All-Inclusive Resorts and local development:

Sandals as Best Practice in the Caribbean

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Results and first conclusions from case studies on All-Inclusive tourism in the Caribbean and Central America

Example: Jamaica

Foreign currency income

- from Tourism:

1980 : 240 Mio US$

2001: 1.232 Mio US$

- From Bauxite/Aluminium:

1980: 735 Mio US$

2001: 736 Mio US $

Source: World Bank /Bank of Jamaica

Jobs generated by tourism

(direct and indirect employment)

▪ **Caribbean**	**22%**
▪ **Jamaica**	**387 Tsd. (= 31%)**
▪ **Dominican Republic**	**772 Tsd. (= 22%)**
▪ **Nicaragua**	**118 Tsd. (= 6%)**

Source: WTTC

Research question:

Are sustainability and mainstream/mass tourism incompatible contrasts ?

Does All-Inclusive tourism make a significant contribution to sustainable development in destination countries?

New Approach of development organisations to tourism:

Pick up the tourism industry where it stands

Tourism more sustainable instead of more sustainable Tourism

A 10% increase of social /environmental / cultural soundness of mass tourism is by far more impacting than the promotion of 100% sustainable, but niche tourism

Why focus on All-Inclusive tourism?

All-Inclusive is the fastest growing segment of mainstream tourism

All-Inclusive is the most controversially discussed segment of mainstream tourism

Researched Resorts

3 countries, 7 resorts with 2.550 rooms

- ✓ Dominican. Republic: 4 resorts, 1800 rooms
- ✓ Jamaica: 2 resorts, 450 rooms
- ✓ Nicaragua 1 resort, 300 rooms

5 resorts of national owners
2 resorts of international chains

All of them sell as 4-5 Stars Resorts,
but with considerable differences in quality

Occupancy rates are over 80% *(normal hotels: 40-70 %)*

Overview of the results

- **Jobs**
- **Income**
- **Working conditions**
- **Career options**
- **Purchase of of goods and services**

All-Inclusive Resorts create jobs

- Between 190 and 450 jobs created per Resort
- 3-4**** All-Inclusive resorts create 1 job/room
  *(normal 3-4**** hotels: 0,5-0,7 job/room)*
- **Sandals 5***** creates 1,5 – 2 jobs/room**
  (normal 5** hotels 1,0 job/room)***
- in all (except one[1]) resorts less than 10% seasonal jobs
- Each direct job creates approx. 2-4 indirect jobs
  (e.g. supplier of goods and services)

[1] one resort with 1/3 seasonal employees

Job losses through All-Inclusive ?

What happens when normal hotels change to All-Inclusive packages?

The only critical study we found on All-Inclusives stated that:

5 from 11 restaurants next to the hotels that introduced All-Inclusive had to close in Puerto Plata (Dom. Rep.)

- ➢ 50 jobs lost (estimated 10 employees per restaurant)

On the other side:

