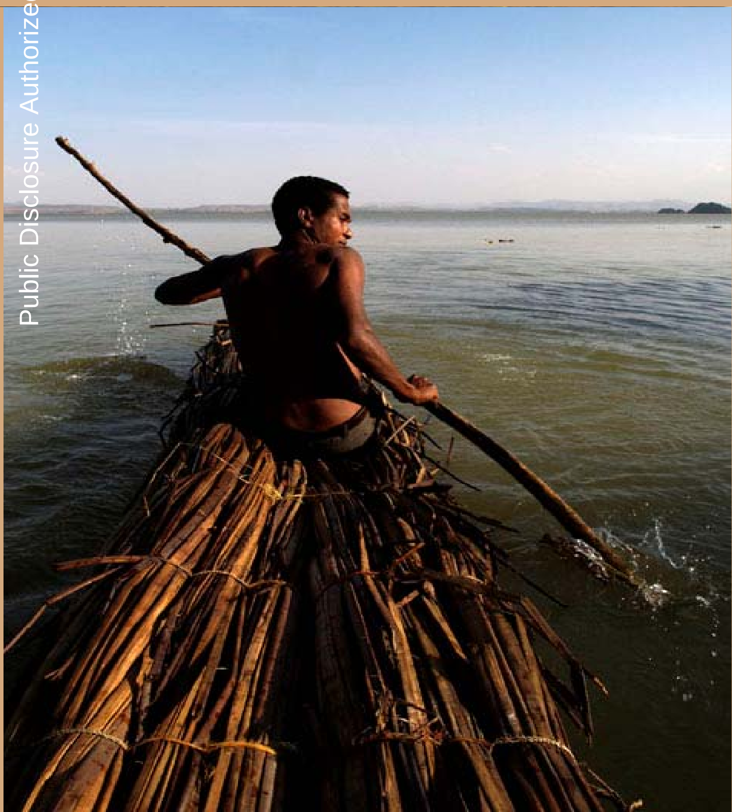
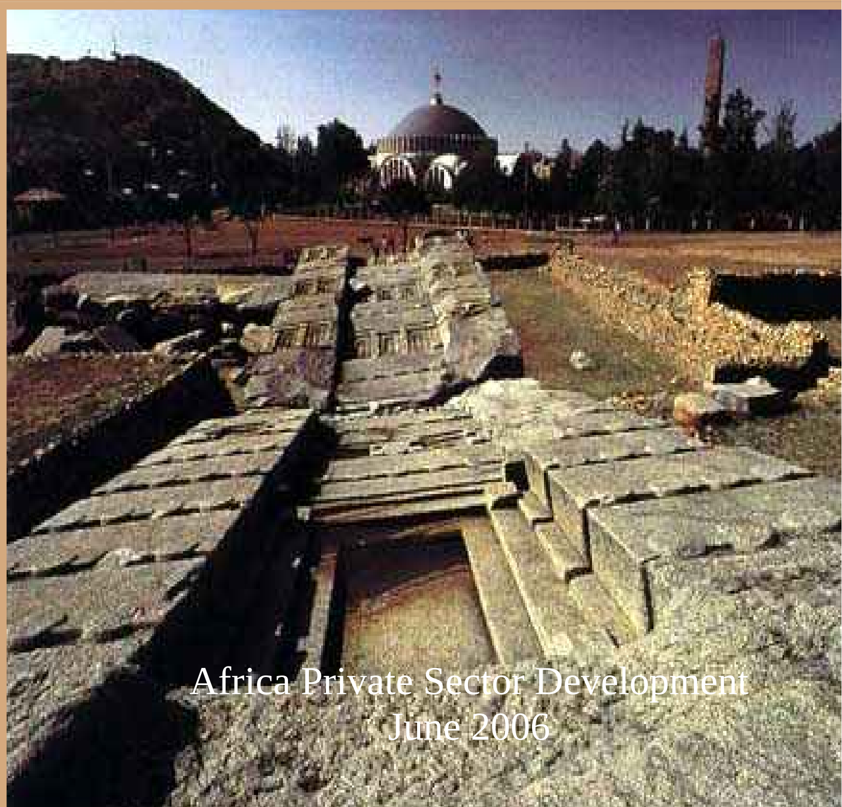
Ethiopia

In Makeda's Footsteps:
Towards a Strategy for Pro-Poor Tourism Development

Prepared for the Government of Ethiopia by The World Bank





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Ethiopia:

Towards a Strategy for Pro-Poor Tourism Development

Prepared for the Government of Ethiopia by the World Bank

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ATLAS	Association of Tourism and Leisure Education
CTTI	Catering and Tourism Training Institute
ETC	Ethiopian Tourism Commission
ETTE	Ethiopian Tourist Trading Enterprise
GOE	Government of Ethiopia
GNP	Gross National Product
IT	Independent Traveler
ICOMOS	International Council on Monuments and Sites
LIL	Learning and Innovation Loan
MSME	Means medium, small and micro enterprises
MDG	Millennium Development Goals
MCT	Ministry of Culture and Tourism
NTC	National Tourism Council
PRS	Poverty Reduction Strategy
PRSP	Poverty Strategy Reduction Papers
PNTC	Provisional National Tourism Council
ST-EP	Sustainable Tourism Eliminating Poverty
SSA	Sub-Saharan Africa region
UNWTO	United Nations World Tourism Organization
UNWTO	UN World Tourism Organization
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNWTO	United Nations World Tourism Organization

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TABLE OF CONTENTS

LIST OF BOX, FIGURES AND TABLES

Box

Figures

Tables

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The list of private sector contributors to the discussions leading to preparation of the report is too long to report here, but a number of representatives spent considerable time both in one-on-one meetings, in working groups, and representing their industries in panel discussions; this contribution was invaluable in shaping this document. Among these are Dr. Theodros Atlabachew, of the Cultural Heritage Project, Ato Omar Bagersh, Eco-Tourism Association, Ato Fikreselassie Admassu, Chairman, Tour Operators Association, Waziro Samarawit Moges, Ato Teseaye Asfaw, Ato Tony Hickey and Ato Yoseph Getenet all of the Tour Operators Association, Ato Tsegaye Asfaw of the Hotel Owners Association, Waziro Nahu Girma, and members of the public-private working group described below.

A working group consisting of both public and private sector representatives was established in December to consider problems and solutions to the development challenges of the sector. This working group also met with each of the consultants responsible for background analysis. One desired outcome of the process is that the team will continue to meet as the Government further develops its tourism strategy, to eventually emerge as a tourism cluster. The members of this working group are:

- Ato Dereje Belay, General Manager, Ethio-Der Tours and Travel
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Shaun Mann, Tourism Specialist in the Africa Region, is the lead author of the report. Magdi M. Amin, Senior Private Sector Development Specialist is the Task Team Leader. Ato Menbere Taye Tesfa, Ato Gizaw Molla, Ron Kopicki and Irene Visser contributed to the report. The initial concept of this report was reviewed in September 2005. A presentation of the key findings of the study was given to a workshop in Addis Ababa May 22, 2006.

EXECUTIVE SUMMARY

1. The Government of Ethiopia (GOE) has set in train an initiative to develop the tourism sector in Ethiopia. This study supports this objective through in depth analysis of the supply and demand sides of the sector and by proposing a focused and viable strategy to grow tourist visitation and revenues whilst supporting the GOE poverty reduction goals.

2. The study identified that tourism generated approximately US$ 132 million in in-country expenditure revenue from a base of about 150,000 foreign visitors who came to Ethiopia for various purposes such as leisure (63,000), business and conferences (62,000) and to visit friends and relatives (25,000). The study established that each of these categories of visitor have different expenditure and length of stay characteristics and based on this suggests a strategy of focusing on the development of leisure tourism, identifying this as the segment with the most potential to deliver growth.

3. The study further identified that within the leisure segment Ethiopia's principal driver of demand is its rich culture and history. Despite generally poor standards of accommodation and services for tourists, the study found that demand for the *Ethiopian Experience* is high among individual consumers who recognize its uniqueness. It was found that the country's poor international image and visibility as a tourist destination is reflected in weak demand among international tour operators and travel agencies, who, in other countries are among the main sources of business. The study also found that weak capacity in all but a handful of Ethiopian operators to promote and deliver their services prevents international operators from selling Ethiopian products; for example only 10% of the 400 or so European and UK tour operators and Africa specialist travel agencies trade in Ethiopian holidays.

4. The study found that the supply chains in Ethiopia serving the tourism sector are weak and shallow with very little value being added beyond the profitability of the individual service providers (such as tour operators and hotels). In other countries studies have shown that this is an important dimension to grow for tourism to be successfully integrated into the economy; the more people who participate in tourism economy the better it tends to perform as whole.

5. Perhaps one of the most important findings from the study was that the management of the sector by the various public and civil society players needs overhauling and refocusing and that there is very little capacity or expertise within the system to be able to do this. This overhaul has already been initiated by the GOE through the establishment of a separate Ministry of Culture and Tourism and through the GOE prioritization of tourism within its development plans. An important aspect of the proposed strategy is a management and coordination structure for the sector. Tourism worldwide is a private sector led industry and this renewed focus is a major challenge for Ethiopia, but certainly one that the GOE seems committed to taking on.

6. The proposed strategy is guided by the vision already developed by the GOE that tourism should be sustainably developed and utilized for economic growth, image

rehabilitation and poverty reduction whilst preserving and enhancing the social, cultural and environmental assets of Ethiopia.

7. The major themes of weak performance identified during the study centered on core issues of weak demand, weak products and an unfocused institutional structure to generate policies, regulate the sector and define strategies to grow. Within this context of rebuilding it is also necessary to be realistic about where impacts can be felt. The study makes a case for the focused support on the Northern Historic Route where products are already known and where Ethiopia posses a significant comparative advantage over competing regional destinations.

8. Another recommendation is to build the sector management, planning and coordination capabilities through strengthening initiatives of the GOE including the creation of a fully fledged Ministry, the establishment of a Tourism Council which serves as a public private dialogue platform and the establishment of regional culture and tourism bureaus. Related to the management of the sector is the need for basic regulation of the industry in support of defined development strategies. It is clear from the market research that standards in tourism goods and services delivery across the board have to be raised in Ethiopia if it is going to grow its market share and this is an issue where government must be involved as a regulator and where capacity needs to be built within the current system.

9. There is a need to develop tourism-specific integrated plans to invest in an infrastructure platform that unlocks the potential for tourism-focused areas. An initial focus on the Northern Historic Route is recommended strongly because of the rationale that strengthening this product will raise the current low thresholds of international visitors.

10. Another strategic theme focuses on the need to improve the linkages between tourism activities and poverty reduction strategies; these need to be carefully but systematically developed. Currently, the supply chains throughout the sector afford very little opportunity for benefits from tourism to disperse into the broader economy. The low levels of discretionary spending by tourists (up to five times less than neighboring countries) are a factor of the lack of opportunities to do so; tourists find it difficult to spend money even if they want to.

11. A final theme focuses on the need to improve demand for tourism and to work on the image of Ethiopia. Several strategies are suggested including marketing and business development support for Ethiopian tour operators and accommodation owners. A major issue identified is that Ethiopia has little defined product being sold in the market place. It is expected that a strategy that defines product, develops it and improves its delivery will yield improved demand and image results.

12. It is estimated, given continued political stability, ongoing GOE commitment to tourism and regional security that the proposed strategic interventions will grow tourism by a conservative 50% over a five year period, keeping pace with projections for tourism growth in the Sub-Saharan Africa region. There is also little doubt that if investments are not made tourism will stagnate as the product degrades further and nothing is done to address the image of the country.

1. CHAPTER

Why Tourism?

CONTEXT

1.1 The Sub-Saharan Africa region (SSA) contains 38 of the world's 50 poorest countries (World Bank, 2004)[1] and while other regions have witnessed declines in poverty over the past four decades, SSA, on average, has fallen farther behind and average income per day is only US$0.82 (excluding South Africa), compared with the equivalent of US$1.32 two decades ago (World Bank, 2004). The poverty reduction strategy set out in *Can Africa Claim the 21st Century?* (World Bank, 2001) places economic growth at the heart of the agenda and emphasizes the role of the private sector, which in the SSA context overwhelmingly means medium, small and micro enterprises (MSMEs).

1.2 The World Bank's *Doing Business* indices (2005) show that SSA countries have among the highest transaction costs and the most barriers to foreign investment of any region. SSA suffers from an over-dependence on agriculture that is the mainstay of most sub-Saharan economies, employing over 60% of the population and contributing an average of 20% of the GDP of the region. However, during the past 40 years agricultural productivity has stagnated (e.g. on average it took 7 tons of coffee to purchase a car in 1960, by 2000 it took 11 tons), constrained by low usage of improved technologies and information, under-capitalization of farmers, poor land use and insecurity of tenure, poor infrastructure, and inappropriate policy and regulatory frameworks that create distortions in markets and disincentives for efficient and competitive production. In effect, the economies of SSA are failing to compete.

1.3 One exception is tourism. Tourism is now the largest industry in the world. The 800 million arrivals recorded for 2005 represented a 5.2% growth rate from 2004 and an estimated value of US$ 655 billion in worldwide tourism receipts[2]. Tourist arrivals and associated revenues have grown steadily (WTTC Regional Report, 2002) in SSA during this period (consistently at 7% per annum for the region as a whole) and offer a significant opportunity by contributing to a reduction of macroeconomic vulnerability that comes from the regions' high degree of commodity dependence. Figures for international arrivals and tourism receipts to the region are estimated by the United Nations World Tourism Organization (UNWTO) to be about 2.3% of global tourism (representing roughly 15 million people). Tourism receipts account for about US$12 billion and, compared with agriculture at nearly US$70 billion and industry at over US$100 billion, is a relatively minor player when looked at in these simple terms[3].

[1] The "*World Bank 2004*" citation throughout references *African Development Indicators 2004*

[2] 2005, UN World Tourism Organization Annual Report.

[3] Economic multipliers are notoriously difficult to measure and apply consistently to the broad range of multi-sectoral activities that may or may not be included in the "tourism sector" – consequently they are seldom measured. It is however commonly accepted that tourism is characterized by strong economic multipliers.

1.4 Tourism is a large global industry that is expanding rapidly in developing countries. It comprises 11% of world GNP if related activities 'tourism and general travel' (Roe *et al*. 2004[4]) are included. Tourism is also growing faster than global output, so its share of the global economy is increasing (UN World Tourism Organization, 2005[5]). Critically, from a development perspective, the market share of tourism in developing countries is also increasing significantly. By 2003, 35.6% of all international tourists arrived in developing countries – a movement of almost a quarter of a billion of some of the richest people to some of the poorest countries (World Bank 2005[6]). Developing countries now account for 14 of top 20 long-haul destinations (DFID 2004[7]).

1.5 However, the potential to utilize tourism—where it is estimated that over 90% of businesses in SSA (as part of the service sector) are MSMEs (World Bank, 2004)—as a tool for sustained socio-economic development as well as the redistribution of developed-country wealth is increasingly considered in development strategies between donors and beneficiary countries. The main focus of these strategies is now defined through each country's Poverty Reduction Strategy (PRS). In Ethiopia, tourism is one of the focal sectors of the five-year development plan (PASDEP – 2006-2010).

1.6 The long-term vision of the Government is to make Ethiopia one of the top ten tourist destinations in Africa by the year 2020, with an emphasis on maximizing the poverty-reducing impacts of tourism, and utilizing tourism to transform the image of the country.

1.7 How realistic is this ambition? Ethiopia currently ranks 19th and would have to triple visitor numbers to get into the current top ten destinations (Table 6); based on the performance of other countries such as South Africa, Uganda, Mozambique, and Tanzania, who have all achieved this magnitude of growth over a 10-year period, this is certainly possible.

TOURISM CAN BE USED TO PRESERVE ETHIOPIA'S CULTURAL AND HISTORIC WEALTH

1.8 For many years, Ethiopia has also attracted the discerning traveler. Thousands of years before the appearance of the *Lonely Planet Guides*, visitors extolled its attractions and wonders. The first illustrated travel guides to Ethiopia can be found in the friezes in the pyramids and ancient sites of Egypt. These depicted trips to the land of Punt, which the Egyptians knew was the source of the Nile, and where they traded for gold, incense, ivory and slaves. The fourth century Persian historian Mani described the Ethiopian

[4] Roe, D., Ashley, C., Page, S. & Meyer, D. (2004) *Tourism and the Poor: Analysing and Interpreting Tourism Statistics from a Poverty Perspective* Pro-Poor Tourism Working paper No. 16, Overseas Development Institute, London, UK.

[5] UNWTO (UN World Tourism Organization) (2005) International tourism obtains its best results in 20 years. *WTO News*. Issue 1: 7.

[6] World Bank (2005a) *World Development Indicators* 2005 World Bank, Washington DC.

[7] DFID (2004) *Tourism and poverty elimination: untapped potential.* DFID Development Magazine: UK

Kingdom of Axum as being of the four great empires of the world, ranking it alongside China, Persia and Rome. Axumite coins have been found in India and China, and the obelisks of Axum (like the one looted by Mussolini and recently returned by the Italians) are the biggest single pieces of stone erected anywhere in the world.

1.9 Ethiopia's territory includes seven (Table 1) UNESCO World Heritage Sites (as many as Egypt), four important national parks, a source of the world's longest river, and sites revered among adherents to Christianity, Islam and Judaism and diverse African traditional societies. Ethiopia has very distinct cultural and historic products based on (a) ancient Axumite civilizations and the Ethiopian Orthodox Church; (b) the walled Old City of Harar with its seven gates considered as the fourth holiest city in Islam; (c) as a cradle of civilization, with fossilized evidence of the ancestors of homo sapiens as old as 4.4 million years B.C., and the much more famous Dinknesh, or *Lucy*.

1.10 Axum was believed to be an important city in the 1st Century AD and had an extensive and powerful empire, dominating the seaborne trade from Africa to Asia, with important interactions with Meroe in Nubia and Ancient Egypt. It was known to the Greeks and Romans, and features in Byzantine and Arab literature. Whilst not ancient, the religious sites of Lalibela, Bahir Dar, and Gonder date from the 16th and 17th Century. These sites are distinctly Ethiopian, and the country as a whole is without colonial influences that are a feature in other parts of Africa; in this respect Ethiopia is unique.

Table 1.1: World Heritage Sites and Natural Parks

Ethiopia's Seven UNESCO World Heritage Sites:	
• Axum's Obelisks; • Monolithic Churches of Lalibela; • The Castles of Gondar; • The Omo Valley;	• Hadar (a place where the skeleton of Lucy was discovered); • Tia's carved standing stones; and • The Semien National Park.
Four Important Natural Parks	
▪ Lake Tana and the Blue Nile Falls ▪ Bale Mountains National Park	▪ Awash National Park ▪ Nechisar National Park

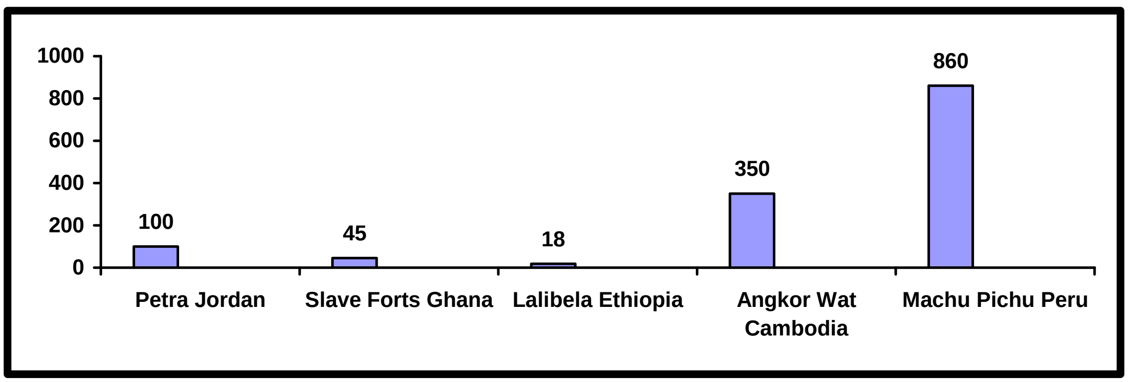
1.11 The International Council on Monuments and Sites (ICOMOS), which produced a Charter on Cultural Tourism in 1976, has defined Cultural Tourism as a form of tourism whose object is, amongst other aims, the discovery of monuments and sites. According to ICOMOS, cultural tourism "encompasses all experiences absorbed by the visitor to a place that is beyond their own living environment." It also embraces "heritage" – a broad concept that covers natural, historic and cultural inheritance. The United Nations World Tourism Organization (UNWTO) have created a narrower and more practical definition of cultural tourism, which refers to the "movements of persons for essentially cultural motivations such as study tours, performing arts and cultural tours, travel to festivals and other cultural events, visits to sites and monuments, travel to study nature, folklore or art, and pilgrimages." The key to this definition is the cultural motivation for traveling.

1.12 The demand for cultural tourism is currently shaping up as one of the most dynamic components of the tourism sector in general; according to the Association of

Tourism and Leisure Education (ATLAS) program, heritage tourism in Europe increased 100% between 1970 and 1991; similarly the World Tourism Organization has estimated that cultural tourism accounts for 37% of all trips worldwide (296 million trips) and is a growing sector, rising by 15% every year, three times more than the average growth in tourism as a whole (5%). In 2004, according to the U.S. Department of Commerce, there were over 10.6 million overseas visitors who participated in cultural and heritage tourism activities while within the US and the top five markets interested in cultural and heritage tourism as a share of their total visitors are: United Kingdom, Japan, Germany, France and Australia.

1.13 ATLAS provides a more conservative estimate of the market at 5-8% of world tourist trips, and is based on covering those people traveling for specific cultural motivations, more in line with leisure visitors to Ethiopia. Using the ATLAS estimate (assuming a mid-point of 6.5%), the global size of the cultural and heritage tourism market can be estimated at 52 million tourists and US$ 26 billion in expenditure (or about 4% of global tourism). Research conducted for this report suggests an estimated 18-20,000 international cultural and historic heritage tourists visit Ethiopia out of the estimated global market of 52 million; Ethiopia's market share of about 0.03% is miniscule. It is also very small when compared to other regional destinations and those competing for the cultural heritage market. An interesting comparison is to look at visitor numbers to other cultural World Heritage Sites in developing countries:

Figure 1.1: Comparison of Visitors to other World Heritage Sites (in thousands) 2004



1.14 Given the international significance of Ethiopia's cultural and heritage product, and the UNWTO estimated current rate of growth of the worldwide cultural tourism market, it would appear that Ethiopia is currently underperforming, with the potential for much higher market share.

1.15 Cultural tourism depends first and foremost on the preserved evidence of cultural achievement and evolution, and secondly on the establishment of a sustainable tourist experience around that preserved evidence. Not only is Ethiopia's history remarkable, but much of it remains intact in part as a result of the country's relative lack of commercial development, minimal legacy of colonial powers, and rough terrain. Clearly Ethiopia's asset base is not the binding constraint to growing market share (evidence from the market survey conducted during this study and discussed in Chapters 5 and 6 also confirms this). It is the quality of and access to the tourist experience, explored in the remainder of this study, which restricts growth.

TOURISM CAN BE UTILIZED FOR POVERTY REDUCTION

1.16 The second part of the Government's vision for tourism is that it maximizes poverty-reducing impacts.

1.17 One of the main challenges for tourism to position itself a key economic sector in developing countries is that market forces cannot equitably distribute benefits and costs (Butler, 1993)[8], and there is a necessity for government policies and donor-financed tourism development programs that attempt to redistribute some of the excesses of a market and private sector-led tourism industry. The goals being to ensure a larger share of the profits from tourism are left behind in host communities and countries, and, that governments see benefits in the form of tax revenue from an expanded tourism economy, whether from general consumption and corporation taxes associated with tourism, or from taxes specifically targeted at tourists and the tourism sector.

1.18 It is also recognized that a primary path out of poverty is through employment[9], and that the private sector is the main source of job creation. The links between economic growth—fueled and sustained by private sector growth—and poverty reduction are strong and direct. A recent IMF study of a panel of 46 countries (29 in SSA) covering the 1972-1997 period found that a 10% increase in per capita GDP leads to 1% increase in life expectancy, 3% decline in infant mortality rates, and 4% increase in the rate of gross primary school enrollment. Targeting tourism as a driver of per capita GDP growth is a legitimate strategy for many countries in Africa.

1.19 Ethiopia is among the world's least developed countries, with some 31 million people living below a poverty line equivalent to 45 US cents per day out of a population of 71 million; and up to 13 million people at risk of starvation. Over 80% of its population is rural, with agriculturally-based livelihoods and extremely low levels of off-farm income. Maternal mortality is among the world's highest, and 48 million Ethiopians do not have access to clean water. Population pressure has consumed gains in economic growth, such that income per capita has stagnated in the US$100 range for a decade.

1.20 Therefore, in the Ethiopian context, establishing and measuring links between tourism activity and poverty reduction are a critical rationale for considering public investment in the sector; some of the se linkages are explored in economic assessment in Chapter 3.

