

# Republic of Madagascar: *Tourism Sector Study*

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## Abstract

Madagascar has an impressive array of biodiversity, natural beauty and cultural resources to support tourism. Surprisingly, of the 200,000 visitors the island per year, only about 60,000 come expressly for tourism, the rest traveling for other reasons but which could include some tourism activity. Madagascar has the potential to welcome many more tourists if the sector's growth is well planned in a broad, multi-sectoral way – focusing on

economic aspects, infrastructure and environmental and social concerns, particularly for community participation. This report sets out a program for equitable development of the sector and evaluates the opportunities for growth and the barriers that currently block progress. The report features a survey of hotels and other tourism establishments. The report recommends a comprehensive master planning program and action program.

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## Abbreviations

ACM	<i>Aviation civile de Madagascar</i>
ADEMA	<i>Aéroports de Madagascar</i>
ANGAP	<i>Association Nationale pour la Gestion des Aires Protégées</i>
CADE	<i>Comité d'appui au développement de l'écotourisme</i>
CI	Conservation International
CNDT	<i>Comité national de développement du tourisme</i>
CRT	Centre for Responsible Tourism
DFID	Department for International Development
EIA	Environmental Impact Assessment
EPZ	Export Promotion Zones
EU	European Union
GATO	German Tourism Organization for Development and Investment
GDP	Gross Domestic Product
GOTO	<i>Groupement des Opérateurs Touristiques de Madagascar</i>
GRT	Gross Tonnage
IADB	Inter American Development Bank
IIED	International Institute for Environment and Development
INTH	Institut National de Tourisme et de l'Hôtellerie
IOITO	Indian Ocean Islands Tourism Organization
ISO	International Standards Organisation
KfW	German Development Agency
LDI	Landscape Development Interventions
MADIO	Madagascar <i>Dial</i> Instat Orstom
MECIE	<i>Mise en Compatibilité les Investissements à l'Environnement</i>
MDT	<i>Maison du Tourisme</i>
MF	Madagascar franc
MOT	Ministry of Tourism
MTP	<i>Maison du Tourisme Provinciale</i>
NGO	Non-Governmental Organization
ODI	Overseas Development Institute
PAGE	Projet d'appui à la Gestion de l'Environnement
PPT	Pro-Poor Tourism
PRSP	Poverty Reduction Strategy Paper
RFT	<i>Réserve foncière touristique</i>
SME	Small and Medium Scale Enterprise
TO	Tour operator
TSA	Tourism Satellite Account
UK	United Kingdom
UNDP	United Nations Development Program
US	United States
USAID	United States Agency for International Development
VAT	Value Added Tax
WTO	World Tourism Organization
WTTC	World Travel and Tourism Council
WWF	World Wildlife Fund

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# Madagascar

## Tourism Sector Analysis

### Summary of Conclusions and Recommendations

#### **i. Tourism as a Development Tool**

Tourism<sup>1</sup> can be a potent development tool, generating economic growth, diversifying the economy, contributing to poverty alleviation and also creating backward and forward linkages to other production and service sectors. In Madagascar, where rural poverty is widespread and where the poor put stress on the natural resource base, tourism could generate positive externalities. First, because the assets extend throughout the island, tourism creates pockets of economic growth in regions that have no alternative sources of income and employment. In remote regions, particularly, tourism helps to alleviate poverty by diversifying income sources. Second, tourism, properly managed, can help to preserve the environment, whether for ecotourism or for resort-based tourism. Madagascar's natural resources of flora and fauna and its coastal zone are among its most important but fragile economic assets. The assessment of Madagascar's assets for tourism undertaken for this report suggests that the current small size of the sector reflects substantial unrealized potential. In the past, tourism has been considered at worst as a residual to conservation, or at best a way of partially funding conservation. But tourism is complex and requires its own analysis, particularly as it is one of the largest in the world and rapidly consolidating into a few large players. More needs to be done to build a dynamic partnership between business and conservation, in recognition of the fact that a sound business plan for tourism, an effective environmental plan, and a framework for social inclusion are mutually reinforcing and that absence of one may put the others in jeopardy.

#### **ii. Comparative Advantage**

Madagascar's extraordinary natural assets, land-based and marine, make it a target destination for a diverse range of tourists. As one of the world's few mega-biodiversity countries, 95% of its animal and plant species are endemic. Among these are 32 species of lemurs, which are the main attraction for many tourists. As the world's fourth largest island, with nearly 5,000 km of coastline and a continental shelf that is equal to 20% of its land area, Madagascar has world-class resort assets. These are enhanced by its marine and coastal biological diversity, which is greater than in any other Western Indian Ocean country, and, in particular, by its spectacular marine mega-fauna.

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<sup>1</sup> Because most tourism to Madagascar is natural resource based, the terms ecotourism, nature tourism and tourism are used interchangeably. Although a distinction is made between ecotourism and resort tourism, the latter is also primarily based on marine natural resources and its wildlife.

