

Creating pro-poor linkages around Rwandan tourism

Key findings

Creating economic linkages around tourism and sharing the benefits more widely are important policy objectives in Rwanda's tourism development. Different product mixes and business operating models will affect how many poor people participate in the tourism economy, and how much they earn.

A preliminary overview of poor people's participation in the tourism economy helps identify areas where their income can be increased. Rough estimates are that an annual flow of around 17,000 upmarket business tourists in Kigali generates around \$1.5 million per year in income for 'poorish' households: semi-skilled and unskilled workers, food producers, and artisans. It is not clear exactly how 'poor' these earners are. Income from hotel employment and food sales is roughly equal.

Around 13,000 annual tourist visits to Parc National des Volcans (PNV) and Musanze area generates around \$1 million per year in income for a wide range of poor workers and producers, plus further significant flows in the form of donations.

While the data is currently rough, it is clear that there is a wide agenda for action to increase poor people's incomes, aside from overall growth of the sector, including:

- Work on the food supply chain to hotels, lodges and restaurants to boost product quality and volume, and help poor farmers access this market.
- Assist poor households to access training, employment and promotion in hospitality.
- Pilot practical initiatives to help businesses enhance their own 'inclusive business' models, and create webs of businesses linkages in key destinations.
- Partner with domestic and international tour operators, lodges and hotels, conference organisers, artisans and farmers to make a range of cultural experiences, shopping opportunities and handicraft products an integral part of a Rwandan visit.

Introduction: Information is needed for making pro-poor decisions in tourism

Rwanda's tourism is developing rapidly. Policy priorities aim to increase arrivals, length of stay and spending per tourist, prioritising high-spending low-environmental impact tourists, developing new products, upgrading skills and standards, and stimulating private sector activity and investment. At many stages of policy development, the need for sharing the benefits of tourism is highlighted, along with the concept of building economic linkages.

So far, there has been little measurement of the pro-poor impact of current tourism or future options, in order to inform pro-poor tourism decision-making. This study hopes to provide small building blocks for that process to happen.



Preparing fruit desserts in a 5-star hotel kitchen

'The overarching vision of Rwanda's tourism industry is to help diversify Rwanda's economy while creating high quality opportunities for private sector, communities and the overall population.' (MINCOM 2007, p. 5)

This paper summarises findings of an SNV Rwanda-ODI study: pro-poor analysis of the Rwandan tourism value chain. The aim was to make strategic recommendations to ORTPN (*Office Rwandais Du Tourisme Et Des Parcs Nationaux*) for increasing the benefits to the poor from tourism growth in Rwanda. For information on the full report (October 2007) contact Dominique Verdugo (d.verdugo@snvworld.org) or Caroline Ashley (c.ashley@odi.org.uk). © SNV Rwanda and ODI May 2008



Unskilled work in a Kigali hotel

International experience is demonstrating the need to look across all aspects of tourism activity (or across the tourism 'value chain' which comprises all activities from production of inputs to consumption of final products), to identify where the poor participate or could be more involved. An important principle of this value chain approach is that all options are open: there is no prior assumption that a certain kind of tourism intervention is best for the poor. Interventions that increase the number of poor participants, or the income they earn ('pro-poor income'), can take place anywhere in the tourism economy and with any kind of stakeholder.

Pro-poor income flows

Pro-Poor Income = 'PPI'
= cash income flowing to poor(ish) people from tourism, directly (via employment or sales) or indirectly (by supplying inputs to tourism).

Estimating PPI depends, of course, on who counts as poor. Using the international poverty line of US\$1 per person per day, most Rwandan participants in tourism could be included. Using the Rwandan extreme poverty line of 250 RWF per day (± 0.50 \$), only micro entrepreneurs selling a few pineapples or baskets would be included.