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[8] Butler, R.W. (1993) 'Pre- and post-impact assessment of tourism development' in *Tourism Research: Critiques and Challenges* Pearce, D.G. & Butler, R.W. (eds.) Routledge: London.

[9] Tourism is cited as being the highest employment generation sector in the world, with an estimated one in twelve employed in tourism and tourism jobs providing over 10% of total employee wages and salaries (UNCTAD Employment Report 2003, Direct and Indirect Employment). Other studies suggest that tourism also employs a significant percentage of the informal economy, which for many communities is a significant social safety net.

1.21 Traditionally the impact of tourism has been measured in terms of its contribution to Gross National Product (GNP) and employment creation. Often tourism's overall impact on the economy is estimated by looking at the effect of tourism expenditures through direct, indirect and induced spending, using a multiplier effect approach. Tourism growth is most often measured through increases in international arrivals, length of stay, bed occupancy, tourism expenditures and the value of tourism spending.

1.22 However, none of these measures provide much insight into the magnitude of the impact on the poor and do not even enable stakeholders to gauge trends in tourism sector growth and relate these to any identified decline in poverty. While in the literature there are references to the importance of tourism in developing countries and rural and marginalized areas there is insufficient treatment of the impact of tourism on the poor.

1.23 The case for tourism development as a way of bringing about economic development in a region or country has usually been made with a focus on economic modernization and economic growth. The assumption has been that any tourism development will eventually benefit the poor through "trickle down" effects. There is no doubt that tourism development can provide employment to those from lower social and economic strata, but there is a growing literature of case studies that show tourism development also enriches local elites, international and expatriate companies, and generates jobs with relatively low pay and often low status – although it must be remembered that individuals will always take the best job they can find. In addition, poorly planned and managed tourism can destroy ecological systems, raise the cost of living for local people and damage social and cultural traditions and lifestyles. These are significant challenges to Ethiopia's tourism vision.

1.24 In the development community the focus of many interventions has shifted from identifying ways in which economic growth in developing countries can contribute to overall development to greater concern about the distribution of the benefits and costs to growth, and a much more specific focus on the reduction in poverty levels. There has been a growing realization that economic growth may not necessarily reduce poverty and that policy commitments to reduce poverty can only be achieved if there is a specific and concerted effort to raise the well being of the poor in developing countries. Within tourism planning and development there has also been a growing recognition that tourism development may not be contributing to poverty alleviation and that pro-poor tourism policies and practices must be identified. A clear manifestation of this new policy focus at the international and regional level can be seen in the policies and programs of various international organizations such as the Asian Development Bank (ADB), the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the UN World Tourism Organization (UNWTO).

1.25 The Millennium Development Goals (MDGs) represent the most widely accepted and high profile statement of this international commitment to reduce the number of people living in extreme poverty.[10] It is recognized that poverty is multi-faceted and extends beyond the most widely applied income and consumption based definition of

[10] The MDGs define the Extreme Poor as individuals living on less than $1 US per day when national currencies are converted to $ US using Purchasing Power Parity (PPP) exchange rates.

poverty. The poor suffer low incomes and levels of consumption than what is deemed necessary to maintain basic human nutrition (extreme poverty) or to maintain a basic standard of living (general poverty). Common characteristics of the poor besides their income/consumption level include: low human capital development and limited employment opportunities, social exclusion and marginalization, and powerlessness. The poor suffer high levels of vulnerability to market changes or idiosyncratic shocks (e.g., illness, death of a family member) stemming from their low levels of savings and capital.

1.26 Tourism, like any other industry, needs to be strategically and sustainably developed in order to unleash its potential positive impacts. Positive images and stories do not just find their way into the worldwide consciousness; they have to be placed there. Just as the NGO industry in the mid 1980s used negative images to strategically fuel a world conscience into donating money for a cause, so the tourism industry of today can use and generate positive images to paint another landscape.

TOURISM IS AN OPPORTUNITY TO REVITALIZE ETHIOPIA'S IMAGE

1.27 The third part of the Government's vision for tourism is that becomes a tool to transform the image of the country. Increased tourism can be a very powerful tool to change international perceptions and images. Tourism has proven its worth as a rehabilitator of image in so many post-conflict countries and in Ethiopia's case, 20 years on from the from the humanitarian crisis of the mid-1980's, the military regime of the same decade and the fall of the Derg in the 1990s, tourism has a particularly important role in changing the outlook for Ethiopians as well as the image and images coming from the country. Ethiopia's predominant image in international media remains one of starvation, conflict and barren landscapes and many people in the West continue to see Ethiopia as a charity-case.

TOURISM HAS BEEN SUCCESSFUL IN ETHIOPIA BEFORE

1.28 Though Ethiopia faces an image problem for tourists, it is worth noting that this was not always the case. Ethiopia was one of the first African countries to establish a tourist industry and, in the 1960s; tourist arrivals grew at the rate of 12 per cent a year. By 1974, when the Emperor Haile Selassie was toppled and replaced by a military regime, Ethiopia's tourist sector was on a par with Kenya's. Ethiopia then had actually more to offer than Kenya: both had coastlines, spectacular scenery and abundant wildlife, but Ethiopia also had historic sites and an identity defined by its own history, culture and peoples, rather than by colonialism.

1.29 In common with many other countries (notably Morocco, Tunisia, Egypt and Kenya that also started investing in tourism in the late 1960s), tourism was considered a key economic growth sector in Ethiopia as early as 1966 when the first Tourism Development Master Plan was developed[11]. Guided by the plan, the government invested heavily in tourism infrastructure in the subsequent decade – including establishing

[11] The consultants Arthur D. Little who wrote the Master Plan also wrote the plans for Egypt, Kenya and Tunisia.

Ethiopian Airlines for international and domestic air access, building airfields around the country at key tourism sites, building hotels at or near these sites, and establishing a national tourism operation to take tourists to the hotels and attractions. The main attraction was the “Historic Route” which at the time (1968-73) Ethiopian Airlines was servicing with seven flights per day (up to 280 passengers daily). The “Historic Route” took in Addis, Lalibela, Gondar, Axum and Asmara). The volume today is less than a tenth of this.

1.30 From 1974 for two decades the Ethiopian tourism industry suffered from the adverse effects of a prolonged civil war, recurrent drought and famine, strained government relations with tourist generating countries, and restrictions on entry and free movement of tourists during the military government from 1974 to 1991. During this period, apart from periodic upgrades of the infrastructure (such as airports and roads), there has been little investment and successive governments have largely overlooked the sector. The sector is in urgent need of re-investment, in particular, the cultural and natural attractions, and human resources that form the basis of the tourism product, have been completely neglected. Linkages to international tourism networks, both for marketing and research purposes, have also been neglected. Lack of coordination between stakeholders and the government resulted in poor infrastructure development and under developed tourist sites as well as a shortage of skilled workers in the sector. Generally, there was lack of marketing and promotional strategy as well as low awareness of tourism by local communities. In addition, the limited share of tourism earnings reaching the local community is affecting the sustainability of the sector and is having a negative impact on the contribution of tourism towards poverty alleviation.

1.31 This legacy has a possible silver lining. The Ethiopian context for developing tourism is somewhat unique in Africa in that the country has been, until recently, closed to foreign investors. This has resulted in an unusual and potentially powerful paradigm where businesses in the tourism sector are almost entirely Ethiopian-owned (either by government, the Ethiopian Orthodox Church or the private sector). On the other hand, this closed and relatively controlled system has stifled the development of a creative and innovative industry (in terms of product development, crafts, exploration of new attractions etc.).

2. CHAPTER

Towards a Strategy: Approach and Methodology

RECONCILING PUBLIC AND PRIVATE INTERESTS

2.1 As economic liberalization has proceeded in Ethiopia and elsewhere, the role of the state in national tourism development has evolved. In Ethiopia and in many developed and developing countries the state previously played a leading role in defining and implementing tourism strategies, including in establishing its infrastructure, hotels, tour operators and managing sites. Governments now recognize that the principal role of the public sector is in the governance of the tourism sector, and the private sector has now taken over many of the operational and commercial roles previously played by governments. Private investment is now largely responsible for determining the success or failure of a national tourism strategy.

2.2 The key question is how the state should execute its governance role, and to what objectives, given the importance of private investment. In defining this, it is important to recognize that the costs and benefits of tourism cannot be fully captured by the private investor. Spillover effects from economic activity in tourism are high.[12] Researchers in Thailand estimate that every tourist dollar generates an additional $2 dollars in real GDP, the highest multiplier of any economic sector in Thailand.[13] It is these spillover effects, discussed in Chapter 3, which are so important for poverty reduction at the local and national level.

2.3 Furthermore, there are significant costs which are not paid by potential investors. A nation's cultural heritage is a national good. Seven sites in Ethiopia are officially recognized as part of the globe's cultural wealth - global public goods. With respect to cultural heritage, due to its age, sensitivity and demand for preservation, tourism can be both of great risk and great opportunity. The risk is that the commercial benefits to be derived from tourism may create pressure for its unsustainable exploitation in ways that may create irreparable damage to these global public goods. The opportunity, on the other hand, of recognizing and allowing for the commercial exploitation of cultural assets, is to create an economic interest in, and financial flow from, the cultural asset which may be used, among other things, to ensure its sustainability.

2.4 Finally, the private sector may not be in a position to invest aggressively in tourism, and create those positive spillover effects, without complementary public action in the form of policies, investments or incentives. The manner in which the state executes its governance function can have important implications for the nature of investment. Dani Rodrik has observed with respect to industrial policy, "developing

[12] *International Trade in Tourism Related Services: Issues and Options for Developing Countries,* UNCTAD, TD/B/COM.1/EM/6/2, 8 April 1998

[13] Sussangkarn, et. al, 2002, "Globalization of Thailand: Economic Impacts and Restructuring for Sustainability" 2002 TDRI Year-End Conference *Meeting the Challenges from Globalization.*

societies need to embed private initiative in a framework of public action that encourages restructuring, diversification and technological dynamism beyond what market forces on their own would generate."[14]

2.5 With this understanding we can define several clear rationales for the role of the state as a basis for strategy. The state is interested in the governance of tourism in a manner that encourages private innovation and investment, maximizes the public and community benefits from tourism, and ensures the preservation of cultural heritage and natural wealth of the country. The question of how to execute this role is the subject of national tourism development strategy.

KEY TOOLS OF TOURISM STRATEGY

2.6 In executing a tourism development strategy, countries around the world have deployed a range of tools.

- **Sector strategies and policies.** The public statements and priorities of a credible government, particularly when aligned with investment and promotion decisions, are itself a strong tool in the achievement of its tourism strategy. Countries as diverse as New Zealand, South Africa, Kenya, Thailand and Greece have well-developed tourism strategies which are widely disseminated, and help private investors make investment decisions. New Zealand's tourism policy is developed with strong community input. Strategies may target particular types of tourism, tourist segments and markets.

- **Public investment.** The public investment program has a significant role in the success of tourism, since it impacts the accessibility and availability of public services such as transport, health, sanitation and water in destinations.

- **Sector incentives.** The Government may employ incentives to catalyze private investment. These may be broad-based, such as tax incentives or subsidies, or more narrowly based, concerning the distribution of fee revenue from sites.

- **Public-private partnerships.** The state may engage the private sector in the execution of a public mandate or the management of a public asset in order to leverage the managerial or technological capabilities of the private sector. Public private partnerships work most effectively when the respective roles, risks, costs and benefits of each side are clear, if not contractually defined. While leaving much to be desired in terms of transparency, Cambodia has outsourced virtually the entire tourist industry to the private sector. A tourist arriving will likely fly on a privately owned plane (Bangkok Airways), land at a privately managed airport (Siem Reap International), be handled by a private firm at the airport (CAMS), take a private car to a privately owned hotel (over forty new hotels built over the past five years), be handled by a private tour operator (foreign or domestic) and visit Angkor Wat temple, the maintenance of which is outsourced to a private

[14] "Industrial Policy for the Twenty-First Century," Dani Rodrik, Harvard, September 2004.

firm. This has allowed the sector phenomenal growth without demanding massive public sector investments or new civil servants.

- **Involving the community.** The state is in a unique position to use its convening power to integrate the concerns and interests of local communities, the citizen, the private sector and tourist data into a strategy development process. Thailand has used the Japanese “One Village One Product” concept to engage local communities in providing inputs to the tourism sector such as handicrafts.

- **Information.** As tourism strategies have become more sophisticated, executing such strategies requires increasingly refined information. The advent of the internet has allowed potential tourists and tour agents a wealth of information from which to make decisions. Reliable, timely information is therefore both a public good and a source of comparative advantage to the industry.

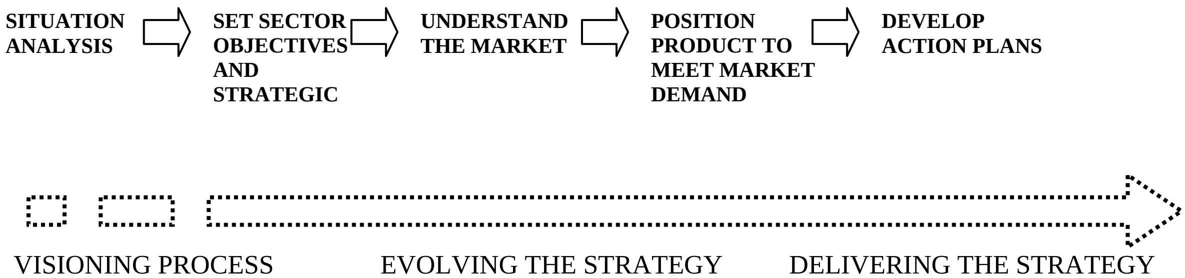
- **Sector coordination.** Tourism is multisectoral in nature, and demands the coordination of often conflicting roles and interests: social and environmental issues, security, transportation, education, information technology, environmental management, land planning, and community development. Malaysia, Costa Rica, Dominican Republic and Belize have demonstrated effective coordination of these issues in developing their respective eco-tourism industries.

- **Promotion.** Public promotion campaigns play a critical role in the expansion of the tourist sector. The targeting of advertising, trade shows, brochure and internet-based campaigns is a critical tool in increasing revenue as well as particular forms of growth. The Tourism Authority of Thailand efforts to use tourism as a vehicle for Tsunami recovery, Rwanda’s promotional strategy targeting high-end primate tours and Kenya Tourist Board’s European advertising campaign are good examples with demonstrable results.

Towards a tourism strategy

2.7 The Integrated Framework diagnostic carried out in 2003 identified the need for strategic planning in the tourism sector as a high priority action. It also recommended market research and analysis of the poverty impacts of tourism and the broader socio-economic impacts as high priority studies that would help position tourism as an important sector for government attention and support. The development of a draft strategy that encapsulates the earlier findings from the IF diagnostic with more up-dated and focused research that allows prioritization of actions based on sound analysis of the expected benefits is an important and supported next step for the Government.

Figure 2.1 Strategy Development Process



2.8 In the stylized strategy development process depicted above, Ethiopia is currently between the visioning and strategy development stages of this process, with this document intending to contribute toward an analysis of the situation and an understanding of the market and product. The Government's strategy formulation process will need to define (a) desired outcomes for key stakeholder groups (strategic objectives) and (b) the key inputs, including the policies, investments, incentives and partnerships with communities and with the private sector necessary to realize those objectives. Only by interacting with communities, with the private sector, with tourists, and with other government agencies at the strategy formulation stage will the necessary shared strategy be realized and executed.

METHODOLOGY

2.9 There are studies and papers comprehensively describing the tourism product in Ethiopia[15] and stating recurrent problems and issues with the sector. The theme throughout these reports reinforces that government commitment supported by policy and strategy is required, along with substantial investments in asset preservation and planning, human resources development and promotion of both investment and tourism. Despite the above references, little recent analytical or research work has been done on the sector. During that time consumer trends and markets have changed considerably, as have techniques for accessing them. In addition, there has been no qualitative data gathered from tourists to assess their expectation levels. To support development of the tourism strategy, this report attempts to fill the research void in four ways:

15

- 1995/6 Ethiopian Tourism Masterplan – Tourconsult
- March 2003 – Diagnostic Trade Integration Study – Annex 11; The Tourism Sector in Ethiopia: Profile, Problems and a Way Forward
- June 2004 – Tourism and Poverty Alleviation in Ethiopia, World Tourism Organization Study Prepared by Richard Denman, The Tourism Company
- 2000-2004 – various papers by Dr. Theodros Atlabachew, Former Head, Planning & Development Department, Ethiopian Tourism Commission, now managing the Bank-financed Ethiopia Cultural Heritage Project
- 1998 – 2003 various papers by Tony Hickey, General Manager, Village Ethiopia.

1. Baseline socioeconomic data gathered in Lalibela

2.10 It has already been mentioned that GoE emphasizes the poverty reduction dimensions of tourism and that quantitative data related to these dimensions are currently not available. Therefore, an important dimension of the analytical framework was to gather data for a selection of specific tourism-centric locations (such as Lalibela, Bahir Dar, Gonder, Axum, Harar, Arba Minch, and Addis Ababa). From the leisure tourism perspective, Lalibela (Ethiopia's flagship destination) is an accurate barometer to gauge tourism demand, impacts and supply, as it represents about 90% of the through flow of leisure tourists to Ethiopia. If growth is expected, Lalibela will undoubtedly be heavily impacted as issues of saturation and conflict with the Orthodox Church are already surfacing. It is expected that the baseline will provide justification for future municipal and site planning, that is so urgently needed.

2. A value chain study of tourism on the Historic Route

2.11 The competitiveness of the private sector depends on how well the market is organized and whether it maximizes productivity along the entire chain of activity from inputs of raw materials to marketing of final goods. The value chain analysis provides a better understanding of the characteristics and inefficiencies in the tourism sector. The results of the value chain analysis provide solutions and recommend interventions concerning policy and administrative reforms as well as physical infrastructure needs with the greatest impact on efficiency along the supply chains. The value chain results augment the socioeconomic study by diagnosing areas to improve domestic productivity and strengthen forward and backward business linkages between the different suppliers of tourism products and services.

2.12 The value chain analysis was conducted with the aim of identifying key market drivers, challenges, constraints, and issues eroding the competitiveness and sustainability of tourism sector, the following approaches were used:

- Joint discussions with both private and public stakeholders to identify the area of focus;
- Individual discussions with key stakeholders in the tourism sector both from the private and public sector including policy and decision makers in order to elaborate on the challenge being faced;
- Using interviews and questionnaires for data collection and information gathering from tour operator, tour operator association, hotels, hotel association, tourism professional association, training institutes, Ethiopian airlines, etc.; and
- Northern heritage route visits for primary data gathering.

3. Market research

2.13 The long-term vision of the government is to make Ethiopia one of the top ten tourist destinations in Africa by the year 2020, with an emphasis on maximizing the poverty-reducing impacts of tourism. Depending on the measure used, this means at least quadrupling the current rates of tourist visitation to the country. Vacation tourists currently account for 31% of arrivals, business and conference 28%, and tourists visiting relatives 13%. Growth has been strong in all of these segments in recent years, growing at an average annual rate of more than 13% but vacation tourism has grown fastest, at 25% per year. Within this segment, the dominant product is the cultural and historic heritage tourism; therefore the focus of the analysis is on this segment of the market.

2.14 Ethiopia has a limited budget for promotion and, given its limited budget and many other calls for resources, this will continue. Promotion spending therefore needs to be designed to have the maximum impact by closely targeting priority markets and using creative methods to promote tourism to Ethiopia. It is therefore critical, in the process of defining an investment strategy, to define the demographics and source markets for Ethiopian products; what sells, where it sells, and who the competition is. The market research study highlights the target source markets for cultural and historic heritage tourism.

4. **Visitor expenditure survey**

2.15 The last comprehensive (ie. a large sample) visitor expenditure survey in Ethiopia was carried out during the preparation of the tourism master plan in 1995. Small surveys were carried out during the preparation of the IF tourism diagnostic study and a small survey (300 respondents) was carried out during the preparation of this report.

2.16 The goals of this analysis are to (a) determine if the product, including destination, host community and country, its management, supporting institutions and services, is aligned or can be aligned with the needs of consumers of tourism products and (b) if the sector can provide a tangible impact on economic growth, and particularly impacting poverty on a sustainable basis.

3. CHAPTER

Current Economic Assessment

ECONOMIC PERFORMANCE OF ETHIOPIA'S TOURIST SECTOR

3.1 The economic impacts of tourism can be divided into three types: balance of payment effects, income effects and the employment effects. One of the strongest arguments for promoting international tourism as a development strategy to stimulate economic growth is its capacity to earn much needed foreign exchange and thus help with balance of payments. The income and the employment effects are often measured in terms of their multiplier values. Economic multipliers result from the process by which tourist spending stimulates further spending and increased economic activity. There are three categories of multiplier effects: direct, indirect and induced effects. The direct effects are economic impacts directly related to tourism for instance incomes arising to the tourist suppliers like the hotels, airlines and the travel agents. This will be spent as wages, rent, interest and payments to the suppliers of goods and services to the tourism establishments. This will then generate the indirect effects. The induced effects, on the other hand, arise from the re-spending of wages earned in businesses that benefit from direct or indirect effects. The direct, indirect and induced effects are used to calculate economic multipliers, which can then be used to estimate the impacts of tourism.

3.2 The collection of this data is expensive and time consuming and is of real value to destinations heavily dependent on tourism. Though this is not the case for Ethiopia, this study has made some effort to collect data that can provide estimates of these economic impacts as this may be useful in highlighting the value of tourism to the Ethiopian economy as well as providing benchmark data for planning and strategy development.

DIRECT FOREIGN EXCHANGE RECEIPTS

3.3 Using data gathered from the expenditure survey and combining it with immigration data the estimate for total foreign exchange receipts from direct tourism expenditure on activities such as transport, accommodation, services and goods consumed is US$ 132,944,293 (Table 2).

3.4 For some categories of tourists (particularly "vacation"), a proportion of the reported expenditure is retained by a foreign booking agent or tour operator. However, evidence from the expenditure survey and anecdotal reports from Ethiopian tour operators and hotel managers indicate that the number of visitors arriving on pre-paid packages to Ethiopia is estimated to be not greater than 10-12,000. Retained commissions by agents and operators in source market countries range between 20-30% and therefore the impact on the figure of US$ 132 million is estimated to be US$ 2-3 million. Therefore the direct receipts from tourists to the Ethiopian economy in 2005 are estimated at US$ 130 million, making tourism one of Ethiopia's top export earners.

Figure 3.1 Tourism is one Ethiopia's top exports ($millions)

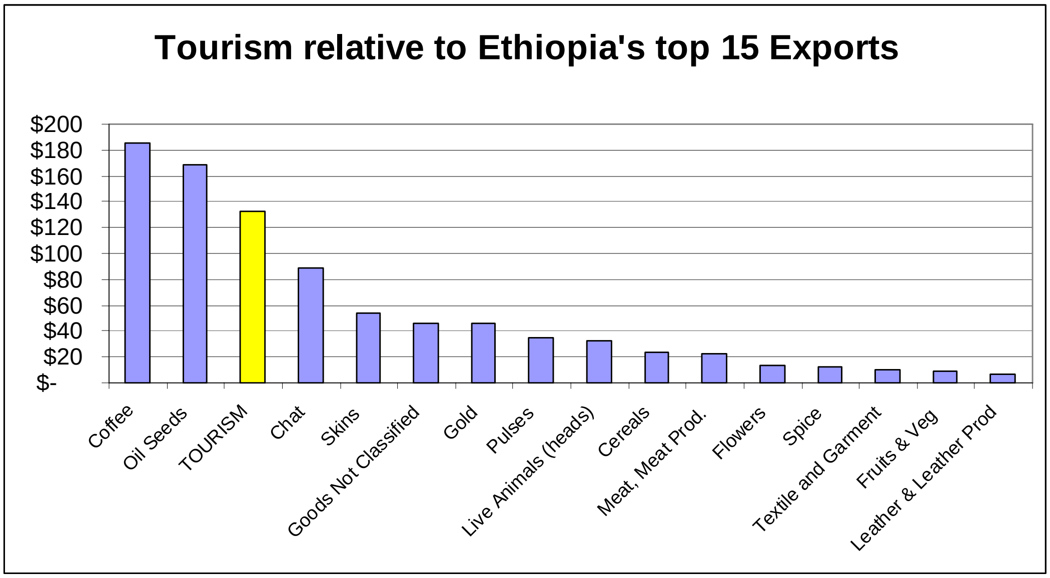
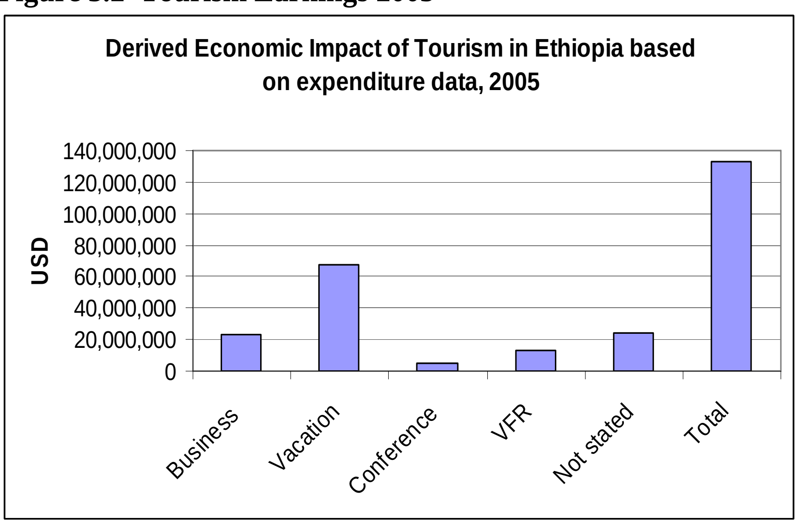


Table 3.1: Tourist Expenditure and Foreign Exchange Receipts 2005

Purpose of Visit	Numbers	Average "Length of Stay" per Visit	Average Spend per Day (US$)	Average Spend per Visit (US$)	Totals Spend per Visit X Numbers (US$)
Business	46,008	4.4 days	113.89	501.12	23,055,529
Vacation	63,246	8.6 days	123.56	1,062.66	67,208,994
Conference	16,385	2.8 days	109.80	307.44	5,037,404
VFR	21,738	17.9 days	33.89	606.63	13,186,923
Totals without Not Stated Category	**147,377**				**108,488,850**
Not Stated	30,469	*Est. based on mean = 8.43*	*Est. based on mean = 95.29*	*803.29*	*24,475,443*
Totals	**177,846**	***Estimate of Total Economic Impact***			***132,944,293***

Source: Expenditure Survey May 2006, WAAS International Consultants

Figure 3.2 Tourism Earnings 2005



3.5 It is interesting to compare the findings from the study with official figures.

Table 3.2: Ethiopia's Tourism Revenues, Official figures

Year	Number of Visitors	Foreign Exchange Receipts (US$ Millions)	Expenditure per visitor (US$)	Revenue from Ethiopian Airlines (US$ Millions)	Total Revenue (US$ Millions)	Percentage Contribution to GDP	Percentage of Exports
***2005**	**227,398**			***See Table 2 above***			
2004	210,000	115	547.62	288	403		
2003	179,910	89.95	499.97	267	356.05		
2002	156,327	77.1	493.20	223	300.1		
2001	148,438	75	505.26	185	260	4.3	31

Source: Ethiopian Tourism Commission / Statistical Abstract 2005

* The figure of 227,398 visitors includes those in transit. Though there may be some residual spending at airport facilities it is usual that transit visitors are not included in the over direct tourism expenditure.
* Foreign exchange receipts for 2005 of US$130 million calculated by this study show a 12% increase over the official figure for 2004 (US$ 115 million) though this figure includes some 50,000 transit visitors estimated to be spending US$ 547 each – clearly not the case.