The variety of the country's assets is reflected in its World Heritage Site: Tsingy Bemaraha Strict Nature Reserve in the west, which consists of a spectacular *karst* geological formation. The 16 National Parks, as well as other protected areas, cover 3% of Madagascar's land surface and are distributed throughout the island. Four marine parks are clustered around Mananara Nord, a Biosphere Reserve, on the northeast coast. Private reserves also dot the island and are visited by tourists. Because of its high endemism, Madagascar's ecotourism assets are unique and place it among the prime ecotourism destinations in the world. Its sun, sea and sand assets are outstanding but compete with the other better-known and better-developed resort destinations in the Indian Ocean. Madagascar also has potential as a cruise ship destination and is already included in the schedules of several cruise lines, lying as it does between two three cruise destinations Capetown, Durban and Mombassa.

### iii. The Asset Base

Madagascar's natural resources -- and, therefore, its asset base for tourism -- are much studied and have received considerable international financing and technical assistance for their conservation. Data about the tourism sector proper, on the demand side particularly, are, however, poor. Information is unreliable about numbers of bonafide tourists as opposed to foreign visitors, their expenditures, average length of stay, distribution around the country, and their socio-economic characteristics. This information is essential to:

- Know the current size of the sector and calculate benefits from tourism
- Understand better what type of accommodation should be built where and which related services and products are essential
- Target promotion and marketing to existing and potential segments of demand and countries of tourist origin.

Few, if any, countries can claim to have perfect tourist statistics. Madagascar has done well to conduct two sample visitor surveys, with EU assistance, because they are revealing about the characteristics of tourists. But immigration data still provide the most efficient way of knowing the size of the sector and must be improved. Team estimates suggest that the number of bonafide tourists may have been between 68,000 and 100, 000 in 1999, as compared with official estimates of foreign visitors, as defined above, of over 160,000. French tourists dominate arrivals (60%), partly for historical and cultural reasons and partly because of flight itineraries. Tourist arrivals grew in the nineties, possibly at the same or a slightly higher rate than WTO<sup>2</sup>'s estimate of 7.2% for Africa as a whole in the 1988-97 decade. Because of its varied asset base and distance from supplier markets, the average length of stay in Madagascar is unusually long—20 days according to official statistics, but more likely a few days less.

On the supply side, in 1999, the country had 556 hotels with 7,207 rooms. Some 111 were classified as meeting international standards and were rated with stars. Another 109 met local standards and were rated with palm trees (*ravinala*). The remaining 336 were unclassified, with many of these containing no more than 5 rooms, operated as a family business. Lack of information on the distribution of quality and their occupancy rates, makes it difficult to judge

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<sup>2</sup> WTO in this case is the World Tourism Organisation.

whether the supply is appropriate for the types of tourists who visit Madagascar and for the locations visited. However, all the ground operators interviewed in Madagascar stated that they compete with each other for rooms in the small number of hotels that meet acceptable standards. When there are no acceptable alternatives, tour operators change itineraries or even cancel groups for peak dates.

Data on hotel investments and number of rooms indicate that there was a substantial increase in hotel investments between 1999 and mid-2001—mainly in expectation of increased arrivals because of the country’s vantage point for viewing the eclipse of the sun. (The absence of any increase in airplane capacity limited arrivals for the event.) The new investments resulted in a decline in average hotel size from 13 to 10 rooms.

Currently, tourism is included in sectoral GDP in Madagascar as “Trade, Hotels and Restaurants”. By lumping trade with tourism, the contribution of neither can be well understood. Estimates of employment (some 20,000) are limited to those in hotels and restaurants and in travel and tour operators, without account of employment generated by tourism in agriculture, fishing and agro-industries and manufacturing to supply inputs to tourist accommodation, in transport and other tourism-related services (such as scuba diving, guides, etc.) and by handicrafts sold to tourists. Job creation in tourism is estimated to have grown by 8% annually in the past few years. Wages in the hotel industry have a 40% premium over the minimum wage, partly reflecting the scarcity of trained hotel staff. Given the problems related to defining who is a tourist, estimates of foreign exchange and taxes from tourism cannot be reliable. Nevertheless, the Government states that tourism is one of the top three sectors in terms of foreign exchange earnings, fluctuating in rank with the EPZs and fisheries.

In 1993, the United Nations called on all countries to develop a Tourism Satellite Account (TSA)<sup>3</sup> to provide a credible measure of its true contribution to the national economy. The objective is to inform the policy decisions of governments and the investment decisions of private industry. Madagascar wishes to put a Tourism Satellite Account in place.

#### **iv. Poverty and Tourism**

As noted above, tourism can have a beneficial impact on the economic lives of local populations by creating jobs and providing additional sources of income and wealth creation. On the other hand, the quality of tourism assets is also affected by poverty. Deforestation, a continuing threat in Madagascar, reflects the desperate attempt at survival by very poor rural populations, with few economic alternatives to subsistence agriculture and the use of trees as fuel wood. Similarly, population pressures and over-fishing are among the main threats to the coastal zone. Withal, a number of NGOs have assisted local communities to introduce tourism as an income-generating activity and these case studies provide models that could be replicated elsewhere in the country. If information about Pro-Poor Tourism (PPT) were centralized, it would assist the Government and, principally, the Ministry of Tourism to analyze the experiences, develop policies for PPT and incorporate these into its sector planning. Collation of results could lead to a definition of best practices within Madagascar on poverty initiatives

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<sup>3</sup> The term “satellite account” measures the size of economic activities that are not included in their own right in national public accounts.

related to tourism. Lastly, collation would provide a source of information for new communities that are eager to incorporate tourism into their economic activities. Under this report, a start has been made using a survey instrument that has gathered some information on community tourism projects. A small and technically orientated “Ecotourism and Village-based Tourism Committee” has been established to liaise with the various agencies engaged in ecotourism; it could collate information about ecotourism, and monitor its development.

