UP-GRADING AND ENHANCING SUSTAINABLE LINKAGES OF RWANDA'S TOURISM VALUE CHAINS: OPPORTUNITIES AND BOTTLENECKS

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ABSTRACT: *The Rwandan government's Economic Development and Poverty Reduction S4trategy II (EDPRS 2, 2013-2018) highlights enhancement of connectivity and linkages within the country's economy as one of the priority areas for economic transformation. In the highlights, emphasis is put on the need for deepening the integration of key value chains of the economy. After a comprehensive analysis of Rwanda's global competitiveness, tourism was identified as one of the key sectors that would spur economic development in the country. Important as it is, however, the linkage of this sector to the rest of the economy was found to be weak and hence compromises on its ability to deliver on certain targets as expected. This paper thus identifies opportunities as well as the bottlenecks within tourism value chains in Rwanda and recommends possible solutions. A questionnaire survey was used to obtain data related to visitor expenditure, targeting visitors at land border points and Kigali International airport. Focus group discussions were also conducted in gathering data on value chains analysis and identification of intervention programs that would remove any bottlenecks in the system.*

KEYWORDS: Value Chains, Rwanda, Tourism, Opportunities, Bottlenecks

INTRODUCTION

Tourism in developing nations is considered a significant economic force (Ashley et al, 2001; International Trade Center, 2009; Scarglione et al, 2011), contributing to economic growth, raising living standards, and reducing poverty through sustainable investment in physical, human and social capital. These functions are enabled by extensive economic linkages of tourism value chains to other sectors of a nation's economy. A value chain is defined as full range of activities required to bring a product or service from conception, through different phases of production and delivery, to the final consumer (Kaplinsky and Morris, 2000). The tourism value chain comprises the general steps and the suppliers a tourist interacts with from commencement of a trip to the end.

An estimated 25 – 33 percent of total tourism revenue for developing countries is taken by the poor through direct earnings and indirect multipliers in value chains (Mitchell and Ashley, 2010). However, for a number of developing countries in Africa, the benefits of tourism value chains for economic enhancement is yet to be fully exploited, as import leakages hinder the retention of tourism revenue to the local economy. For instance, Rylance and Spenceley, (2017) report a low local retention of revenue from tourism in Kasane, Botswana, at 37%. In Zanzibar, Anderson, (2013, p 62) reports that "only 16 % of resort requirements are sourced within Zanzibar" and posts findings to reveal massive internal and external leakages within the accommodation sector in the island destination. Sandbrook (2010) estimates leakages from

tourism revenue in rural Uganda to about 75%, but still argues that the retained revenue, however minimal, was highly significant to the local economy. Sandbrooks argument is suggestive of the wealth of opportunities for local community economic enhancement through tourism value chains. Still, pro poor tourism researchers agree that there are inherent limitations in tourism value chains for empowering local communities (*See* Gascon, 2013; Goodwin, 2008; Harrison, 2009; Ndivo and Cantoni, 2015; and Yunis, 2006). Ndivo and Cantoni, (2015), use the case of Kenya to emphasize limitations in local linkages to tourism value chains. Similarly, limitations abound in Rwanda's local linkages to tourism value chains, where the sector linkage to the rest of the local economy is weak (Spray and Agarwal, 2016), implying a setback in achieving economic goals for the country. Inter sectoral linkages between tourism and other sectors of the economy, facilitate opportunities for trickledown benefits of tourism value chains to local communities (Thomas –Francois, et al, 2017). According to (Daly and Gereffi, 2017), weak sectoral linkages to tourism value chains in Africa are occasioned by the fact that *"African Tourism is characterized by high foreign demand, which elevates the position of global lead firms, and increases leakages of tourism spending out of local economies, (p. 1).*

Indeed, the East African tourism region, which comprises Rwanda, is heavily reliant on international visitors (Spencer et al, 2014; Spray and Agarwal, 2016), with international visitor spending measuring to slightly above 60% of total tourism revenue in 2014 (*see* WTTC, 2015). Specifically, the tourism industry in Rwanda is also considered to be sustained by foreign ownership (Spray and Agarwal, 2016), and this has been shown to possibly limit involvement of local residents in tourism value chain components. Validating the views on reliance on international visitors by the African destination, Daly and Gereffi, (2017), show that the pre – eminence of global lead firms influences to tourism linkage dynamics observed in Africa, whereas Christian and Nathan, (2013), observe that Africa's destinations favor travel arrangements with global distribution intermediaries. Such arrangements consequently limit local access to tourism value chains.

Given the space for constraints and opportunities for community empowerment in tourism value chains, and the argument by Spencer et al (2014), that "*Rwanda needs a socio – economic transformation"* (p. 582), through enhancing local residents linkages to tourism value chains (ibid), this paper highlights problematic concerns for tourism value chains in Rwanda, as a way to maximize economic participation and benefits accruing to the local community. It also discusses opportunities within the tourism value chains, proposing practical basis for maximizing tourism value chain yields in the destination.