Indirect expenditure from tourism

3.6 Direct expenditure is only part of the picture and to get a more complete picture of economic impact it is important to look into the indirect and induced effects.

- **Indirect Expenditure –** this covers successive rounds of inter-business transactions which result from the direct expenditure, such as purchases of goods by hoteliers from local suppliers and purchases from wholesalers.

- **Induced Expenditure –** this is the increasing consumer spending resulting from the additional personal income generated by the direct expenditure, e.g. hotel workers using their wages for the purchase of goods and services.

3.7 Whilst there are different models used to calculate this secondary expenditure (the indirect plus the induced) they require significantly more data than this analysis allowed for. However, a detailed analysis of the impact of tourism in Lalibela provided some details about indirect expenditure generated by hotels as well as expenditure induced from employees working in tourism enterprises in Lalibela.

3.8 From a total of 380 firms and individuals involved with tourism in Lalibela indirect expenditure is estimated at US$ 680,000 (Table 4). Total earnings for those same enterprises—which employ a total of 850 people—in 2005 were estimated at US$ 2.35 million based on data collected during the survey of enterprises in Lalibela; a factor of about 30%. In other words one dollar of earnings generates 30 cents of indirect expenditure and US$2,765 of earnings is equivalent to one job.

Table 3.3: Indirect Expenditure from Tourism Enterprises in Lalibela in ETB (2005)

Enterprises by Category	Annual Expenditure on materials	Annual Taxes	License and Registration Fees	Salaries	Other Expenses	Totals
Hotels	915,768	256,913	15,330	747,874	25,900	1,961,785
Transport Services	290,616	82,268	2,184	198,720	3,864	57,652
Crafts Sales	105,720	17,956	1,800	3,300	1,140	129,916
Supply of Goods	1,205,928	105,195	5,934	12,720	7,314	1,337,091
Tourist guide	0	46,095	3,744		3,007	52,846
Church	0	8,000		996,000	0	1,004,000
Restaurant/Bar/Café	326,832	54,831	2,744	41,100	1,274	426,781
Employee Others	49,284	11,625	710	7,800	2,110	71,529
Totals	**2,894,148**	**586,313**	**32,737**	**2,012,554**	**44,171**	**5,570,463 (US$ 680,000)**

3.9 Whilst it is difficult to extrapolate this data beyond the economy of Lalibela, it is evident that there is a multiplier effect with every tourist dollar spent in Lalibela. In order to build this picture further it is necessary to examine the induced spending generated by these economic inputs. The survey went further and questioned employees in tourism enterprises in Lalibela in order to estimate the induced expenditure from jobs in tourism (it should be emphasized that this is raw data not adjusted for purchasing power parity.)

INDUCED EXPENDITURE

3.10 Further analysis was carried on these groups of employees to asses their household expenditure (Table 5).

Table 3.4: Average Annual Expenditure of Household Where the Primary Bread-winner is Employed in a Tourism Enterprise (2005) in ETB (US$)

Items	Average expenditure	%
Saving	2887 (US$ 347)	21.14
Taxes	2832 (US$ 341)	20.74
Food	2,433 (US$ 293)	17.82
House hold items	835 (US$ 100)	6.12
Telephone expense	812 (US$ 97)	5.95
Others	241 (US$ 29)	5.76
Clothing	694 (US$ 83)	5.08
Energy expense	557 (US$ 67)	4.08
Recreation	495 (US$ 60)	3.63
Footware	430 (US$ 53)	3.15
House rent	379 (US$ 46)	2.77
Contributions	223 (US$ 27)	1.63
Health expenses	206 (US$ 25)	1.51
School fees	83 (US$ 10)	0.61
Total Induced Expenditure per Household: US$ 1588		
Average Household Members: 3.1		

Source: Lalibela Enterprise Survey conducted by WAAS International 2006 Sample of 45 Respondents from a Cross-section of Tourism Enterprises

3.11 Table 5 shows the major expenditure categories are food 17.82% and taxes (20.74%). Other expenditure items worth mentioning are household items (6.12%), telephone expenditure (5.95%) and clothing (5.08%). Telephone and energy expenses together account for 10.03% while clothing and footwear together account for 8.23% and the level of saving accounts for 21.14%; health and education account for 2.12%.

3.12 Official statistics (Statistical Abstract 2005) estimate some 12,430 direct jobs in the hotel and catering industry (not including transport, tour operations, and travel agencies). Using Lalibela as a proxy for employment in the industry (though average earnings are higher in urban centers such as Addis) 12,430 jobs can be expected to generate US$19,738,840 in induced spending in ETB equivalent.

3.13 It is clear that tourism is already having a substantial impact on the Ethiopian economy as a foreign exchange earner and employment generator. The estimated $130 million earned in 2005 would make tourism Ethiopia's third largest export after coffee and oilseeds. In a specific tourist destination, Lalibela, it is clear that the tourism industry is having a narrow impact but could be a substantial source of poverty reduction in what is one of the poorest areas of the country. Those who manage to obtain employment in the hotel sector or transport sector, for example, earn wages exceeding $2,400 and $1,600 per year, respectively. However earnings are not broad based, and earnings from handicraft sales in particular – which tourists express a desire for and which could be a source of larger-scale job creation – are extremely low. Of the 31 craft sales enterprises in the town none of them seem to make a good living. Shops are not well organized and do not provide adequate options for tourists. They are dispersed over the town and the items lack variety. As a result, income from this source is not as high as expected.

3.14 The 2003 IF survey contained "willingness to pay" questions that showed 41.9 percent of tourists said they would have spent more if facilities and products at tourist sites were available with an average increased spending per day of US$36.60. Though the results varied with the younger and less wealthy independent travelers, the average extra spend was estimated at US$15 per visitor per day. Applied to the figures estimated for 2005 this is the equivalent of over US$ 22 million in lost revenue.

4. CHAPTER

Making More of Ethiopia's Tourism Assets

CULTURAL, HISTORIC AND NATURAL ASSETS

4.1 Ethiopia has unique natural, cultural and historic tourism assets: UNESCO recognizes seven world heritage sites (as many as Egypt): Axum's obelisks, the monolithic churches of Lalibala, Gondar's castles, the Omo Valley, Hadar (where the skeleton of *Lucy* was discovered), Tia's carved standing stones, and the Semien National Park. However, neglect of these assets and their relative (to for example *Mt. Kilimanjaro,* the *Masai Mara* or the *Pyramids*) lack of exposure to tourism markets, provide significant challenges for Ethiopia in attempting to carve out market share in the region and optimize on the "rents" obtainable from these assets.

Table 4.1: Major Natural and Cultural Heritage Sites in the Northern Historic Route

Bahr Dar	Gondar	Axum	Lalibela
Blue Nile Falls	The Royal Compound	Obelisks or monolithic Stelae	Bete Medahne alem, Monastery
Lake Tana	The Bath of Emperor Fasiladas	Tomb of Ramha	Bete Maryam Monastery
Kibran Gebreal Monastery	The monastery of Dere-Birhan Silassie	Saint Mary of Zion	Bete Meskel , Monastery
Zege Peninsula Monastery	The qusquam complex	Queen of Sheba's Palace or Taakha Maryam	Bete Golgota Monastery
Ura Kidane Mihiret Monastery	Ras Gimb		Bete Aba Libanos Monastery
Nrga Sillassie	The Felasha Village		Bete Gabriel-Rufael , Monastery
Daga Estephannos	Gorgora and its Environs		Bete Giorgis, Monastery
Tana Chrikos	Guzara		Yemrehane Kristos
	Kossoye queens village		Aseten Maryam
	Simien mountains National Park		Monastery of Naakuto Laab

Source: Global Development Solutions, LLC

4.2 The physical features of the country are remarkable. They incorporate high plateaux, long mountain ranges, lofty peaks, *deep* gorges, the largest cave in Africa (Sof Omar), the lowest depression on Earth (Dallol), the Great Rift Valley, savannah land, tropical forests, deserts, beautiful lakes, including Lake Tana the source of the Blue Nile, rivers, spectacular waterfalls, and volcanic hot springs.

4.3 Though situated not far from the equator, much of the land has a climate tempered by high altitude. Ethiopia's tourism slogan "Thirteen Months of Sunshine" partly arises from the idyllic year-round, spring-like climate of most regions of the country.

4.4 The wildlife resources of Ethiopia entitle it to a share in Africa's reputation in that regard. Virtually all types of Africa's big game can be found in Ethiopia in their natural states and habitats. Out of the more than 850 species of birds and 260 species of mammals registered in Ethiopia, as high as 49 are endemic animals. Ten national parks, 13 wildlife reserves and sanctuaries, and 18 controlled hunting areas have been established in order to protect these resources of the country.

ISSUES

4.5 The basis of Ethiopia's tourism product is cultural, historical and natural sites where the biggest challenge currently is to preserve the historic sites from natural decay and the national parks from degradation by the communities that live inside them. The entrance fees in church sites like Lalibela go towards maintaining the church's priests and deacons, and not the actual churches themselves. But even if the entrance fees were put to church restoration, they are currently too small to make much of a difference. An estimate of fees at Lalibela is about Birr 1 million per annum (10,000 visitors paying Birr 100 each that would give the 700 priests and deacons an income of only Birr 120 per month). The national parks are the same, with the total raised in entrance fees in 2000 totaling a mere Birr 500,000. There is some federal money for restoration and conservation but given the limited tax base and other priorities, this is limited. There are funds for specific projects related to cultural and natural site preservation, but they too are limited. A strategy to ensure preservation based on and tourist receipts is one followed in many other countries but is contingent on sufficient demand.

4.6 The national parks face challenges with the existence of communities in the park that are engaged in agriculture that is destroying the natural environment. When the parks were originally established these communities were already present and a political decision was made not to forcefully remove them. There is little doubt that they are having a negative impact on the conservation of the areas and subsequently on tourism. The current strategy is to try attracting these communities out of the park by building better facilities for them outside. This is in its infancy and so there is no current assessment of how successful this might be. Clearly if it is politically infeasible to remove these communities, then ways of ensuring they do not damage the parks are important. One solution that has been pursued in other countries is to make these communities benefit to a much greater extent from tourism in their area, making them partners in conservation. The communities have every incentive to farm the land unless they are offered better alternatives. Similarly, providing electricity to these communities would limit the extent to which they destroy trees to provide fuel for the household.

SITE FACILITIES

4.7 Entrance prices of cultural sites in Ethiopia are relatively inexpensive compared to competing destinations but the Ethiopian sites lack facilities such as toilets, food and beverage outlets and shops, particularly for local handicrafts. Other competing sites such as Petra, the Egyptian sites and Angkor have more developed facilities and interpretation which encourage the tourists to linger longer at sites, spend more, generally enhancing the overall experience.

4.8 The quality of facilities at tourist sites impact both on the amount they spend and their relative enjoyment of the site. It seems that many of the tourist destinations outside of the main towns in Ethiopia lack such facilities. Even the urban tourist attractions often fail to get the maximum spending out of tourists at sites (e.g. the national museum has no shop). The 2003 DTIS team survey found that tourists rated facilities as below average and would spend on average $15 more per day if facilities were better. This translates into lost revenue of $6m for vacation visitors and $2.4m for business visitors. For a country like Ethiopia with limited carrying capacity for tourists due to poor infrastructure, a strategy of raising tourism receipts through increasing spending is appropriate. It also might ensure greater benefits are passed onto surrounding communities. Given that resources are constrained, there would need to be a prioritization of tourist sites for upgrade based on current and potential carrying capacity.

4.9 Prioritization that focuses on the best current return on the investment would include sites that already see large numbers of tourists, and those that have the potential to expand tourist numbers if the facilities were in place. Those with potential to expand would include those places where there is already reasonable transport infrastructure in place to facilitate access by tourists and, arguably, all sites in Addis and within a-day trip's distance from Addis Ababa that can cater to the business or conference visitor who has little time to spend touring.

4.10 The current top tourist sites include:

- The historic route main towns -- Axum, Gondar, Lalibela, Bahir Dar area (Blue Nile Falls, monasteries);
- Easily accessible national parks -- Awash, Bale Mountains, Shala Abijata and Nechisar.
- The major sites in Addis include:
- Entoto Mariam Orthodox Church with museum;
- National Museum;
- Ethnological museum at Addis Ababa University;
- Cathedral Church;
- Africa Hall;
- Merkato Market; and
- Addis Ababa Museum.

4.11 The major sites within 150 kilometers (or a day trip-length) include:

- The Blue Nile Gorge and the Blue Nile River;
- The Abuna Tekle Haimanot or Debrelibanos Monastery established in the 13th century;
- Adadi Mariam Rock Hewn Church built in the 12th century by King Lalibela. It is found in the middle of farming areas;
- Tiya Stelae where there are 36 stelae or obelisks;
- Wonchi Lake, a crater lake found 32 kilometers west of Ambo town with good scenery;
- Addis Alem Mariam Church, a strangely decorated church originally built as a palace before Addis Ababa become a capital city of Ethiopia;

- Nazareth. There are the weekend resorts Sodere with hot path and lake Langano, lake Abayata and lake Shala with beautiful scenery;
- Deberezeit. There are five crater lakes with good scenery. Bird watching can be conducted, as there are many different species of birds.

5. CHAPTER

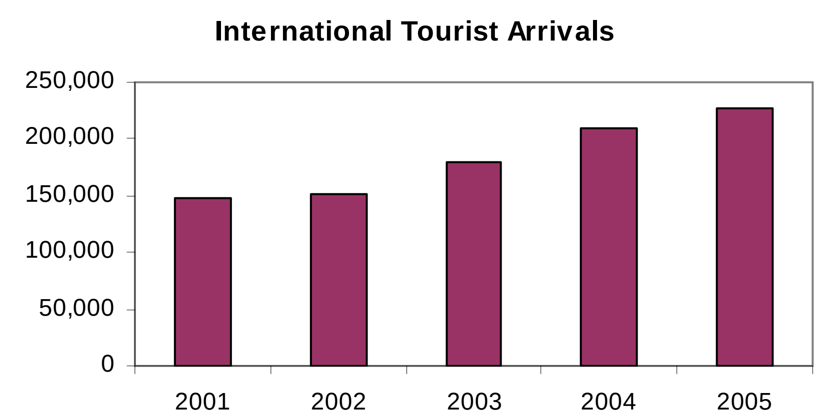
Current Demand Assessment

ETHIOPIA'S TOURISM DEMAND

5.1 People visit countries away from their homes for various reasons. The current categories of "purpose of visit" established by UNWTO and measured throughout the developing world on arrival declaration cards are holidays, business, visiting friends and relatives, education, religion, sports and transit through one country to another. Each of these categories of visitor has different characteristics related to their demographics, behavior, spending, expectations and length of stay in the country visited. Compared with other Sub-Saharan African countries, total visitation to Ethiopia (demand) is weak: Ethiopia is ranked 20th (2004 data) in terms of visitor arrivals.

5.2 Most countries in the region are deficient in gathering this detailed information about visitors and organizations like UNWTO tend to use the total number of visitors (as reported by immigration departments) as a measure of tourism to a particular country. For Ethiopia this total figure was 210,000 for 2004 (the last year for which data is available) of which approximately 75% passed through Bole International Airport.

Figure 5.1: International Tourist Arrivals, 2001-2005



Source: Ethiopian Tourist Commission

5.3 When ascertaining tourism demand for the purposes of tourism planning or strategy development, it is critical that the total demand figures are further segmented by "purpose of visit" and "country of origin" as this gives a more accurate picture of tourism demand. In terms of driving demand there is very little a country can proactively do about visitors who come on business, to visit friends and relatives or for sport, religion or education as these visitors tend not to have choices to make about where they take their trips. The only category that can really be influenced is the holiday (vacation) or leisure visitor. This category is the focus of this analysis.

"REAL" TOURISM NUMBERS: ESTIMATING LEISURE OR VACATION TOURISM

5.4 The breakdown of tourists by purpose of visit over the past five years shows some interesting trends: business and vacation tourists are increasing at between 5% and 10% per year, transiting visitors are growing at between 15% and 25% reflecting the development of Addis as a hub for regional air travel, conference visitors have slowed to less than 5% growth and the visiting friends and relatives category has hardly grown at all in the past three years.

Table 5.1: Summary of International Tourists by Purpose of Visit 2001-2005

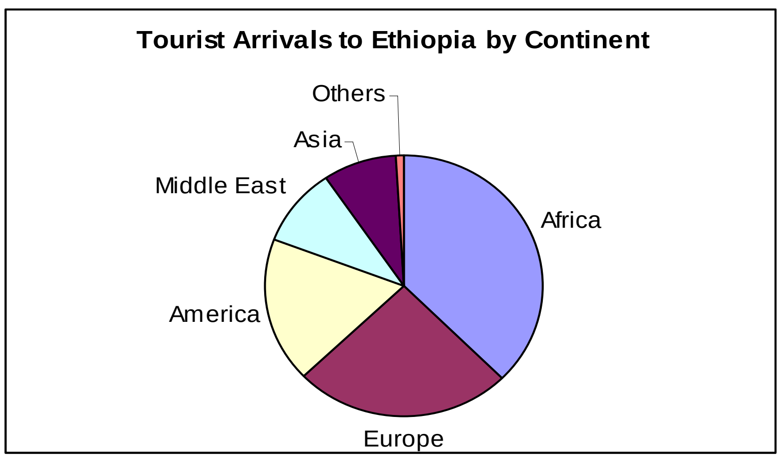
Year	Business	Vacation	Transit	Conference	Visiting relatives	Not stated	Other ports	Total
2001	26,577	41,083	17,216	5,361	14,913	11,288	32,000	148,438
2002	32,752	49,339	20,113	10,612	17,779	25,732		156,327
2003	37,693	56,782	23,147	12,213	20,461	29,614		179,910
2004	42,567	60,783	42,980	14,560	21,356	30,134		210,000
2005	46,008	63,246	49,558	16,385	21,732	30,469		227,298

Source: Ethiopian Tourism Commission

5.5 Ethiopia's source of visitors by continent of residence and again reveals interesting trends: There has been very little growth in visitors from other African countries, visitors from Europe and America are growing consistently at around 12%, visitors from the Middle East are growing rapidly at 30-40% and visitors from Asia (after an initial spurt of almost 50% between 2003 and 2004) grew at 12% last year.

5.6 Currently (2005) Africa provides 37% of visitors, Europe 24%, America18%, Middle East 10% and Asia 9%. For the purposes of this study (from the perspective of defining a tourism product and market development strategy) it is necessary to focus on the leisure and vacation segment. Figure 6 shows a summary of the top ten source countries for leisure and vacation tourists to Ethiopia during 2005 and the figures should form the basis for targeted marketing strategies.

Figure 5.2: 2005 Arrivals Data



5.7 Table 7 presents a summary of the top 20 African destinations for the top five European source countries reported above. A ranking of 18 indicates that Ethiopia is not currently seen as a major destination for EU tourists. Despite the low ranking, this is critical market intelligence data that could form the basis of a targeted and prioritized marketing strategy for Ethiopia, and for a results-based framework for monitoring market penetration and improving market position in each country.

5.8 The data suggests that Ethiopia receives the highest number of visitors from Germany, the UK and France. However, in terms of market share, it has a far higher share of Italian and Dutch tourists.

Table 5.2: Top 20 Destinations for Top 5 European Source Countries for Tourists (2003)

2003	France	UK	Germany	Italy	Netherlands	Total	Rank
South Africa	127,760	456,468	257,018	49,818	120,933	1,080,329	1
Kenya	55,057	177,339	180,156	61,428	20,518	513,589	2
Mauritius	200,229	91,210	53,970	39,774	4,403	408,837	3
Senegal	181,470	3,063	7,985	9,279	0	214,477	4
Nigeria	50,149	31,310	48,915	53,166	4,349	210,312	5
Tanzania	22,103	43,656	19,222	24,675	15,272	140,990	6
Zimbabwe	12,504	58,354	25,902	18,682	0	119,333	7
Namibia	9,364	19,291	58,036	8,809	11,778	115,923	8
Cape Verde	12,847	1,140	18,095	54,278	0	103,741	9
Seychelles	25,990	18,765	15,903	17,778	978	82,868	10
Zambia	4,050	64,970	5,627	3,025	0	77,672	11
Burkina Faso	47,663	2,475	4,683	3,215	2,734	65,754	12
Lesotho	0	39,470	25,991	0	0	65,461	13
Gambia	653	40,872	4,253	200	7,262	54,947	14
Mali	22,539	1,460	2,412	3,476	0	32,524	15
Botswana	2,730	14,445	6,584	2,168	4,181	32,205	16
Uganda	3,022	17,176	3,519	1,924	2,474	29,863	17
Ethiopia	**5,482**	**8,978**	**5,719**	**6,348**	**3,044**	**29,571**	**18**
Togo	14,154	655	830	570	0	16,209	19
Guinea	10,654	605	879	736	512	14,823	20
Total	808,420	1,091,702	745,699	359,349	198,438	3,409,428	
Ethiopia's Market Share	**0.7%**	**0.8%**	**0.8%**	**1.8%**	**1.5%**	**0.9%**	

WHERE ARE PEOPLE VISITING IN ETHIOPIA? DEMAND DRIVERS FOR LEISURE TOURISM

5.9 It is also necessary to evaluate what tourists actually do in Ethiopia and there are various data sources for this where entrance fees are collected: visits to Lalibela and other churches, visits to Gonder, visits to museums and visits to national parks.

5.10 As discussed in the introductory part of this report, Ethiopia is endowed with many historical tourist attractions. Currently the following are the major drivers for leisure or vacation tourism (those that appear in advertised tourist itineraries) to Ethiopia:

Table 5.3: Major Attractions in Ethiopia

Seven UNESCO World Heritage Sites:	
• Axum's Obelisks; • Monolithic Churches of Lalibela; • The Castles of Gondar; • The Omo Valley;	• Hadar (a place where the skeleton of Lucy was discovered); • Tia's carved standing stones; and • The Semien National Park.
Others	
▪ Lake Tana and the Blue Nile Falls ▪ Bale Mountains National Park	▪ Awash National Park ▪ Nechisar National Park

5.11 This demand could be split into two distinct product identities, a) **a northern historic circuit** and b) **a southern** ethnological **and nature based circuit**. These two products account for more than 95% of tour packages sold to Ethiopia.

5.12 Further analysis of the "tourist traffic" on these routes is only possible through interviews with tour operators and hotels and entrance fees collected at various locations. For example table 7 below shows the volume of visitors to key sites in Lalibela and Gondar.