#### **v. Tourism and the Environment**

Tourism, carefully managed, is a tool for environmental protection and for financing conservation. Many “willingness to pay” studies indicate that tourists can be tapped to support environmental or cultural protection either through entrance fees, departure or other taxes, and voluntary contributions. To enhance the island’s image, as well as help preserve the natural resource base, the larger accommodation units and, particularly those in sensitive ecological areas, should begin to aim for hotel accreditation that signifies that the unit has met clear environmental standards and is also a valuable marketing tool.

While economic cost benefit analysis may capture all streams of revenues and costs, where assets are public goods no quantification may be available. Yet tourism assets are scarce and generate “rents” and much dissension between countries and developers can be traced to how best distribute these rents between the travel industry, tourists and the host country. Clearly, a charge for use of these assets is desirable if the asset is to be used sustainably. Many direct and indirect tools are available but it is important that tourism operators as well as government policy makers and environmental officials take heed of this important issue. Measures for ensuring that resources collected are managed responsibly include arrangements with NGOs and other providers.

#### **vi. Sector Administration**

The Ministry of Tourism has capable people in its leadership echelons, but a low budget that renders it ineffective. The Ministry has also not succeeded in convincing other branches of Government of tourism’s significance and contribution to the economy, i.e., in classifying tourism as an export industry or attracting additional resources for infrastructure and promotion.

The *Association Nationale pour la Gestion des Aires Protégées* (ANGAP) has been an effective enough manager of the national parks and reserves, has built a solid reputation and works effectively with NGOs but faces funding shortfalls in the short run. Given the critical role of the national parks and reserves for conservation and for tourism, ANGAP urgently requires resources to enable it to continue its operations. GEF is working with ANGAP to create a trust fund and to increase its revenue generation from park fees.

The private sector consists of a large number of small enterprises, which reduces its capacity to act in unison or in a harmonized way on issues affecting the tourism sector. Nonetheless, the *Maison du Tourisme* (MDT), set up as a private sector umbrella organization with European Union (EU) support, offers the potential to bring the various branches of the industry together, if its organization is streamlined and its financing set on a firmer footing. The

Government is said to be considering leaving the MDT to become a purely private association and creating an *Office du Tourisme*, to promote the country. The important issue is to create a space where the private sector and government can discuss policy and operational issues in a mutually reinforcing environment – this could be achieved by a restructuring of MDT or by creating a new *Office*, the former being possibly more efficient. Inasmuch as the government puts an *Office* in place, it would be useful to revisit the functions of the ministry with a view to the ministry focusing on policy, the Office focusing on regulatory and operational matters and *inter alia* redynamizing the *Comité national de développement du tourisme* (CNDT).

Sector administration lacks effective partnerships between the public and private sectors. Only a continuing dialogue between the public and private sectors can lead to successful tourism management. Despite some progress, that dialogue is not yet in place. A strengthening of public and private sector institutions, combined with a strengthening of coordination mechanisms among them, should facilitate the process but specific procedures should be put in place as soon as possible to formalize the dialogue.

#### **vii. Constraints on the Growth of Tourism**

The tourism sector may well be operating considerably below its potential because of the quality, variety and uniqueness of the tourism assets. The main constraints to growth of the sector are highlighted below and they are on both the demand and supply sides. On the face of it, demand potential appears to be unlimited because of the quality, variety and uniqueness of the tourism assets, both through increasing the numbers of tourists visiting Madagascar and by increasing per capita tourist expenditures through higher value added services. However, meager official and private sector promotion and lack of attention to the policies and infrastructure in place has left this demand largely untapped. Simultaneously, the current inability of the sector to accommodate and transport increased numbers, certainly of discerning tourists, constrains its growth.

The cost and vagaries of airline access and restrictions on internal travel because of poor road infrastructure and unreliable, unavailable and high cost commuter airlines, is a major limiting factor on the size of the sector. As a specific example, new accommodation was built to accommodate the large number of tourists expected in 2001 for the eclipse of the sun, but there was only a marginal increase in air access and none in internal transport. Not surprisingly, investors' expectations were dashed. Consequently, there is little incentive to supply additional accommodation of the appropriate size and quality to meet market demand. For these and other reasons discussed below, Madagascar is without a flagship ecotourism or resort hotel that would expand worldwide promotion and help attract other investors.

Furthermore, Madagascar's asset base is -- with specific exceptions in certain resort and other areas -- more appropriate for small groups, which acts as a disincentive to invest in larger accommodation units, which in turn acts as a disincentive to larger group travel where tour operators counteract low margins with higher volumes. Therefore, tour operators try to target higher-income tourists and buffer them against the scarcity of suitable reception facilities. Despite this spider's web of constraints, many tourists leaving Madagascar report their satisfaction with their visit because of the quality of the natural assets. These tourists value

Madagascar as a more rugged and unpredictable holiday experience. The larger segment of the more conventional tourist and the small, but often-profitable luxury market, are the ones most difficult to attract to Madagascar

Despite the market complexities, several respected international hotel operators have explored the possibility of investing in Madagascar and continue to do so, although the obstacles summarized below, represent significant barriers.

