Estimating Trade in Value Added in the Tourism Sector in Eastern Africa

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During UNCTAD Seminar, Kenya's transport sector: Measuring its value chain and exploiting its potential

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Outline

- Introduction – importance of tourism in Eastern Africa

- Steps towards estimating trade in value added in the tourism sector

- Objective of ECA project

- Study Framework

- Data sources and analysis

- Conclusion

Introduction

- Tourism is an important economic sector in the region, it:

    ✓ Accounts for 14% of region's GDP

    ✓ Is one of the largest economic sectors in Africa

    ✓ Accounts for 19% of total exports

    ✓ Generates 13% of total employment

    ✓ Projected to grow faster than continent's average
       growth rate

- But challenges persist – narrow range of products, capacity
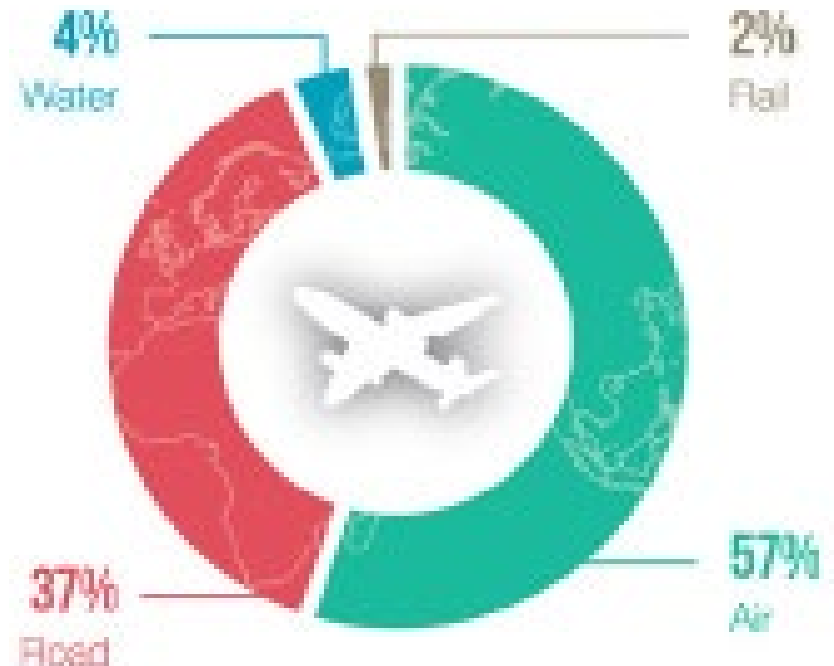 dearth, poor infrastructure, high cost of travel etc.

How tourists travel

Inbound tourism by mode of transport, 2016* (share)

Road (39%)

Air (55%)

Rail (2%)

Water (4%)
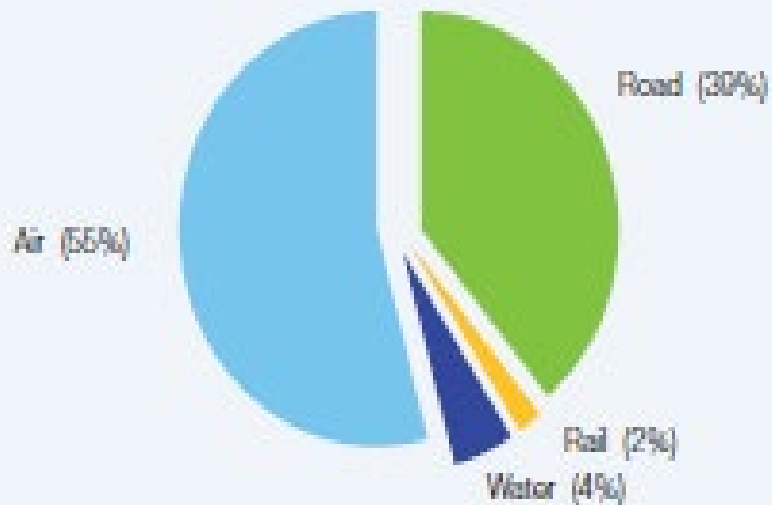
Source: World Tourism Organization (UNWTO) ©

Mode of Transport (2017)

4% Water

2% Rail

37% Road

57% Air

Steps towards estimating trade in value added in the tourism sector

Three phases of the ECA project:

- Mapping of Tourism Value Chains

- Assessment of the economic contribution of tourism to the economy through Tourism Satellite Accounts methodology (measuring direct effects)

- Analysis of the economic contribution and impact of tourism on the economy of Rwanda based on estimated Input-Output Table and Social Accounting Matrix (measuring total effects)

Objectives of ECA project

- The primary objective - evaluate the economic impact of tourism on Rwanda's economy for the year 2014.

