

## **Transforming Tanzania's Tourism Industry into A More Sustainable and Inclusive Sector**



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**ABSTRACT:** This paper investigates the possibility of transforming tourism sector in Tanzania using secondary sources. The paper is descriptive in order to describe the potential influence of tourism and hospitality industry that has attracted considerable interest in academia and industry alike. The findings suggest that there is limited ways in which some tourist products are measured and sold by some participating hotels and lodges (especially new ones) for measuring the influence tourism and hospitality on their respective goals and the different perspectives, namely financial or other, taken into consideration when doing so. Overall, the findings suggest that tourism sector in the country has once again increased the prospects of growth. The paper concludes that it is important for company operating for a while to have their presence online to enable them to observe and measure the social engagement attentively in order to succeed in financial terms.

**KEYWORDS:** More sustainable, more inclusive, tourism sector, transformation, Tanzania.

### **1. INTRODUCTION**

As one of the leading job creation sector in many nations, tourism is one of the leading employers in the world, however, many of these workers are under-skilled workers, operating in an informal labor market. Bayona (2021) argues that education of under-skilled workers can help create a more sustainable tourism sector by empowering many young entrepreneurs. It has been documented that the ability of any structure to last over time depends on its foundation and how well it can resist and adapt to novelties and adversities, to contraction and expansion, and to natural disasters and pandemics. In reality, this principle can be applied to many components of society, from buildings and businesses to personal relationships. Every foundation should be built on the strength of the communities, including abilities, communications, civility, institutions, social values, economics, politics, and especially education (Bayona, 2021). Tourism provides Tanzania with the long-term ability and potential to create good jobs, generate foreign exchange earnings, receive more revenue to support the preservation and maintenance of natural and cultural heritage, and expand the tax base to finance the development of expenditures as well as poverty-reduction efforts (World Bank, 2021a). Tanzania's lasted economic updates highlights more untapped potential of the tourism sector to drive the country's development agenda. The analysis suggests long standing issues facing tourism in the country, including new challenges facing it as a result the Covid-19 pandemic. In terms of these highlights, the pandemic has brought an opportunity for policy actions on tourism sector to recover in the future by becoming a sustainable engine of private-sector-driven growth, as well as social and economic inclusion, of climate and climate adaptation and mitigation over the long term (World Bank, 2021a). Therefore, it is important for company operating for a while to have their presence online to enable them to observe and measure the social engagement attentively in order to succeed in financial terms.

#### **1.1 The Problem**

The tourism industry has seen an impressive development over the past few years. However, due to the financial crises in many nations and the effects of Covid-19 pandemic, people started cutting down on vacations which led to a decrease in the sales, leading to further lower revenue, lower payoffs and decreasing job creation. Recently, the sector is on the rise again and has changed dramatically with the overwhelming appearance of social media platforms creating new opportunities to progress and attract the customers through facilitated communication and empowered guest engagement (Sterne, 2010). It can only be seen as something positive for the tourism sector as it has so much to offer to the country in terms of increases in profits. Nevertheless, one of the main and essential problems that tourism sector experiences has is how to engage in a constructive marketing and how to make sure whether it is profitable for their business. To some extent, some of the most challenging aspects include the considerations of how one measures these results; how one determines the business value of this sector,

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how one sees the importance of the business in order for it to be accepted by the community whilst enhancing the brand and how to measure the value of the accomplished efforts (Sterne, 2010).

It is commonly accepted that return on investment in the tourism sector can be measured, because of the unperishable and tangible character of the tourism product, additionally because the return on investment is not always considered a concrete aspect. For example, business reputation or associations of a brand with specific characteristics are not features that can be measured, but are still important for a stakeholder and can be easily achieved with the help of social media marketing. Of course financial aspects cannot be foreseen, but in the end "the relationship is apparent and significant: Socially engaged companies are in fact more financially successful" (Sterne, 2010). Therefore, the main aim of this paper was to investigate the ways and means of transforming the tourism industry into a more sustainable and inclusive sector in Tanzania.

### **2. LITERATURE REVIEW**

Tourism as "a social, cultural and economic phenomenon, which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes". For some tourism represents relaxation and fun, a trip during the holiday weeks away from work, and some doubt the need for study and research. But for others, tourism is a source of employment; it is a business that brings revenue to millions of people around the world; it is a source of living. Therefore it is important to research it, analyze it and study it more attentively (WTO, 2014). According to Robinson et al, (2013), tourism has emerged as a major economic sector and source of social and environmental change since the 1950s. It has also become a field of serious research and scholarship in many academic disciplines since 1970s. The patterns of tourism development in different parts of the world reflect the histories and cultures of those regions and nations, but tourism is a nearly universal phenomenon. It is an important source of wealth for many nations that has become a high priority for many people. This statement describes the importance of tourism, which highly increased over years, and the diverse functions of tourism in the world.