#### External Access

- Airfares are among the highest in the world because of lack of competition among the few air carriers that serve Madagascar. As a consequence, the airfare weighs heavily in the total tourist package (at least 50%)
- International access is inconvenient for all tourists except residents of France (and South Africa) because of the few gateway cities in tourist supplier markets. It would be interesting to review existing bilateral agreements in Africa and to open several airports in Madagascar to international flights and thus diversify the supply of air services.

#### Internal Travel

- From January to March, the wet season brings heavy rain, flooded rivers and damaged roads that can make some overland travel impossible. Rough seas can delay or make dangerous inter-island travel.
- Only 7,000 km out of the 35,000 km road network are weatherproof. Road infrastructure is inadequate on even the most traveled internal routes and is absent for many less visited sites with high tourist potential.
- Internal air flights are costly and unreliable, with frequent cancellations or rescheduling.

#### Accommodation

- There are too few good hotels, lodges, and camps in the main tourist destinations.
- Group travel is a characteristic of international tourism today and most hotels outside Antananarivo cannot accommodate even the small groups of 16 people and less that travel to Madagascar.
- The only “name” hotels in Madagascar are the Hilton hotel in Antananarivo and the Venta Club in Nosy Be. The presence of an internationally recognized flagship resort hotel or ecotourism lodge in Madagascar would bring name recognition, would raise standards through technology transfer, and would promote the island.

### **viii. Government Policies and the Business Environment**

Investors, whether foreign or local, for tourism or any other sector, will look for a stable macro-economic framework conducive to private sector investment and one that fosters stability, confidence and predictability. The following need to be addressed:

- The Government does not classify tourism as “an export industry” and promote it actively and provide incentives as it does its export zones for industry.
- Tortuous and uncertain procedures and processes for land acquisition, lack of transparency about case by case investment incentives, absence of financing, and lack of a one-stop investment shop continue to deter new investors.
- Local tour operators and hotel managers must commit a year ahead to a price structure in their brochures and in their contracts with international tour operators and, consequently, cannot pass on any sudden cost increases. In the past, the private sector has watched investment incentives revoked unpredictably and suddenly because of purported abuses and VAT imposed without sufficient lead-time to be able to pass the increased costs on to clients, leading to a climate of uncertainty among investors.
- In 1999, local inflation and a depreciating exchange rate led to an increase in up to 50% in the cost (then) in French Francs of the package local operators had advertised and they had to absorb the shortfall in local currency payments. More and more, international packages are offered in Euros, thus avoiding the local depreciation issue.
- Today, the industry complains about the sheer number of taxes to which their businesses are subject. The impact of duties and taxes on vehicles, mainly 4 wheel drives, can increase the f.o.b. price by as much as 130%. These costs are passed on to the consumer, increasing the cost of the total tourism package.

Red tape, unpredictable and arbitrary decision-making, and rent-seeking behavior, deter investors from investing in or to staying in the country. For example, permits for expatriates are withdrawn unexpectedly and without warning, leading the manager to drop everything until the matter is resolved. Interviews in Madagascar suggest that investors find the constraints discussed in this section insurmountable.

### Promotion

Lack of effective promotion of Madagascar by either the public or private sectors restricts its access to supplier markets and is exacerbated by the absence of brand name hotels.

### Telecommunications

All firms, not just IT firms, are hurt by the high cost of communications, but it is a particular burden for small ones, such as the handicraft firms trying to advertise their products and find new markets. Few small companies can afford Internet sites, which would make it much easier for foreign buyers to learn about them. The item that received the most criticism in the 2000 visitor survey was “*communications*”.

### Health and Safety

The absence of medical facilities in a destination with malaria, in a country where there was a serious outbreak of cholera, and where adventure travel is significant, is of concern to

international tour operators. Personal safety is not regarded as a serious problem in most of Madagascar, except in Antananarivo, where tourists can experience petty theft.

#### **ix. Positive Signals**

Selected Government policies have recently been designed to address some of the serious constraints to an expansion of tourism. The Government, through the draft PRSP, has also turned its attention to potential linkages between tourism and poverty alleviation. Most importantly, macro-economic policies have helped to create sustained economic growth recently and to provide an improved business environment. Decisions to privatize the national airline and introduce “Open Skies” policies should, if it leads to greater competition between airlines, reduce costs and make itineraries more flexible. Privatization of Government-held hotels should also lead to their greater efficiency. The use of donor funding for improving the road network will also benefit tourism—provided the needs of the sector rank among the priorities. Local tour operators note that communications have improved greatly, compared with five years ago, with the widespread use of cell phones and e-mail.

Specific tourism sector policies have addressed serious constraints, if not always successfully. The *Maison du Tourisme* was designed to improve marketing of the country abroad. The allocation of special land reserves in tourist areas (*réserves foncières touristiques*, RFT) with French, German and US assistance, potentially at least, makes available land for leasing, free of the endemic problems that have driven potential investors away in the past.

All these constraints do not need to be removed simultaneously for tourism to succeed; and while tourism policy should focus on comparative advantage, it will also be necessary to evaluate constraints both in terms of the barriers they engender and the cost of resolving them in specific contexts. Choice of tourism initiatives will be guided by consideration of these issues. Furthermore, all tourism options cannot be developed in the short-run and choices will have to be made. Thus, a well-prioritized program will minimize additional investment in infrastructure by ensuring that new tourism investment will utilize existing or new infrastructure already in the pipeline, rather than designing tourism projects from the ground up. The Bank will discuss with the Malagasy authorities their site options – in the context of progress under the master plan under development (see below). In addition, if a regional approach is adopted, Madagascar could be one destination (offering its first rate natural resources and biodiversity) in a circuit that might include Mauritius (superb hotels, high quality service and relatively lower air fares) or South Africa (traditional safaris).