Components of tourism value chains in Rwanda

The main components of tourism value chain in Rwanda, exhibiting both local and international dimensions comprise distribution, international transport, and destination. Christian, (2010) contextualizes these components within inbound and outbound country as shown in figure 1.
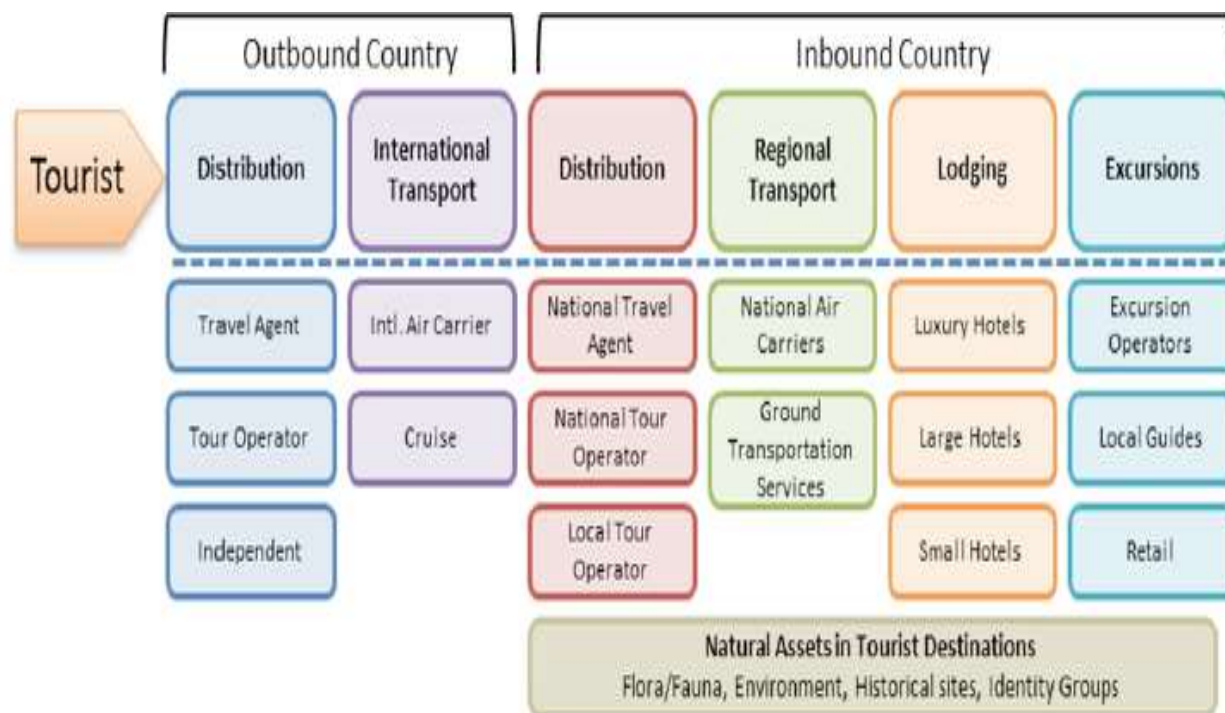
Source: Christian, 2010.

Figure 1: Value chain processes and components within inbound and outbound countries. Source: Christian, 2010

As regards to distribution, intermediaries like tour operators and travel agents facilitate the purchase of the tourism product or the trip. In doing this, the travel agents usually act as the retail outlet for tourism products (transportation, lodging, and excursions), and tour operators act as wholesalers. Tour operators purchase blocks of airline seats, hotel rooms, and excursion activities and bundle these segments into various package arrangements. The packaged product is then sold via a travel agent or directly. However, visitors can bypass intermediaries and book their trip components directly.

With respect to International transport, the most common mode is international air carriers. International distribution and transport are based in the outbound countries but there are regional distribution and transport segments based in Rwanda too. Rwanda has its own distribution actors (e.g. destination management companies, accommodation providers, ground handling agent, ground tour operators, excursion agents, travel agents, tour-operators, visitors' guides, tourism handling agents and other tourism enterprises) and often work directly with international distribution firms.

Rwanda as a destination country allows visitors to engage in a number of events that include local transportation (air or ground), lodging, and excursions. Accommodation options in the country range across different scales and sizes (boarding and lodging facilities, caravan/camp sites, cottages/villas, eco-lodges, farm stays, guest houses, home stays, hostels, lodges, motels, tented camps, serviced apartments, town hotels, vacation hotels among others). Excursions, on the other hand, are the local activities which are representative of the tourism product and the natural assets of the destination. Many excursion activities are sold by operators and executed

by local guides who take on the role of area experts. Retail may also be considered as part of excursions.

Except for international airfare, most segments of Rwanda's tourism value chain are characterized by a diverse array of organizational, ownership, and operational business structures. Large corporations coexist with small and medium enterprises and micro-businesses. Such a sophisticated level of coordination and marketing that reaches visitors based in numerous countries and regions is necessary in international tourism. Firms that have coordination capabilities and marketing strength take the most value. International distribution actors, and hotels based in destinations that are managed by foreign brands have these capabilities.

The impact of tourism on the economy can be enhanced by strengthening the indirect and induced components besides increasing domestic and foreign visitors' expenditure levels (i.e. direct impact). The most significant component of the indirect contribution is the supply chains created in the economy as a result of visitor expenditure.

With appropriate linkages, tourism can contribute to economic diversification through development of other parts of the economy such as agriculture, infrastructure, transport and utilities. The construction and furniture industry can make supplies to the tourism industry. Agriculture, fishing and food processing, handicraft, jewellery, textiles and cosmetics sectors have strong linkages to the tourism industry.

Agriculture

Hospitality establishments can purchase products locally in areas of high agricultural activity and where there is a diversity of offered products. Sourcing of local agricultural supplies is a necessity for responsible tourism (Pillay and Rogerson, 2013).

Construction

The construction of tourism facilities can benefit the local people significantly. The destination will usually be able to supply significant quantities of unskilled and semi-skilled labour. Benefits can be extended by getting materials from sustainable local sources and helping upgrade skills and methods. Tourism development usually involves upgrading or creating entirely new infrastructure in a given destination. The construction of airports, bridges, power and telecommunication links and the upgrading of roads, waterways and other related facilities can greatly benefit the local people.