- The specific objectives are to use the input-output/SAM models to estimate

(a) the impacts of tourism in terms of (i) output, (ii) employment generation, (iii) labour income and (iv) total value generation and

(b) assess the strength of tourism inter-industry linkages

Study Framework
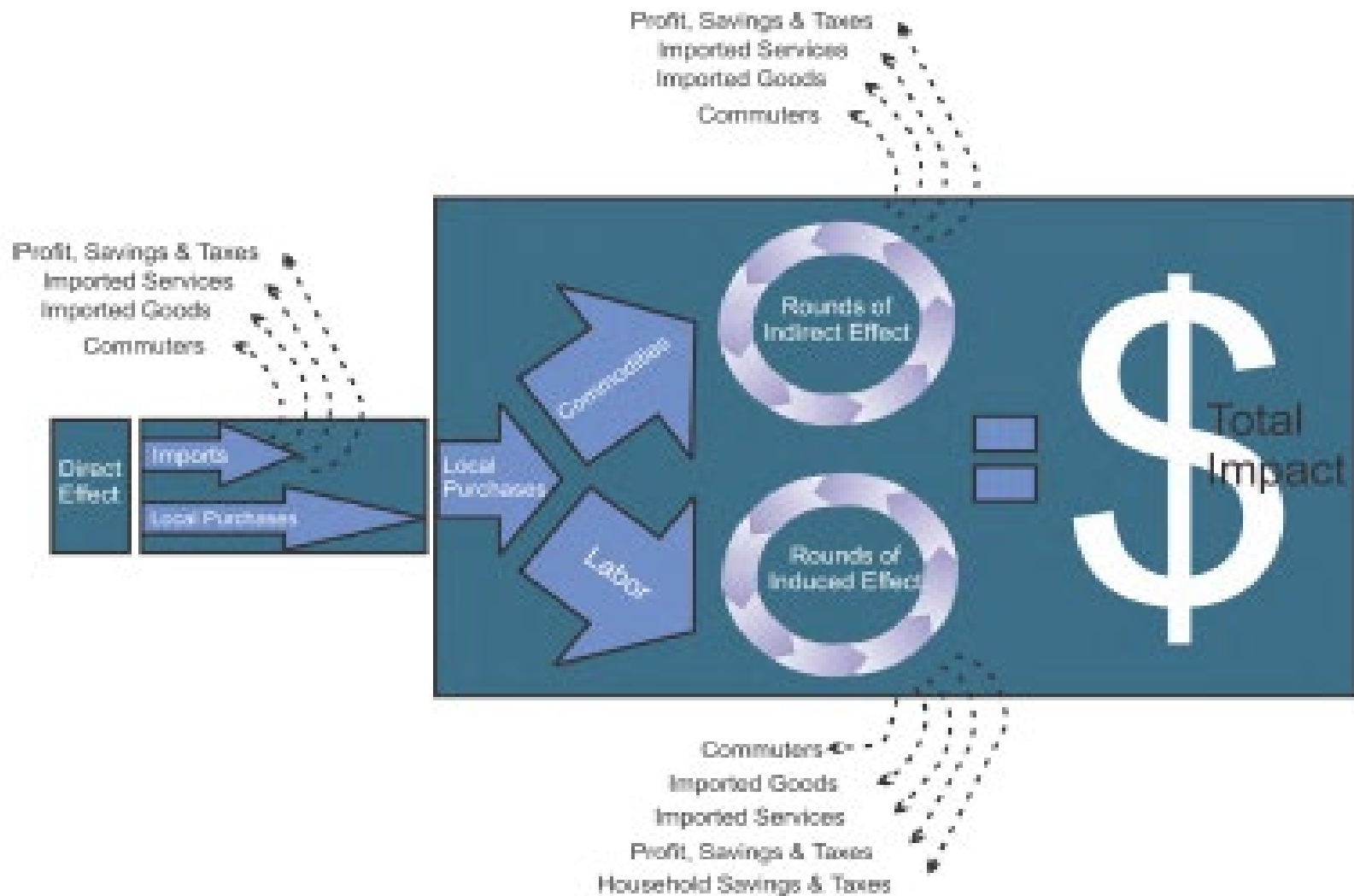
Data Sources and Analysis

EORA multi-region input-output table (MRIO) database:
http://www.worldmrio.com/

Software Packages for Analysis

This study used the IMPLAN (IMpact analysis for PLANning) software to evaluate the economic impact of tourism sector on Rwanda's economy.

IMPLAN economic analysis framework is comprehensive and adaptive

For a complete description of sources and methodology for construction of the IMPLAN database please refer to the IMPLAN Pro User's, Analysis and Data Guide.

Direct Effects
Internal Tourism Expenditure/Consumption, ITE/ITC
(based on Rwanda TSA, 2014)

With total expenditure level of $217 million, the tourism sector:

(i) supported about 629 thousand jobs in total (13% of all jobs in the economy)

(ii) generated $137 million as total labour income (6.4% of national labour income)

(iii) **created $277 million in total value addition (6.8% of national value added, GDP)**

(iv) provided $613 million total output (7.3% of national output).