This study estimates PPI as earnings by un-skilled and semi-skilled hotel staff, farmers and market vendors of food for lodges; artisans and farmers who make products bought by tourists, dancers who perform, villagers who host tours, unskilled staff and porters working in PNV. PPI estimates for gorilla tourism include lodge workers who earn up to \$220 per month (though the average is around \$130) and those who sell food to lodges at local markets, as well as those who cultivate it. PPI estimates for Kigali business tourism, impose a fairly arbitrary cut-off in defining PPI. Wages of those who earn up to \$240 per month are included. Wages of staff earning more than this are excluded, even though they are non-managerial. 80% of hotel food spending is estimated to be producer income (based on comparison of farm-gate and purchase prices) and is counted as PPI. But a major question remains whether the 'producer income' actually reaches poor producers.

Rwandan tourism in figures

- 30,000: estimated number of 'tourists' in 2006 based on around 18,000 business tourists staying at the three main up/mid market Kigali hotels (or 72,000 bed nights) plus around 13,000 gorilla-viewing tourists based on permits sold at PNV (assumed to be 33,000 bed nights).
- \$500,000: pro-poor income generated by one Kigali business hotel via wages and food purchases.
- \$8 per bed night: local wage income generated by one mid market lodge near PNV.
- \$5 per bed night: local food purchases by lodges near PNV.
- \$ 8–12 per visitor: village income from cultural visits near PNV.

Sometimes, unblocking constraints to overall growth of tourism is the top priority. Other times, the priority is to alter the structure of that growth, by targeting specific barriers to poor people's participation (which is the focus on this work). Solid information on participation by the poor is required to make the right decisions on where to intervene.

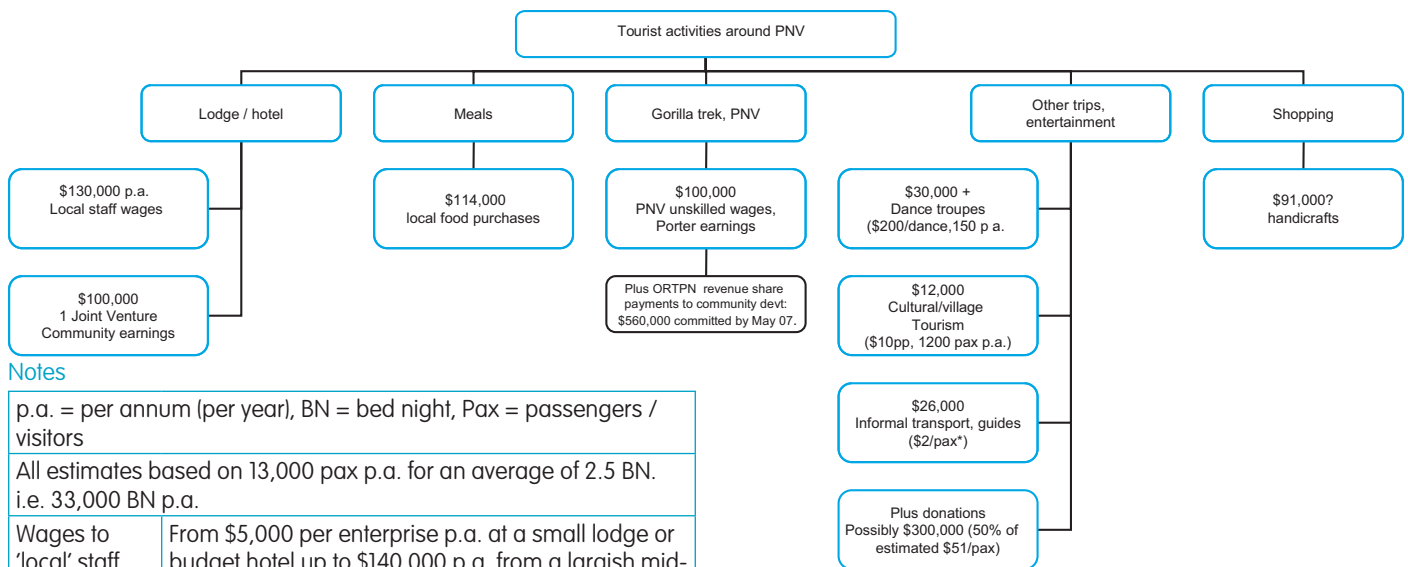
This study looks at where the poor participate in tourism and tries to estimate cash flowing to poor people, or '**pro-poor income**' (PPI). While estimates are very rough, they help to quantify and compare options. Included are:

- Direct earnings of poor employees and entrepreneurs that work in tourism: in hotels, on cultural tours, or selling curios. In Musanze and PNV, such income reaches around \$300,000 per year, while in Kigali earnings of several hundred unskilled and semi-skilled hotel workers may total around \$1 million per year.
- Earnings of poor people who do not work in tourism but earn income by supplying goods or services (e.g. food). Hotels are spending roughly as much on Rwandan food as they are on their non-management workforce. Inputs during the construction phase can be significant but have not been measured.