Fishing

Tourism industry's support for the development of fish farming can enhance reliability of supply and increased value addition. The industry should communicate with suppliers on their needs, such as price, quantity, quality, timing and species.

Food Processing

An inclusive tourism sector can help improve the supply of such products as meat, milk and fruit juices by detailing the standards, quantities and prices they need to supplement or replace imported items.

Furniture Making

The supply of furniture and its repair within tourism enterprises can often be undertaken locally. With sufficient orders, it is possible for the industry to help develop local skills. Textile manufacturing for furniture finishing, soft furnishing and bed linen are related activities.

Infrastructure

Viability of tourism development depends on upgrading or creating entirely new infrastructure. The construction of airports, bridges, power and telecommunication links and the upgrading of roads, waterways and other facilities that tourism development requires can significantly benefit the local community. Better public transport infrastructure means that the local community can more easily access markets and jobs. It means that they can easily deliver supplies and services to the wider economy as well as to visitor developments. Telecommunication links such as mobile phone facilities and internet coverage benefit the local community as well because they enable access to information.

Services

The tourism industry supports local services (such as guides, haircuts, laundry, massage, and entertainment) since they are supplied only at the point of consumption. However, larger industry developments can be more pro-local community if they make information on local services available, make services more accessible, and help ensure higher standards.

Transport

Besides international and domestic air transport, tourism is associated with other modes of travel such as taxis, car-hires, mottos, buses and boats. Tour operators often use minibuses and other local forms of transport for visitors. Both can help support employment directly by using local transport support services such as garages for fuel and maintenance.

Utilities

The tourism industry, especially hotels and restaurants, requires reliable utilities such as electricity, gas and water. These necessities are often in short supply in many destinations. The use of efficient and environmentally friendly local energy supplies can strengthen linkages within the domestic economy.

In this paper, the tourism value chain components in Rwanda are evaluated to identify opportunities and bottlenecks, as a basis through which local community linkages can be enhanced.

METHODOLOGY

By use of questionnaires, data related to visitors' expenditure levels/patterns were collected at exit points (land border points and Kigali International Airport). In Rubavu, Musanze and Kigali, focus group discussions were conducted in gathering data on value chains analysis and identification of intervention programs that would remove any bottlenecks in the system. This would be done in order to involve local communities in the value chain (both domestic and external) as suppliers and generally maximize the country's net benefits from tourism.

Involving local communities was done with the understanding that it enhances their earnings and welfare and consequently spurs the demand for domestic tourism that can generate ripple effects back into the value chain.

Estimated Visitor Expenditures

In 2013, the number of tourists to Rwanda was 1,137,000 (6% rise over the 2012 arrivals), implying the country's earnings of Rwandese Francs (RWF) 196.7 billion (USD 293.6 million) in 2013 compared to RWF 188.8 billion (USD 281.8 million) in 2012. Tourist spending was apportioned to accommodation, local tours/transport and Food & Beverage. Based on these expenditure categories, opportunities within tourism value chains can be identified for the benefit of the economy and in particular the local community. Shopping comprised 5.6% of the visitor's total budgets even though this percentage may change if 'other' expenses and shopping categories are combined. On average, pre-trip expenses accounted for 4.6% of the total expenditure compared to 16.4% by tour packages (Figure 2).
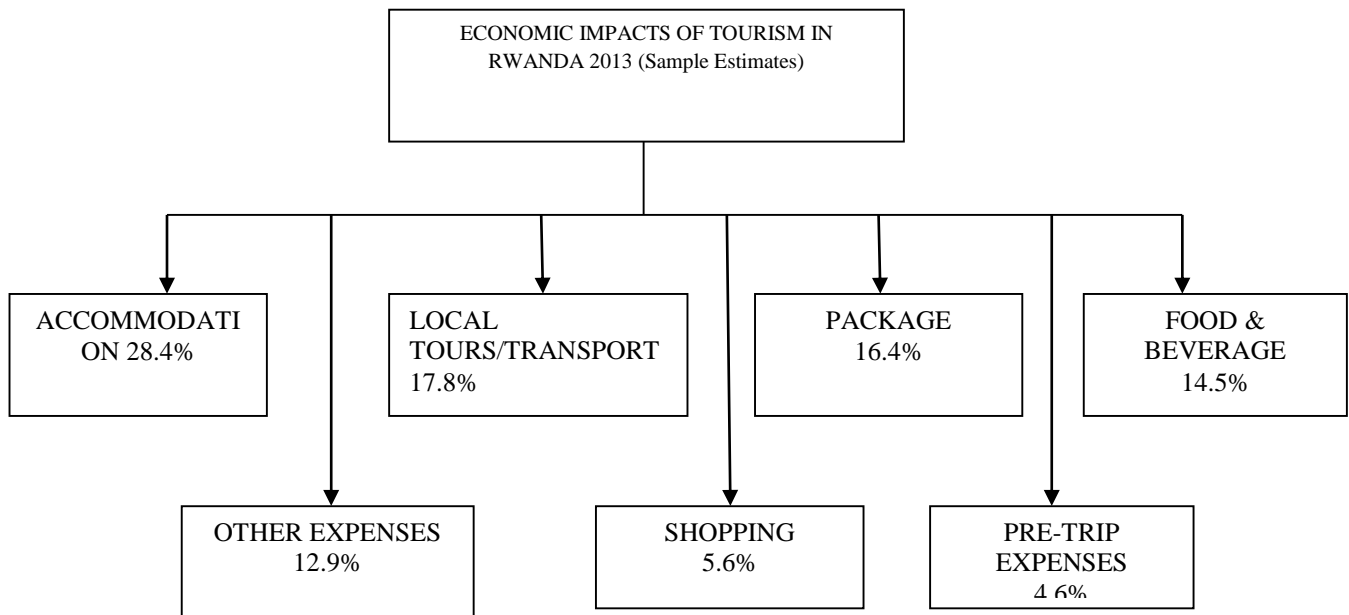
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              ECONOMIC IMPACTS OF TOURISM IN
              RWANDA 2013 (Sample Estimates)