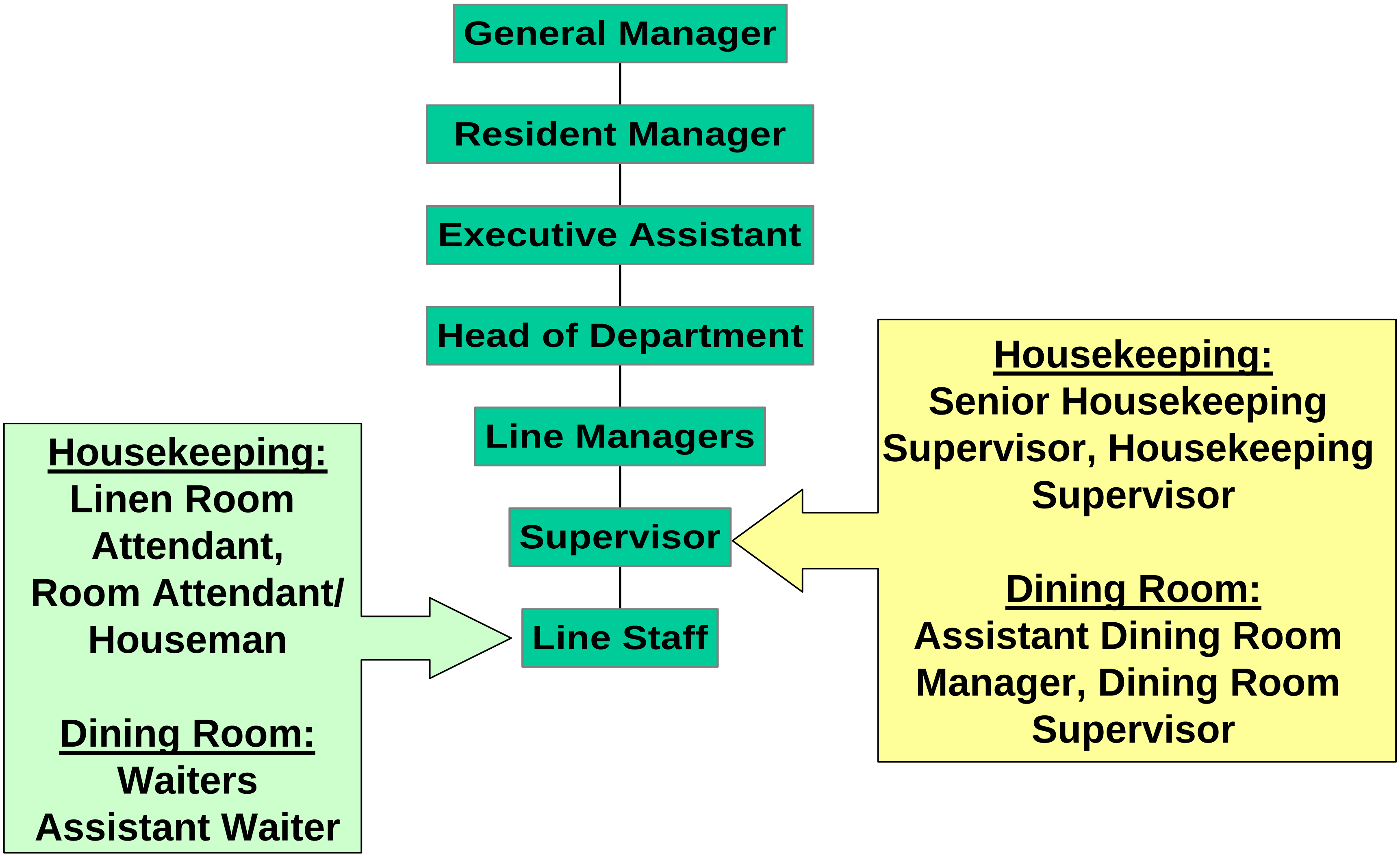
- ➢ 50 - 100 new jobs are created if a hotel with 300 rooms changes to become an All-Inclusive Resort
- ➢ increased food consumption under the All-Inclusive scheme means increased income and jobs in local agriculture

Income I: Basic salaries

- minimum wage between 100-250 US$/month (other researched resorts) and **450 US $/month (Sandals)**

- net wages for different career levels accessible by employees who enter Sandals completely untrained range between 450 und 900 US$/month

Career options at Sandals Jamaica



Income II: Add-ons to Sandals basic salaries

- training (120 hours/year is obligatory for line staff)
- training investment per line staff equivalent to 85 US$/year

- Including the support for training centres and higher education for staff members, Sandals has spend an average of 5 Mio US$/year or more than **600 US$/employee/year** for training

- Free meals, transport and pension contribution 200 US$/month

Income III: Gross salary for Sandals staff

Gross monthly wage (cash and in-kind contribution) for Sandals line staff ranges between 700 and 1,150 US $

These wages exceed by far the subsistence level in Jamaica

A clear indicator is that all staff can save significant parts of their salary on their bank account (we interviewed 10% of total staff in the 2 Sandals and Beaches resorts, and their savings ranged between 10-33% of their monthly cash salary)