A better understanding of the tourism term requires that its characteristics be defined (i) intangibility: as a service and not a product; (ii) as a result it cannot be touched but just experienced; (iii) heterogeneity – each customer experiences a service in a different way; (iv) inseparability – it cannot be taken home like a product and has to be consumed at the place of the destination; (v) perishability – once the opportunity of selling a service at a certain point has forgone, it cannot be resold at a later point in time; (vi) lack of ownership – that is a service which cannot be owned, due to the previously mentioned characteristics. Here special emphasis has been on the hospitality sector of the tourism industry (Robinson et al, 2013). Tourism is a chain of the distribution of services also known marketing channel that describes "the system by which a product or service is distributed from its manufacturing/creative source to the eventual customers" (Holloway & Taylor, 2006).

According to Craigwell (2007), tourist industry is widely recognized as the key engine of growth in most nations, representing a significant source of foreign exchange earnings and employment both directly in tourism and indirectly in the ancillary sectors (primarily the distributive, agricultural, and transportation sectors) supporting the tourism industry. Since the 1980s, the tourism industry has improved markedly in the majority of nations. Over the period 1986-2004, stopover tourist arrivals have risen by almost 10 per cent per annum and visitor expenditure by approximately 11 per cent, with concomitant increases in both direct and indirect contributions to total real output. In addition, foreign exchange earnings from tourism in many nations were approximately three times that of exports of goods, and the number of jobs directly related to tourism more than double during this period.

### **3. METHODOLOGY**

This paper is a result of information collected through a number of ways, including literature review of previous studies on the topic to have a good understanding of how tourism sector can be transformed into a more sustainable and inclusive sector in the country. Both narrative and phenomenological methodologies were used, as the researcher wished to describe the process of the transformation of tourism sector from the various authors' point of views (Astalin, 2013). Considering the fact that there can be a number of sources to gather information, the methodology used represents relatively a cost effective approach. The first step involved a thorough review of related literatures of both published and unpublished reports, academic articles, as well as related tourism studies. This primary phase of the study made effective use of information already available while conceptualizing this assessment, thus being able to focus on data collection to fill only the key information gaps. The study methodologies were carefully designed to maximize the use of available qualitative information (Corbin & Strauss, 2008). To address the gap in the literature, the study was conducted to specifically explore the dynamism effects and future outcomes of tourism sector in the country (Paudel, 2014).

The study design followed qualitative research design, which is a general way of thinking about conducting qualitative research. A qualitative research design is the most flexible of the various experimental techniques, encompassing a variety of accepted methods and structures (Astalin, 2013). As such the design for this study was based on the following three major qualitative research design approaches, namely: narrative, phenomenology, and case study. This design helped the author to investigate the

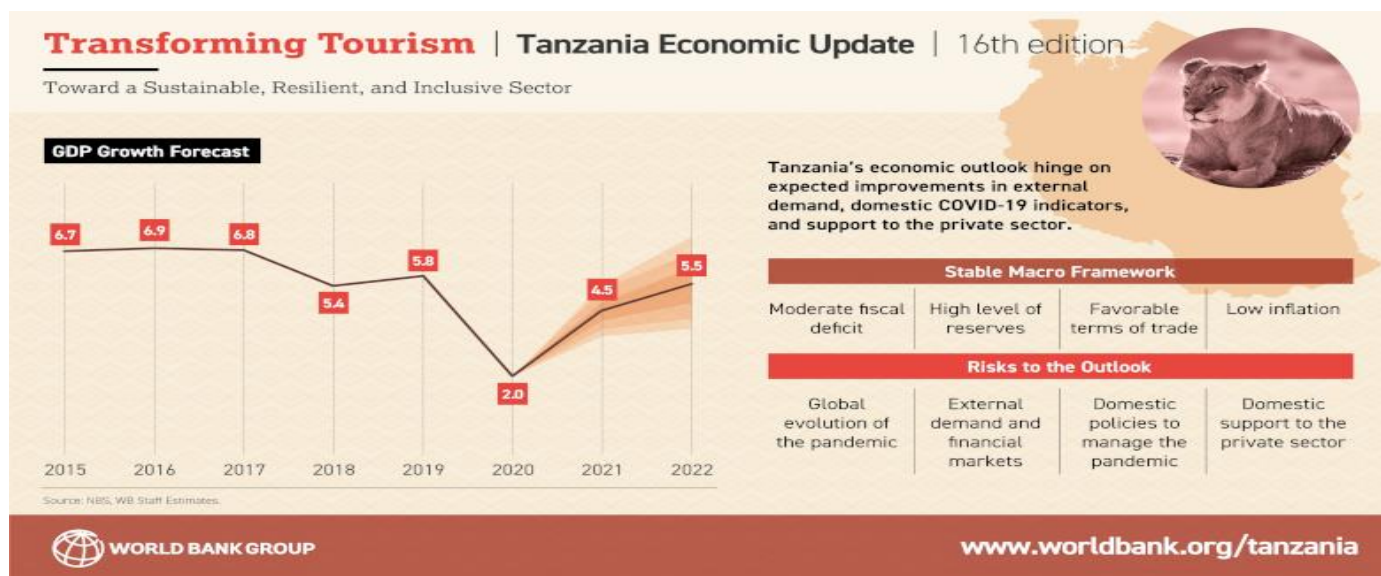
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transformation of tourism sector into a more sustainable and inclusive sector. The methodology used suggested a deep and positive impact in transforming this sector for the benefit of both the government and communities (Bogdan & Biklen, 2006). The analysis of these various sources assisted in looking into the various issues related to transforming tourism sector for the benefice of the country