ACCOMMODATI    LOCAL              PACKAGE          FOOD &
ON 28.4%       TOURS/TRANSPORT    16.4%            BEVERAGE
               17.8%                               14.5%

     OTHER EXPENSES      SHOPPING        PRE-TRIP
     12.9%               5.6%            EXPENSES
                                         4.6%
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Figure 2: Economic Impacts of Tourism (2013)

FINDINGS

Visitors to Rwanda incurred expenses that can be categorized as pre-trip expenses, package purchase and in-situ expenditure at the destination. Pre-trip expenses noted in this study were incurred in the visitor's country of origin, and covered initial accommodation, transport and settling down arrangements at the destination. These expenses were made directly to suppliers at the destination / inbound country. For example; package purchase involves third parties operating outside planned destinations (i.e. travels agents and tour-operators) in making pre-payments before travel.

The expenses incurred at the destination by the visitors who are in direct contact with suppliers included spending on accommodation, food and beverage, transport including extra tours and shopping.

Tables 1 to 4 present data on visitor expenditure patterns. Four visitor classifications were identified;

 i) Visitors from within the region, i.e. East Africa Community (EAC) and Democratic Republic of Congo (DRC) region

 ii) Visitors from outside the region

 iii) Visitors from Africa

 iv) Visitors from outside Africa

Table 1: Expenditure by purpose of travel (Visitors from EAC and DRC region)

PURPOSE OF TRAVEL	PRETRIP EXPENSES			PACKAGE	ACCOM	F&B	LOCAL TOURS/TRANSPORT ETC	SHOPPING	AVERAGE LENGTH OF STAY	AVERAGE EXPENDITURE PER VISITOR	AVERAGE EXPENDITURE PER VISITOR PER DAY
	ACCOMM	LOCAL TOUR PACKAGE	OTHER SERFVICES								
BUSINESS	1.3	1.5	0.7	5.2	41.0	16.7	10.8	22.9	5	193	37
VFR	0.2	0.0	0.0	0.0	11.0	31.4	24.3	33.1	10	191	20
LEISURE	0.0	0.0	0.0	0.0	21.7	29.7	15.9	32.8	12	61	5
TRANSIT	0.0	0.0	13.8	0.0	10.6	30.2	19.7	25.7	2	63	31
OTHER	0.0	0.0	0.0	0.0	42.8	27.0	23.6	6.5	5	71	16

Source: Calculations based on sample survey

Table 2: Expenditure by purpose of travel (Visitors from outside the region)

PURPOSE OF TRAVEL	PRE TRIP EXPENSES			PACKAGE	ACCOM	F&B	LOCAL TOURS/TRANSPORT ETC	SHOPPING	AVERAGE LENGTH OF STAY	AVERAGE EXPENDITURE PER VISITOR	AVERAGE EXPENDITURE PER VISITOR PER DAY
	ACCOMM	LOCAL TOUR PACKAGE	OTHER SERFVICES								
BUSINESS	2.8	0.0	0.4	1.6	43.2	19.0	26.3	6.7	11	794	74
VFR	5.1	0.8	1.7	12.7	10.0	8.9	11.7	49.2	13	631	48
LEISURE	3.3	1.7	2.0	55.2	15.3	4.5	14.3	3.7	7	1,468	199
TRANSIT	1.3	0.0	5.8	0.0	29.5	17.6	41.0	4.9	1	107	107
OTHER	7.3	0.0	6.5	14.2	19.9	27.1	6.5	18.5	11	526	50

Source: Calculations based on sample survey

Table 3: Expenditure by purpose of travel (Visitors from Africa)

PURPOSE OF TRAVEL	PRE TRIP EXPENSES			PACKAGE	ACCOM	F&B	LOCAL TOURS/TRANSPORT ETC	SHOPPING	AVERAGE LENGTH OF STAY	AVERAGE EXPENDITURE PER VISITOR	AVERAGE EXPENDITURE PER VISITOR PER DAY
	ACCOMM	LOCAL TOUR PACKAGE	OTHER SERFVICES								
BUSINESS	1.5	1.0	1.1	4.3	41.4	19.2	11.8	18.1	5	250	46
VFR	0.2	0.0	0.0	0.0	11.3	31.3	24.1	33.1	10	192	20
LEISURE	0.0	2.8	1.2	0.0	8.5	7.9	73.1	6.5	12	325	27
TRANSIT	0.9	0.0	14.0	0.0	12.7	28.6	22.6	22.1	2	66	34
OTHER	0.0	0.0	0.0	0.0	43.2	25.1	22.2	10.8	5	79	17

Source: Calculations based on sample survey

Table 4: Expenditure by purpose of travel (Visitors from outside Africa)