Figure 5.3: Tourism Circuits in Ethiopia

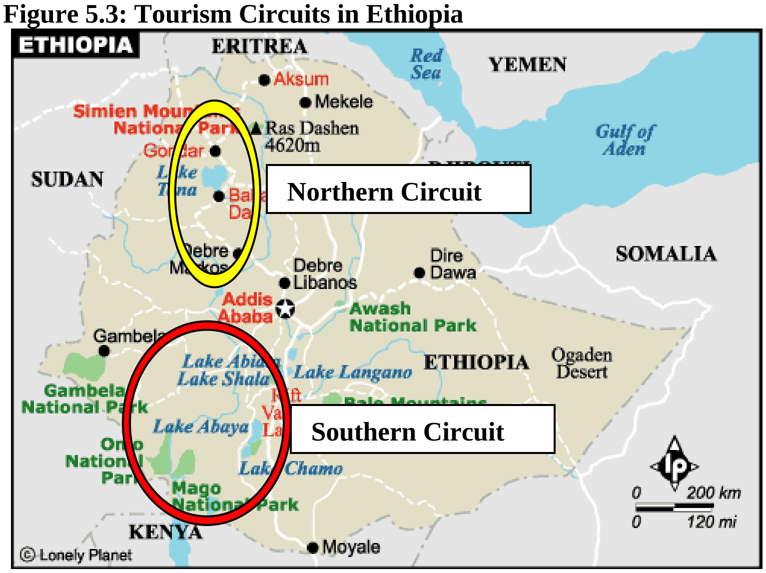


Table 5.4: Tourist Flows through Lalibela and Gondar: July 2001- June 2005

Destinations	**Local Tourists**				**International Tourists**			
	2002	**2003**	**2004**	**2005**	**2002**	**2003**	**2004**	**2005**
Lalibela	--	--	--	71,361	--	8,789	14,184	18,320
Gondar	15,665	20,595	27,784	32,516	6,325	8,642	10,443	12,289

Source: Ethiopian Tourism Commission (based on entrance fees collected)

5.13 Considering that an estimated 80-90% of foreign tourists who visit Ethiopia visit Lalibela, the figure of 18,320 foreign tourists recorded for Lalibela is close to the estimate of total leisure tourism on the northern circuit. Unfortunately there is no data to inform what proportion of the international tourists to Lalibela visit only Lalibela or take in more destinations on the historic route. The figure for visitors to Gondar suggests that about 60% (12,289) of the total international visitors to Lalibela are visiting other sites. This range is somewhat correlated by data collected by consultants working on the World Bank's Cultural Heritage Project in Aksum (another site on the historic route), which as Box 2 below shows, are only indicative estimates of around 25,000 visitors. Visits to national parks are also recorded and it is evident that the historic route is the dominant product:

Table 5.5: Visitors to National Parks in 2004

	Awash	Simien Mountains	Shala Abijata	Bale Mountains	Omo	Nechisar	Mago	Total
Ethiopian nationals	2600	280	2198	320	78	1678	479	7633
Foreign residents	1540	160	987	520	68	520	170	3965
Foreign tourists	1870	1790	860	768	140	1120	1101	7649
Foreign tourist share of total visitors	**32%**	**89%**	**21%**	**47%**	**65%**	**34%**	**66%**	**40%**

Source: Ethiopian Wildlife Conservation Organisation

Summary of demand assessment

5.14 Current estimated demand for the two primary product resources (the northern and southern circuits) can be summarized as:

Table 5.6: Current Demand for Ethiopia's Tourism Product

	Lalibela	Northern Historic Route	Southern Circuit
Foreign Tourists	15,000	10-15,000	1,500-2000
Foreign Residents	3-5,000	3-5,000	1-2,000
Ethiopian Citizens	60-80,000*	30,000*	2,500-3,000
Ethiopians Living Abroad	n/a	5-7,000	1,000
Totals	**80-100,000**	**57,000**	**5-8,000**

- Mainly during festivals.
- *Source: Ethiopian Tourism Commission Regional Offices.*

5.15 It is established that the dominant product for leisure tourism to Ethiopia is cultural and historic heritage tourism (80-90% of total leisure visits).

5.16 Cultural and heritage tourism is a global phenomenon, and it could be argued that every country has some form of cultural or heritage product. However, the countries of Europe, the Middle East, Asia, Central and Southern America are traditionally considered as having the most significant attractions.

5.17 Whilst countries in northern Africa, such as Egypt, Libya, Tunisia and Morocco are well known as cultural and heritage destinations, Sub-Sahara Africa is not renowned for this type of tourism. Table 8 provides a list of popular cultural and heritage sites worldwide. Whilst the table does not attempt to be comprehensive, it does place the cultural and heritage tourism concept into perspective.

Table 5.7: Examples of Key Cultural and Heritage Destinations

Continent	Country / Site
Sub-Sahara Africa	Ethiopia – Axum, Lalibela, Gonder Zimbabwe – Great Zimbabwe
North and West Africa	Egypt – Pyramids, Luxor, Abu Simbel, Aswan Libya – Leptis Magna, Sabratha, Ptolemais, Apoolonia Mali – Timbuktu, Djenne Morocco – Fez, Volubilis
Middle East	Iran – Persepolis Israel – Masada Jordan – Petra, Jerash Oman – Nizwa Saudi Arabia – Mecca, Medina, Mada'in Saleh Syria – Krak des Chevaliers, Palmyra Turkey – Ephesus Yemen – Shibam
Asia	Cambodia – Angkor Wat China – The Great Wall, Forbidden City India – Taj Mahal Indonesia – Borobudur Laos – Wat Phou Tibet – Lhasa
Central and South America	Chile – Easter Island Guatemala – Tikal Peru – Machu Picchu, Cuzco Mexico – Chichin Itza, Palenque
Europe	Czech Republic – Prague's Castle District / Old Town Italy - Rome – Colusseum, Pantheon, Vatican, Pompeii Greece – The Acropolis Hungary – Budapest Castle Hill Poland – Rynek Glowny UK – Hadrian's Wall, Stonehenge, Tower of London

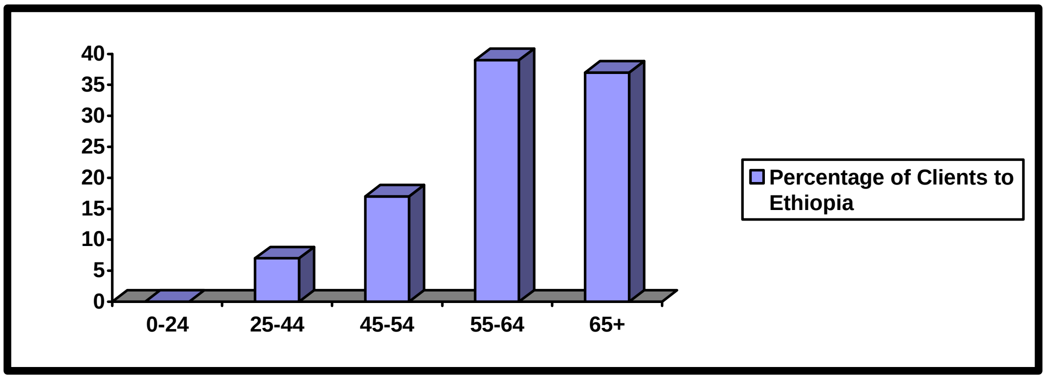
INTERNATIONAL PROFILE OF CULTURAL AND HERITAGE TOURISTS

5.18 Whilst it is increasingly difficult to categorize the profile of tourists in any market segment, this is particularly true for cultural and heritage tourism, with increasing interest in this type of tourism from most social and economic groups. However, broadly speaking, this type of tourist is usually in the post family life stage (children have left home) as follows:

- Typical age group 50-60
- No dependent children
- Well-traveled
- Quality conscious, but prepared to "rough it"
- Well-educated
- Sensitive to environmental and social concerns
- Take holidays in off-peak periods

5.19 The majority of visitors to Ethiopia are from the post-family and retired life-stages, price is cited as a constraint for younger people, although the Omo Valley does tend to attract a slightly younger visitor from the pre-family life-stage. The fact that Ethiopia is also cited as a destination for those who are already well-traveled – i.e. have already visited Africa before this tends to give the destination an older bias.

Figure 5.4: Average Age of Clients to Ethiopia



Source: 2006 Market Research Study: Acorn Consulting Partnership Ltd.

5.20 Nearly 90% of tour operators' clients to Ethiopia are affluent, well-traveled and well-educated professionals that have been to Africa before[16]. The US market is particularly dominated by affluent retired professionals, as those still working tend to get a limited vacation allowance.

5.21 However, for marketing and product development purposes it is necessary to recognize other dimensions of cultural and heritage tourists. The World Heritage Tourism Program has identified three types of cultural/heritage tourist as (a) **Hard-core tourists**, who join tours or groups traveling specifically for educational purposes and/or to take part in environmental or cultural projects; (b) **Dedicated tourists**, who want to visit protected or cultural areas and understand local natural and cultural history; and (c) **Casual tourists**, who consider natural cultural travel as an incidental component of a broader trip.

5.22 Each of these types of tourist has a different profile and therefore different needs and desires. Tourists in Ethiopia fulfill all these criteria and all three are important groups; however the first two typologies are purely motivated by cultural attractions and are thus key target groups.

[16] 2006 Market Research Study: Acorn Consulting Partnership Ltd.,UK.

FUTURE TRENDS FOR THE CULTURAL, HISTORIC AND HERITAGE TOURISM MARKET ARE BRIGHT

5.23 It is expected that the cultural and heritage tourism market will grow as the post-family, 'baby-boom' generation matures. This growth will be boosted by the ever increasing number of destinations developing a cultural tourism product to appeal to this market.

5.24 Currently the biggest growth in cultural tourism appears to be coming from new niche markets. As cultural tourism grows, it is differentiating into a range of sub-markets including architecture tourism, religious tourism, literary tourism and creative tourism. The growing number of specialist operators in the major source markets targeting these areas highlights this trend.

5.25 Religious tourism, although not new, is now being recognized as having a major degree of overlap with cultural tourism. This is particularly pertinent to Ethiopia. Many of those traveling for religious motives, including pilgrims, also have a strong interest in the culture and heritage of the regions they visit. In addition, religious tourism is undergoing a shift from purely religious to more broadly spiritual motivation, which is opening up a wide range of new products and destinations. As a result there has been a growth in spiritual and 'retreat' holidays with alternative therapies and courses in spirituality and self-development becoming the norm. Whilst Ethiopia has a strong religious appeal, such courses could increase the breadth of this market further.

Ethiopia's Target Markets

5.26 The study has presented Ethiopia's current market sources and based on existing levels of awareness and market penetration in those markets, these should form the basis of marketing strategies in the short to medium term:

Table 5.8: Summary Target Markets

Countries to Focus on	Age Groups to Focus on	Strategies to Access Markets
USA UK Germany Italy France Canada Saudi Arabia Netherlands UAE	Retirees & Working Professionals	▪ High-end tour operators in those countries need to targeted with incentives to visit ▪ Information-rich websites ▪ Promotional road shows in those countries (organized through special interest groups such as museum societies; e.g. Smithsonian, religious travel groups, cultural interest groups) ▪ Trade shows in those countries ▪ Special interest magazines and journals ▪ National Geographic and Discovery Channel films / magazine features Use in-country (e.g. US-based for US market) market research expertise to define individual strategies – with support from Ethiopian Embassies

5.27 Given that Ethiopia has a limited budget for promotion and marketing, spending should be designed to have the maximum impact by closely targeting priority markets and using creative methods to promote tourism to Ethiopia.

6. CHAPTER

Current Supply Assessment

WHAT CONSTITUTES THE ETHIOPIAN TOURISM PRODUCT?

6.1 All export industries compete in an international market but few have such complex structures and such a variety of intermediaries and individual buyers as tourism. A country develops the elements of a tourist product, with or without external assistance. Then a number of players (suppliers, wholesalers and retailers) in the tourism system assemble and distribute the end product for consumption by the buyer, the tourist.

6.2 The inter-dependency and multiplicity of service providers, institutions and suppliers involved in the tourism value chain makes the tourism sector particularly susceptible to the transference of inefficiencies of specific industries or the compounded effect of a generally hostile and poor business environment by way of increased costs, reduced service and quality, which collectively undercuts the ability to delivery an internationally competitive final product.

6.3 The end product, or perhaps more accurately "experience", that is assembled for sale consists of:

1. The tourist asset;
2. The services of the transportation sector to deliver the tourist from the country of origin to the country of destination;
3. Hotels and other tourist accommodation;
4. Tour operators and ground handlers;
5. The services and activities of those who provide equipment to enjoy the asset such as donkey rides, those who help the tourist to better understand his/her surroundings, e.g., museum guides, and those who provide entertainment for the tourist through music and dance, festivals, etc.;
6. Food and beverage suppliers;
7. The services of other suppliers of goods and services, such as banking facilities, emergency health care, handicrafts and duty-free shopping;
8. Transport for internal transfers (such as taxis)
9. Internet services which are pervasive in most of these areas.

6.4 Some consumers purchase most of the components of the end product in a package tour and others purchase selected elements. At an extreme, the Independent Traveler (IT) may purchase only transportation from one distributor and accommodation directly from the supplier.

6.5 Tour operators and travel agents mainly handle the sale of the end product to the consumer, although transportation companies, such as Ethiopian Airlines, also sell the end product directly to tourists. The distributors, or intermediaries, decide which end products to market to separate segments of potential demand based on the quality and competitiveness of the product, the evidence of market acceptability through the positive or negative reactions of returning tourists, the margins the distributors receive from selling a particular end-product, and, most importantly for Africa and Ethiopia, the distributors own interest and specialization. These decisions can be influenced by the promotional and marketing activities of tourist destinations and external factors such as media attention in the form of stories about the destination.

6.6 The facilitators of the end-product sale are the developers of computer reservations systems (CRSs) and global distribution systems (GDSs) and financial service providers who facilitate payment transactions between the producers, distributors and consumers. Increasingly, the Internet is becoming a major source of sales of the tourism and travel end product.

6.7 The final consumer is the tourist and is the object of all the attention from all the players in the tourism industry. Tourists reside mostly in high-income countries in the North and mainly in Europe, North America and Asia (Japan and Australasia). The combined preferences of consumers, including those of regional and domestic tourists, where these are significant, determine the demand for tourism destinations.

TRANSPORT TO ETHIOPIA

6.8 Almost all visitors arrive in Ethiopia by flying into Bole International Airport. The airport handles over a million passengers a year and was up-graded in 2000 to a level that is more than adequate for current demand. Of the 400 or so scheduled flights into Addis each week, 290 (72%) are Ethiopian Airlines. Passenger numbers come close to those in Nairobi while Ethiopia has about an eighth the number of tourists. However, when comparing the prices of return tickets to Addis and Nairobi, flights into Addis Ababa are clearly more expensive than into Nairobi from all destinations. The price premium into Addis ranges from a low of 12 percent to 14 percent from Johannesburg and London to an incredible 81 percent to 135 percent from the Far East cities of Hong Kong and Singapore. These high premiums from Asia might explain the low tourist numbers from that region. Analysis carried out in 2003 showed the extent of the price differential between Nairobi and Addis:

Table 6.1: Price Comparison of Ethiopia to Kenya (in US$) – Feb. 2003

	Addis Ababa	Nairobi	Price Differential
Return flights from the following cities*			
Paris	$1049 (KLM)	$773 (KLM)	+36%
Milan	$918 (Lufthansa)	$663 (Austrian Airlines)	+38%
London	$750 (British Airways)	$660 (Gulf Air)	+14%
New York	$1216 (Lufthansa)	$939 (El Al)	+29%
Singapore	$2097 (Singapore Airlines)	$893 (Air Madagascar)	+135%
Hong Kong	$2011 (Cathy Pacific)	$1110 (Emirates Airlines)	+81%
Johannesburg	$418 (Kenyan Airlines)	$374 (Kenyan Airlines)	+12%

***Source:** American Express Travel (South Africa)

6.9 The price differences are a result of a) lower density on routes to and from Addis (as the final destination) and b) lower levels of competition created by the monopolistic policies supporting Ethiopian Airlines. While Addis Ababa sees similar numbers of travelers to Nairobi airport, there is a lower density on each route because Addis acts as a hub while most flights into Nairobi are for visitors to Nairobi. The hub strategy adopted by Ethiopia has been effective at raising overall numbers to bring total costs down but has resulted in lower numbers on each route. This implies they face little competition into the hub and so can price at a premium. Given that Ethiopian Airlines handles roughly three-quarters of all planes coming into and out of Bole International Airport, they have considerable market power at this hub and are able to maintain a competitive advantage. Also, the fact that Ethiopian Airlines continues to cross-subsidize local air transport and turn a profit implies it must be earning a higher-than-normal premium on the international fares.

Transport in and around Ethiopia

6.10 In Ethiopia, transportation is one of the most important components of the tourism value chain. All other components depend on transportation as a key variable. The two modes of transportation to the cultural heritage areas from Addis Ababa through Debre Markos, Bahrdar, Gondar, Debark, Axum, Adigrat, Mekele, Wolldiya, and Lalibela back to Addis are by car and by airplane.

6.11 Foreign tourists who visit Ethiopia either use overland transport or air transport throughout the tour except at cultural heritage sites where other means of transportation such as donkeys are utilized. Of all tourists visiting these sites, approximately 50% utilize air transport alone, 30% utilize a combination or air and land transport and the remaining 20% use land transport.

Air transport

6.12 Air transport is cheaper and more convenient. Specifically, daily expenditures for overland travel range from $32.48/person/day to $44.63/person/day depending on the number of people in a vehicle while air travel costs approximately $23.94/person/day. Based on a daily expenditure, overland travel is approximately 10% more expensive than travel by air[17].

6.13 Air transport is also one of the primary means of accessing the historical sites, which are all accessible by air. Amongst the national parks, only Nechisar National Park, which is very close to Arbaminch, is accessible by air with a 52-seater plane, while Bale Mountains has a landing strip that can cater to a 17-seater plane. The large distance of these sites from Addis Ababa and each other makes air travel the best option for tourists short on time. The Civil Aviation Authority invested heavily in these regional airports, in part to facilitate tourism. Most can accommodate a Boeing 737, with Bahir Dar and Mekele able to handle a Boeing 757. However, in most cases, a 52-seater Vokker is used for domestic flights. In most cases the quality of airport facility is excessive given the number of passengers that flow through them. In Gonder an airport hotel was built that currently sits more or less empty. Given these sunk investments, the facilities have plenty of scope for growth in passengers.

6.14 Domestic flights are only operated by Ethiopian Airlines but independent charter flights are permitted (the single competitor recently closed down). Ethiopian Airlines currently (2003 data) makes a loss on domestic air travel and cross-subsidize it to the extent of Birr 25 million per year (or roughly Birr 100 per passenger just to break even). The reason for this is because it is obliged to operate flights to historic sites and regional capitals, and the government controls all prices. Ethiopian Airlines offers differential pricing for foreigners and locals that further enables the locals to receive subsidized rates (by 44%) for domestic air travel. While the subsidization of domestic air travel has the up side of bringing down the cost of such travel to residents, the down side is that it creates little incentive for the national carrier to extend the service beyond the minimum that is required from the government. To most destinations in the historic north, there is only a single flight per day and this is a round trip through each site, limiting the actual number of seats to each location to less than the planeload. Domestic flights are usually full and local travel agents reported that booking five days in advance was necessary to guarantee a seat. This is clearly problematic for tourism, especially business tourists that might book a trip on impulse once they arrive in the country and get more information on the tourism possibilities

6.15 Despite the excess demand, Ethiopian Airlines does not put on additional flights or use larger planes except in the high tourist season where most of the additional travelers are paying the higher non-resident rate. The other downside of subsidized local fares is that it discourages competition in the local market, as any entrant must be more efficient than the incumbent to the extent of the subsidy.

[17] 2006 Value Chain Analysis for the Tourism Sector in Ethiopia, Global Development Solution LLC, USA

ROAD TRANSPORT

6.16 While air transport is the primary means of getting to the historic sites, easy and fast access by road will always be cheaper. A cheaper and quicker means of reaching certain sites will stimulate tourist demand by drawing in those tourists (including domestic tourists) that cannot afford the higher cost of air travel. This is evident from the numbers and make-up of visitors to the national parks. The parks that see the highest proportion of total national park visitors are Awash, Shala Abijata and Nechisar, all accessible through good roads from Addis. They are also the parks along with the highest share of domestic tourists (both Ethiopian and foreign resident) out of the total number of visitors to the park (the other high scorer, Omo, received only 32 visitors in total in 2000 so is an outlier). Contrast these to the Simien Mountains, which requires a flight to Gonder, then a drive along very poor roads into Debark and then a 4x4 or mule ride on the final leg. This park sees few Ethiopian tourists and 85 percent of its visitors are foreign. Bale Mountains is closer and accessible by a partly good road, and so its results lie in-between the two extremes.

6.17 ***High Cost of Overland Transport:*** According to interviews with tour operators[18], the average cost of renting a 4-wheel drive vehicle with a driver is approximately \$130/day (by comparison the daily cost of hiring a 4-wheel drive vehicle in Kenya is \$60). This translates to \$1,560 for a 12-day excursion. However, with a tour operator and four people sharing a vehicle the expenditure per person is \$536 (or \$45 per person per day) for the same excursion translating to a total cost of \$2,142 for a 12-day excursion, giving the operator a margin of 37%. Taking into account that many of the 4-wheel drive vehicles are in relatively good condition, according to interviews, the high margins are offset by the high cost of maintenance and spares.

6.18 An assessment of similar tourism excursions in Zambia indicates that local transport cost is approximately \$24/person/day, nearly one-half of that in Ethiopia. In this context, the high cost of transportation reflects the high cost of accessing and the shortage of 4-wheel drive vehicles in the market as a result of the excessive tariff rates imposed by the government.

Accommodation supply

6.19 A major weakness for Ethiopia compared to its competitors is its hotel supply. Several foreign tour operators have pulled out of Libya due to the poor standards of hotels, a situation that needs to be avoided in Ethiopia, particularly when venturing outside Addis.

6.20 While the hotel stock is limited, although currently ample for current levels of demand, it is also of poor quality with few facilities. Ethiopia has a limited supply of star and tourist quality hotel rooms, especially outside of Addis Ababa and the neighboring Oromiya region. In fact, in five of the 11 regions there are five or fewer hotels considered of tourist standard. This situation is changing as an estimated 25 new hotels are currently under construction, of which at least 15 will be of tourist standard. The government currently owns just over a third of all hotel rooms in the country but is

[18] 2006 Value Chain Analysis for the Tourism Sector in Ethiopia, Global Development Solution LLC, USA

attempting to sell a number of these hotels in its privatization initiative. Within the private sector, all but the Sheraton in Addis are domestically owned. This is partly because foreign investment in starred hotels was only recently permitted.

Table 6.2: Existing Hotels and New Additions (2004)

Region	No. of Hotels	No. of Rooms	Percent Government owned	New hotels under construction	New rooms to be added
Addis Ababa	38	2420	47%	8	0
Afar	4	109	17%	1	0
Amhara	15	552	47%	6	271
Benshangul Gumuz	1	26	0%	0	0
Dire Dawa	5	294	31%	0	0
Gambella	1	22	100%	0	0
Harari	4	140	30%	0	0
Oromiya	44	1629	31%	4	401
Southern	13	434	24%	3	93
Somali	4	104	0%	0	0
Tigray	28	561	15%	3	128
Total	157	6291	36%	25	893

Source: Ethiopian Tourism Commission, Model Hotel Project: Part 1: Manpower training needs assessment.

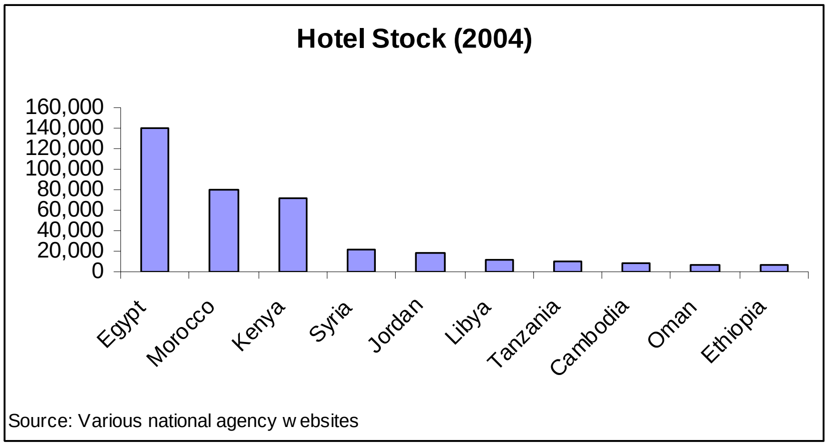
6.21 While there is a very limited supply, occupancy rates for Government-owned hotels are still low at around 50 percent for public hotels (ETC data from public hotels). Occupancy levels of private hotels average much higher in the region of 65-70 percent. Low occupancy rates in part reflect the seasonal problem of tourist arrivals noted earlier. Hotels are full in the peak December-January period and perhaps Easter but not at any other time of the year. This suggests that there is currently no supply constraint, a view supported by many tour operators and hoteliers in Ethiopia. In fact, the Ghion chain reports that 50 percent of their customers are walk-ins, suggesting there is often space available.