Total Payroll and Coffee Consumption

- Annual total salaries of the 7 researched resorts range from **320.000 to 3,2 Mio US$** (the latter for Sandals)

- to bring in the same amount of money through coffee sales, you‘d have to sell between 440,000 and 4.4 Mio. Kilograms)* of coffee, that is the average production of between 780 and 7,800 hectars coffee plantation

** (7,2 US$/kg average German end producer price for coffee (2001), from which about 10% or 0.72 cts. reach the coffee farmer)*

Purchase of goods and services

The researched resorts buy an average of 1,0 Mio up to more than 2 Mio US$ per year on the local and national market

- The only resorts in our sample that were actively supporting local farmer groups to produce for their needs is Sandals
- One Sandals resort buys watermelon and cantaloupe from St. Elizabeth farmers for 7,200 US$/month
- 70 farmer families can receive an income of 100 US$ per month (and live beyond the poverty line) just from these watermelon and cantaloupe supplies to Sandals

Sandals‘ community outreach

- **More than 200 projects to support local communities in the Caribbean**
- Each resort has to adopt at least one school and to continuously support it, incl. construction work that needs to be done
- Tourism in Schools Programme
- Support to hospitals, infirmaries, AIDS hospices and children‘s homes

Final question:

For how long do you need to drink coffee*,
in order to transfer the same amount of money
to the producer country through the price
you pay for that coffee as through a
1 week All-Inclusive holiday at Sandals ?**

For more than 100 years……….)**

* According to our research in Sandals resorts, 500 US$ or 20% of the 1 week Sandals package price is the minimum that is distributed in Jamaica through staff salaries and purchases of goods and services

** based on the 2001 average German per capita consumption (6,6 kg/year), the average final consumer price of 7.2 US$ / kg and the fact that only 10% of the consumer price for coffee reaches the producers

South African corporates piloting pro poor linkages: Procurement, partnerships, and products

Caroline Ashley, Zeph Nyathi,
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PPT in practice

Learning from on-going practical experience with SA corporates

- What do PPT linkages mean in practice?
- How are they doing it? – implementation & challenges
- Lessons re the ‘business case’
- Implications for consumers