PURPOSE OF TRAVEL	PRE TRIP EXPENSES			PACKAGE	ACCOM	F&B	LOCAL TOURS/TRANSPORT ETC	SHOPPING	AVERAGE LENGTH OF STAY	AVERAGE EXPENDITURE PER VISITOR	AVERAGE EXPENDITURE PER VISITOR PER DAY
	ACCOMM	LOCAL TOUR PACKAGE	OTHER SERFVICES								
BUSINESS	2.1	0.0	0.1	1.4	43.7	18.0	28.3	6.4	12	861	73
VFR	5.2	0.8	1.7	12.9	9.8	8.6	11.6	49.4	13	644	49
LEISURE	3.5	1.4	2.1	60.2	16.2	4.6	8.0	4.9	7	1,418	203
TRANSIT	0.0	0.0	1.0	0.0	33.2	17.3	44.3	4.1	1	115	115
OTHER	7.5	0.0	6.7	14.6	18.8	27.5	6.2	18.7	11	539	48

Source: Calculations based on sample survey.

Expenditure patterns and opportunities

The average length of stay (ALOS) refers to the number of days, on average, taken by a particular group of visitors at a destination while the average expenditure per visitor is the amount of money spent in relation to the length of stay by a particular group of visitors at a destination. Unless stated otherwise, these amounts are usually in United States Dollar (USD). Expenses on services and facilities are expressed as percentages of the total budget and averages are the samples un-weighted.

On a per visitor per day basis, leisure visitors had the highest per capita expenditure. They were followed by those on business while the lowest spending visitors were those visiting friends and family (VFR) as well as those in the 'Other' category. Visitors on transit were moderate spenders. With respect to the average length of stay (ALOS), those visiting friends and relatives stayed for longer periods perhaps due to their strong family networks with other countries, as contrasted to those on transit who stayed for the shortest duration. Visitors on transit would possibly have interest in other destinations, hence their short stay in Rwanda. The business segment and those visiting friends and relatives incurred relatively minimal pre-trip expenses. Packages were heavily utilized by the leisure visitors (53.5% of their total expenditure) and to a less extent by those on other purposes of travel. Table 5 summarizes the expenditure patterns by visitors, right from their countries of origin to the final destinations.

Table 5: Average daily expenditure by purpose of travel

	Purpose of travel	Length of stay	Average daily expenditure	Pre-trip expenses	Package
1	Leisure	8 days	121 USD	7.50%	53.50%
2	Business	7 days	63 USD	3.40%	2.40%
3	Transit	2 days	52 USD	9.50%	0.00%
4	Visiting friends and relatives	11 days	31 USD	3.20%	7.90%
5	Others	7 days	34 USD	10.90%	11.20%

Source: *Calculations based on survey data*

Package travel was favoured among the visitors from America, Asia and Europe in that order. Expenditure by region showed that the visitors from America were the highest spenders on per capita per day basis (USD 112) when all expenses are taken into account including pre-trip expenses and packages. They were closely followed by visitors from the Middle East and Asia at USD 100. On the same basis, the least spenders came from the East African Community region (USD 25) and the Democratic Republic of Congo (USD 48). The average daily expenditure by visitors from the rest of Africa (USD 87) was higher than that of visitors from Europe (USD 72). This could be attributed to the costly continental flights involving several connections, flight changes and long waiting hours. The length of stay was much lower for the visitors from the rest of Africa implying that they were predominantly involved in scheduled activities such as business and/or Meetings Incentives Conference & Exhibition (MICE). An opportunity area to be considered for value chain benefits as relates to visitors length of stay would be to avail alternative activities during the visitors' stay to make those from the rest of Africa stay longer. Table 6 is a presentation of the results of the visitor's expenditure in terms of their countries of origin.

Table 6: Visitor expenditure by country of origin

	Region	Daily Average expenditure	Length of stay	Average expenditure
1.	EAC	25 USD	7 days	181 USD
2.	DRC	48 USD	3 days	128 USD
3.	Rest of Africa	87 USD	3 days	468 USD
4.	America	112 USD	9 days	1037 USD
5.	Europe	72 USD	8 days	579 USD
6.	Middle East & Asia	100 USD	10 days	985 USD

Source: *Calculations based on survey data*

On a per day basis, visitors travelling on package spend ten times more than those travelling independently. Nonetheless, data revealed that travellers on packages incurred 93.3% of the total expenses prior to travelling. Free Independent Travellers (FIT) pre-trip expenses amounted to 6.5% of their total budget (Table 7). FIT were observed to incur higher percentages of their total expenses on accommodation, Food and Beverage (F&B) and local transport. Packages were adopted probably due to lack of sufficient information for decision-making by the potential visitor to a

destination. Thus for Rwanda, to enhance value chain benefits, steady opportunities lie in the provision of such information to reduce overreliance on packages by visitors. In other words, the lesser the reliance on tour-packages by visitors to Rwanda, the better for the destination since commissions and other charges levied by intermediaries are significantly reduced.

Table 7: Distribution of expenditure by mode of travel

	Package travellers	Free independent travellers
Pre-trip expenses	1.60%	6.50%
Package expenses	91.70%	0.00%
Average stay	5 days	6 days
Average visitor expenditure	2557 USD	337 USD

Source: *Calculations based on survey data*

Calculations based on survey data also revealed that daily per capita expenditure and reliance on travel packages was significantly high for visitors who stayed for a period between two and four nights (Table 8). Leisure/holiday visitors and those on business predominantly stayed for such duration and hence dominated this category of length of stay. Same day visitors incurred about 13.2% pre-trip expenses higher than any other category of length of stay. A general observation was: that the shorter the stay, the more the expenditure on transport and local tours and the reverse is true.