The study does not assess other non-financial benefits and costs for the poor, aside from financial flows. It also does not capture a range of dynamic effects on the local or national economy that affect the poor, the non-poor, and the overall contribution of tourism to development. Tourism can affect overall skill levels, export patterns, enterprise development, prices, business attitudes to investment, international perceptions of Rwanda, and management of land and natural resources.

The study focuses on just two areas: 4 to 5 star business tourism in Kigali, and gorilla-viewing tourism around Parc National de Volcans (PNV) and Musanze. Data for gorilla-viewing tourists ('gorilla tourists') relates only to their time (e.g. 2–4 nights) in Musanze. No estimates are made for Rwandan tourism as a whole.

Pro-poor income flows from tourist activities around PNV (Rough estimates, \$ p.a.)



Notes

p.a. = per annum (per year), BN = bed night, Pax = passengers / visitors	
All estimates based on 13,000 pax p.a. for an average of 2.5 BN. i.e. 33,000 BN p.a.	
Wages to 'local' staff	From \$5,000 per enterprise p.a. at a small lodge or budget hotel up to \$140,000 p.a. from a largish mid-market lodge. So local wage per BN varies from \$1 to \$9 per BN. Assumed average of \$4 per BN.
Joint Venture (JV)	One JV exists and is not yet fully operational. Estimates, based on data from AWF (Africa Wildlife Foundation) facilitator, are for community Bed Night Fee plus fixed rental fee plus percentage of net revenue, with operation at 50% occupancy. JV fees are equivalent to \$44 per BN – the largest flow per BN.
Food	Mid/luxury lodge spending on Rwandan food is around \$5 per BN. In budget hotels, around \$1 per BN (but budget tourists also eat outside the hotel) Food is purchased locally, so 100% of spending on Rwandan food was counted as PPI. Actual earnings of poor farmers need checking and will be lower.
PNV unskilled wages	Around 63 unskilled workers earn around \$124 per month each – equivalent to \$94,000 p.a. Porters earn \$8 per trip, possibly \$9,000 p.a. in aggregate.
Revenue-sharing	5% of tourist revenue is set aside for community development. This is not an 'income flow' as it is spent on projects not cash hand-outs, but it is substantial: \$560,000 was committed by May 2007.
Dance	Evening dances arranged by lodges/operators can cost almost \$200. Distribution of fees and tips among existing paid staff, local dance troupe, and lodge/operator is not known. Guesstimate: PPI of \$200 per dance, 150 times per year in the region.
Cultural/ village tours	Rural income from organised village visits: \$70-\$110 per half day tour (small or large group, includes fees, donations and craft purchases), or \$8-12 per tourist. Guesstimate: average PPI of \$10 per pax, @1200 pax p.a.
Donations	Grosspietch (2007) estimates average cash donations of \$61 per tourist – extremely high by international standards. Where this goes is unknown, and thus whether it should count as PPI is debatable. The figure above assumes 50% of this is attributable to PNV visits.
Shopping	Grosspietch (2007) estimates \$57 per upmarket tourist and \$28 per budget tourist on shopping. Assuming: unweighted average of \$42/pax, 50% attributable to PNV visit, 30% of spend reaches poor producer/vendor: gives guesstimate of \$7 in PPI per pax.
General caveat	Tourists' length of stay, budget and activities around PNV vary enormously. So estimates of pro-poor income per tourist or per enterprise vary widely and are based on extremely small samples.