6.22 The seasonality and resulting low occupancy rates lower the incentive to make investments in the hotel industry, hence the low number of hotels currently under construction. While many in the industry are calling for investment incentives, these would not change the overall incentive dramatically given the poor health of the sector. Aside from low occupancy rates in public hotels, they are also operating inefficiently. Making use of rooms per employee as a measure of efficiency, it can be shown that public hotels are operating at approximately 61 percent of the level of efficiency of private hotels. Again, when comparing Ethiopia with competing destinations, its supply constraints are evident.

6.23 Hotels at other cultural heritage tourism sites such as Angkor in Cambodia, Luxor in Egypt and Petra have experienced considerable investment in the hotel stock over recent years and as a result boast an extensive range of accommodation to suit all, including excellent four- and five-star hotels, which have good international restaurants as well as conference, meetings and business facilities, swimming pools and health and fitness centers. Improved hotel facilities in Ethiopia would also encourage longer stays.

6.24 Jordan boasts a good supply of internationally branded hotels catering to the Arab market. Western tourists have complained that they are impersonal and would prefer a more boutique style hotel in keeping with the local surroundings.

Figure 6.1: Ethiopia's relatively low hotel stock



6.25 As well as improving the quality of service in Ethiopia, it is essential that any hotel development is closely related to demand, with aesthetically appealing architecture, in keeping with local traditions in order to maintain and expand its appeal to the cultural heritage market. Tourists complain about inadequate hotel services with monotonous menus, untrained waiters and front desk personnel, problems with acceptance of credit cards and checks, lack of 24-hour hot water supply, lack of gym and sport facilities, hair cutting and beauty salons, sauna and steam, etc.

HUMAN RESOURCES FOR THE TOURISM SECTOR

6.26 There is a dearth of qualified and skilled labor in the entire tourism sector. This is the result of a shortage of training institutions in the country. The oldest institution serving the sector for the past four decades is the Catering and Tourism Training Institute (CTTI), which has not grown in capacity and training facilities to reflect the growing tourism interest. Notwithstanding this, CTTI provides professional courses in hotel management, food preparation, housekeeping and laundry supervision, front office operation, food and beverage service, food and beverage control, tour guide and travel operation. Annual intake for the institution is only 130 trainees at diploma (three years) and certificate (1 – 2 years) level. Though CTTI has supposedly been expanded by the acquisition of the Genet Hotel in 2002, nothing has taken place so far due to lack of ownership and poor governance. CTTI is currently administrated by the Ministry of Culture and Tourism.

6.27 In 2004, the University of Gonder opened a Department for Tourism Management with a capacity of 40 students per year. Also in 2004, Debub University in Awasa started a pedagogical education in hotel management with an intake capacity of 40 students per year. A number of low level training centers (not certified by the Ministry of Education) on food preparation and food and beverage services have been opened in Addis Ababa and in several other locations. Their graduates are currently serving the hotel industry.

6.28 All research results indicate that the level of interpretation of history and cultural heritage is very poor in Ethiopia. Particularly, guides are singled out as being poorly trained. This source of employment is key in many other countries and is an area where Ethiopia should focus.

TOUR OPERATORS

6.29 Tour operators are a critical link in the tourism supply chain and for long haul emerging destinations such as Ethiopia, tour operators based in source markets are the major driver of business. The link between international tour operators and the ground handlers they use (domestic tour operators) is particularly pertinent for Ethiopia because foreign investment in the sector is not permitted and so all are Ethiopian companies. This feature has put ownership of the tourism product very much in the hands of international tour operators because they have the resources to market effectively in source markets.

6.30 In neighboring countries domestic tour operators are the primary distribution platform for tourism products. For example, in Kenya (approx. 220 no.), Uganda (approx. 50 no.) and Tanzania (approx. 75 no.) local tour operators provide between 30-50% of business to lodges and resorts. In Ethiopia there are 65 domestic tour operators and they provide about 55% of the business to the main hotels around the historic route, but in turn almost 80% of their business comes from international tour operators. The key difference is that foreign tour operators are allowed to operate in these countries. Because of the competitive environment, these foreign tour operators play an important role in constantly modifying and diversifying the product base, and, marketing the destination. Tour operators actually create the product that ends up being sold to consumers and as such they are the innovators and originators of extra value-added at the destination level.

6.31 It is critical for Ethiopia's tourism development that foreign ownership is encouraged as it will raise the bar both in terms of price competition and innovation.

6.32 Private tour operators in Ethiopia have only been permitted since the end of the Derg Regime prior to which the National Tour Operator was the government-owned monopoly in the sector. There are currently 75 tour operators in the market (of which about 15-20 handle most of the international business and a further 20 or so are active in the domestic market), all but NTO are privately owned. Most of the operators offer a very similar range of tours, including the one-day Addis tours, the one-day excursions from Addis, and a range of two-to-thirteen day tours to the historic sites and national parks. However, a number of tour operators are beginning to diversify and other unique tours that exploit the full diversity of Ethiopia (including hiking tours, bird-watching, hunting) are emerging.

TOUR PRICE COMPARISONS AND WHAT THEY SHOW

6.33 According to the Value Chain research, 85% of foreign tourists to Ethiopia travel via a foreign tour operator with the remaining 10% coming via a local tour operator and 5% traveling independently. To see how Ethiopia rates against other destinations, in terms of price, a comparison has been made of tour packages to competing destinations from a selection of leading tour operators. The comparative tour prices shown in the table are based on set itineraries of approximately 14 nights with two people sharing, unless otherwise specified. Abercrombie & Kent and Viaggi Dell'Elefante tours are generally 12 nights.

Table 6.3: Tour prices for Ethiopia and Competing Destinations, 2006

	Explore (UK)	Bales (UK)	Abercrombie & Kent (US)	Viaggi Dell'Elefante (Italy)	Arts et Vie (French)	Ikurus Tours (Germany)
Egypt	$1,566	$2,273	$5,050	-	$2,570	$1,860
Jordan	$1,531*	$1,846	$3,490	$3,184	$1,800*	$1,795
Cambodia	$2,494	$4,760	$7,350	$4,433	$2,823	$2,310
Kenya	$3,841	$2,581*	$3,630*	-	-	$4,415
Morocco	$1,111	$3,395	-	$3,050*	$1,080*	$1,475
Syria	$1,269	$3,631	-	$3,184	$1,800	$1,795
Oman	$1,619*		$8,775	$4,580	-	$2,875
Tanzania	$2,616	$3,728	$3,195*	-	-	$3,439
Botswana	$4,191	$4,531	$5,795	$5,732	-	-
Libya	$1,916		-	$3,439	$2,570	$1,500
Average not inc. Ethiopia	$2,216	$3,343	$5,326	$3,943	$2,107	$2,385
Ethiopia	**$2,791**	**$3,264**	**$2,995**	**$4,331**	**$3,475**	**$2,873**

Source: Company brochures and websites Note: * ten days or under

6.34 Due to the lower levels of demand for Ethiopia, the tour operators illustrated have fewer departures dates in their brochures than other destinations. There is also a greater variety of itinerary for other countries. For example the Bales brochure provides 15 alternative tours for Egypt, six for Jordan and two for Syria compared to just one for Ethiopia (the Northern Historic Route). As demand for Ethiopia increases tour operators will be encouraged to expand their Ethiopian itineraries to other regions and increase the number of departures to the country. Lack of product knowledge is a constraint cited by tour operators in terms of developing itineraries in Ethiopia. Improved liaison with the travel trade and the provision of up-to-date product information including the wealth of product outside of the Northern Route will encourage a greater spread of tourists to other parts of the country.

DEMAND SEASONALITY IS A FACTOR

6.35 A further dimension to consider is that demand is highly seasonal in Ethiopia. Ethiopia has two peak periods for visitors on vacation (including those visiting family and friends): November-January and April. Whilst these correspond with the standard vacation periods in all regions of the world, in Ethiopia they correspond to the main festival seasons when the elaborate ceremonies of the Orthodox Church have great touristic appeal. Visitor numbers during these months can be as many as four times he lower periods of the year.

6.36 Seasonality is part and parcel of the tourism industry worldwide and impacts negatively on all aspects of the industry through discouraging sufficient investment to handle the peak periods. This applies as much to transport providers as it does to accommodation.[19] In Ethiopia's case tour operators actively discourage tourists from arriving in the peak November-January period due to capacity limitations at hotels and on tours.

LENGTH OF STAY

6.37 The final demand-side dimension that needs to be examined is how long people stay in Ethiopia. Unfortunately there is very little actual data on length of stay apart from the sample collected during the preparation of this study. Assessing and influencing (lengthening) the length of stay of tourists in a destination is a critical role for tourism planning—particularly marketing strategies—and can be one of the most influential aspects of the economic impact of tourism in a destination. Ethiopia offers the visitor an impressive collection of historic sites. While different sites of Ethiopia have large distances between them and the excessive traveling may be tiresome for tourists, it is positive in that it warrants a longer stay in the country and therefore generates higher rates of expenditure.

6.38 Cambodia, for example, has a more one-dimensional product than Ethiopia, based around the temples of Angkor. While the temples are spectacular and warrant a three day stay, this is generally the only time spent in the country, with visitors spending very little time, if any, in other regions. Siem Reap (town of Angkor) now hosts an international airport and as a result very few tourists are encouraged to travel through the capital of Phnom Penh.

6.39 Egypt is the leading destination for cultural heritage tourism as it hosts a third of the world's ancient sites and receives large visitor numbers. Luxor alone gains approximately 2 million visitors per annum. As a result of its wealth of sites, the average stay for cultural heritage tourists tends to be fairly long (by comparison to other sites). Visitor numbers have also been bolstered by the diversification into the beach/resort market which has encouraged a strong mixed product. Cultural heritage tourists can also enjoy a beach/resort visit or beach/resort visitors can experience the cultural heritage product. This also highlights the potential for Ethiopia to develop links with Djibouti and Kenya, to provide a more mixed product. The strength of the beach product has also been highlighted by Morocco which, similar to Egypt, has developed a mass market product, but unlike Egypt is not actively marketing its cultural heritage product, but concentrates on other niche markets.

6.40 While Syria and Jordan are similar to Ethiopia, in the respect that the numerous tourist sites are spread around the country, the distances between the sites are less and the roads are better. While this may ease the experience for tourists it also encourages a

[19] For example, airlines will purchase or lease planes for the average number of passengers per month but will find it hard to put on additional planes in the peak season.

shorter stay and lower expenditure in the country. Syria and Jordan are often not visited as stand alone destinations but incorporated together in tour operator itineraries. The average length of stay in each country is less than a week.

6.41 Tourism in Oman, similar to Ethiopia is very much based on its cultural heritage product and aims to provide an 'authentic Middle Eastern' experience for visitors, unlike neighboring Dubai. However, Oman has built up good tourism links with Dubai, complimenting the Dubai experience with a more 'authentic' one, and benefiting from the vast number of arrivals in Dubai. Again tourist visits to Oman tend to be short (a week or less).

6.42 Kenya and Tanzania have been cited by many tour operators in Addis Ababa as competitors to Ethiopia. While geographically close, both countries tourism is based on a strong safari and beach product, quite removed from that of Ethiopia which can offer a unique experience for tourists providing a different dimension to Africa. In terms of linkages, Kenya and Ethiopia have very complementary products and Ethiopia could benefit from marketing itself to the Kenyan market, tapping in to the greater number of tourist arrivals by offering an additional cultural heritage dimension to visitors.

6.43 Studies show[20] that the length of stay at heritage tourism destinations is much shorter than in beach resorts or nature-based tourism experiences. The average length of stay of beach resort holidaymakers is around 10 days, this being an average of two week bookings (in most resorts c.50%) and one week and shorter excursionists. By comparison heritage tourism products are very rapidly consumed by the tourist. The length of stay in even major urban destinations is rarely more than 2 days (Berg et al. 1995)[21]. Even the world's most renowned cultural tourism centers such as Florence, Venice, or Bath cannot generate long stays in any single centre. Centuries of historical experience and cultural productivity are consumed in a few days.

6.44 This positions Ethiopia's tourist product—as it is currently being sold—as more of a "heritage safari" (as opposed to the more traditional wildlife safari) but does offer the opportunity for complimentarity with destinations like Kenya and Tanzania (or others where the transport links are easy) if Ethiopian operators could develop a short visit heritage product specifically tailored as an "add-on" to a beach or wildlife safari holiday. It is interesting that Uganda and Rwanda have had success in selling gorilla tourism (as a three-day add-on to safaris in Kenya and Tanzania) to regional tour operators and Ethiopia's operators could adopt a similar tack.

[20] Ashworth, G.J. (1991) Products, places and promotion: destination images in the analysis of the tourism industry, In Sinclair, M.T. & M.J.Stabler (Eds) The tourism industry: an international analysis. CABI Wallingford 121-42.
Ashworth, G.J. (2003) Heritage, identities and places: for tourists and host communities. In Singh, S., D.J.Timothy & R.K.Dowling (eds) Tourism in destination communities, pp79-97

[21] Berg, L van der, Borg, J. & Van der, Meer J.van der (1995) Urban tourism: performance and strategy. Avebury, London

7. CHAPTER

Current Performance Assessment

HOW DOES THE CURRENT TOURIST EXPERIENCE PERFORM?

7.1 Beyond the specific tourism experience in terms sites and tourism-related services, the tourist experience is impacted by a range of external services. By comparison with other countries, the visitor experience and convenience beyond transport and accommodation is the area where Ethiopia falls far behind. There are several areas of poor performance (supported by both visitor questionnaires from the IF 2003 diagnostic and the expenditure and motivation survey undertaken during the preparation of this study). The following table summarizes the results from the visitor survey undertaken during the study preparation:

Table 7.1: Visitors' Evaluation of Aspects of their Stay in Ethiopia

Services	Not applicable %	Very bad %	Bad %	Good %	Excellent %
GOOD RATINGS					
Customs and immigration services at the airport	1.3%	4.0%	14.6%	61.5%	18.6%
Convenience of the airport	1.0%	.3%	9.6%	67.1%	21.9%
Personal safety	.7%	.7%	7.2%	71.2%	20.2%
Friendliness of the people		.7%	1.8%	53.5%	44.0%
National cuisine/drinks	4.4%	.4%	11.9%	62.2%	21.1%
Quality of restaurants	1.1%	.7%	13.4%	71.0%	13.8%
MEDIOCRE RATINGS					
Access to wildlife viewing	41.1%	3.9%	15.6%	34.4%	5.0%
Interpretation of wildlife	42.5%	2.9%	16.7%	34.5%	3.4%
Quality of service(in restaurants, hotels, etc)	.4%	1.9%	14.4%	66.5%	16.7%
POOR RATINGS					
Quality of lodging	2.3%	2.8%	24.0%	54.0%	16.8%
Accessibility to historical heritage sites	13.3%	1.0%	23.3%	48.1%	14.3%
Interpretation at historical heritage sites	10.3%	10.5%	22.1%	46.5%	10.6%
Visitor information	10.9%	6.4%	43.6%	35.5%	3.6%
Quality of guides	21.4%	2.4%	40.0%	31.0%	5.2%
Degree of knowledge of foreign languages from the service personnel	7.3%	4.6%	33.7%	46.2%	8.2%
Helpful police services	40.2%	8.2%	21.6%	27.3%	2.6%
Facilities for children	54.8%	9.6%	20.4%	13.4%	1.9%
Shopping opportunities	9.5%	2.2%	17.7%	61.2%	9.5%
Telecommunications	2.3%	13.1%	34.7%	45.9%	3.9%
Convenience and access to local transport	7.7%	9.3%	27.8%	47.2%	8.1%
Foreign exchange facilities	4.6%	7.3%	37.1%	42.3%	8.8%
Convenience for payment transactions	7.0%	9.7%	46.6%	30.5%	6.2%

7.2 The worst ranked issues were:

Ranking	Issue	% Score
1	Convenience for payment transactions	57%
2	Visitor information	50%
3	Telecommunications	48%
4	Foreign exchange facilities	44%
5	Quality of guides	43%
6	Degree of knowledge of foreign languages from the service personnel	42%
7	Convenience and access to local transport	37%
8	Interpretation at historical heritage sites	33%
9	Helpful police services	30%
10	Facilities for children	30%
11	Quality of lodging	27%
13	Accessibility to historical heritage sites	25%
14	Shopping opportunities	20%

7.3 From the visitor's perspective these opinions reflect some priority areas of concern; a) inconvenience of foreign exchange regulations, b) inadequate communications, c) poor quality information and interpretation of heritage products, d) weak transport linkages, e) unhelpful police, f) poor quality of accommodation, shopping and convenience for children.

7.4 The quality of facilities at tourist sites impacts both on the amount tourists spend and their relative enjoyment of the site. These facilities include information on the site, its history, individual items; handicraft sellers; public toilets; shops; banking facilities; places to eat; and accommodation (in park areas). While one must be conscious not to over-commercialize some sites, there needs to be a base level of facilities on offer to increase tourism spending that is appropriate to the area.[22] For a country like Ethiopia with limited carrying capacity for tourists due to poor infrastructure, a strategy of raising tourism receipts through increasing spending is appropriate. It also might ensure that greater benefits are passed onto surrounding communities. It seems that many of the tourist destinations outside of the main towns in Ethiopia lack such facilities. In most cases no shops, banks or lodges exist, drastically reducing the amount tourists are likely to spend and limiting the interest in these sites.

7.5 **An underdeveloped communication system:** The lack of communications infrastructure, particularly in the cultural heritages sites, is viewed as highly problematic, particularly among executive tourists who require consistent, reliable, and seamless communication with the rest of the country (and the world).

7.6 **Poor banking facilities:** Related to the weak communication system is the inability to pay with credit cards in most of Ethiopia. Currently, there are less than 30 establishments (accommodation/restaurants/gift shops/tour operators) in the entire country that are able to accept credit cards as payment. In addition, it is difficult to draw cash against a credit card and even where possible, it is often limited to small transactions. In the 2003 IF tourism diagnostic survey, tourists were asked to rate access to cash withdrawal and credit card facilities. The average rating of 2 out of 5 (poor) was the lowest rating for all aspects of the

[22] For instance, small eco-tourism lodges at parks with more discreet handicraft and other shops.

tourism product covered. This was supported by evidence from the expenditure and motivation survey carried out during the preparation of this study where 55% of respondents rated access to banking and credit card facilities as poor; by far the highest percentage of "poor" ratings for any question asked. A lack of credit card facilities or the ability to draw cash from a credit card hurts the tourism sector by limiting unnecessarily the amount that tourists spend in the country.[23] This is especially the case where tourists are used to carrying cards instead of cash, where they are not well informed of the inability to use credit cards, or where they find the country more expensive than they expected. According to the 2003 IF diagnostic tour operators estimated that each tourist spends US$100 less than they would if credit card use was widely available.

7.7 The limits on the acceptance of credit cards can also limit the extent to which the benefits of tourism are spread throughout the community. Tourists with insufficient cash will gravitate towards the small number of top-end hotels and operators that can accept payment by credit card. This off course extends to restaurants, bars and gifts where cash would be required.

7.8 Aside from the legal limitations placed on the broader acceptance of credit cards in Ethiopia, some other more practical problems also exist. For instance, in Lalibela, one of the prime destinations, there is no commercial bank that could offer encashment and the Ethiopian airlines office will not accept credit cards because it lacks the telecom infrastructure to do the online verification that the parent company requires.[24] The Vice-Governor of NBE also argued that a number of smaller shop owners preferred not to accept credit cards because of the length of time that the commercial banks took to pay them the money.

[23] Tour operators provide their clients cash to complete their trips.
[24] Lalibela currently has only one VSAT with 2 lines.

Box 7.1

Extract from 2003 IF Tourism Diagnostic – The Legal Framework Covering Credit Card Use
Investigating why the problem with credit cards exists led to a number of different answers from operators and banks. The National Bank of Ethiopia seems to have originally opposed the use of credit cards due to unfounded fears that this would lead to the bypass of exchange controls (A. Assefa, vice-governor of NBE). The current directive on the acceptance of credit cards (NBE Directive No. FXD/06/98) limits the establishments eligible to accept credit cards as including only those that cater to tourists directly: hotels with 3 stars and above or with tourist-recommended status from ETC, travel and tour operators, duty free shops and national airlines. Given that tourism is not a sector in itself and encompasses a wider range of services than those listed, this is a very limiting list. Tourists eat at restaurants, buy at shops that are not duty-free, seek local entertainment facilities, and travel on local transport. In addition, those that qualify must go through an onerous approval process with NBE. They must have a business license, have personnel trained in credit card use, must submit an agency agreement with banks, vouch they will submit slips to an Ethiopian bank (to ensure that money is repatriated) and finally get a favorable report from the NBE inspection team (NBE directive FXD/06/98). Once the permit is granted, the establishment then needs to submit reports in prescribed formats giving details of credit card transactions with a copy of bank advices to the exchange control department, maintain records for the past three years, and be subject to occasional inspection from the NBE (NBE directive FXD/06/98). Given the onerous nature of having a permit, it is no wonder that even amongst those establishments that do qualify, few have actually taken up the offer.

The directive concerning drawing cash in Birr from credit cards at commercial banks (NBE reference IBOD/111/02, dated April 23, 2002) clearly states that banks must go ahead and offer encashment services with no limitations. However, as noted in a follow-up letter from NBE to the banks six months later (NBE reference IBOD/271/02, dated October 8, 2002), none of the banks had responded by putting in place these facilities. The Vice President of the Commercial Bank of Ethiopia argued that before they would begin services they first needed to assess the profitability of providing such services before going ahead. The General Manager at NIB International Bank argued that the directive from NBE did not suggest how the credit card cashing operation would operate, but did not question the profitability either.

7.9 **Financing:** As a facilitating mechanism for tourism development the financial sector lacks exposure to and awareness of the structure of the tourism industry and cannot relate to its particular needs. For example the lack of acceptance of non-traditional structures (e.g. semi-permanent tented camps and thatched and traditional structures) as collateral is something that affected Kenyan operators up to 10 years ago and Tanzanian operators up two years ago. Precedents were set by IFC in both countries when they loaned to tented camp operators in Kenya and community-based traditional accommodation in Tanzania.

7.10 There is little appreciation of the importance of short term working capital in start-up tourism enterprises and the fact that is required to be a revolving credit line viewed separately from the longer term investment repayments.

7.11 Current regulations prohibit hotels in Ethiopia from paying commissions overseas to booking agents; in other countries this is a major source of occupancy and business for hotels and lodges. A further restriction is the inability to book online from anywhere in the world unless the hotel is linked to a Global Distribution System.

8. CHAPTER

Issues Moving Forward

USING A STRATEGIC FRAMEWORK TO ISOLATE ISSUES

8.1 Collective national vision, leadership, guiding government policy, shared strategic priorities, and public and private sector implementation capacity and resources are prerequisites for successful tourism sector management and growth. Having started on this critical path, this chapter analyzes where Ethiopia stands and assesses the challenges ahead.

8.2 At this stage it is helpful to focus the analysis through the lens of a tourism sector-specific strategic framework that lays out the integrated and interconnected aspects of the tourism industry system in Ethiopia.

Figure 8.1: Strategic Framework for the Tourism Sector in Ethiopia

LEVEL 1			
Sector Management and Governance	**LEVEL 2**		
Vision	**Enabling Environment (Conditions)**	**LEVEL 3**	
Sector Policy	Training & Education	**Tourism Enterprises Cluster**	**LEVEL 4**
Sector Strategy	Legal and Regulatory	Goods and Services Supplying Tourism	**Resource Base**
Public Institutional Arrangements	Licensing and Standards	Access and Transport	Natural Environment
Private Sector Institutions	Investments and Access to Finance	Accommodation	Culture and Heritage (including monuments and museums as well as “living” culture.)
Community-based & Civil Society Involvement (e.g. Orthodox Church)	Image and Marketing	Activities, Facilities & Attractions	Towns and Villages
Planning and Monitoring Results Framework	Physical Infrastructure		**Ethiopians (the eventual beneficiaries)**
Environmental & Cultural Management	Security, Health and Safety	**JOBS CREATED**	
Platform for Public/Private Dialogue	Information and Statistics		**ETHIOPIA’S CAPITAL / ASSETS**
	Business Efficiency & Competitiveness		
	Access to Ethiopia		

8.3 The framework is effectively a filter through which strategies for development need to be passed. It allows decision makers to see specific sector issues in the context of the whole tourism system. Whilst all aspects of the framework are important and integral to success, the different levels (sector management, creating the enabling environment, developing the private sector and securing the assets base) give some indication of the sequence in which the building blocks need to be laid in order to create solid foundations that lead from the cornerstone vision, policy and strategies to the eventual beneficiaries.

8.4 It is important that the **Vision**, the **Sector Policy**, and the **Sector Strategy** flow sequentially. The vision defines the development objective, the policy defines the guiding principles and the strategy outlines how to achieve the vision. A critical sustaining factor is that the vision and policy must be driven internally while the strategy must be driven by demand (externally). Because of the realities of limited resources, demand-driven strategies facilitate prioritization of the many possible interventions.