Table 8: Distribution of visitor expenditure by number of nights

Number of nights	Average daily expenditure	Average expenditure	Pre-trip expenses
Zero night		41 USD	13.2%
1 night	96 USD	96 USD	2%
2 – 4 nights	152 USD	424 USD	5.1%
5+ nights	48 USD	693 USD	5.5%

Source: *Calculations based on survey data*

With regard to the expenditure by group size, the results showed that group sizes were not significantly different although visitors travelling alone were the greatest spenders (Table 9). As the group size increased the per capita per day expenditure declined possibly due to economies of scale arising from pooling of resources and facilities. Cumulative expenditure was, however, significant on economy. Reliance on packages was highest among couples or those travelling in group sizes of two. Despite this, as it was the case with per capita per day expenditure, the percentage spent on packages declines as the group size increases implying that there is 'comfort in large numbers'. Packages were preferred by those who are unfamiliar or uncertain with the destination they plan to visit.

Table 9: Distribution of expenditure by group size

Group size	Daily average expenditure	Average expenditure per visitor	Average length of stay
Lone visitor	73 USD	445 USD	6 days
2 visitors	69 USD	508USD	7 days
3 or more visitors	60USD	350 USD	6 days

Source: *Calculations based on survey data*

Visitor expenditure also differed according to the mode of transport, whereby those who travel by air reported averagely spending more than those who use other modes of transport. The average length of stay by visitors travelling by road was much shorter than that of air travellers. Holiday makers and business travellers dominated this category of travel. However, air travellers reported incurring higher pre-tip expenses and relied more on travel packages. Table 10 presents a summary of the distribution of expenditure by mode of transport.

Table 10: Distribution of expenditure by mode of transport

Transport Mode	Average-daily expenditure per visitor	Average expenditure-per visitor	Average length of stay	Pre-trip expenses	Package
Air transport	106 USD	956 USD	9 days	7.7 %	28%
Land transport	38 USD	195 USD	5 days	1.0%	4.7%

Source: *Calculations based on survey data*

With regard to the income of the visitors, it was observed that he higher the annual income of visitors the greater the average per day expenditure (Table 11). The lower income visitors (less than USD 25,000 per year) reported staying for the longest period, that is, 14 nights on average. These were those visiting friends and relatives. Visitors with incomes of more than USD 100,000 per annum heavily relied on travel packages and this category was dominated by those visiting for leisure purpose.

Table 11: Distribution of expenditure by income (air travelers)

	Pre-trip	Package	Average visitor expenditure	Average daily expenditure	Length of stay
Less than 25,000	1.9%		673 USD	47 USD	14 days
25,000-99,000	7.7%	11%	807 USD	91USD	9 days
100,000-199,999	5.3%	6.75	1351 USD	181 USD	7 days
Above 200,000	6.85%	54.5%	1861USD	223USD	8 days

Source: *Calculations based on survey data*

Regarding the visitor's experience, it was observed that a first-time visitor spend more due to unfamiliarity with the destination. Put it differently, they have limited alternative opportunities (Table 12). The usage of travel packages was also heavy among first-time visitors due to uncertainty about the planned destination. Repeat travellers preferred purchasing local tour packages at the destination.

Table 12: Distribution of expenditure by number of visits (Air travellers)

Number of visits	Daily average expenditure	Average expenditure	Length of stay	Pre-trip expenses	Package
First time	106 USD	1035 USD	10 days	6.8%	42.9%
2-4 times	99 USD	917 USD	9 days	10.3%	0.00%
5+ times	90USD	778 USD	9 days	6.1%	17.8%

Source: *Calculations based on survey data*

Linkages with other sectors

Tourism has great potential of helping Rwanda generate sufficient foreign exchange earnings and other benefits. This is possible with better integration of the tourism sector in the larger host economy. Over the years, tourism in developing countries such as Rwanda has been heavily dependent upon foreign investment. As a result, policy makers have little or no control over the nature of its development, scale, or even target markets. Overseas tour operators exercise significant powers in terms of choice of destinations and types of holiday sold. They prefer engagements in inclusive tour packages which ensure the bulk of the visitor revenue is retained in the source markets with minimal expenditure in the destinations. These practices do not foster linkages.

Among the measures that can enhance tourism economic linkages are a) procuring goods and services locally within host communities, b) establishing joint ventures between the private sector and the host communities, c) developing cultural and heritage tourism products and d) building the host community's entrepreneurial capacity. To achieve these goals, appropriate policy interventions are required. Such interventions include the following:

- Encouragement of local ownership and management of tourism resources, and small and medium enterprise development.

- Enhancement of linkages (both inter- and intra-linkages) and partnerships to the local economy. Hoteliers and tour operators need to work with local communities and local government to develop forms of tourism that would bring sustainable local development and provide richer experiences for both domestic and international visitors.

- Development of local sources of supply to the tourism establishments. Engaging with local suppliers by using local capital and resources and developing the skills necessary to deliver quality goods and services at comparative prices can increase retention of tourism revenues

Tourism has positively impacted on income and employment in Rwanda (Ntibanyurwa, 2010), and has capacity to accommodate both skilled and low skilled labour. The linkage of the tourism sector in Rwanda with the rest of the economy needs to be strengthened so as to deliver on given targets. Although Rwanda's ratio of non-direct contribution to direct contribution of

tourism sector to the economy is 1.53 which is much lower than the global 2.25, its ratio is still favourable and has the potential to be improved compared to other countries in the region and in Africa. This may be achieved through further innovations and enterprise development. Enhanced collaboration and joint-ventures between investors and the local communities can spur local development and hence reduce poverty incidences.