Gorilla-viewing tourism

Poor people earn income from many different aspects of tourists's visits to PNV and Musanze. There are broadly five areas of tourist expenditure around PNV each of which are probably generating around \$100,000 per year in incomes to the poor (rough estimates shown in the Figure above: double or half could be right):

- Wages of local staff (the largest flow)
- Sales of Rwandan food to hotels and restaurants
- Community income from one joint venture lodge
- Unskilled wages from working in PNV
- Income from producing and selling handicrafts bought by tourists

In addition, a sixth category is income from cultural tours, village tourism, dancing and guides. This is probably slightly lower, but could grow to be around \$100,000 p.a.

These cash flows probably add up to a figure somewhere below \$1 million per year in total. Additional donations and grants may be worth as much again. These comprise both contributions to community development from ORTPN's Revenue Sharing Programme, and donations by tourists.

Important dynamic impacts of tourism in this area should not be forgotten, such as development of the road network and local economy in this region of Rwanda.

Implications: Issues that influence the flow of pro-poor income

While there is much to be done to improve the accuracy of the figures in the chart, they do indicate some critical factors.



Tourists gather for gorilla trekking in PNV

The business model used by hotels and lodges strongly affects PPI

All the hotels and lodges purchase Rwandan food and at least half their workforce comprises local staff. Beyond that, there are enormous differences in how they interact with the local economy. Some enhance linkages via a legal partnership, investment in local staff, partnership with local dancers, or support for widows and disabled entrepreneurs. Two lodges are, alone, generating more than \$100,000 for local people: one is a joint venture lodge and another is a mid-market lodge with a strong emphasis on local employment.

Very rough estimates suggest that total PPI per bed night from all sources varies enormously from about \$2 in a budget hotel, \$8–12 in mid/upper market lodges, up to an extreme of possibly \$58 per BN in a joint venture lodge (once it is running at 50% occupancy). While the estimates are rough, the variability is clear and has some important implications.

- Most businesses already take some kind of pro-poor initiative or have positive elements in their business model. This is fertile ground for further discussion and action.
- Employment policy is critical. Local wage income is the flow that varies most widely between establishments, ranging from \$1 to \$8 per bed night. It is highest where there is a high share of local recruitment and promotion, a relatively high ‘staff:bed’ ratio, and relatively high wages for unskilled and semi-skilled staff. If every lodge could match the ‘best performer’ the local injection would be significant. This requires investment by government in local hospitality skills and commitment by hotels to staff training across grades.
- Smaller lodges can boost their impact by developing linkages with local enterprises. For example, one lodge has helped to train a local dance troupe that receives a monthly retainer. Their wages probably boost local staff wages from the lodge by around a third, while also reaching more local households. But

it is clear that not all ideas for enterprise linkages flourish. There are business constraints to micro-enterprises that need to be addressed.

- A joint venture between an investor and community is the single most effective way of multiplying local impact. Because of a \$50 bed night fee, and other agreed fees, it is likely to generate roughly three times as much community benefit per bed night as other forms of accommodation.

The tour component and product mix strongly affects PPI

Cultural tours, village visits and dance performances currently generate a relatively small share of PPI from PNV tourism. However, it is an important add-on component. Adding cultural tourism or community interaction into a tour makes relatively little difference to total tourist expenditure but a big difference to local income earned – equivalent to adding at least another bed night.

Currently, PPI per bed night around PNV from wages, food, and handicrafts = \$20 (per BN)	If every PNV tourist did a half day community tour, and if half of them also saw a dance, then extra PPI per visit = around \$21 (per tourist)
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Strategic objectives have different implications for PPI

The highest-spending tourists, in terms of dollars per night, do not necessarily generate the highest pro-poor impact. Mid-market tourists around Musanze seem to be generating as much, or more, per bed night than high-end tourists. Mid-market professionals (teachers, doctors, chemists, surveyors) are an important market for interactive cultural tourism, even if they arrive by an overland route. Data is not yet sufficient to compare policy priorities in terms of impacts on the poor, but such assessment should inform decisions. Current data suggests that in aiming for increased tourism receipts, it is probably better to boost spending *per visitor*, by increasing *length of stay* and opportunities to spend, than by prioritising high-end over mid/budget tourists.