#### **x. Future Growth**

Tourism to Madagascar has recently been affected by acts of terrorism worldwide (September 11, Moscow, Bali and Nairobi) and by political upheavals at home. The WTO suggests that tourism is resilient and will bounce back – and indeed some countries in Asia saw growth in tourism in 2002. Mauritius for example, has been very successful in 2002 selling itself as a “safe haven” and its tourism grew. Indeed, in spite of the political hiatus in Madagascar in 2002, occupancies in higher income hotels seem to have held up; smaller operations have seen a decline. The emerging pattern in major markets is one of taking more frequent, shorter vacations,

with long-haul destinations suffering by comparison with short haul trips (WTO). It is time for caution in extrapolating past trends but in the absence of crises, tourism can increase its contribution to the economy.

In the absence of targeted interventions for the sector, tourism can accommodate some expansion in current numbers until capacity constraints kick in. Capacity is defined, principally, as the availability of quality accommodation and services and, where relevant, seats on internal and international flights. Without a more detailed survey of the many destinations visited by tourists, the exact timing of when such constraints will restrict tourist numbers cannot be forecast.

It is a remarkable tribute to Madagascar's assets and its people, that despite lack of competitiveness in many facets of the sector, most tourists express high satisfaction with their visit. The number of return tourists also confirms the level of satisfaction.

Madagascar has sufficient and varied assets that can be brought on stream successively over time to cater to different segments and niche markets, as well as income groups, of the tourism market. The resort market is the most competitive segment of demand worldwide and Madagascar competes with destinations in the Caribbean, South Pacific, and other "island paradises", as well as with the rest of the Indian Ocean. A challenge for Madagascar is to maintain its preeminent position as an ecotourism and adventure destination and simultaneously build up its image for other segments of demand, such as the resort market. It should also explore options for creating regional tours as suggested above with other islands in the Indian Ocean and neighboring countries on the continent.

#### **xi. A Proposed Strategy for Tourism**

Tourism may be an efficient development tool for Madagascar because it can be a catalyst for economic growth, much of it in rural areas, and can create a number of positive externalities to alleviate poverty and protect the environment. As several other countries have done, Madagascar intends to complete master plans<sup>4</sup> for its tourism zones (some are already underway) and, with the support of GATO AG (a German apex organization for tourism), develop a "concept for tourism" in order to provide short- and long-term frameworks for tourism development. These studies should examine tourism's potential externalities and integrate tourism within the macro-economic framework to create linkages to other productive sectors. The study should also identify poles for development, ways to eliminate constraints and barriers to growth, encourage sustainability through physical planning and community participation, as well as on an analysis of demand and proposals for appropriate tourist accommodation and services. Local communities are to be included in a participatory process at an early stage and the study should also address the policy framework, financing of tourism, the "greening" of the island, pro-poor tourism, and creating clusters of high-quality accommodation and services to upgrade the product. The study is to be completed by the end of 2003.

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<sup>4</sup> *Schéma directeur*

## Clusters of Excellence

- Master Plans could identify high-priority areas for new tourism investments (clusters), which would set quality control, environmental, and community development standards for the accommodation and services to be provided. As a first step, a cluster might be developed in a national park, in a resort area and in a major transit destination to act as pilots for future such clusters. Physical planning norms should be designed for a pilot cluster that includes land-use planning, zoning and accommodation densities. Master Plans should also assess the carrying capacity of each area and determine ceilings for accommodation units to permit profitability in each of the three pilot clusters and maintain environmental integrity.
- As a first step, a grouping could be developed in a national park, a beach area and a transit zone, to serve as pilot projects for future clusters. The areas that seem to have appeal in the short-run are the province of Diego Suarez (with a core in Nosy Be); the center (from Antananarivo to Ile Ste. Marie, passing by Perinet); and the south (triangular circuit between Toliara/ Isalo/ Ft. Dauphin). Alternately, one could conceive of three core areas within these regions. The guiding principle should be that of prioritization and sequencing of activities.
- The Government should assess the RFTs for their appropriateness for development as a priority cluster and suggest any changes that would ensure that the existing RFTs be so used, including the proposed number of units and the rooms in each. If the RFTs were given the same regime as the EPZs, for example, the task of building a stronger tourism industry would be considerably simplified. The introduction of RFTs should be phased, as their simultaneous promotion would exceed absorptive capacity and perhaps exceed the transport sector's capacity to carry more passengers.
- The Master Plans should identify the type of infrastructure needed within each cluster and to create access to the cluster. The Master Plan should also determine how costs for this infrastructure could be funded and their recovery assured. Innovative schemes for both on-site and off-site infrastructure should be explored with a variety of organizational models and financing schemes building on the relative strengths of the public and private sectors.