Linkages between tourism sub-sectors can be strengthened by linking suppliers to tourism enterprises, developing partnerships between wholesalers and local tourism operators, promoting agro-tourism and other related activities, and disseminating information on tourism investment opportunities.

Agriculture is the mainstay of the economy particularly in the rural areas where incomes and employment are mainly dependent on the sector. Linkages between the tourism and the agricultural sectors may be strengthened by increasing agricultural market demand, identifying the needs of buyers, mapping supply chains, enhancing agricultural supplies to tourism markets, matching supply and demand, developing business plans. Agro-tourism activities may cover farm-stays and tea/coffee/flower estate tourism. Most community- based tourism enterprises in the rural areas provide handicrafts, food and beverages for purchase by visitors. Despite this fundamental interconnection between the two sectors, linkages between the tourism sector and the agricultural sector and other productive sectors of the economy are not well defined due to the lack of a comprehensive Input-Output table specifically for Rwanda's economy. STMP (P.159) had recommended the formation of business linkages across the supply chains, especially for agricultural produce and handicrafts from the rural sector, in order to spread the benefits of tourism more widely.

The intensity of linkages can be measured by the ratio between indirect plus induced and direct contributions of tourism to GDP (Table 13).

Table 13: Intensity of Linkages

	DIRECT (%)	INDIRECT (%)	INDUCED (%)	INDIRECT PLUS INDUCED (NON-DIRECT)	NON-DIRECT/ DIRECT (RATIO)	STRENGTH OF LINKAGE (RANKING)
RWANDA	39.5	19.6	40.9	60.5	1.53	2
KENYA	39.6	19.0	41.4	60.4	1.52	3
UGANDA	41.8	20.4	37.8	58.2	1.39	4
TANZANIA	34.7	19.1	46.1	65.2	1.88	1
BURUNDI	47.1	19.4	33.5	52.9	1.12	5
SSA	38.3	19.3	42.5	61.8	1.61	
AFRICA	41.9	19.3	38.7	58.0	1.38	
WORLD	30.8	18.1	51.1	69.2	2.25	

Source: Calculations from WTTC Data Set

With respect to East Africa, Tanzania, Rwanda and Kenya were the most successful countries in generating linkages from tourism activities to the rest of their economies. Despite this, they, together with the other East African countries, operate below the global average in terms of tourism linkages with the rest of their economies.

Value chain challenges in Rwanda's Tourism

From the presented data, the identified economic bottlenecks experienced in the tourism value chains in Rwanda can be summarised as;

1. Market failures

2. Ownership

Market failures

For the case of Rwanda, market failures are attributed to several reasons, among them low per capita expenditure from the visitor as dictated by visitor expenditure patterns. There are also concerns over Pre-trip expenses and those made at the destination, which are expected to have a maximum impact on the local economy. From previous studies, package purchase has a minimal impact on the destination economy, and such has been the case for Rwanda. The reason for this scenario is that such packages are normally overloaded with commissions, charges, fees and huge 'profit' margins. For instance, visitors travelling over long distances by air usually buy air- tickets as part of a package. Therefore, the level of expenditure at the destination is dependent on the pre-trip and package prepayments. Pre-trip expenses may also influence local linkages to tourism value chains, and impact on economic leakages from host countries.

For such challenges, there is still need to increase the average daily per capita expenditure of the visitors. This can be done through the following:

(i)   Diversification of current tourism product through inclusion of non-traditional attractions

(ii)   Encouraging travel in small groups and retaining visitors of higher socio-economic status

(iii)   Encouraging product quality control through eco-rating of hospitality establishments

(iv)   Fragmenting the tourism markets into niche and special interest markets with specific themes such as nature, wildlife and cultural tourism.

(v)   Emphasizing the interpretative and educative aspects of the cultural tourism product

(vi)   Expanding tourism product choice and the quality of tourism facilities and services

Flight connections from the world's major visitor source markets of North America (the USA and Canada), Western Europe (the UK, Germany, Switzerland, France and Italy) as well as other high potential markets of Far East Asia (Malaysia, Singapore, South Africa and China) can be made more convenient.

Data on the visitors' length of stay shows that visitors stayed for a very short duration and mostly they visited for business or for other reasons rather than leisure. The limited length

of stay of visitors and the relative lower share of leisure tourism could be attributed to the following factors:

(i)   Most leisure visitors visit the region as part of multi-country itineraries.

(ii)   Rwanda is perceived as being more expensive than its neighbours and having less diverse tourism product and

(iii)   Pricing of transport from visitors' countries of origin is perceived as being less competitive compared to neighbouring countries.

In substantiation with other studies (UNWTO, 2009; UNECA, 2011; Government of Rwanda, 2009), this paper identifies several shortcomings that need to be addressed in order to develop products that ensure visitors stay in the country for a longer period. With respect to development of leisure tourism, existing shortcomings relate to the low quality accommodation and food and beverage facilities. There is need, therefore, to upgrade products and diversify related products. It was also observed that there are limited options for visitors who prefer recreational, cultural and sporting activities. We, therefore, recommend the development of entertainment options, for instance introducing zoos and botanical gardens.

The Strategic Action Plan for the development of the East Africa Tourism Platform notes that existing investment levels are insufficient to sustain product development strategies and diversification. Therefore, there is need to increase investment in the following areas: accommodation establishments, tourism and hospitality training institutions, boats and water sports facilities, establishment of zoological and botanical gardens and creation of theme parks other general infrastructure development.