### 4. RESULTS

Tourism sector is central to the country's economy, livelihoods and poverty reduction, particularly for women, who make up 72% of all workers in this sector. The country's economic system around tourism had grown in value over the years and in 2019 it was the largest foreign exchange earner, the second largest contributor to the gross domestic product (GDP) and the third largest contributor to employment (World Bank, 2021a). On the other hand, in Zanzibar tourism sector has also experienced rapid growth, accounting for about 30% of the GDP with an estimated 15,000 direct and 50,000 indirect jobs. Tourism offers many nations with abundant natural and cultural endowments and access to more foreign markets. However, in Tanzania only a small fraction of the country's natural and cultural endowments has been put to economic use through tourism development (World Bank, 2021a).

In the absence of tourism revenues, as it was the case during the Covid-19 pandemic, this can compromise the integrity and viability of not only endowments, but also the economic, environmental and social ecosystems built up around those endowments. Amid the ongoing Covid-19 pandemic, it is estimated that Tanzania's GDP growth decelerated to about 2.0% in 2020. Business slowed across a wide range of sectors and firms, especially export-oriented sectors such as tourism and manufacturing. The impact of the crisis on tourism specifically, which has had consequences beyond just the industry, given the many other sectors that support, and are supported by, tourism. An estimated 72% drop in the sector's revenues in 2020 (from 2019 levels) closed businesses and caused layoffs in many sectors (Bayona, 2021). However, despite the prominence of tourism within the world economy, about half (50%) of its professionals have only acquired secondary or soft skills. This scenario is not a major issue in the medium term. However, stagnated academic formation can perpetuate an informal labor market which is, while a tempting option due to the high percentage of uneducated workers in tourism, simply unsustainable in the long term (Bayona, 2021). Figure 1 indicates the path to transformation of tourism sector toward sustainable, resilient and inclusive sector.



Source: World Bank (2021a)

The evolution of the country's GDP from 2015 to 2022 suggests that there has been an improvement in its performance after (2%) decline in 2020 to (5.5%) in 2022. The Zanzibar's economy was even more severely impacted with GDP growth slowing to an estimated 1.3%, driven by a collapse of the tourism industry. As the hospitality industry shut down between March and September 2020, occupancy rates dropped to close to zero. While the Zanzibar tourism sector started slowly rebounding in the last quarter of 2020, with tourist inflows in December 2020 reaching almost 80% of those in 2019, receipts from tourism fell by 38% for the year (World Bank, 2021a).

The United Republic of Tanzania is a globally recognized destination for nature-based tourism, a competitive market segment in eastern and southern Africa. Beyond attracting tourists, the country's landscapes and seascapes produce a wide range of ecosystem services, including carbon sequestration and biodiversity co-benefits that are not efficiently priced and often generate little or no financial return. The global climate crisis has created significant demand for investment in these forms of natural capital, and Tanzania is well positioned to take advantage of nature-positive investment opportunities. The additional revenue derived from global climate programs could be an opportunity to ease the government's fiscal constraints while also supporting the livelihoods

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of local communities (World Bank, 2021a). "While restoring the trade and financial flows associated with tourism is an urgent priority, the disruption of the sector has created an opportunity to realign tourism development with economic, social, and environmental resilience. Covid-19 pandemic has created an opportunity to implement structural reforms in the sector and use tourism as a leading example of improvement of the overall business climate for private investment. As the tourism sector transits gradually into recovery phase with the rest of the world, the authorities should look toward its future resilience by addressing long running challenges that could help position the country on a higher and more inclusive growth trajectory. Areas of focus may include destination planning and management, product and market diversification, more inclusive local value chains, improved business and investment climate and new business models for investment that are built upon partnership and shared value creation (World Bank, 2021a).