The Master Plans will identify the major constraints to the growth of tourism and suggest ways of removing them – in other words, the TMP should be performance-based with responsibility for building staff capacity and alleviation of bottlenecks an integral part of the plan process. Expansion in selected areas, through creation of clusters of accommodation, services and infrastructure that set standards of excellence, combined with improved transport access, and the initiation of an effective promotion campaign, will raise the rate of growth of tourist arrivals. Furthermore, by raising standards, the levels of tourist expenditure should increase. Because of the spread of tourism throughout the island and the targeting of local communities as beneficiaries and participants in the process of tourism expansion, a stimulus will be given to regional development and to poverty alleviation in these areas. A central emphasis in the

planning on environmental conservation should include adoption of a revenue policy that ensures the preservation of the natural resource base. Achievement of these objectives will also require effective management by the public sector and an effective partnership with the private sector, donors and NGOs.

## **xii. Recommendations**

The World Bank's current program in Madagascar is helping to remove constraints to development. With greater strategic focus, it could increase the outreach of tourism to rural areas and help alleviate poverty. Because tourism is cross-sectoral almost any donor-assisted activity could have a significant impact on tourism, as, for example, all infrastructure projects, including water, power, telecommunications, as well as health and education, if a focus on tourism is included as part of the relevant sector strategy. The national transport plan will help to improve those roads, secondary airports and, possibly, railways, ports and river navigation that would directly benefit the growth and/or expansion of tourism. The rural roads project could be instrumental in opening up remote areas with tourism potential. New projects in Madagascar should consider the impacts on and potential benefits to tourism. Policy discussions with the Government should include the need to improve the business environment for tourism and, particularly, to adopt measures that will enable new investors to follow-through on their investment plans. An agricultural sector review should consider tourist demand. Public Expenditure reviews should analyze the taxes derived from tourism and Government expenditures for the tourism sector, including for promotion and training, which should be financed through a partnership with the private sector. Poverty missions should review the potential of tourism to generate income in specific rural areas and environmental missions should review the potential of tourism for raising revenues to conserve natural resources used for tourism.

A donor consultation process should be established for the tourism sector. Such a system is already in place for the financing of national parks through ANGAP, which manages the ecotourism plans for the parks. That consultation process could be extended to cover the tourism sector more broadly.

# Madagascar Tourism Sector Analysis

## 1. Introduction

Tourism is one of the largest industries in the world. It is particularly significant in island economies, but also benefits substantially a range of developing and developed countries across the globe. The sector is complex largely because of the interdependency between the global industry, largely managed in the developed world, and the destinations around the globe for which it mobilizes visitors. A sophisticated supply chain and rapid consolidation in the nineties in airlines, hotel chains and tour operators/travel agents characterize the industry, which makes intensive use of knowledge management in its operations and of information technology in reservations and marketing. Within an individual country, tourism is also complex because of its cross-sectoral relationships and the interactions that are required for its sustainability between the domestic and foreign private sector and several branches of central and local government, as well as with local communities visited by tourists. The sector has the potential to attract investment in a range of accommodations and services, to generate investments in infrastructure that also benefit other sectors and communities, and to stimulate demand in other sectors.

The development community has recognized the potential poverty alleviation aspects of tourism and experiences are currently being collated into a compendium of pro-poor tourism practices and policies. Because tourism is almost always dependent on an asset base that consists of natural resources, it is often used as a justification for conservation and as a means to raise revenues for that conservation. Tourism can provide an economic base for isolated regions of a country and can also contribute to regional economic integration. To realize its potential within a country, a better understanding of the tourism sector is required than is often available. This report attempts to provide an initial overview of the tourism sector in Madagascar.

Because most tourism to Madagascar is based on natural resources, the terms ecotourism, nature tourism and tourism are used interchangeably. Although a distinction is made between ecotourism and resort tourism, the latter is also primarily based on marine natural resources and its wildlife.

The assessment of Madagascar's assets for tourism undertaken for this report suggests that the current small size of the sector reflects substantial unrealized potential. Madagascar's natural resources of flora and fauna and its coastal zone are among its most important but fragile economic assets. The varied asset base appeals to different segments of tourism demand. Tourism can be a potent development tool and in Madagascar, where rural poverty is widespread and where the poor put stress on the natural resource base, tourism could generate positive externalities. First, because the assets extend throughout the island, tourism creates pockets of economic growth in regions that have no alternative sources of income and employment. In remote regions, particularly, tourism helps to alleviate poverty. Second, tourism, properly

managed, can help to preserve the environment, whether for ecotourism or for resort-based tourism. This report analyses the current status of tourism, assesses the quality of the database, identifies constraints and proposes a strategy to accelerate sector development.

The report draws heavily on the MADIO report of 2000 and, in an effort to complement that survey and obtain additional data on the sector, a pilot survey was carried out for this report based on a sample of 40 operations. The results of the MADIO and Bank surveys are presented separately in the report but they complement each other substantially.

It is difficult to factor in the impact of recent events in the world. Madagascar faced a double impact: terrorism activities (September 11, Moscow, Bali and now Nairobi again); and the political hiatus that reigned for many months in the country. The WTO suggests that tourism is resilient and will bounce back – and indeed some countries in Asia and in Africa saw growth in tourism in 2002. Mauritius for example, has been very successful in 2002 selling itself as a “safe haven” and its tourism grew by 3% in 2002; in South Africa, growth of tourism was well over 10% in 2002. Indeed, in spite of the hiatus in Madagascar in 2002, hotel occupancies in higher income hotels seem to have held up; smaller operations have seen a decline. The emerging pattern is one of taking more frequent, shorter vacations, with long haul destinations suffering by comparison with short haul trips (WTO). Clearly, it is time for caution in extrapolating past trends but without any crises, tourism could increase its contribution to the Malagasy economy.