Ownership

The problem of absence of local ownership for tourism investments is to some extent attributed to lack of financial capital as a barrier to entry to tourism value chains by local communities. Specific actions to allow easy entry of the local community into the tourism value chains include:

(i)   Provision of less stringent micro-credit services to enable local communities establish and grow their businesses is necessary

(ii)   More financial incentives such as tax holidays for local investors should be put in place

(iii) More capacity building especially entrepreneurial skills is required so as to spur the growth of local businesses

(iv) Tourism development extension services should be strengthened in order offer guidance to local communities on the starting and running of enterprises.

Nonetheless, foreign investment in tourism may result in superior promotional effort in the home country of the investor, and lead to higher visitor numbers from the investing countries (Dwyer and Forsyth, 1994). Impact of tourism on local economy is not significantly dependent on ownership for tourism investment (Dwyer and Forsyth 1994), but on … "the sources of the inputs used to produce goods and services used to satisfy tourist needs" (ibid, p. 525). Economic benefits accruing from tourism in Rwanda will depend on how foreign investments

source their supplies. Still, for both domestic and foreign investors in tourism, there is scope to use imported rather than locally sourced supplies, based on costs, quality and raw material availability factors.

The difference in employment with regard to local and foreign owned firms exists, as the proportion of foreigners in managerial positions in foreign owned firms is higher. Imported labour serves to enhance the quality of Rwandese tourism. Overall, the proportion of foreigners in tourism employment is low, as compared to the number of local Rwandese working in the sector.

With regard to local linkages, this paper suggests the following:

(i) A more all-inclusive policy should be put in place in order to strengthen linkages between the tourism sector and other sectors of the Rwandan economy such as agriculture, manufacturing, banking, entertainment and handicrafts. For instance, with reference to agro-tourism, accommodation establishments should not only include local foods on their menus but also purchase agricultural commodities from their adjacent communities. The policy should provide more detailed guidelines on the development of private investor-local community joint tourism enterprises.

(ii) Develop more innovative tourism products such as integrated rural tourism projects. This will constitute the development of visitor camps in rural areas. As a result, visitors will stay in simple lodges using local materials in the traditional local architectural styles. During their stay, the visitors can sample locally grown agricultural produce prepared using traditional recipes.

(iii) Introduction of additional fiscal stimulus packages such as tax exemptions to not only enhance private sector's procurement of goods and services from local suppliers but also invest in local work force.

DISCUSSION

Tourism in Rwanda is a socio economic driver of multiple other sectors, creating economic incentives notably agriculture, trade, and transport. Incentives contribute to the redistribution of tourism income in the local economy. The direct effects of tourism income redistribution comprise employment of locals in tourism enterprises, government collection of taxes from tourism, business set ups e.g. hotels to cater for demand of tourism goods and direct effects of imports.

Indirect effects from Rwanda's tourism total multiplier include money spend by employees of local tourism enterprises in the local economy, more tax generated for the government, and in business where money spend by a tourist creates jobs indirectly elsewhere in the economy outside tourism business, e.g. a hotel may have to buy food from local farmers, who may have to spend this money on fertilizer and other farm inputs.

Induced effects in the region result from household spending on income, either earned directly or indirectly from visitor spending in the region. Here, the increased tax revenue for government is spent on improving infrastructure, destination image and tourist services.

Challenges in capitalizing opportunities from tourism value chains in a local economy are related to demand, supply, marketing and government policies (Pillay and Rogerson, 2013). Importantly, there is opportunity to harness the scarcity of local assets to serve high end tourist market which currently is more likely to use imports rather than local produce in the creation of tourism goods (Rogerson, 2012).

However, there is unequal redistribution of income from tourism income to the local economy, among actor groups. Imports limit the opportunities within the value chain, as income generated from tourism is redistributed to other countries rather than the local economy in Rwanda. For Rwanda's case, imports are through:

- o Cost of building infrastructure to support tourism being leaked outside the country

- o Presence of foreign investment in the local tourism industry

- o Importation of raw materials to make tourism goods

- o Foreign workers employed in tourism

CONCLUSION

There are opportunities to spur local community socio- economic development within tourism value chains in Rwanda. However, the potential of available opportunities within tourism value chains is yet to be fully exploited, given barriers to entry to value chains. The creation of favorable investment environment will go a long way to promote establishment of locally owned tourism enterprises. It is also important for the Rwandan government to consider increasing inter sectoral linkages of tourism with other economic sectors, given the extensive opportunities within tourism value chains as exhibited by information on visitor expenditure patterns.

In our analysis, visitors were profiled according to their expenditure levels and patterns in order to identify the segments that were high yielders in terms of revenue. High spenders were found to be those on leisure/business, long-haul trips, small groups, short durations, first time visits, travelling by air and with high incomes. This assessment did not exclude prepayments made by the visitors. Although the daily expenditure of some categories of visitors was low, their volume compensated for this and they still made significant economic contributions to the economy. Such visitors include those travelling in large groups, staying for longer periods of time and are in the average/middle income group.

Although the leisure and business visitors had a significantly higher per capita expenditure per day, leisure visitors generally made heavy prepayments in their countries of origin. Those visiting friends and relatives stayed for relatively longer durations but made the least expenditure per capita per day.

The government of Rwanda should therefore prioritize to optimize yield from the tourism industry, by increasing number of visitors, length of stay and daily per capita expenditure. To retain revenue generated by tourism in Rwanda's economy, the Rwandan government should;

a) improve international/regional/domestic marketing strategies

b) segment the tourism markets

c) diversify tourism product

d) promote a 'Buy Rwandan' campaign

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