Local produce in a Musanze hotel kitchen

Business tourism

Business tourism data relates mainly to the three 4 or 5 star business hotels in Kigali (Mille Collines, Novotel, and Serena). It is clear that they inject substantial cash income into the local economy, mainly via wages of semi-skilled and un-skilled workers, and purchases of Rwandan food. What is not so clear, is the share of these payments that can be counted as earned by 'the poor'.

While there is wide variation between hotels, we estimate roughly that business hotels generate around \$8 per bed night in wages of relatively poor staff, and a similar amount (\$10 per bed night) in income to food producers. These two flows may approach \$0.5 million per hotel per year, around \$1.5 million per year in total from the 18,000 recorded business tourists, and perhaps \$2 million per year if business visitors to other hotels are included.

Wages

Wages are considerable: hotels spend around 15% of their revenue on payroll costs. More than half of this will be on the majority of staff who are unskilled or semi-skilled and usually (but not always) earn less than \$250 per month (so count as 'poorish' by international standards). Altogether, the 18,000 recorded business tourists in Kigali per year may be generating around \$600,000 in wages for a few hundred such 'poorish' workers.

Food purchases

The restaurants in Kigali's business hotels are big business, serving not only tourists but residents too. A hotel restaurant can spend around \$0.5 million per year on food. One chef estimates that around 70% of purchases are produced in Rwanda. In just one month he spent around \$8,000 on Rwandan fruit and vegetables, \$7,000 on meat, and \$6,000 on dairy products. Over the course of a year, and assuming around 80% of spending accrues to producers, then one hotel is generating around \$250,000 in farmer earnings.

However, the main producers and suppliers are relatively large farmers, although they also purchase from other farmers. What is not known, is whether this demand for food is generating income for poor farmers, particularly women.

Other business tourism impacts

Souvenir shopping by business tourists may contribute a few additional PPI dollars per business visitor. Excursions too will increase local spending. Beyond this, the main impacts are probably dynamic impacts. One argu-

ment is that simply by having 5 star hotels and capacity to host international conferences, this enables Rwanda to build its reputation and win business, with knock-on effects for longer-term development.

Implications: Issues that influence pro-poor income from business tourism

- Can poor households access the opportunities? We cannot assume that those growing or supplying hotel food are poor, nor those in low-paid hotel jobs. But the hotels are clearly an important domestic market for farmers and workers. For farmers, the hotel market has many advantages beyond the mere value of contracts: the market is reliable, close-by, and enables farmers to develop new specialities, such as strawberries and mushrooms. A collaborative effort between farmers, hotels, government and agricultural supporters could help bring poorer farmers into the food chain and enhance their sales.
- There may be potential for a substantial increase in spending on hand-made artisanal products. Conference tourism is a growing market. Conferences usually include themed 'give-aways' for delegates. Personalised products could be developed by local entrepreneurs, in partnership with conference organisers. In addition, travelling professionals are often looking for portable distinctive presents in a hurry. Every time a business tourist buys duty free chocolate or alcohol as a present to take home, it is a missed opportunity for spending in Rwanda. Producers, customers and retailers could work together to enhance design, packaging and marketing of Rwandan products, so as to capture those dollars.

Table: Estimates of pro-poor incomes per annum from Kigali business tourism

	Per 4 or 5 star hotel	Per bed night	Per 18,000 visitors (72,000 BN) p.a.
Wages to poorish	150,000* to 225,000	5-9	576,000 +
Income to farmer from food purchasing	240,000	10	720,000
		Per visitor	
Poor share of souvenir purchases	Assume 30% of the est'd \$23 per visitor	\$7	126,000
ROUGH TOTAL p.a.			1,420,000
If we add another 40% for other business tourists outside the 3 main hotels			2,000,000

* in one hotel, 130 staff are earning incomes of up to \$250 p.m. with the average around \$150 p.m. These wages equate to \$9 per bed night sold. In another hotel, total non-managerial wages amount to around \$20 per bed night. But most is paid to staff who earn above \$250 per month (our 'poorish' threshold). So only \$5 per BN is counted as PPI.