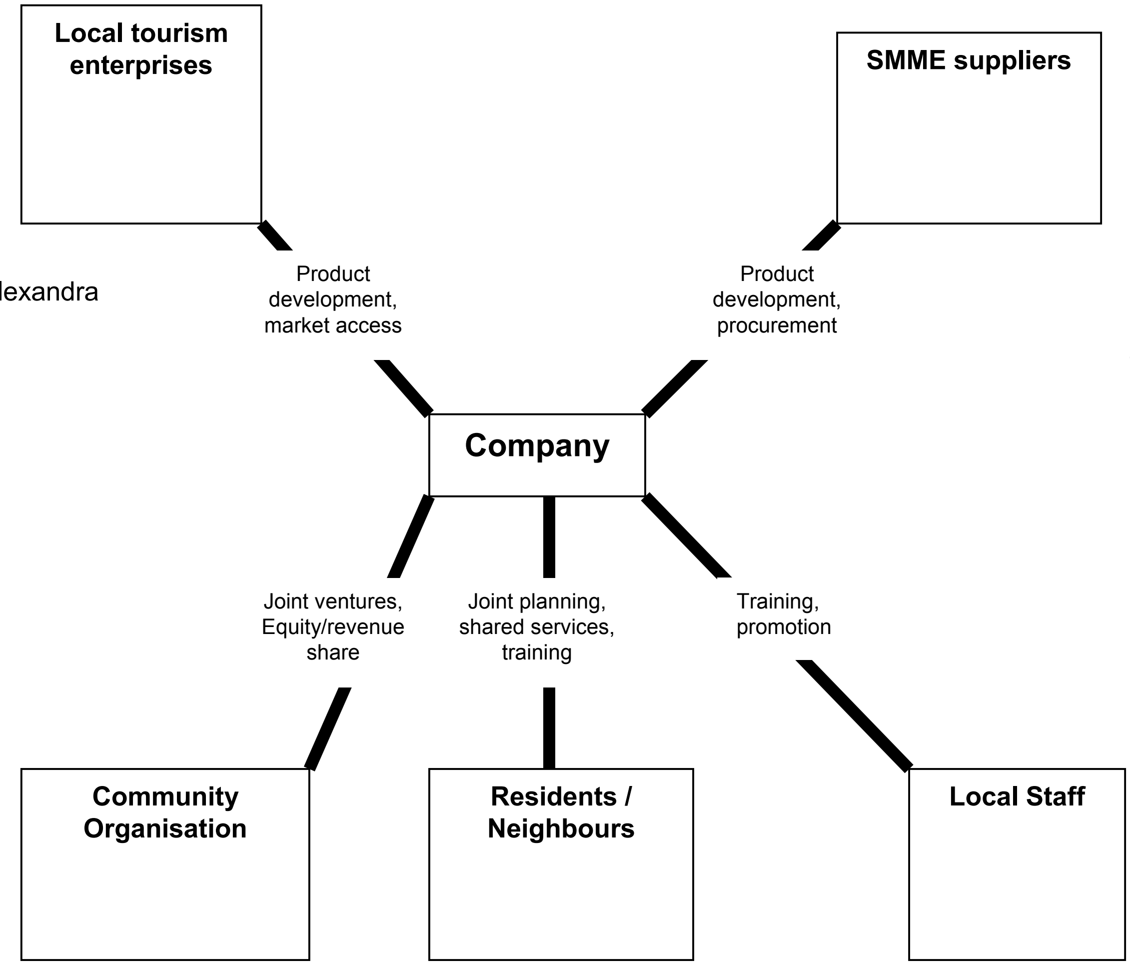
Starting assumptions

- **Business remains business**, but marginal change of a massive sector could make a significant development contribution
- There are **business cases for action** – long-term returns, vary by case. Outside facilitation helps reduce the costs and secure the benefits

Background

- Pro-Poor Tourism (PPT) = an approach to increase net benefits to the poor. Not a product. **A different way of doing business**, not just philanthropy
- South Africa post 1994: democracy **grappling with 'transformation',** expansion of tourism
- Piloting Pro-Poor Tourism with the Private Sector: 3 year programme, **working with companies at Pilot Sites to implement PPT**

Creating new linkages



RB: community tour

SS: township tours in Alexandra

SP: organic farmer, laundry, LPG, woodcutter

SC: welcome cards, glasses

RB: restructuring Mgobela Trust

RB: establishing Mpukane Trust

RB: security forum

SP: link with Kayamandi Trust

RB: interviewing 70 local people for 30 new jobs; training

RB = Rocktail Bay; SC = Sun City; SP = Spier; SS = Southern Sun

Local benefits are incremental, diverse & expanding

Different to a large cash donation

- New **enterprises**, jobs, community income
- New **access to markets**, exposure to tourists, expansion of the SA tourism product base
- Changing attitudes, increasing communication
- A dynamic process – one opportunity leads to another

How? Implementation spans many levels

- Assess option, set goals and priorities
- **Leg-work and communication** – meetings, SMMEs….
- Practicalities – transport, payment, electricity…
- **Changing practice inside the company** – the Buyer, management, ops staff
- Getting Govt **Authorities** on board
- Selling to operators and guests

There are many challenges and some key ingredients’

- A champion and driver
- Someone who can invest time and legwork
- Top management support, staff incentives
- Change in attitudes
- Managed expectations
- Willingness to turn the first failures into improvements
- Ability to form new partnerships

The ‘business case’ is proving strong and diverse

A more strategic input = more substantial long-term impact
Beyond ad hoc donations

- **Social licence to operate** – local support, access to Municipality
- Staff morale and motivation
- Customer choice, market appeal, accreditation e.g. ‘ethical tourists’, Fair Trade trademark, Imvelo awards
- Government procurement, preferred partner, recognition
- **Enhancement of brand and USP**
- Access to responsible financing, e.g. IFC
- **Minimise risk** – of local opposition, global criticism, BEE criticism
- Improved corporate governance
- Keep regulation at bay – at an industry level

Incentives vary by operation. Critical in current day SA.