Ethiopia's vision for tourism

8.5 There is universal agreement that Ethiopia has an enormous potential as a tourism destination. Not only does it offer the usual African game and cultural experiences to visitors, but it also has a rich array of historic and natural sites that set it apart from most of its neighbors. Since 2004, perhaps following on from the opportunity identified by the Integrated Framework diagnostic study on tourism in 2003, there has been an increased level of interest from the government in the potential of tourism to contribute to its economic growth and poverty reduction strategy. Starting from public statements issued by the Prime Minister supporting tourism there are indications that the government is opening a serious and committed dialogue on tourism development (testifying to the fact that there is indeed a vision for tourism):

8.6 ***"My*** **government** ***believes that an increased focus on tourism can play a more significant role in the war on poverty, both in Ethiopia and across Africa as a whole."***

PM Meles April 2005 Africa Union Address

Also:

- GOE has up-graded the tourism portfolio from a Commission to a full ministry now known as the Ministry for Culture and Tourism with State Ministers appointed for both "Culture" and "Tourism".
- GOE financed an independent consultancy to develop the *Ethiopian Tourism Paradigm* and appointed a high-level coordination group composed of: Ministers of Information; Capacity; Education; Youth, Sport and Culture; the Commissioner of Tourism; Mayor of Addis; CEO Ethiopian Airways.
- This coordination group has evolved into a public private forum known as the National Tourism Council which is now formally established and chaired by State Minister of Tourism.
- GOE has committed resources for the rehabilitation of the Tourism Training Institute in Addis.
- GOE is in the process of drafting a much needed tourism policy.
- GOE has demonstrated a commitment to work with the World Bank to develop a strategy for the sector and implement an investment program for the sector.

8.7 In addition, the text of the PASDEP (Annex 1) emphasizes economic growth and states that Ethiopia should aim to become one of the top ten destinations in Africa by 2020. The strategy outlined in the PASDEP is clear that for tourism to achieve a major development impact, volumes of tourists and levels of tourist spending need to increase and that to ensure tourism growth has the desired development impact, a beneficial industry structure must be created, with a liberalized supply-side framework and stronger linkages to the local economy. The PASDEP also states that the sector needs to enhance linkages to the local population, minimize foreign exchange leakages, and promote broad-based participation emphasizing women, rural communities and marginalized groups who play a vital role in a high proportion of enterprises in the sector.

8.8 The emerging GOE vision for the sector could be summarized as:

> *Tourism should be sustainably developed and utilized for economic growth, image rehabilitation and poverty reduction whilst preserving and enhancing the social, cultural and environmental assets of Ethiopia.*
> .

ETHIOPIA'S TOURISM POLICY

8.9 It is likely that the Sector Policy (which is currently—June 2006—being drafted) will be based on the contents of the PASDEP (Annex 1), and in formulating a draft strategy; this document is guided by the PASDEP submission.

GUIDING PRINCIPLES FOR A TOURISM STRATEGY

8.10 In proposing a strategy for tourism development in Ethiopia, this study is guided by the following principles that have emerged from the analysis as major concerns:

8.11 **Resources must be focused.** Borrowing from the PASDEP; "*Ethiopia has a limited budget to* invest *in tourism and, given its limited budget and many other calls for resources, this will continue*". It is therefore essential that a strategy for investment in the sector is prioritized for maximum impact. The extent of investment needed around the country in tourism infrastructure far exceeds the realistic possible returns and the capacity to absorb and sustain an extensive development program.

Strategies proposed need to be proactively building capacity and coordination.

8.12 The tourism sector—between all players at national and sub-national, public and private, donors, NGOs and other civil society actors such as the Orthodox Church—is currently very **fragmented**. A strong strategy that builds on and strengthens already taken initiatives by the GOE (such as the creation of a fully fledged Ministry, the Tourism Council and the Regional Bureaus) is critical. It is recognized (including by the GOE and explicitly in the PASDEP) that there is very little capacity within these entities to support the implementation and coordination of a development program.

8.13 **Basic** regulation **of the industry in support of defined development strategies is needed.** Standards in tourism goods and services delivery across the board have to be raised in Ethiopia if it is going to grow its market share. This is an issue where government must be involved as a regulator and this capacity needs to be built within the current system. Ethiopia's products are currently under-valued because there is weak enforcement and poor guiding standards for the level 3 and level 4 stakeholders.

8.14 Linkages between tourism activities and poverty reduction strategies need to be carefully but systematically developed. Currently, the supply chains throughout the sector are weak and shallow affording very little opportunity for benefits from tourism to disperse into the broader economy. The low levels of discretionary spending by tourists (up to five times less than neighboring countries) are a factor of the lack of opportunities to do so. A long term strategy to **improve the quality and variety of Ethiopia's tourism products through building supply chain linkages** is essential.

8.15 **Developing markets is an essential strategy that needs to be closely linked to the product focus.** Simple strategies such as connecting Ethiopian operators and core products (the Northern Historic Route) with counterparts in other parts of Africa that already receive significant numbers of tourists (such as Kenya and South Africa) and have easy air access to Ethiopia are recommended for development. The study shows that heritage products are characterized as short stays while tour operators in Ethiopia are currently focused on selling longer stay packages. Developing a three-day package to Lalibela and Axum (for instance) from the Nairobi and Johannesburg and marketing this to tour operators and travel agents in those hubs could produce good results as a complement to the safari or beach product sold in those countries.

8.16 **The roles of national institutions need to be clearly defined.** A new Ministry of Culture and Tourism (MCT) was created in 2005 as a result of heightened Government priority for the tourism sector. The importance of this commitment and the opportunity it provides to make a meaningful impact in the sector cannot be over-emphasized. The MCT has absorbed the former Ethiopian Tourism Commission and the Ministry has put into place a Provisional National Tourism Council (PNTC) to address an often-raised concern from the industry in Ethiopia about coordination and communication between the public and private sector tourism stakeholders in tackling key issues in the sector.

8.17 Currently, the crafting of the National Tourism Policy is underway. In parallel, a Five Year Strategic Plan for the tourism sector is being formulated. It is also expected that a Tourism Sector Development Program based on the National Tourism Policy and the emerging strategic plan would be developed and implemented. It is envisaged that a permanent National Tourism Council shall be established following the formulation and ratification of the policy. The official establishment of a National Tourism Council (NTC) consisting of key industry stakeholders is expected to play a critical role, not only to engage the private sector, but also to seek the necessary input for the policy formulation and future implementation of strategies and programs.

8.18 A brief perspective on the former Ethiopian Tourism Commission (ETC) is important to understanding the importance of the GOE decision to create a full Ministry as well in defining the human resource constraints now absorbed by the new MCT. The

ETC was the federal agency tasked with developing the tourism sector. It had staffs of about 120 people (including its regional offices), of which only about 15 were professionals, which severely limited its capacity. At the time of the 2003 IF tourism diagnostic the Commissioner and each division head identified increasing the number of professionals and their calibre (through more training and hiring more skilled professionals) as crucial to improving the effectiveness of the Commission. However, this did not happen due to insufficient resources, in fact, the resources allocated to tourism declined significantly between 2000 and 2004. These budget figures reflect that tourism had become less of a priority for the government of Ethiopia, supporting the common perception that there was a lack of political will to prioritize the development of the tourism sector in Ethiopia. This lack of political will is also reflected in the limited influence of the ETC on aspects of government policy that strongly impact on the tourism sector, such as immigration and banking regulations.

8.19 **The roles of State level institutions are critical.** Based on the federal structure of the country, Regional Cultural and Tourism Bureaus have been set up in every state of Ethiopia. Currently, these bureaus play a significant role in the sector, though the extent of their influence and proactivity varies from state to state. All major cultural heritage sites are found in Amhara and Tigray regions in the northern route. The Cultural and Tourism Bureaus of both regional states have developed their own five year strategic plan (2005 - 2010) which consists of a vision, mission, values and principles, objectives and targets based on strategic issues, action plan with regional resources, organizational structure, duties and responsibilities. Moreover, they have prepared publications in the form of brochures and information kits for tourists that have been helpful for the identification of cultural heritage and historical sites. Though their efforts and intents are very commendable, their independent initiative lacks coordination with other stakeholders including the Ministry of Culture and Tourism. This emanates from the absence of a National Tourism Policy and Strategic Plan that would define the guiding principles for tourism development in Ethiopia.

8.20 The Regional Cultural and Tourism Bureaus issue professional competence certificates to tour operators and tour guides. Tour operators can then be registered at the Ministry of Trade and Industry or the Regional Bureaus for Industry and Urban Development in order to obtain their trade license. Tour guides use their competency certificate to gain employment.

8.21 **The roles of private sector institutions need to be defined.** Although the private sector of tourism in Ethiopia is relatively small, it is reasonably well organized. The existing associations are as follows:

- The Ethiopian Tourism Professionals Association
- Hotel Professionals Association of Ethiopia
- The Ecotourism Association of Ethiopia
- The Ethiopian Tour Operators Association
- The Ethiopian Hotel Owners Association
- The Ethiopian Wildlife Association

8.22 These associations are represented at regional levels and are key actors in the development of improved coordination and communication between the public and private sectors as well as affording opportunity to link with civil society organizations.

8.23 **Sector coordination mechanisms are critical.** The multi-sectoral nature of tourism means that a host of government ministries and private industries affect the performance of the sector. Among them are: Ministry of Trade and Industry (including Privatization Agency) Immigration, Ministry of Culture and Tourism, Ethiopian Wildlife Conservation Organization, the banking sector, Ministry of Transport, Ethiopian Civil Aviation Authority, Ethiopian Airlines, Ethiopian Investment Agency, the police, private sector associations and the Orthodox Church.

8.24 Building on the previous chapters' guiding principles for developing a strategy, GOE also needs to manage and coordinate the fragmented donor and NGO efforts in tourism. Several donors are involved in the sector including; USAID, GTZ, NORAD, SNV (Netherlands), JICA financing Tourism Institute, UNWTO, but there is no synergy in their programs due to an absence of focus from the GOE. The establishment of the MCT and the National Tourism Council, the development of a national policy and strategy is an opportunity to harmonize these efforts.

8.25 All of the above players can be managed and harmonized around a tourism strategy.

9. CHAPTER

Conclusions and Recommendations

SUMMARY OF FINDINGS

9.1 The purpose of this study and the analytical work commissioned is to respond to the GOE request to define a strategy for tourism growth that is commensurate with its vision for tourism.

9.2 Overall, the analysis identified that the industry is under-performing relative to the tremendous potential value of its cultural heritage as an anchor for a tourism industry. This is attributed to weaknesses in Ethiopia's image, market presence and penetration resulting in a demonstrable weak demand for its products; a severely under-valued cultural and natural resource base; uncompetitive supplier and support services (hotels, transporters, activity providers, restaurants, handicraft manufacturers and distributors, banks, telecoms and emergency health services); finally the absence of an efficiently coordinating and communicating governance framework to guide and integrate the many stakeholders at both the national and sub-national levels.

9.3 In more depth, the key observations are the following.

1) INCREASING DEMAND: MARKET DEVELOPMENT AND IMAGE REHABILITATION

9.4 **Tour operators are not effectively marketing Ethiopia.** Over 50% of visitors obtained information about Ethiopia either from friends or the internet; in other words their own efforts. The survey also suggested that more than 30% of visitors made their booking through airlines. Both of these results are strong indicators of weak market presence and penetration by tour operators and accommodation facilities. This is supported by work carried out during the market survey where it was shown that of the 400 or so European and UK based tour operators that specialize in Africa; only 10% offered an itinerary to Ethiopia. The profile of these operators shows that they are either high-end highly specialized operators or the other end of the scale small budget overland truck companies catering to the "adventure" or "explore Africa" market.

9.5 On the issues of inadequate capacity and demand and image, the snapshot of Ethiopia's tourism provided by the different research conducted confirms that demand is currently driven by a few dozen Ethiopian tour operators, Ethiopian Airlines and the Sheraton and Hilton Hotels (that do very little marketing outside their franchises). It is no wonder performance and demand is weak. Ethiopia's tourism sector is missing two vital demand-driving cogs; high profile properties that are destinations in their own right, and, international tour operators who are linked to larger marketing networks. If one thinks of tourism images of other successful African destinations (such as Kenya, Tanzania or South Africa), they do not only evoke wildlife or beaches, but also pictures of luxury tented camps and lodges. These images are so pervasive from those countries because those property owners generate marketing and PR work that gets into mainstream media. Ethiopia has very little of that; Bishangari, possibly the only comparable type of facility, has had only six articles in international media during the past three years.

9.6 Professionalism **of ground handlers (tour operators) in Ethiopia.** Slow responses to email requests for quotes from Ethiopian operators. Specific complaints included difficulties in locating a suitable ground handler and poor performance with current ground handlers.

9.7 **Lack of product knowledge.** Foreign tour operators that do not have a program in Ethiopia are always keen to develop new destinations but have stated that they have little product knowledge of Ethiopia. They have little time to research a new destination themselves and have suggested that open days are a good way of introducing a country to potential operators, with follow up familiarization trips. Those that do have a program in Ethiopia cite poor communication and information coming from Ethiopia in the form of product up-dates and regular contact.

9.8 **Lack of** information**.** While the Internet is an essential tool for holiday research, the older target group for Ethiopia (45-50+) tend to book direct with a tour operator or travel agent in person or over the phone. They tend to read tour operators brochure like a book. With limited information in brochures it is essential that the Ethiopia website provides more comprehensive information on the tourism sites of the country.

9.9 **Poor image.** Ethiopia's poor image is cited by all tour operators in source markets. One US operator claimed lack of demand that they would only introduce a new destination if demand is sufficient. They currently get no requests for Ethiopia but felt that they would only need as few as six requests a year to seriously consider adding Ethiopia into their product range. Negative image of Ethiopia 'as a barren land with starving people' has done a major disservice to the sector. The recurrent droughts and human crises cases broadcast over international media have imparted significant negative image of the country. The lack of marketing and promotional strategies calls for a more focused country branding strategy and a set of targeted tourism products; this could be focused around the Ethiopian Millennium.

2) Increasing Revenue: Deeper and Wider Supply Chains

9.10 **Ethiopia is** considered **expensive as a destination due to high transportation costs and entrance fees.** Spending is focused on transport and accommodation, but very little is spent on support services, entertainment, or handicrafts.

9.11 Entrance fees and revenue flows in general are not being managed in a way that encourages conservation of community ownership. The key tourist assets are public, in fact global, assets. There is a strong public interest in ensuring that revenue flows to the sites are used in part to ensure conservation. Integrating local communities through awareness creation and through sharing in the economic benefits of tourism will help ensure that communities value and invest in the maintenance of these global treasures.

9.12 **The lack of available handicraft and gift items or souvenirs disappoints tourists and undermines the poverty impact of tourism.** There are limited sales outlets for the items with inadequate variety and choice of items as a result of lack of handicraft production system together with trained personnel. Similarly, non-existence or limited opportunities for entertainment and other diversions and activities in the vicinities of the historical sites is not helping the sector to obtain more from the tourist spending.

Moreover, poor shopping opportunities with limited choices and varieties of items further withhold tourist spending. The disappointment created by the unavailability of handicraft items and materials that serve as souvenirs and mementos for tourists decreases much of the possible promotional work that could have been done by the tourists themselves.

3) ENHANCING THE PRODUCT: IMPROVE QUALITY

9.13 **Cultural heritage is the key product.** The survey also showed that the most important reason cited for visiting Ethiopia is its cultural and historic heritage. It is worth emphasizing the findings of the 2003 IF Tourism diagnostic where despite negative impressions and disappointments about value-for-money and the quality of services 90 percent of all visitors said that they would visit again, while 99 percent said they would recommend it to friends. A further measure of satisfaction was 13 percent claimed they would extend their visit while half that claimed they would cut it short.

9.14 **The cultural experience needs to be preserved**. Ethiopia's cultural heritage is diverse, and each form of heritage – religious sites, archeological findings, festivals, wildlife and ecosystems, tribal cultures, culturally significant urban areas and their preserved buildings, arts and more – requires a focused effort to ensure that modern development does not result in the loss of authenticity and value. This will require a combination of community-level engagement and communication, well-designed incentives, and enforced policy and regulation.

9.15 **Visitors have an excellent cultural experience, but with some significant inconveniences.** From the visitor's perspective these opinions reflect some priority areas of concern; a) inconvenience of foreign exchange regulations, b) inadequate communications, c) poor quality information and interpretation of heritage products, d) weak transport linkages, e) unhelpful police, f) poor quality of accommodation, shopping and convenience for children.

9.16 **Insufficient quality and quantity of accommodation.** This aspect is magnified with poor quality services in the hospitality sector (hotels where menus are monotonous with little variety and poor hotel in-house services coupled also with inadequate catering and other services such as gym, sauna, swimming, etc.); old or dilapidated furniture and hotel amenities. This, coupled with a poor sanitation system due to poor repair and maintenance of water closets, creates an unsightly environment. As a result of these problems, tour operators, both European and Ethiopian, do not tend to recommend Ethiopia as a destination if client expectations are high on accommodation quality. Shortage of hotel rooms during peak season creates problems of accommodation for tourists who end up taking rooms in 'hotels' not recommended for tourists thereby increasing their dissatisfaction. Poor sanitation systems, especially at the heritage sites and the hotels are other irritants to tourists.

9.17 **Price escalations without an early warning is harming travel agents and tour operators.** Price escalations are done by the sole owners of the cultural heritage sites, namely the government and the church.

9.18 **Inadequate infrastructure.** Foreign tour operators cite the quality of the hotels as one of the main constraining **factors** for growth. The limited supply of hotels is also problematic, particularly during the peak season and during festivals such as Timkat. Hotels will not confirm bookings during this period and will only offer limited rooms to each operator making it difficult to book groups.

9.19 Considering the airport infrastructure already exists, there is a large opportunity for Ethiopian Airlines to break off its domestic services into a fully fledged stand-alone domestic airline, either through a public private partnership or by raising the equity itself and creating and running the domestic airline[25].

9.20 **Frequent flight cancellations resulting in disruptions in tourists' travel schedules** and at times being stranded at different airports, often resulting in missing connecting flights and ultimately contributing to the already negative image of the country as a tourism destination. The local operators in Addis Ababa have also suggested that it is difficult to book large groups due to the small capacity of the aircraft used for domestic flights.

9.21 **Support service weaknesses.** Tourists are unable to use their credit cards or checks. The lack of communications infrastructure, particularly in the cultural heritages sites, is viewed as highly problematic, particularly among executive tourists who require consistent, reliable, and seamless communication with the rest of the country. Tourists often like to remain in touch and do not wish to be cut from information and communication. The inadequacy of multimedia (e.g. multi-channel TV, Internet service, etc) is an issue that needs addressing to make the sector more competitive.

9.22 The financial sector is geared toward the financing of urban property markets, rather than tourist enterprises which are often in rural locations or use non-traditional building materials. This, in part, is a question of familiarity, but also a result of a low degree of competition and innovation in the banking sector overall.

TAKING ACTION

9.23 The range of issues that have been identified by the different research dimensions can basically be clustered around these strategic issue areas:

- Strategic guidance through a tourism policy and strategy that guides and integrates the various players and policy-makers in the public, private and civil society sector at the national and sub-national levels.
- An institutionalized forum for ongoing dialogue between stakeholders to support a collaborative, cross-agency and multi-disciplinary process;
- Innovation in both the public and private sectors to drive and grow a successful and integrated tourism industry;
- A concerted program of destination management for each of the fifteen major tourist centers, which will include market-driven establishment of hotels, information centers, services, handicraft outlets and physical infrastructure;
- Stronger marketing of Ethiopia's tourism products and gradual reversal of the prevailing negative image of the country.

[25] After decades of subsidizing its domestic fleet, Kenya Airways did a similar thing over a decade ago in creating Air Kenya.

9.24 The above list represents a hierarchy of issues that have to be addressed if Ethiopia's tourism industry is going to grow.

9.25 It is clear that the guiding policies and strategies and institutional arrangements to manage the sector are a basic requirement and it is evident from the recent commitments from the GOE, (such as the creation of a Ministry; the development of a draft policy; the creation of the Tourism Council; and the willingness to develop a strategy) that the first two issue areas are being tackled, though specific strategies for regional integration, social integration and political integration need to be defined.

9.26 Certainly if this issue is to be addressed by allowing (in fact promoting) foreign investments a fundamental change in GOE perspective is needed. A further dimension of this inadequate innovative capacity is the repeatedly flagged issue of inadequate transportation links around Ethiopia.

9.27 Without these two changes and the injection of new ideas and investments they would bring with them, it is very difficult to see Ethiopia's tourism sector moving to another level. Weak demand can only be addressed through a systematically implemented marketing strategy combined with a nation re-branding campaign in key markets.

9.28 Bearing in mind the extent to which the product base is degraded, a disciplined focus and sequence of investments will be required, on a multi-year timeframe. The attached set of proposed activities would require extensive financing. To this end, it would be useful for the Ministry to use its policies and programs as a vehicle for donor coordination, so that donors are engaged in a programmatic, multi-year relationship rather than as independent initiatives.

PROPOSED ACTIVITIES

	Strategic Objective 1 **Sector Management**	Strategic Objective 2 **Enabling Environment**	Strategic Objective 3 **Product Development**	Strategic Objective 4 **Market Development**
Year 1 Activities: Foundation Work	Public Private Dialogue Platform Formalized – Chaired by MCT (they drive the development plan) 3-5year Advisory TA (Senior Tourism Expert) Project Implementation Capacity to be Built in MCT	Human Resources Needs Assessment Study Licensing and Standards Regulations Developed and Disseminated Statistics Information System Designed Working Group Established	Destination Development Plans Completed: 1) Northern Historic Route 2) Southern Cultural Route 3) Specific Lalibela Plan	Marketing Strategy Completed Re-branding Strategy Developed
Year 2 Activities: Implementation Groundwork Begins	Institutional and Functional Evaluation of Regional Cultural and Tourism Bureaus - Perhaps Developed as PPPs	Implement Recommendations from Needs Assessment – Consider PPPs Produce Tourism Statistics Establish a PPP to Implement Licensing and Standards	Supply Chain Building Strategy PPP for GHION Chain PPP for Domestic Airline off-shoot of Ethiopian Airlines	Implement Strategies
Year 3-5 Activities: Implementation	1 per year - Regional Cultural and Tourism Bureau Supported (with TA)	Government Exit Standards – Consider Licensing Function Passing to the Regions	Implement Destination Plans Supply Chain Development	After Review Continue Implementing Strategies

Annex 1

LINKAGES TO THE PASDEP

The GOE has already begun formulating a policy and strategy for the tourism sector and many of the ideas are already bulleted in the PASDEP. In moving towards a viable strategy this study takes these planned interventions, which are perhaps over-ambitious, into consideration. Some of the planed interventions include:

- *Upgrading the general quality of hotel management and service standards; this will require more understanding of what is required by international tourists, best achieved through demonstration from foreign investors, as well as improved quality controls;*

- *Encouraging increased contacts of domestic tour operators with foreign operators, and supporting foreign participation on equitable terms;*

- *Broadening the tourism product; and supporting the expansion of tours into new locations and activities;*

- *Opening up new regions, for example, mountains, desert regions, with due regard for environmental and sustainability factors;*

- *Developing natural parks into tourist destinations with private sector partners;*

- *Strengthening local supporting industries and increasing the quality of product. Develop the design of handicrafts, create codes of conduct for guides and improved licensing systems, providing training;*

- *Promoting special initiatives to promote entrepreneurs in less well-developed areas and encouraging use of local supplies in hotels;*

- *To ensure continued low-cost, convenient international access, Ethiopia should promote progressive liberalization and pro-competition policies in international transport. It should also promote connectivity with new growth markets, such as India and China. Close collaboration between development of the tourism strategy and the strategy of Ethiopian Airlines will be required.*

- *Providing a supportive policy environment, institutional structure and promotion services, through the Ethiopian Ministry of Culture and Tourism and building regional bodies responsible for developing tourism.*

- *Tourist destination development, including physical planning for the areas around attractions, development of tourist facilities and information centers; and preparation of plans for marketing and promotion of the destination;*

➢ *Expansion and upgrading of the Catering and Tourism Training Institute (CTTI), from its present capacity of 120 to 600.*

➢ *Site-specific projects, for example in Lalibela (including preparation of an Integrated Management Plan and upgrading the water supply); the Konso community-based tourism project in the southern region; a Druze communities and handicrafts project, and a number of sub-projects for the Addis Ababa area.*

To increase the poverty impact the strategy will promote links to marginalized constituencies – especially women, rural areas, poor communities and building links between attractions and local communities to increase the sharing of benefits of tourism; as well as linking communities with handicraft services supply and support services. Particular attention will be paid to the southern and eastern regions to ensure that various nationalities are able to benefit from tourism, and that their natural evolution is not adversely impacted.

Ethiopia has a limited budget for promotion and, given its limited budget and many other calls for resources, this will continue. Promotion spending therefore needs to be designed to have the maximum impact by closely targeting priority markets and using creative methods to promote tourism to Ethiopia. Collaboration with Ethiopian Airlines will be critical.