Recommended areas for action

As tourism grows, incomes earned by the poor will grow too. But tourism will do more to boost local economic development if a web of enterprises and opportunities is built up around it. There is not one single priority action, but several, to create options for the poor. Developing linkages is not a rigid set of steps, but adoption of a mentality: a willingness to think laterally and intertwine commercial opportunities with new options for local enterprise or labour.

1. Help poor farmers to sell to hotels

Tourists consume food worth a few million dollars a year. Much of this is sourced in Rwanda, but action is needed to: help local producers increase the quality, range, and seasonality of their production, so they can boost sales to hotels; and ensure smaller poor farmers, particularly women farmers, can access this important market.

This will involve partnership with agriculturalists, chefs, and government, plus a more detailed analysis of the current food supply chain.

2. Help poor households access tourism employment

Non-management hotel staff in Kigali and Musanze are earning over \$1 million per year. If workers from poor households can access these jobs, they can lift their family out of poverty. Hospitality and language training need to be accessible to poor and rural families. Hotels investment in training lower grades will help un-skilled staff including women secure promotion.

3. Promote innovative business models among hotels

Earnings of the poor from hotels does not just depend on the number of beds or rack rate (room price), but on how hotels and lodges do their business. Innovations in 'inclusive business' can substantially increase PPI while enhancing the commercial product too – whether via a local dance troupe, a joint venture, investment in local staff, enterprise development, or adding cultural tours to itineraries. To encourage inclusive business models:

- The Private Sector Federation and other private stakeholders could share different inclusive business models, and compare their impact on the poor.
- Government should actively encourage inclusive business, particularly by new investors. Governments can set clear expectations, publicise good practice, and make inclusive business one of the criteria when assessing new investments and applications.
- Assess the potential for further joint ventures. They can multiply pro-poor impact, but also require considerable investment in policy and implementation up front.

4. Pilot destination-level initiatives for building linkages

Creating a web of enterprise opportunities around tourism requires hands-on work, with farmers, crafters, dancers, lodge managers, kitchen staff, tour operators,

taxis, banks, NGOs and local government. Potential is high, but the barriers to small enterprise, must be realistically assessed and tackled. A facilitator needs to spur on communication between stakeholders.

A destination-level linkage programme should be piloted in one or two areas to invest in building linkages between established tourism and the local/informal economy. This will need one or two champions, supportive government, supportive districts, a couple of 'quick wins' to build enthusiasm, and effective partnership to create long-term change.

5. Diversify the Rwandan product

A more diversified tourism product will create more options for participation by Rwandans. Diversification should include a range of activities such as walking trails, farm visits, village tours, and 'hands-on' activities (picking tea, weaving baskets, then buying the product). Another important activity is shopping – in parallel with development of the range of handicraft supply.

A government–private sector partnership could do much to develop cultural tourism by marketing at ORTPN offices in Kigali and at PNV entrance, organising familiarisation trips for operators, working long-term with a couple of international tour operators on product development, developing half-day and day-trips for business tourists in and around Kigali. Wise facilitation is needed to ensure that local communities can secure a fair share of benefits, while also ensuring that market needs and commercial viability are never ignored.

6. Develop pro-poor business tourism

Business tourism is too often ignored in pro-poor plans, but in Rwanda business tourists exceed gorilla-viewers. Helping the poor to supply food or secure jobs is as important in Kigali as in Musanze. So pro-poor action should include a Kigali focus, working with leading hotels on food supply, hospitality training, and souvenir development, and with conference organisers on locally-made 'give-aways.'

Conclusion: Pursuing pro-poor policy perspectives

Many strategic choices are being made for the future of Rwandan tourism. This is an ideal time to integrate a pro-poor perspective into all decisions. A pro-poor focus should not detract from the big picture challenges of building the competitiveness of the industry. Nor should it be separate from it, or confined just to niche areas where participation of the poor is most evident, such as community tourism. Building the sector and building linkages must go hand in hand.

Some opportunities for the poor will materialise on their own, as tourism grows. But many more will need to be unblocked by intervention: light touch but sustained facilitation, based on ongoing dialogue, prioritisation, and innovation.