For consumers – new opportunities

- **New products** available: filling the gap for *authentic* cultural tourism
- Emergence of brands which include fair/responsible/pro poor practice
- **Enhanced experience** due to staff morale, community friendliness, etc
- Consumers and tour operators *not* demanding change. But seeking? responding? r**einforcing change?**

Moving ahead …

- Continued work with companies in South Africa – pilot sites and then via a new company **Business Linkages in Tourism**
- **Share lessons:** avoid re-inventing wheels
- International **communication** through the chain (consumers, tour operators… providers in destination) to reinforce change.

Thank you!

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A Programme for Linking Small-scale Farmers to the Hotel Industry in St. Lucia

The Context

Caribbean agriculture critical for poverty alleviation

- Current production has export commodity focus
- 70% of fresh produce imported in 2001

Lack of effective domestic 'produce' supply

- Historically poor quality and inconsistent supply

Trade policy framework is incoherent

- Regional government support for agro-tourism linkage
- Currently needs unilateral island trade agreements

From early 2003, research has been conducted to develop the programme. Programme implementation has only just begun this financial year, so still at very early stages.

- Quote from power-point, adding that in St. Lucia x% of the poor are employed in agriculture and x% caribbean wide. Will try and get stats.

1. Many examples of introducing farmers directly to Hotels have been seen throughout the Caribbean, only in Jamaica and Trinidad has a consistent capacity building approach been seen. In the situations where single farmers or small groups work directly with Hotels, the following have been seen:

- Produce available for limited times of the year meant that Hotels have sourced from agencies that can offer consistent supplies I.e. imports.Varying quality has created contracts to be breached.
- **Hotels have the impression that farmers can neither produce volume or quality demanded, but not true.**
- Hotels purchasing practices of 90-120 days credit, are unworkable for credit 'poor' producers. Farmers lose any profit in trade through debt repayment.
- Catering staff need small volumes on a frequent basis, so require a supplier who can supply in this fashion. Farmers lack the infra-structure to meet this demand.
- **Farmers perceive hotels do not pay on time nor provide information to support production.**
- The current US domestic farm programme means that US horticultural production is subsidised so can offer reduced prices. Whilst at the same time, WTO and IMF economic adjustment programmes for the region are reducing domestic support for Caribbean farmers.
- Current trade arrangements in the Caribbean means that Caribbean regional production is treated the same as US or South American produce in most instances e.g. pineapple from St. Kitts & Nevis sold into St. Lucia has same duty implications as that from the US. The Caribbean single market should reduce this. However, at a national level, land, agricultural, education, Tourism and trade policies all effect the ability for agriculture to link with Tourism. These linkages have not been made coherent.

The programme

The programme has two components:

(1) An effective trading company providing 'fresh produce' to the Tourism sector

(2) A development programme

- St. Lucian production programme
- Caribbean trade advocacy programme
- *St. Lucian promotion campaign*

Therefore three critical gaps were identified in previous programmes for St. Lucia were:

a. Effective farmers organisation
b. Effective company trading domestic produce, servicing the Hotel sector
c. Effective national, regional and tourism sector policy framework

To address this, the programme aims to increase trade in fresh produce by developing Hotel demand and local production capacity through strengthening farmers' organisations and related agencies;

1. Foster the development of a **trading company** that will be a market driven social enterprise designed to improve farmers' access to the local hotel market. The company will streamline the selling process, allowing farmers to market their produce in an efficient, professional way. The operations of the trading company will affect, in differing ways, all phases of selling from production through to account collection. The company is designed to make sure that the needs and concerns of both the farmers and the hotels are addressed. .
2. Identify specific produce where St. Lucia can have competitive advantage that can be produced in the required volumes e.g. sweet potato and green pepper. Build the capacity of three farmers Co-operatives to produce these specific crops and work with a trading company to match production to demand through effective production planning.