Direct Effects from Expenditure Impacts
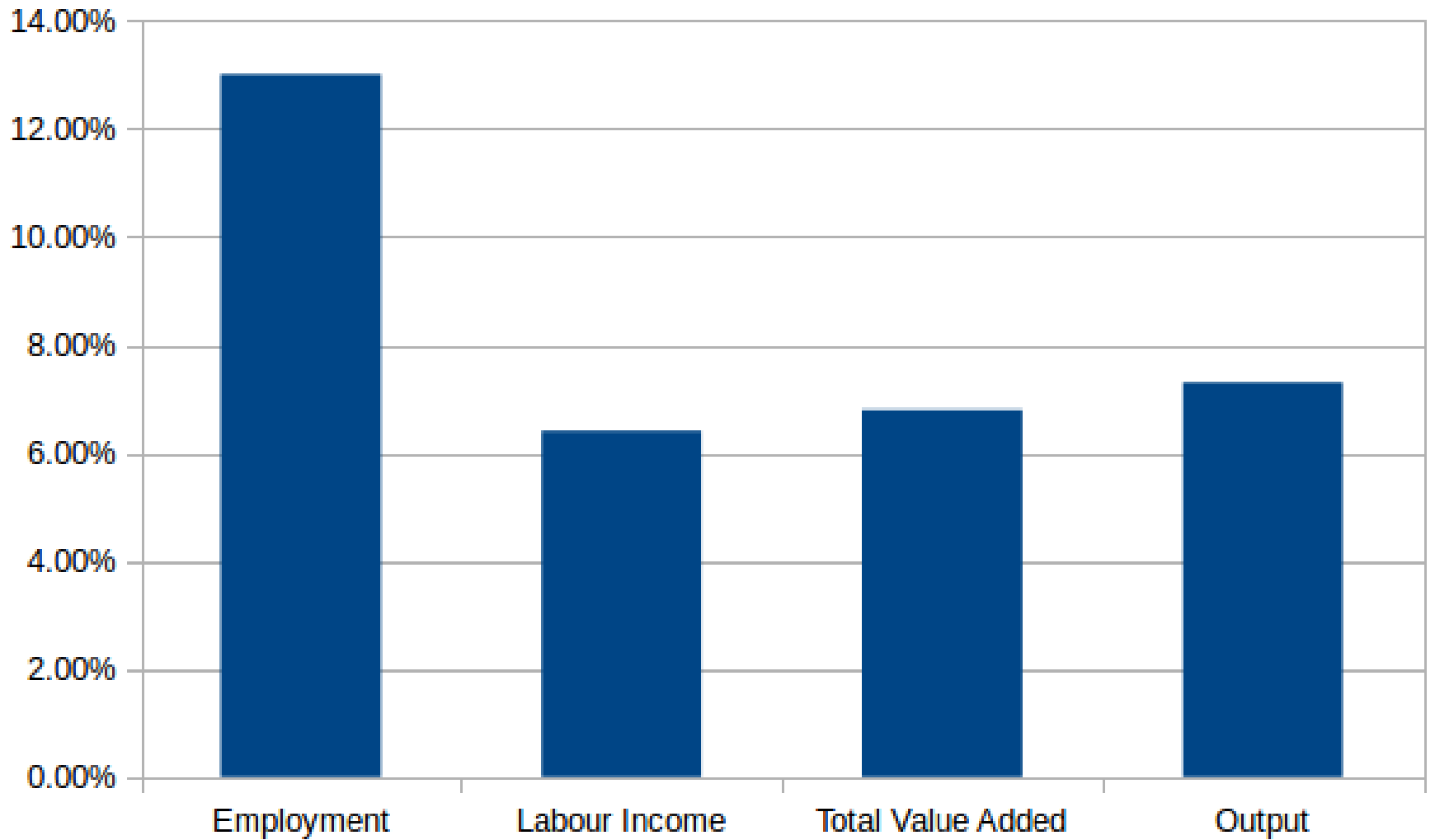
TOTAL EFFECTS
Total Tourism Internal Demand, TTID
(based on Rwanda I-O Table and SAM)

Cumulatively, internal tourism expenditure/consumption, investment and collective consumption (worth about $447 million)

(i)   created 1.64 million jobs (29%)

(ii) generated $295 million in labour incomes (9.7%)

(iii) **$617 million in total value addition (11.1%) and**

(iv) $1.33 billion in output (12%)