A number of international agencies have begun to focus on the tourism potential of Ethiopia – most notably the World Bank, the World Tourism Organization, UNDP and some bilateral aid agencies such as SNV, DFID and GTZ. This should give a major boost to the development contribution of the sector. During PASDEP Ethiopia will be undertaking a series of ST-EP (Sustainable Tourism Eliminating Poverty) pilot projects identified with the technical collaboration of the World Tourism Organization, which are intended to:

➢ *To improve the quality of the tourist experience at a destination;*

➢ *To increase the spending by every visitor through increasing the average length of stay in the area and increasing spending opportunities;*

➢ *To increase the proportion of visitor spending that is retained in the area;*

➢ *To improve the distribution of tourism income to poor people in the community, directly and indirectly;*

➢ *To ensure that tourism development in the area enhances and does not detract from the quality of the environment, the heritage or the local quality of life. The mechanisms for poverty reduction under ST-EP include, among others, (i) an employment policy favoring local people; (ii) supply chain strengthening; through identification and encouragement of actual and potential local sources of supply of foodstuff and other needs of tourism enterprises; (iii) strengthening the informal* *economy: improving the quality of basic, informal accommodation and catering, and of local handicraft production; and (iv) training and licensing of local guides.*

Finally there are a number of private and government-assisted initiatives to help expand handicraft production and marketing through training in production and designing, micro-financing, and marketing. As tourists are accessible market targets, design consideration in motifs, themes, materials, sizes, weights and packaging should be made in order to satisfy their demands[26].

[26] It should be acknowledged that the tourism contents of the PASDEP were written in collaboration with the Ethiopian Tourism Paradigm consultancy.

Annex 2

THE CHALLENGE OF CREATING LINKAGES BETWEEN TOURISM AND THE LOCAL ECONOMY

There are a range of options for creating linkages between tourism enterprises and local communities. Many of these exist on a limited scale in Ethiopia. Imperial Hotel in Addis Ababa sources Injera from women in the local community who have been trained by the hotel to provide a consistent product and provided with hot plates through a municipal program. Bishangari Lodge has recruited and trained 98% of its staff from the surrounding rural community around Lake Langano, and has identified 17 specific activities that can be outsourced to the local community, such as its horseback riding and boating services.

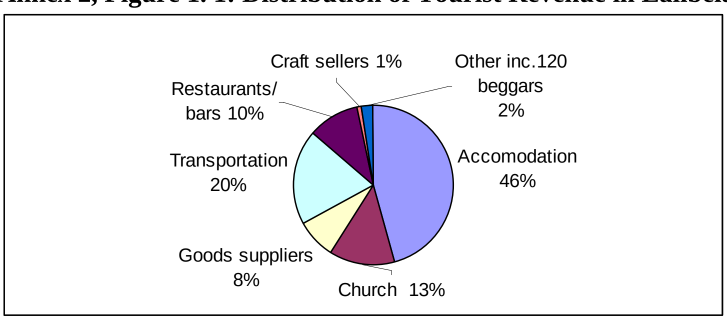
Annex 2, Table 1. 1: Types of local linkage

Business Operation	*Local linkages*
Tourist Shopping	*Local crafts, artisans, restaurants, retail outlets*
Excursions and activities	*Local cultural and heritage products, tourism SMMEs*
Accommodation	*Guest houses, neighborhood initiatives, shared equity ventures*
Staffing	*Recruiting and training local staff*
Supply chain	*Procuring supplies from local community*

Source: Adopted from ODI Briefing Paper, March 2006[27]

This analysis has shown that local supply chains (i.e. businesses that can feed off tourists' transactions such as accommodation, transport, tourist activities, services for tourists, arts and crafts purchases etc.) are weak and under perform compared to other countries. The Lalibela Enterprise Survey that showed the following percentages of earnings from tourist's expenditure in Lalibela:

Annex 2, Figure 1. 1: Distribution of Tourist Revenue in Lalibela



The very low percentages of earnings accruing to all but accommodation and transport suppliers contrasts with data from other countries where earnings from categories such as restaurants and bars, crafts and tourist guides is much higher.

Cost indications directly from tour operators may not reflect real spending that occurs outside the package, nevertheless indications are that discretionary spending on activities and shopping (and to some extent food and beverage) is lower for Ethiopia than other

[27] ODI Brief: *Tourism Business and the Local Economy: Increasing Impact through a Linkages Approach.* March 2006

countries. The value chain analysis conducted during the preparation of this study highlighted a related dimension that is perhaps of more concern. Essentially the study showed that whilst discretionary spending was relatively low, even what was being bought in the handicraft sector was not adding much value in terms of economic impact on local populations, rather most of what was being bought by tourists came from Addis and the value added was accruing to the trader; in this case the government owned Ethiopian Tourist Trading Enterprise (ETTE).

THE LOCAL INVESTMENT CLIMATE HINDERS THE DEVELOPMENT OF LINKAGES: CASE STUDY LALIBELA

Tourism-related enterprises in Lalibela earned US$2.35 million in 2005. The issue to analyze here is whether or not this is commensurate with what the enterprises could be earning with improved services. The survey estimates that a total of about 20,000 foreign visitors came to the town and about 60-80,000 Ethiopians during 2005 which means a total value of about US$23.50 per tourist. Considering that at least 50% of these visitors spend at least one night in the town, this appears low. This is certainly well below the average daily expenditure for tourists in the rest of Ethiopia calculated by the value chain analysis (around US$ 120 per day).

QUALITY OF EMPLOYMENT

It is evident (Table 22) that there are substantial differences between incomes earned in Lalibela from tourism enterprises such as hotels and transport (average US$ 6.8 per day and US$ 4.5 per day) and less formal and less skilled jobs such as selling handicrafts (US$ 0.33) and waitering in restaurants and bars (US$ 2.7 per day). These survey results support the already identified weaknesses in Ethiopia's supply-side in terms of poor quality and make a compelling argument for improving skills and quality across the board.

Annex 2, Table 1. 2: Earnings and Employment Characteristics from Tourism for Different Categories of Jobs in Lalibela

Enterprises by Category	% of Male	% of Female	% of Part Time Employees	% of Full Time Employees	Average Annual Wages per Enterprise (ETB/US$)	US$ per Day Income
Hotels	63.3	36.7	23.6	76.1	21,368 (2,484)	6.8
Transport Services	66.7	33.3	6.6	93.4	14,194 (1,650)	4.5
Crafts Sales	100.0	0.0	16.7	83.3	1060 (123)	0.3
Supply of Goods	100.0	0.0	0.0	100.0	8900 (1,005)	2.8
Tourist guide	100.0	0.0	56.0	44.0	12,678 (1,474)	4.0
Restaurant/Bar/Café Employee	45.0	55.0	55.6	44.4	7900 (980)	2.7
Industry Averages	80%	20%	26%	74%	US$ 1,286	**$ 3.52 / day**

Source: Lalibela Enterprise Survey conducted by WAAS International 2006

Tourism enterprises cite poor infrastructure as the major issue for the town. The rate of employment generation and productivity growth at the firm level is strongly influenced by the quality of the investment climate. The Lalibela survey indicated a number of critical issues facing local businesses, including (a) infrastructure, (b) access to finance, and (c) tax.

Annex 2, Table 1. 3: Top 20 Issues with Operating Businesses in Lalibela

Rank	Issues	No	%
1	Poor in infrastructure	179	20.0
2	Absence of bank or financial institution	174	19.4
3	Heavy tax	164	18.3
4	Lack of customers	54	6.0
5	Lack of permanent place	47	5.3
6	Absence of adequate transport	44	4.9
7	Low flow of tourists	44	4.9
8	Unstable for business	39	4.4
9	Low profit	29	3.3
10	Shortage of goods supply	18	2.0
11	Low Business ethics	18	2.0
12	Administrative problems	15	1.7
13	Location problems	11	1.2
14	Poverty	5	0.6
15	Competition from informal sector	3	0.3
16	People attitude to buy new products	3	0.3
17	Short duration of stay of tourists	2	0.2
18	The government unwillingness to buy material here	1	0.1
19	Short of skilled manpower	1	0.1
20	Others	45	5.0
	Total	**896**	**100**

IMPROVING EMPLOYMENT OPTIONS

1. Improved access to handicrafts: The handicraft sector is generally closely aligned with the tourism sector. Similarly, the handicraft sector is closely tied to rural employment generation and often with poverty alleviation. These generalizations are true in Ethiopia as well. But in Ethiopia, the lack of local community involvement and the imbalance in benefits from the tourism sector is an argument often heard from both local communities and tour operators.

Currently, very little reliable data is available on the rural handicraft industry and its linkage to the tourism sector. However, as part of the value chain analysis, a number of interviews were conducted with shop owners and tour operators, tourists and government officials to help shed light on a number of key problems faced by rural communities and their engagement in the tourism business. It was evident that tourists have discretionary income to spend on gifts and souvenirs, particularly at historical sites where tourists are seeking destination specific gifts and souvenirs ranging from site specific post cards and posters, to intricate handicraft made by indigenous people. However, interviews found that most of the handicrafts and other products available at these destinations were not made by local craftsmen, but were fabricated in Addis Ababa.

The only organized firm that produces souvenirs and gift items is the state owned Ethiopian Tourist Trading Enterprise (ETTE) that owns thirteen gift shops out of which four are duty free. The distribution of the gift shops is very limited: Addis Ababa (7) Gondar (1) and Bahir Dar (1) for non-duty free shops and four duty free shops (2) at the airport at arrival and departure areas, one in the UNECA compound and the city center in Addis. ETTE manufactures the souvenirs from locally available textile (cotton and hand loom products) finished leather, wooden and metal materials. It also prints post cards and posters. All their products are distributed through their gift shops.

There are a number of private but not fully dedicated souvenir shops that collect cultural items (mostly used traditional antique articles, jewelry items such as necklaces, bracelets, anklets, etc) for re-sale. They also buy a significant quantity of gift items from ETTE's souvenir shops for retailing. The most popular items sold in souvenir shops are crosses made of bronze or silver. Some of the crosses sold in shops are antique and often fetch a substantial price. The handicraft process of making the metallic crosses is rather lengthy taking a minimum of ten days depending on design sophistication and size. This is because craftsmen do not have access to proper tools and often rely on traditional methods without proper training to improve the production technique and quality. Given the length of time it takes and the low quality of the finished products, craftsmen are barely breaking even selling traditional crafts.

Due to the low financial returns, many craftsmen are withdrawing from manufacturing traditional handicrafts. Generally, brokers purchase crosses from the craftsmen and sell them to souvenir shops and retailers. The price of the crosses varies from $10 up to $300/piece depending on material, size, design sophistication and age.

Annex 2, Table 1. 4: An Example of Sales Distribution of Gift and Souvenir Shops

Souvenir Items	% of sales
Metallic crafts[28]	40%
Paintings made on:	30%
• Parchment;	60% of 30%
• Paper;	25% of 30%
• Garment (T-shirt);	15% of 30%
Traditional antique articles	15%
Articles made of wood	5%
Posters and Post cards	10%

Source: Global Development Solutions, LLC

The second most popular souvenir items are paintings (made on parchment, (*braanna*) paper and garments) which contribute 30% - 60% of sales. The painting on *braanna* accounts for 60% of the sales from paintings.

In general, there is a lack of site specific souvenirs representative of each cultural heritage site. In addition, in some locations there are no souvenir shops at the heritage sites. In others the only option is to purchase items sold along the road by children, but even these are often made in Addis Ababa, and generally lack diversity and variety. Even post cards pertinent to the heritage site are not available in either variety or quantity.

[28] Particularly cross made of silver and bronze.

Box 4: Extra Spending is Missed at the Museum

Even at sites in urban areas there are often insufficient facilities to get the most cash out of the tourist. One example is the National Museum in Addis Ababa. There is no obvious shop in the museum but it is possible to purchase items from the ticket seller. The items include three different types of postcards and a few historical texts, the latest of which was written in 1983 GC and all of which look as exciting as an academic journal! Unsurprisingly, the Museum makes little money from its shop despite holding one of the prime archaeological specimens -- Lucy. It also does not sell guides to the items in the museum or label the items adequately. In contrast, the Ethnological Museum at Addis Ababa University has a small well-stocked shop with a turnover of Birr 10,000 per month (personal interview with shopkeeper). The Ethnological Museum gets about 20 tourists per day (average of peak and off-peak) which then translates into a spending per visitor of approximately Birr 25 (US$3). Given that the National Museum gets in the region of 50 visitors a day, this means it might be missing out on an income of about US$3,000 per month! In contrast to both, the exit in most museums in the United States is through the shop only -- a good way of exposing items for sale and slowing down visitors enough to encourage impulse buying.

Source: 2003 IF Tourism Diagnostic Study

Almost 80% of gift items sold on the cultural route souvenir shops come from Addis Ababa, collected either from ETTE or the central and southern parts of the country. This is one of the reasons why the souvenirs do not depict any relationship with the heritage site. Consequently, communities near heritage sites yield very little financial benefits from increase flow of tourist traffic.

The World Bank's Cultural Heritage Project is making some progress in reviving designs and skills in the area and this initiative should be built on. Some handicrafts are being made in Lalibela including silver and other metal work (particularly hand cut crosses), icon painting on leather, and the making of leather goods such as belts. There is an opportunity to increase quantity and quality of local manufacture, and to promote sales to tourists. One strategy could be to focus on a proactive enterprise development initiative, which, similar to the Cultural Heritage Project in Gonder and Harar (and building on lessons learned), would involve:

- A full audit to identify what is being made locally, including an assessment of needs and potential of the suppliers.

    - Consideration of possible new items that could be added to the range. In particular there is a need to take closer account of tourist demand in terms of most popular types of product, size, weight, price range etc. Reflecting local heritage themes is important, as is style.

- Training for local craft producers. This is currently available through the Micro and Small Enterprise Development Agency. It can be further focused and strengthened in terms of both production skills and business training directly related to the tourism market. Ideally at training should be provided at sites.

- Direct support for enterprise formation and expansion. Funds should be made available for premises and equipment, and for working capital to acquire an initial supply of raw materials. Cooperative ventures and enterprises seeking to employ poor people should be favored. Ventures should be helped to develop simple business plans, which would form the basis of bids for funding.

- Introduction of a ‘Made in Lalibela’ (or develop a historic route brand) so kite mark for items genuinely made in and around the town. This might be indicated through a small card tag on items.

- Strengthening retailing of handicrafts, including a cooperative retail outlet and craft market.

ii) Supply to local tourism enterprises. There is a natural tendency for hotels and catering establishments to source locally owing to the isolation of Lalibela. The Enterprise Survey in Lalibela showed that nearly 30% of employment (only 12% of earnings) is attributable to supplier to the sector. However, only a small proportion of these enterprises are from the surrounding local communities. Focused interventions would be required to expand the range of food produced locally. Action to pursue includes:

- Encouraging the hotels to undertake a more systematic audit of supply sources and identify items that think could be locally supplied.

- Working with local agricultural support NGOs on the feasibility of introducing production of certain items not currently available. Particular opportunities may include cheese and vegetables.

- Depending on feasibility assessment, support certain communities in production processes.

- Strengthen links between handicraft producers (see above) and hotels.

iii) Strengthening informal tourism service provision. Steps could be taken to improve the quality and performance of the informal economy. Included in this is:

- Strengthening the guides association with further targeted training support.

- Improving the quality of some of the cheaper small hotels and food outlets, catering mainly for the independent and domestic market, through training and small funds to improve services such as toilets.

- Providing other services in town through which the community can benefit from tourist spending, such as cultural events put on by community groups.

- Overall, a systematic and targeted capacity building program and small enterprise support fund is required over a minimum three to five year period to meet these needs and opportunities.

The begging phenomenon

Begging and pestering of tourists prevents them from relaxing and exacerbates the ‘poor image’ of the country. The harassment of tourists by beggars is expanding at an alarming rate with children exercising begging as a normal and accepted way of life. Begging is exacerbated by the religious culture in Ethiopia of giving alms to the poor. It is not necessarily a “foreign” problem.

The Enterprise Survey in Lalibela found that beggars formed the second largest category of “employment”. According to the local tourist information center, the average number of beggars in the town is said to be 158. This increases substantially during major holidays and reduces at other times. At the time of the survey, there were 113 beggars. The survey noted that harassment factor is significant and tourists are made to feel very uncomfortable and many do not give alms.

The issue of begging needs to be solved as part of the strategy for scaling up tourism as experience in other countries has shown that the situation will only worsen. Earning from begging are very limited (around US$ 100 per annum) and replacing this income with an alternative should not be difficult.

A short term solution that was successful in several destinations in South America was the creation of a local poverty fund that tourists contribute to when visiting a particular destination. In exchange beggars do not harass tourists but instead collect weekly “social security” from the fund. This must be combined with some sort of “retrenchment” training to filter beggars into other forms of employment.

Annex 3

FOCUSING ON POVERTY LINKAGES

There are sound theoretical reasons for expecting tourism to be a particularly effective engine for pro-poor growth. Tourism is increasingly happening where poor people live and, unusually compared with other foreign exchange generating sectors, in tourism the consumer travels to the product rather than vice versa. In 41 of the 50 poorest countries of the world, tourism contributes more than 5% to GDP or more than 10% to exports - or both (Roe *et al.* 2004). Tourism is largely free of the market-distorting price support and tariffs that inhibit developing country access to Northern markets for agricultural and manufactures trade. The industry is labor-intensive compared with other non-agricultural activities and generates jobs that are more accessible to women workers than other sectors. Tourism also encompasses a range of enterprises from the large multi-national corporation to the micro-enterprise and can provide a rich diversity of downstream economic linkages into the local economy (Ashley *et al.* 2001[29]). Also, tourism provides a critical avenue for off-farm diversification that the 'Operationalizing Pro-Poor Growth in the 1990s' study identified as being a central – and under-researched – aspect of pro-poor growth (World Bank 2005[30]).

Throughout the developing world, tourism has evolved to become a stimulant not just for foreign exchange and government revenue generation, economic growth and employment, but also an opportunity for biodiversity conservation, urban growth and regeneration, rural development, environmental restoration and safeguarding, host community inclusion, and cultural heritage preservation— all dimensions currently used in World Bank projects with elements of tourism development. Further, developing country governments themselves believe that tourism can have a beneficial impact on poverty. To date, 80% of Poverty Strategy Reduction Papers (PRSPs)—or their equivalents—identify tourism as an important economic sector in the fight against poverty (Mann, 2005b[31]).

DIRECT LINKAGES TO POVERTY REDUCTION

The public and private sectors in tourism and the development community are still at a very early stage of understanding how to harness the significant economic engine of what is commonly acknowledged as being the new millennium's largest global industry for effective poverty reduction. It is clear that we are in a period of testing what approaches can work for poverty reduction goals, always taking into account the significant differences in governance, policy making and implementation in many countries. The

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[29]Ashley, C. (2005) *Facilitating pro-poor tourism with the private sector: Lessons learned from 'Pro-Poor Tourism Pilots in Southern Africa.* Overseas Development Institute Working Paper.

[30] World Bank (2005b) *Pro-poor Growth in the 1990s. Lessons and Insights from 14 countries.* World Bank, Washington DC

[31] Mann, S. (2005b) 'Tourism and the World Bank' Internal Working Paper, World Bank, Washington. *DFID Developments Issue 27 Q3 2004:3*

levels of development of the country, the structure of the governments and the political systems, the maturity of the tourism industry, the degree of empowerment at the local level are only some of the factors that affect how policy initiatives can be implemented. Given the influential role of policy making and policy makers it is clear that an important first step towards ensuring the role of tourism in reducing poverty is in the development of an appropriate policy and planning environment, and, critically, a common methodology for measuring and monitoring the impact of tourism-generated revenues on poverty levels. Ethiopia’s commitment to develop tourism with poverty reduction goals as guiding principles afford an opportunity to position tourism development as a cornerstone strategy over the coming decade.

Even at this early stage, we can recognize at least five ways tourism can have a direct impact on poverty reduction:

- **Employment of the poor in tourism enterprises**: Tourism enterprises, such as hotels, have a policy to recruit staff locally as a natural course, owing to plentiful local labor and limited transport options for staff. The main opportunity in Ethiopia rests with new enterprise formation by the private sector and the consequent recruitment of local staff. Studies and experiences have shown that private sector developers are motivated to provide employment opportunities within local communities.

- **Supply of goods and services to tourism enterprises**: As with employment, there is a natural tendency for tourism enterprises to seek local sources by preference, owing partly to transport costs. Most enterprises, particularly those in rural areas, obtain basic foodstuffs, such as meat, potatoes and grains, from local markets, but other items, such as certain vegetables, fruit and cheese, tend to be imported form the capital city or beyond. There are many examples around Africa of hotels and lodges utilizing local materials, such as handicrafts, in their interiors, but this is by no means universal. In Ethiopia, souvenir shops, both within hotels and independently, tend to have a rather uniform range of goods, without much attention to local sourcing which tend to require proactive effort.

- **Direct sales to tourists by the informal economy:** As with most developing countries, many poor people are engaged in informal trading with tourists. There are opportunities in Ethiopia for poor people to produce handicrafts and offer services, but there is a need to strengthen distribution and sales outlets. Informal, untrained ‘guides’ offering services are seen as a problem in some parts of the country and whilst this has been tackled in some places (Lalibela for instance) by the creation of associations of registered guides who have received training[32]. There is also a significant amount of basic unregistered accommodation, used primarily by Ethiopians, which is of a poor standard.

[32] The Cultural Heritage Project is initiating many of these training and income generating activities in its core project areas, Gondar, Harar and Axum.

- **Establishment of tourism enterprises by the poor:** Most tourism-related activities established by poor people have occurred in the handicrafts sector, partly through the work of the federal and regional Micro and Small Enterprise Development Agencies. However, there has been relatively little action in terms of the establishment by poor people (individuals, families or communities) of mainstream tourist service enterprises such as accommodation. One example of community-based tourism development can be found in the Bale Mountains based on a GTZ project, which has now been passed on to the local community. Another NGO called TESFA, now working with the WTO ST-EP program[33] is seeking to work with communities in different parts of Ethiopia on providing activities and accommodation. A policy focus that builds on and is informed by these early initiatives is a key strategy.

- **Tax or levy on tourism income:** Income raised from tourism admissions are potentially an important source of revenue for poverty alleviation, and there is opportunity for Ethiopia to build on knowledge from other countries (Uganda, Kenya, Tanzania, Zambia, Botswana, South Africa) where this successful strategy has been used to support communities living in and around natural assets. The rich cultural assets of Ethiopia could provide a basis for similar interventions.

- **Voluntary giving and support:** This is a major issue for tourism in Ethiopia. Pressure on tourists to make voluntary donations (to beggars) is currently inescapable. There is a clear need to improve and manage this process better, with much improved information and assurance for tourists, and fairer distribution of benefits. There are many examples elsewhere in Africa of private sector operators seeking to benefit local communities, with a fine divide between philanthropy and good local business practice, and this provides further opportunities.

- **Investment in infrastructure:** There are opportunities to achieve benefits from infrastructure development for local communities in parallel with benefits for tourism. Water shortages are a particular constraint on the tourism sector in many parts of the country, as well as being a fundamental inhibitor of poverty alleviation. Investment in new sources of water in destinations will help the industry and local communities. Lalibela, Gondar, Harar and Axum are prime examples of this. However, the limited size of the tourism economy means that it is unlikely that infrastructure investment costs can be met by the private sector, and there is a case for donor support in specifically identified destination.

[33] World Tourism Organization's *Sustainable Tourism for the Eradication of Poverty(ST-EP)* program is focused on pro-poor linkages with tourism and is working with SNV (Dutch volunteer organization) in this sector in Ethiopia.

Box 5: Pro Poor Tourism: A Policy-based Approach*

Development economists and policy makers use the language of pro-poor to differentiate between economic development in general and economic development that impacts positively on the lives of poor people. Within economics, there is wide debate regarding what types of growth constitute ‘pro-poor growth’ (PPG). Proposed definitions range between those that suggest growth must disproportionately benefit the poor in order to be considered PPG to a less stringent definition that suggests growth that accrues net benefits to the poor is pro-poor regardless of that growth’s impact on the non-poor. “Pro-poor tourism” (PPT) refers to interventions within the tourism sector that focus on addressing poverty and move beyond “trickledown” effects to generate net benefits to the poor. PPT is not a specific tourism product or sub-sector, it is an overall approach designed to unlock opportunities for the poor**.** This definition comes closer to the less stringent criteria of PPG while incorporating the importance of policy intent and design into the understanding of what constitutes PPT. Examples of tourism that is pro-poor include:

- The creation of full or part-time jobs or the development of SME employment opportunities through sales to tourism businesses or to tourists that are accessible to the poor,
- Other livelihood benefits to the poor such as access to potable water, roads that bring benefits to poor producers through, for example, improved access to markets, improved health or education etceteras, whose development is associated with tourism development, and
- Opportunities and capacity for engagement in decision-making in order that the poor are able to improve their livelihoods by securing better access to tourists and tourism enterprises.