- Advocate a coherent national and regional policy framework in St. Lucia and CARICOM to support the development of linkages between the agricultural and Tourism sectors.
- Once trade in domestic produce has been established, develop a St. Lucian promotional programme with Hotels and the Government. This has yet to be defined beyond the current outline.

The programme will improve the livelihoods of small-scale farmers in St. Lucia by developing their access to the Hotel sector, increase economic linkages between the Tourism sector and local rural communities and reduce the costs of Hotels. *For resorts this is the second largest variable expenditure component*.

What we have learnt so far

- **Issues with “adopt a farmer” approach**
  - Producer capacity
  - Credit is a specific issue for farmers’
  - Effective domestic trading company
- **Agricultural trade policy**
  - Caribbean single market
  - Caribbean works with US double standards
- **Hotel purchasing**
  - Flexible credit arrangements
  - Local purchasing can reduce costs, improve quality and benefit broader community

- Production needs are not translated into general production plan, so even when volumes and quality are available, demand rarely meets supply.

1. Many examples of introducing farmers directly to Hotels have been seen throughout the Caribbean, only in Jamaica and Trinidad has a consistent capacity building approach been seen. In the situations where single farmers or small groups work directly with Hotels, the following have been seen:

- Need an effective trading company to interpret Hotel demand into farmer production.
- Need effective credit for farmers to ensure trade is profitable.
- Need a service company that can provide produce in small but frequent volumes.

2. There is a need for a fair trading environment, which the CSME (single market) will hopefully encourage. Current US domestic policy makes the market unfair between competing US and Caribbean farmers.

- However, at a national level, land, agricultural, education, Tourism and trade policies all effect the ability for agriculture to link with Tourism. These linkages have not been made coherently.

3. In the short term, flexible credit arrangements and bringing together companies within the supply chain, should be able to develop effective trade in local produce. In many small island state and developing country contexts, these agencies may need to be created.

- In a Caribbean context The example of Jamaica, Trinidad prove that sustainable linkages can be made broadly across the Tourism sector. The individual cases of Sandals and Ana Chasney (not sure of spelling) prove that by developing purchasing policies to support linkages, local purchasing can reduce costs, improve quality and benefit the broader community.
- What is clear is that there is a desire for Hotels to purchase locally, based on reduced costs and meeting their customers demands for a high quality and authentic experience. Hotels purchasing practice and policies do need to be adjusted to ensure this trade is sustainable.

Likely benefits and outcomes

Improve access for Caribbean small-scale farmers into the tourism sector

- Effective trading company
- Market driven production system
- Coherent policy frame-work
- Support other regional programmes develop

See top line on slide and add that the programme aims to work directly with 400 small-scale farmers across three Co-operatives, to improve their livelihoods.

Create a trading company that ensures efficient trade between St. Lucian farmers and Hotels

Demonstrate an effective production system for small-scale farmers to access the Tourism sector

Support the development of coherent policy framework linking Caribbean Agriculture and Tourism

Support other programmes develop Caribbean small-scale farmers access into the Tourism sector, primarily through sharing on lessons learned.

Working with hotels to increase the earnings of the informal sector – experience from The Gambia

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Whose responsibility is pro-poor tourism?

- All forms of tourism can be pro-poor.
- The focus needs to be on who benefits from tourism.
- It is not a zero sum game – can grow the cake - the poor do not necessarily benefit at the expense of the industry.

Private sector initiatives require

- Help in meeting transaction costs and training.
- A framework which ensures that the informal sector offers quality assurance and security [e.g. craft development].
- In destination – local – marketing support.

Realising the Opportunity

- Government Policy and Action
- Strong Private sector engagement – CSR and market trends.
- Encourage tourists to spend money on locally produced crafts & art, performance, to eat local foods and try local drinks.
- Build on existing livelihood strategies.

Partnerships

- Tourism Challenge Fund project in The Gambia demonstrated that the livelihoods of the poor could be improved.
- Requires a lot of small changes to make “better places for people to live in and to visit”
- Formal and informal sector can take responsibility for change – it is scaleable.