## **2. Tourism Assets**

Madagascar is the world’s fourth largest island (587,000 sq. km), crossed by the Tropic of Capricorn in the Indian Ocean, with southeast Africa the nearest landmass. The country is divided into five different regions that reflect its ecosystem diversity:

- Central Territories with the volcanic Andringitra massif
- Virgin Islands coast in the northwest, with the beautiful Bay of Antsiranana and Nosy Be, the principal resort tourism destination. The bay is often described as second in beauty only to Rio de Janeiro
- Coast of Capricorn to the south and west, with its underwater depths and its huge coral reef at Toliara
- Coast of Contrasts in the southeast, which is a combination of tropical forest and semi-arid bush
- Rosewood Coast in the east, which is 70% primary forest and features vanilla plants and inland creeks that were pirates’ dens.

Madagascar is one of the world’s few mega-biodiversity countries in which 80% of its plant species are endemic; of the 19,000 plant species, 1000 are orchids and there are seven species of baobab trees--while the African continent only has one. For most animals the proportion of endemics is even higher. Among the endemic fauna are 32 species of lemurs, which occur naturally only in Madagascar, nearly 120 amphibians, and 250 reptiles. In the mountains, giant chameleons and frogs are found; the lagoons are home to tortoises; and humpback whales use the Ile Sainte-Marie as their day nursery.

The 16 national parks, as well as other protected areas, cover 17, 103 square kilometers or 3% of Madagascar's land surface and are distributed throughout the island. Four marine parks are clustered around Mananara nord, a Biosphere Reserve, on the northeast coast. The map illustrates the distribution of these reserves throughout the island. Private reserves also dot the island and are visited by tourists.

With 5,000 km of coastline and a continental shelf that is equal to 20% of its land area, plus some 270 small islets, Madagascar has world-class resort assets. These are enhanced by its marine and coastal biological diversity, which are greater than in any other Western Indian Ocean country, and, in particular, by its spectacular marine mega-fauna. The variety of the country's assets is reflected in its World Heritage Site: Tsingy Bemaraha Strict Nature Reserve in the west. The site consists of a spectacular *karst* geological formation, comprising a rocky countryside of caves, potholes and underground rivers formed by limestone. Madagascar's extraordinary natural assets, land-based and marine, make it one of the world's most studied islands by scientists and a target destination for a diverse range of tourists.

In addition to its natural assets, Madagascar's mining sector produces gemstones that are marketed locally but also exported. Tourists purchase these, both as stones and mounted on gold and silver, which accounts for the frequency of visits to Antsirabe, the center for trade in semi-precious stones. Handicrafts include embroidered goods, which are of a very high standard, and a range of carved wood products, which are frequently bought by tourists.

## **2.1 *Motives for Tourism***

The 2000 visitor survey, which is a sample survey financed with assistance from the European Union (EU), determined the percentage of different activities on which tourists had spent their time in Madagascar:

- Ecotourism 55%
- Sun, sea and sand resort tourism 19%
- Cultural 15%
- Sporting/adventure 8%
- Other 3%

The survey demonstrates that Madagascar is primarily an ecotourism destination (see also Box 1). Because of its high endemism, Madagascar's ecotourism assets are literally unique. Its sun, sea and sand assets are outstanding but compete with the other better-known resort destinations in the Indian Ocean.

Ecotourists, one of the fastest growing segments of international tourism demand, are also the largest segment of tourists visiting Madagascar. The principal travel motive, reiterated by local tour operators, is to see lemurs in the wild. Birders travel to view the 106 endemic birds out of the 250 on the island. Big game fishing has already recorded a world record marlin catch. Scuba divers consider the coral reefs on a par with the Red Sea and other diving areas worldwide. Tourists interested in sun, sea and sand enjoy the impressive resort assets. Cultural tourists are interested in the local people, their living traditions and villages, richly decorated

tombs, sculpted totems and carvings in honor of the dead, as well as the Queen's Palace, or *Rova de Manjakamiadana*, in Antananarivo, which was almost completely destroyed by fire in 1995. Adventure travel, though small in numbers, attracts mountain climbers and trekkers, and abseiling/rappelling enthusiasts to its canyons and volcanic ranges. White water rafting on the west coast, canoe, barge trips and sailing attract others. The variety of assets, and their quality, in one country is remarkable. This ensures that tourists can indulge several interests when traveling to Madagascar, which is often not the case in islands.

The media in Europe and the USA create a mixed image of Madagascar. Recent media reporting has portrayed Madagascar's wonderful flora and fauna and the country as a new destination for adventure travel, but it also describes the poverty, the health risks, and the cyclone of 2000. Not surprisingly, therefore, according to the visitor survey most tourists had been influenced in their decision to travel by word of mouth recommendations from friends and family members. While this reflects the positive image of those who know the country, it confines the potential tourism market, given the absence of marketing and promotion efforts by Madagascar, to those with friends and family who have already visited Madagascar. The growing influence of the Internet in travel decisions is helping to expand knowledge about Madagascar—but it is about all other tourism destinations.