From the paper point of view, there are at least five main points that should be taken into consideration in order for sustainable and inclusive to take place, that will fuel the recovery laying the foundation for long-run term transformation of the tourism industry: they include:

- (i) to create a transparent business environment that reduces red tape and distortions for private investments by locals and foreigners that promote efficient and reliable business;
- (ii) to create an information-management system that consolidates data from tourists and other industries, to enable planners and policymakers to improve the planning of the tourism sector to identify viable investment opportunities;
- (iii) to ensure that industries across the sector including those in downstream value chains, have access to affordable finance;
- (iv) to consistently monitor, promote and report on adherence to protocols on health and safety; and
- (v) to develop, support and enhance any co-investment and partnership arrangements.

## 5. DISCUSSION

Tanzania has an opportunity to ignite inclusive economic growth by transforming its tourism sector. There are signs that the country's tourism sector is recovering from the negative effects of the Covid-19 pandemic on both humans, businesses and employment. In this way the country also has the opportunity to re-shape the tourism sector to better drive the long-term growth, and deal with climate adaptation and mitigation. The paper noted that the covid-19 pandemic effects have negatively affected the tourism activities globally including Tanzania, as the country's sectoral economic activity contracted seriously in 2020, which resulted in job losses and business shutdowns by many industries. Also the negative effect of the covid-19 pandemic led the country's GDP growth to decline to about 2.0 percent in 2020 (World Bank, 2021b). The business and household surveys conducted between June 2020 and March 2021, indicated that overall business slowed down across a wide range of sectors and sizes of firms, especially export-oriented sectors such as tourism and manufacturing where job creation did deteriorate.

Although business performance and expectations indicators have partially rebounded, they however, remain subdued, suggesting the gravity of the shock and sluggish recovery. The slowdown in GDP growth and the deterioration of business sales and financial security is estimated to have increased while keeping the number of the poor Tanzanians the same in 2020 (World Bank, 2021b). In 2013, more than 1 million tourists visited Tanzania's tourist attractions, including Mount Kilimanjaro and the wildebeest migration, making tourism a strong driver of growth for the country. Although tourism has grown fast in the last decade attracting a growing number of tourists each year, a new tourism strategy should be used to attract even greater benefits for a larger number of Tanzanians (World Bank, 2015). Accordingly, it is vital to expand tourism to accelerate economic growth through increased GDP. Therefore, the country can achieve its goal of increasing tourism revenue by 2025 by addressing the following current challenges:

- (i) to diversify geographic locations and current tourism segments, including tourism caters to the high-value tourist who can pay several thousand dollars to tour the country. Diversification of the industry should include both expanding geographic options and other tourist attractions that meet the expectations of a broader range of the tourists.
- (ii) to integrate tourism activities at the existing attractions, since the Tanzania's tourism industry is not creating enough high-value, productive jobs for local workers, with an average worker. Also because many resorts rely on imported materials, equipment and food.
- (iii) to improve the quality of governance of the tourism industry currently constrained by the imposition of multiple taxes and levies that discourage investors, particularly small investors and increases opportunities for rent seeking and corruption.

When the objective of increasing tourism can be realised, there will be an increased pressure on the environment that will also present some challenges that will require to be managed (World Bank, 2015).

## 6. CONCLUSION

The immense economic and social value of the tourism industry to Tanzania cannot be overstated. Indeed, tourism is widely viewed as the main engine of real output growth and a significant contributor to foreign exchange earnings and employment creation. This study investigates how to transform tourism sector into a more sustainable and inclusive industry in Tanzania. Fortunately, but not



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surprisingly, the findings of this study highlight the feasibilities for such transformation from a macroeconomic perspective, supported by appropriate designs of policies and strategies to enhance tourism sector in the country. The importance of the tourism industry to the country underscores the need for a greater understanding of the nature of tourism competitiveness. Tourism involves consideration of various factors covering the economic, environmental, social, cultural and political dimensions (Ritchie and Crouch, 2003). Dwyer and Kim (2003) managed to integrate all of these factors predicting on a holistic view of the importance of creating and maintaining tourism competitiveness. The focus on different aspects of tourism performance and the operating environment for tourism enterprises and activity can provide a valuable alternative to assessing the level of transformation of the tourism sector in the country (Sutton, 1992). Tourism industry's growth has resulted in a significant number of jobs. The more jobs that can be created directly through tourism, the more unemployment can substantially be reduced. Despite these positive trends, some areas of weakness in terms of the tourism product should be investigated.

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