Making a Difference in The Gambia

- Identifying the barriers which obstruct informal sector entry into the export market.
- Developing a multi-stakeholder approach to reducing the market access barriers
- Average British tourist spending £28/45USD per day in the Gambia – it all contributes to export earnings
- Of this “discretionary spend” 33% being earned in the informal sector.

The Gambia

- Ranks 160th out of 173 on UN HDI (2002)
- More than 50% of the population lives on less than 1 USD per day
- Tourism is 7.8% of GDP – 5,000 + jobs.
- Predominately a winter sun destination for northern Europe – 40% repeat visitors.
- Some niche markets including birdwatching and the Roots Festival.

DFID Tourism Challenge Fund Partnership Approach

- **Formal Sector**
  - Hotels
  - Incoming Operators/Ground Handlers

  - Outbound Tour Operators
  - Federation of Tour Operators &
  - Responsible Tourism Unit & Travel Foundation

- **Informal Sector**
  - Licensed guides
  - Community tourism projects
  - Bird guides
  - Craft markets
  - Juice bars
  - Bumsters
  - Fruit sellers
  - Taxi drivers

Process

- Information gathering and sharing
  - identifying good practise
  - identifying barriers to access
- Researching the views of tourists and each of the sectors.
- Stakeholder workshops with each group
- Multi-stakeholder workshops to identify an agenda to address the issues which concerned each group
- Agreed implementation agenda for change

Barriers to access reported by the informal sector in The Gambia

1. Lack of promotion by the formal sector –negative presentation. Lack of linkages with the formal sector.
2. Lack of awareness among the tourists and their fear
3. Too much competition within the sector
4. Tourists bargaining too hard
5. Commissions
6. Lack of advertising and promotion
7. Lack of marketing knowledge

Information in Hotels

- All informal sector groups wanted to be represented in the market place – in hotels.
- Code of Conduct
  - no hassling
  - self discipline & regulation.
- Differentiated products
  - Birding
  - Agricultural tours

Avoid being ghettoised

Craft Markets

- Reduce Hassle through codes of conduct.
- Demonstrations of craft working
- New products
- Labelling and interpretation
- Tailor made to order

Craft Markets

- New Products
- Less hassling of tourists – hassling stops sales
- Haggling within a more appropriate range
- Better quality
- Better presentation of products
- More product differentiation – different cultures
- Brikama “a wood carving centre”
- More “production” on the stalls
- Sell more inside hotels- but 63% only get in once in the season

Free market days

- Change in atmosphere on the beach
- More use by hotel guests
- Three fold increase in revenues at Kotu Beach and 43 new “jobs”
- Incomes doubled at Senegambia

Self Regulation

- Recognition that hassling reduces sales
- Willingness to control members (backed by the Gambian Tourism Authority)
- Guides have rotas and complaints systems.

Official Guides

- Lack of promotion and negative presentation by the formal sector
- Too much competition with the sector.
- Bumsters are retrained as official guides – licensed Bumsters?
- Tourists bargaining too hard
- Incomes increased by 33% 2001-2002

Juice Pressers

- Registered association
  - **Badging**
  - **Self-regulation overseen by GTA**
  - **Fixed prices and no hassling**
- Income more than doubled 2001-2002
- Require access to clean water and toilet facilities

Kotu Beach Fruit sellers

2001/2002 earnings increased 50-60%

Development Impacts: increased incomes.

- Fruit sellers: 50-60%
- Juice Pressers: 120%
- Guides: 18-30%
- Kotu Beach Craft Market: 300% and 43 new jobs.

Informal Sector Organisation

Further Information

Pro-poor Tourism and The Gambia
www.propoortourism.org.uk
www.propoortourism.org.uk/15_Gambia.pdf
Tourism and Poverty Alleviation
www.world-tourism.org/frameset/frame_sustainable.html
Project Reports on The Gambia and South Africa
www.nri.org/NRET/publish.htm#tourism
www.icrtourism.org/capetown.html
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