Total Effects from all Impacts (A-Individual Expenditure, B- Private and Public Investment and C- Government Recurrent Expenditure)
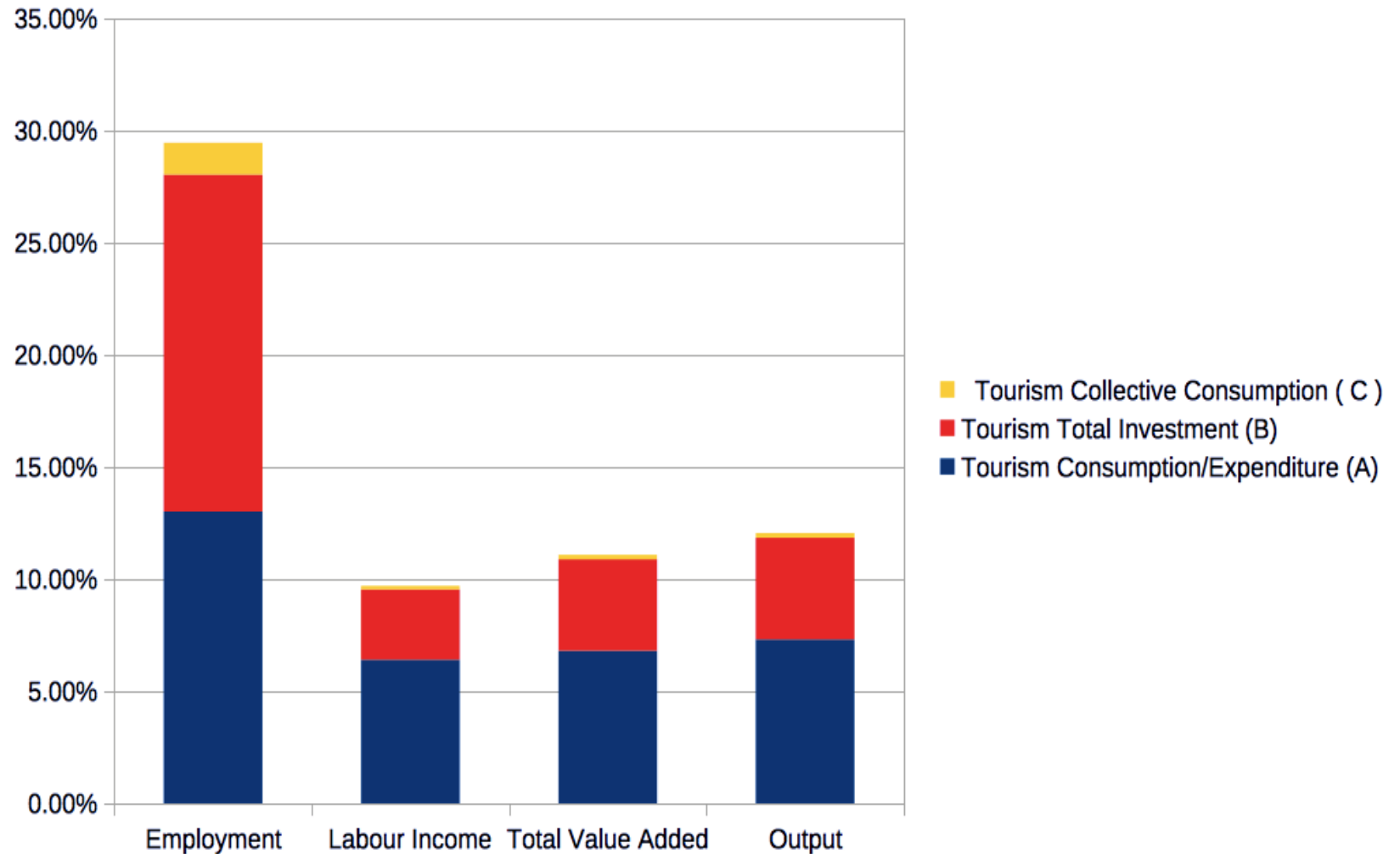
Conclusion
Scenario Analysis

(i) Employment creation was as a result of 7% direct effects, 72% indirect and 21% through induced effects.

For instance, if the target is to increase employment by 100,000 jobs, the tourism sector needs to create 7,000 direct jobs.

(ii) Labour income generation was a combination of 38% direct effects, 24% indirect and 38% induced effects.

If labour income was to increase by $1,000,000 then the tourism sector should generate $380,000 through direct effects.

Cont.

(iii) **Total value addition in the economy was generated through 29% direct effects, 33% indirect and 38% induced effects.**

If value added in the economy was to increase by $1,000,000 then the tourism sector should generate $290,000 worth of value addition through direct effects.

(iv) Total output of tourism goods and services in the economy was derived through 36% direct effects, 29% indirect and 33% induced effects.

If required increase in economy's total output is $1,000,000 then the tourism sector should generate $360,000 worth of output through direct effects ($290,000 through indirect effects and $330,000 through induced effects).

THANK YOU!
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