* Ashley, C. Goodwin, H. & Roe, D. (2001) *Pro-Poor Tourism Strategies: Expanding Opportunities for the Poor.* Pro-Poor Tourism Briefing No.1

Annex 4

ETHIOPIA HAS ALREADY RECOGNIZED THE IMPORTANCE OF CULTURAL HERITAGE PRESERVATION

The Government of Ethiopia and the World Bank have already identified the importance for the preservation of cultural heritage through the *Ethiopian Cultural Heritage Project*. The primary objective of this Learning and Innovation Loan (LIL) is to test out and develop, on a pilot basis, the means for more fully integrating the conservation and management of Ethiopia's cultural heritage into local and national economic development. The project supports the development of approaches to the conservation of cultural heritage assets through site planning and conservation of archaeological and historic buildings and sites, and through the development of better information for conservation planning and threat mitigation. The project is also contributing to the revitalization of economic activity by testing out approaches for small crafts-based enterprises and by capitalizing on tourism potential.

It is important that any strategy aiming to develop tourism through cultural heritage builds on the approaches and lessons learned during the implementation of this seed project. It should also be recognized that the decision to process the Cultural Heritage Project as a LIL instead of as a larger project was because of an identified need to build capacity, to pilot individual components for which viable technical, financial, and social solutions needed to be tested and developed, and the need for experimentation with different partnership arrangements with respect to the involvement of NGOs, local, regional, and central administrations, communities, and groups of artisans and craftsmen.

The premise of this study is that Ethiopia's comparative tourism advantage is the strength of its cultural heritage products and that these can provide a platform to launch a successful tourism industry that also utilizes Ethiopia's other natural and human resources. Critical success factors of the strategy to emerge will be determined by the effectiveness of institutional partnership arrangements that integrate cultural heritage concerns into multiple development sectors at the national, regional and local levels. The Cultural Heritage Project has been testing some of these elements including:

- developing and implementing, on a pilot scale, site conservation, management and visitor interpretation plans, identifying 'good practices' for doing so, building the capacity and laying the groundwork for conservation activities, and building on synergies between sectors with common interests (such as the tourism industry);

- more fully integrating local and community development and poverty reduction efforts into cultural site management efforts;

- broadening the involvement of other partners in cultural asset management, particularly the private sector, NGOs, and international organizations with interests in cultural heritage, in a way which mobilizes both resources and expertise;

- improving the information base for cultural asset conservation and management, particularly building the capacity to identify and mitigate threats to cultural sites and objects;

- supporting the development of the artisanal crafts sector and increasing its contribution to local income generation, and improving the basis for innovation and development of crafts and artisanal design.

In terms of strengthening and deepening the potential impact of cultural heritage on local and national economies through utilizing it for tourism, these are all important approaches to include in the design of a strategy. Considering its limited resources, the Cultural Heritage Project can only realistically make an impact at the individual site level and it is important for a tourism development strategy to consider the demand and supply dimensions that would get tourists to those sites.

BROADER SUPPLY CONTEXT OF CULTURAL HERITAGE TOURISM IN ETHIOPIA

Culture is the lifeblood of tourism. People travel not just to relax and recreate but to satisfy their need for diversity and their curiosity on how other people live in environments different from their own. Other people's lifestyles are expressed through their religion; festivals; costumes; cuisine; arts and crafts; architecture; music and dance; folklore; and literature. These cultural manifestations differentiate one group of people from another. People also travel for the specific purpose of visiting the great monuments and sites of the world such as the Pyramids in Egypt: Angkor Wat in Cambodia; the Taj Mahal in India; the Great Wall of China or the Borobudur and the Prambanan in Indonesia. Thus, culture is manifested in both the living and dynamic aspects of a people's everyday life as well as in built heritage, i.e., monuments and sites.

Culture and tourism have a symbiotic relationship and must be mutually supportive of each other to make the relationship sustainable. The nurturance of this relationship needs the full cooperation of the public and private sector working side by side with local communities. Imbalances may result from mounting demands of water and energy resources compete with those of the local population and the imposition of a tourism industry above local needs places. Aware of the dangers of mass and unplanned tourism, as well as the opportunities for a more humane type of cultural encounter between local hosts and guests, tourism authorities, local communities, and the tourism private sector have to work closely together and apply the principle of sustainability in the planning and management of tourism. A balance must be achieved between tourism development on one hand and cultural preservation on the other. Achieving this balance is a challenge.

For the tourist, it is essential that the destination address basic issues such as infrastructure, easy access, safety and security. Additionally, since cultural tourism requires a very high level of interpretation, guide services especially in foreign languages, must be of excellent quality. Other forms of interpretation such as maps, guidebooks, pamphlets, signage, story boards, and audio-visual/interactive displays must be made available to tourists to supplement or complement guide services. Visitor centers, where tourists are oriented about the cultural attraction they are about to visit, have become very important interpretation tools. The needs and wants of the customer should be considered when designing or upgrading the cultural tourism product; hence the market research carried out.

While evidence of Ethiopia's culture and history is found in its ancient monuments, cities, and prehistoric sites, its living cultures are reflected in the work of architects, musicians, writers, artisans and crafts people. Strong traditions have long contributed to Ethiopia's material wealth by producing illuminated parchment manuscripts, leatherwork, metalwork, jewelry, basketry, woodwork, and pottery. Much of this rich heritage is being eroded by rapid development and urban growth, and ancient craft skills are being lost as markets and values for artisanal crafts change over time.

This chapter examines factors and good practices from other countries to be taken into account to ensure that the development and management of tourism at both cultural heritage sites and more widely in the country is sustainable from economic, environmental and socio-cultural perspectives. The guiding principles being that a) tourism contributes to heritage conservation; b) it is beneficial to the host societies; and c) it is meaningful and pleasant to the visitor. The tourism industry is particularly interested in heritage conservation efforts, since it finds in cultural heritage a very precious source for a continuous diversification of tourism supply. Around the world, tourism is a key element in ensuring the sustainability of cultural heritage and hence its preservation. In return, sustainable and well-preserved heritage sites and objects can provide an endless source of raw materials for the tourism industry to generate demand. Cultural heritage has value and is preserved only if it is used, and if it is used in a reasonable, sustainable manner. In order to do this well it is necessary to:

> a) Strengthen conservation efforts at cultural heritage sites likely to be visited by high numbers of tourists;
>
> b) Establish better regulations for visiting existing cultural heritage sites and strictly enforce them;
>
> c) Identify new cultural heritage attractions and develop them for tourism visitation, so that demand can be better spread, thus reducing the pressure on existing sites.

All three of these principles are applicable to the Ethiopian context and particularly the Northern Historic Route where abundant heritage resources exist beyond the designated World Heritage Sites.

Annex 5

THE NECESSITY TO BUILDING STRATEGIC PARTNERSHIPS

UNESCO set up the World Heritage Convention in 1972 to protect the world's cultural and natural heritage. The World Heritage List includes 812 properties that the World Heritage Committee considers as having outstanding universal value. These include 628 cultural, 160 natural and 24 mixed properties. Some of the most renowned cultural and heritage tourism areas are those listed in UNESCO's World Heritage List. The efforts made by UNESCO since the late 1970's - when the inscription of monuments and sites in the World Heritage List started - have certainly helped to develop further awareness throughout the world on the value of heritage and the need to preserve it. In most cases, the designation of a site as part of the world heritage has meant that additional funds are devoted to its preservation and conservation and, most important, that a management plan is established for it. This is a crucial aspect still missing form many of Ethiopia's heritage sites.

Implicit in the UNESCO listing is the outsiders' recognition of value in the designated site which is perhaps the most effective triggering for tourism. Thus, it may be argued that while inscribing a site or monument in the list is intrinsically beneficial, it may also represent adding a further element of risk, due to the appeal that such inclusion will exert among the public at large. High concentrations of tourists are common at most World Heritage Sites. At the same time, very attractive and rich monuments, villages or archaeological sites, equally representative of the same culture or historical period remain outside the tourist circuits and do not get any political or financial support for their conservation. Therefore, it is also implicit in the listing of heritage buildings or sites and in the tourism-led conservation efforts that such designation carries with it, a lack of uniformity of concern vis-à-vis cultural heritage, which is one of the principles of conservation. It is worthwhile for Ethiopia to consider a short term strategy that valorizes and conserves the well-known sites while a longer term strategy is put in place to identify other sites and establish mechanisms to gradually bring these into the tourists' circuits.

This would enable better physical distribution of tourists (already an issue for areas such as Lalibela, Gonder and Axum during times of pilgrimage) and would provide opportunities to many more people and places to preserve their heritage and generate economic and cultural benefits from it. Reciprocally, it would provide tourists a wider choice of heritage destinations and the possibility of enhancing the quality of their travel experience. It might also allow tourism and heritage managers to segregate the different layers of consumers according to their different levels of cultural interest in the heritage to be visited.

As the strategy moves forward it will be important to partner with UNESCO (who have an active office in Ethiopia) in order to utilize their specific expertise and experience in cultural heritage preservation and development.

Improving the conservation and "use" of heritage sites

Some strategies that have been used to successfully to integrate cultural heritage tourism with economic development are:

- The establishment of an integrated and inclusive planning process for destination or site development plans, more specifically, involve local communities in tourism planning and ensure that they directly benefit from tourism;
- Build well-equipped visitors' centers which can be used as holding centers to manage visitor flows and maximize expose to spending opportunities;
- Identify new cultural attractions and develop them for tourism visitation so that demand can be better spread, thus reducing the pressure on existing sites;
- Develop a code of conduct for visitors, tour operators, and tour guides;
- Train the informal sector in the local community to run micro-businesses such as guest houses and restaurants serving local cuisine;
- Create a "Small Business Advisory Council" to assist local communities to become small entrepreneurs serving the tourism industry;
- Organize non-profit foundations or non-governmental organizations which will assist the locals in upgrading their arts and crafts and in marketing these directly to customers, thus bypassing middlemen;
- Make seed capital available to local communities on a soft loan basis so they can purchase raw materials for their crafts;

A positive impact of tourism on cultural heritage is the use of revenues collected from entrance fees to heritage sites to conserve these sites and other archaeological sites as well. Thus, the development of tourism has been the major contributory factor for the heritage conservation projects undertaken in many countries.

Most importantly, and especially for circumstances in Ethiopia, it will be necessary to examine the role of the custodians of cultural heritage sites (in most cases the Ethiopian Orthodox Church is a major stakeholder) in accommodating planning recommendations. If cultural heritage sites are to be "unlocked" for tourism development, the Ethiopian Orthodox Church, particularly in Lalibela (which is listed as a World Heritage Site), has to be a willing partner. The detailed study conducted in Lalibela during the preparation of this report has shown that Lalibela is earning a fraction of its potential compared to other similar destinations in developing countries. The development of tourism is a stated national priority and is an obvious opportunity for economic growth and employment creation, but while the Orthodox Church is not a genuine partner in this development progress will be difficult. Whilst solutions have occurred in other countries (examples below), there is a more fundamental issue related to the regulations governing the management of World Heritage Sites. The GOE is a signatory to the World Heritage Convention that led to listing of Ethiopia's World Heritage Sites. This convention maintains that World Heritage Sites are affected by a range of guiding regulations, some of which are disregarded at sites like Lalibela.

INTERNATIONAL EXAMPLES

It is obvious from the two examples below that a process of more inclusive decision making and goal-setting and greater mutual understanding of different perspectives can soften previously hardened positions regarding the jurisdictions of different agencies:

1. **Russia**. The World Bank and the Russian Federation faced a similar issue of jurisdiction and reluctance to change in St. Petersburg (*St. Petersburg Cultural Heritage Project*) with the Russian Orthodox Church that is the custodian of many of the most important tourism landmarks in that city. Restrictive policies of fixed entry times, fees that went directly to the church, restoration of the churches, tourist's dress, restricted guides and interpretation materials, were all obstacles to allowing those assets to be more attractive to tourists. The issues were addressed at the start of the project when common objectives and guiding principles were agreed with a governing "Tourism Development Committee" where high level government, municipal, church, community members and the private sector. Once the objectives of each stakeholder groups were understood and applied through the guiding principles, it was possible to reach equitable decisions about each issue.

2. **Jordan**. Jordan's Ministry of Tourism and Antiquities faced similar problems of conflicting oversight at the start of the implementation of the World Bank and the Kingdom of Jordan's *Second Tourism Development Project.* The Ministry was charged with formulating tourism policies and overseeing tourism development, but major tourism sites (in the case of the project, Petra and Wadi Rum) were run by regional authorities and municipalities. The risk of conflicts of authority was mitigated through the establishment of local Steering Committees established by the Prime Minister and given clear responsibilities and roles and through clear implementation arrangements.

SAFEGUARDING URBAN CULTURAL HERITAGE

All visitors originate their journeys in Addis Ababa. The capital city is often overlooked as a source of cultural heritage itself, particularly of the history of various immigrant communities since the 18th century and the evidence of their contributions to Ethiopia in the form of the built environment. As a result of the lack of recognition of Addis' cultural endowment, there is little recognition of cultural heritage and the tourist experience in urban planning. The rapid growth of Addis and the strong demand for housing as well as commercial space has already resulted in the destruction of many homes and buildings.[34] While clearly the need for space is great, the risk is that ultimate economic value – which is linked to the broader realization of a tourism strategy – is not being recognized in the land management process.

[34] Girma Nahu has co-founded Addis Woubet, an NGO dedicated to preserving the urban cultural heritage of Addis. The group have proposed the development of a policy framework, as well as sponsored the renovation of buildings as pilot projects. This activity would need to be scaled up to contribute to the tourist experience.

Cities that have recognized the importance of cultural heritage have often created large pedestrian walkways in areas of historical value, and/or where craftsmen representing traditional crafts are able to produce and sell their goods. They are supported by zoning and architectural and aesthetic standards which reinforce the cultural legacy, and by public investment. There are examples in virtually all strong tourist destinations, including some which are themselves important examples of cultural heritage (Fez, Cairo, Lahore) and some which are recent phenomena (Dubai, Chiang Mai).

Annex 6

MARKET INTELLIGENCE

COUNTRY PROFILES

GERMANY[35]: Germany is the largest European outbound market with Germans having spent €58 billion for international travel in 2004 and expected to have increased that by another €1 billion in 2005. In 2003, Germans took 9.3 million trips to developing countries. For Germans, travel is a high priority, something which is not to be given up. With six weeks of annual leave, the Germans have the luxury of time for traveling. Safe long-haul within close proximity is important for mainstream Germans.

Increasing interest in rest and relaxation impacts the travel preferences of Germans by increasing demand for voyaging while leading to declining interest in adventure holidays. Packages are predicted to be the most common mode of booking for long haul journeys. Extremely important to Germans is information. Destinations are thoroughly researched thus available and detailed information is essential. Germans want information regarding the region, sites of interest, events and also appreciate suggested itineraries. The Internet is a significant source of information. Ninety percent of discounted air travel is booked online. Package holidays are not as commonly booked online but sales of such are increasing. Online travel sales doubled from 2004 to 2005.

The general profile of a typical German tourist:

- Willing to spend freely if product is worth it – particularly western Germans;
- Has good command of English language but still appreciates literature in German, particularly for the older travelers (a growing segment) and those from the east;
- Loves to shop;
- Easily frustrated if service is perceived as bad or quality insufficient;
- Prefer clean and safe hotels and a good variety of well seasoned food;
- Seeks unique and memorable vacations and enjoys new experiences; and
- Very conscientiously aware of environmental issues.

With information being of high importance in Germany, the priority strategy would be for Ethiopian ground handlers and tour operators to target German outbound operators (particularly those with an Africa or Cultural Heritage bias to their programs). The major travel associations are the Association of Small and Medium-sized Travel Companies (www.asr-berlin.de) and the DRV, the German Tour Operators and Travel Agents Association (www.drv.de). A further useful site is an online press agency for German tourism journalists (www.reisepresse.de) which can be used to reach journalists.

German tourists are protected by law from misinformation and/or misrepresentation of travel packages. Holidays must be as represented in the brochures or the client may take

[35] Information in this section is from CBI EU Market Tourism – Country Profile Germany, January 2006

legal action against the tour operator. Information for the German market must be detailed and absolutely true. Germans do not accept unpleasant surprises on holiday.

UNITED KINGDOM[36]: This is the second largest EU market for outbound tourism. Ten percent of the outbound destinations, 6.7 million, in 2003 were to developing nations. Travel expenditures are expected to rise annually at 3% to €16.7 billion expected to be spent in 2006. Contributing factors to growth are an increase in the over 50 age group willing to engage in long haul travel combined with the decease costs related to air fares.

The British generally receive four weeks of vacation per year. Most will holiday in the period between mid-July and the end of August. Off season holidays occur in the first two weeks of October and in March or April, depending on school vacation. The trend is towards two vacations per year. In addition to the typical summer holiday, sun holidays during Christmas/New Year are on the rise. Attraction to warm, sunny places is still the leading factor in determining destination for Brits. Two other factors of importance are experiencing another culture and seeking adventure. The quest for adventure is replacing some demand for sun holidays. Because of this, the niche market is growing.

A growing market is seen with companies in certain industries that are increasingly organizing group tours (incentive travel). This is a lucrative market since many of the larger companies are looking to provide excellent amenities for these trips. In addition, the locations chosen are often not in the mainstream with many companies looking for exotic destinations that offer something new. This bodes well for niche market customized packages. Incentive travel is seen as a growing market throughout most of the EU. Ethiopia on the other hand, is not well suited to target the incentives market and should not target it.

In contrast to Germans, the British spend almost no time researching their destinations, and for 25% of travelers the decision process for determining destination takes a maximum of two hours. Bookings, however, are made far in advance with January being the most important month for summer bookings. Younger people are starting a trend of looking for last minute deals. In seeking discounted travel, the Internet is a powerful tool in the UK. Collectively they are the most prolific online bookers of travel in the EU with 51% using online travel agencies for booking.

The general profile of a typical British tourist:

- Has a growing interest in the environment along with an increasing interest in cultural and sustainable tourism (opts for Asia to satisfy the niche);
- Traditional reliance on travel agents is giving way to more independent organizing of holidays without using travel agents (particularly true for long haul travelers);
- Still prefers sun holidays and will purchase a package holiday for rest and relaxation in the sun (Morocco and Tunisia are good options due to close

[36] Information in this section is derived from CBI EU Market Tourism – Country Profile United Kingdom, January 2006

proximity and year round warm, sunny weather yet Tunisia experienced a sharp decline from 2002 to 2003 in perhaps a showing that sun holidays are losing ground to adventure and variety);

- Opts to select individual elements from various tour operators in order to customize the holiday rather than purchasing all-inclusive trips;
- Prefers hotels; and
- Is strongly price sensitive and for this reason is looking outside the EU for travel since the pound has been weak against the Euro for some time.

Two interesting Web sites for the UK travel market that are that of the Association of Independent Tour Operators (www.aito.co.uk) and the Association of British Travel Agents (www.abtanet.com). The AITO site is of particular interest to niche market tourism.

FRANCE[37]: France represents the third biggest outbound travel market in Europe. The French recorded more than 5.7 million trips to developing countries in 2003. By a huge margin, French outbound travel to Africa was the highest in Europe. French arrivals to Africa totaled to nearly 2.7 million whereas the second highest EU arrivals were from the UK with less than 1.5 million. Two factors influencing this high proportion of French arrivals in Africa are 1) the French have a high proportion (18%) of outbound destinations to developing countries and 2) the French like French speaking destinations. Perhaps the driving force, however, is that many French residents are from Morocco and Tunisia. This is evidenced by the fact that with 916,000 French arrivals, Morocco was the leading developing country destination for the French while Tunisia, with 834,000 French arrivals, was number two.

The French have five weeks of vacation per year and 60% of the people take three of those weeks in the summer, mostly in August. The other two weeks are taken coinciding with school vacation: a week in February and a week in April. Twelve percent planned on traveling outside of the EU in 2004. Organized trips are predominantly booked by the older market.

The French are well-versed with the Internet and more than two-thirds of the French claimed to have purchased travel products online in 2004. This practice of Internet purchasing is growing rapidly with plane tickets and holiday tours being the most queried items.

The general profile of a typical French tourist:

- Looks for a complete experience when traveling; variety in terms of culture, nature and adventure all in one vacation;
- Is fond of culture and history and will often choose a city based on its reputation for art and museums;

[37] Information in this section is derived from CBI EU Market Tourism – Country Profile France, January 2006

- Prefers mid-priced accommodation and enjoys country house hotels. Interest in bed & breakfasts is growing due to the personalized treatment received and interaction with the local population;
- Likes to experience uncommon activities when traveling (ice fishing, ballooning…) and appreciates special touch such as gourmet dinner at an art gallery, local cuisine served in a scenic location, city tour followed by wilderness trek);
- Prefers tours over resort stays;
- Appreciates the feeling of preferential treatment;
- Does not have a good command of the English language, prefers not to speak English and often favors French speaking destinations (and obviously requires brochures/marketing materials in French);
- Increasingly interested in sustainable tourism linked to nature, arts & culture; and
- Price sensitive wanting value for the money.

The Web site www.tourismfordevelopment.com offers some specialized French tour operators to developing countries. Click on "les partenaires".

ITALY[38]: Ranks fourth in the EU for outbound travel. From the total 22.6 million outbound trips in 2003, 19%, or 4.4 million trips, were to developing countries. Italians generally have three to four weeks off and the peak travel month is August. They are lured to the water for vacation with almost half of the summer holidays being spent at the sea. In winter, they are attracted to exotic foreign beaches. The uncompetitive prices of Italian resort areas are persuading many Italians into the outbound market. Recently, most growth in outbound travel has been through middle income, well educated people. Incentive travel is growing in popularity as well, particularly in the financial, pharmaceutical and manufacturing industries in the more affluent northern part of the country. The larger companies are offering custom trips to exotic locations. People 55+ are also a key segment since nearly ¼ of the Italian population is over age 60, the highest proportion in the world.

Many Italians seeking an exotic destination booked last minute, all-inclusive packages at an affordable price. The Italian tourist, however, is better informed (information has become important to Italians and a growing source of it is the Internet) and more selective than in the past and thus chooses a destination carefully, albeit late.

The general profile of a typical Italian tourist:

- Interested in green tourism;
- Easily intimidated by unsafe conditions (terrorism);
- Has above average daily expenditures;
- Spends much on restaurants since food is of high importance; otherwise looks for good value in accommodation and overall destination;
- Demands especially clean accommodations, whether hotel or bed & breakfast;

[38] Information in this section is derived from CBI EU Market Tourism – Country Profile Italy, January 2006

- Environment and courtesy of local people are important factors;
- Does not have good command of English so prefers brochures and information in Italian;
- Interested in history, politics and local way of life;
- Influenced by current trends and fashions and by opinions of family and friends;
- Likes to discover a destination independently therefore making package deals less interesting (trend is growing to purchase cheap online air tickets and then purchase a tour operators ground package); and
- Enjoys shopping, relaxing, nightlife, good food and spectator sports.

For a database of tour operators by destination, check the Web site of the Association of Italian Tour Operators: www.astoi.com – go to "gli associate" then "database destinazioni" for the database.

THE NETHERLANDS[39]: Ranked the fifth most significant source of outbound travel in the EU. Eight percent of outbound tourism, approximately 2.4million trips, was to developing countries in 2003. More than 20% of the Dutch plan to take long haul trips within the next three years.

Twenty-three days of annual leave is the norm in The Netherlands. The Dutch are significant long haul travelers and are known for being of the worldliest travelers in the EU. Typical travelers are young professionals, families, empty nesters (couples whose children have matured and left home) and seniors. The singles market is strong with approximately 2.5 million singles over the age of 18.

Long haul is expected to increase due to several factors; 1) an increase in available vacation resulting from higher wages and compensation for overtime (the Dutch have the highest GDP per capita of the seven EU countries presented here) 2) the strong euro and 3) fierce competition among the enormous number of travel outlets and organizers in the Dutch market. As with the Germans, the Dutch put much effort into researching destinations before traveling. The Internet was a major source for trip planning according to 70% of Dutch travelers. Although the Dutch are excellent linguists with good command of English, tour operators would have an advantage with Dutch language Web sites and brochures. It is important to point out in the marketing information where the Dutch tourist will find good areas for biking, hiking, rollerblading, etc. Although online bookings are increasing for short trips, long haul travelers still prefer working with a travel agent.

The general profile of a typical Dutch tourist:

- Environmentally concerned (green tourism is growing);
- Leads a healthy lifestyle and enjoys outdoor activities; likes walking, camping, visiting gardens (demand for such is growing);
- Passionate about independent traveling (niche tourism and customized modules are growing);

[39] Information in this section is derived from CBI EU Market Tourism – Country Profile The Netherlands, January 2006

- When partaking in a sun holiday, all-inclusive packages are preferred;
- Enjoys short breaks for thematic trips (increasing in popularity) such as cooking in Istanbul or opera tour in Verona;
- Very price sensitive and becoming more demanding of value thereby leading to last minute decisions looking for the best deals;
- Excellent linguist, well educated, well traveled, well informed, independent and resourceful;
- Likes to explore when traveling and learning how others live;
- Greatly appreciates personal advice while traveling in order to learn of interesting places to see and things to do (will encourage longer stays and return visits) – enjoys direct communication and personal attention; and
- Requires cleanliness and expect problems to be handled at once.