According to the survey, 67% of foreigners arriving in Madagascar were first time visitors in 2000. Of the nearly one third who were returning to Madagascar, 30% said they visit Madagascar annually, while the rest said with no particular frequency. (Annual visits to a destination to which access is so expensive are unusual. A portion of those returning annually could be visiting friends and relatives or could be returning nationals resident abroad with foreign passports.) Of those returning, about half were repeating a previous good experience and the rest were returning to visit new sites. This repeat tourism confirms tour operators' assessments of their clients' high levels of satisfaction with the country's natural and cultural resources.

In Madagascar, ecotourism or adventure tourism is the largest segment and some argue for foregoing the "resort market" (beach or mountain based). This requires closer analysis, for many countries find that their product line is made up of a variety of segments. It does not mean that Madagascar should forego the resort market in favor of ecotourism – quite the contrary, Madagascar needs an internationally recognized brand name hotel or two to put it on the tourism map. In many successful tourism countries the tourism product mix is quite varied (see footnote 15 for the case of Turtle Island, Fiji); in Senegal where the government argues only for "high end" tourists, in fact there are many backpackers, assumed to be low spenders; similarly, Mauritius, although known for its superlative five star hotels, is seeing a rapid growth of (often unregulated) villa and self-catering accommodation. There needs to be careful analysis of the product mix within Madagascar and attention should also be given to creating regional circuits in the Indian Ocean community.

## **2.2 *Distribution of Tourists within Madagascar***

There are three quantitative sources of information about the distribution of tourists within Madagascar, as well as tour operator sources. The *Association Nationale pour la Gestion des Aires Protégées* (ANGAP) publishes data on visitors to the national parks throughout the

island. The MADIO 2000 visitor survey provided data on the regions and the destinations within those regions visited most frequently. Finally, a pilot study was carried out as part of this study in an attempt to gather better operating data from tourism enterprises and also to experiment with ways of collecting better tourism data – this is presented in Section 4 of the report, the supply side, although some useful information was also found on the demand side that corroborated the findings of the MADIO study.

The statistics for the national parks indicate that 85,532 visitors entered 22 sites in 2000, based on ticket stubs. Of these, 54,440 were foreigners, 218 researchers and film producers, and 32, 306 were local people. The numbers of visitors have grown steadily in all categories from a total of 5898 in 1992 (Table 1).

**Table 1. Visitors to Madagascar’s National Parks and Reserves, 1992 – 2000**

Year/ Category	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<b>Foreigners</b>	4619	10985	12702	20747	25366	31055	41356	49848	51956	60549	7888
<b>Nationals</b>	1290	3930	4615	15408	16484	19209	28297	29138	33290	36607	11857
<b>Rechearch/films</b>	19	47	101	81	84	52	111	184	290	246	111
<b>Total</b>	5898	14962	17418	36236	41934	50333	69981	81058	86964	97402	19856

Source: ANGAP

Five parks attracted over 88% of the visitors. In descending order these were:

- Andasibe-Mantadia (also known as Perinet), the nearest park to Antananarivo
- Isalo in the south central region
- Ranomafana in the southwest
- Montagne d’Ambre in the northwest
- Ankarana in the northwest.

The 2000 visitor survey, which is broader in its coverage than that of ANGAP, showed the distribution of tourists by region. This survey indicates that the South is the principal destination (38 % of total visitors), followed by the North (21%), the East (19 %), the West (14 %) and the Hauts-plateaux (7%). The visitor survey also lists the sites most frequently visited, with the first five being:

- Nosy Be in the northeast (22.5 % of the total)
- Tulear in the southwest (21%)
- Ile Ste Marie in the northeast (16%)
- Parc d’Isalo in the south central region (13%)
- Antsirabe 169 km south of Antananarivo (10%).

The evidence presented above shows that tourism is an economic activity that currently benefits different regions and communities all over the island. Given the range of assets and the relatively small number of tourists currently visiting Madagascar, tourism still has considerable potential to boost economic growth in a number of regions and to benefit more communities throughout the island.

### 3. The Size and Characteristics of the Tourism Sector

The following sections analyze the demand side of tourism in Madagascar. The questions addressed are: how many tourists visit, where do they originate, when do they travel, how long do they stay, what are their socio-economic characteristics and how much do they spend while in Madagascar. This information, combined with an understanding of the asset base, is essential to:

- Know the current size of the sector and calculate present benefits from tourism
- Understand better what type of accommodation should be built where and which related services and products are essential
- Target promotion and marketing to existing and potential segments of demand and countries of tourist origin.

The task is complicated by recent events – and Madagascar faced a double series of events. Firstly, September 11 undoubtedly had an impact on Madagascar – and may even have contributed to a spike in tourism as travelers sought safer destinations. Secondly, the political events in Madagascar itself were probably of far more importance than September 11, or even the subsequent events in Moscow, Bali and Kenya. The prolonged political stalemate resulted in visitation to the island plunging, hotels could not find supplies and businesses were forced into bankruptcy or to selling assets to maintain their properties. There is no way in which such effects can be programmed with any degree of realism into projections of growth.

Tourist Arrivals. In 2001, 170,208 foreign visitor arrivals were recorded, compared with 74,619 in 1995 and 52,923 in 1990, according to the Ministry of Tourism. With the exception of a substantial dip in numbers in 1991 caused by political unrest, the rate of growth has been steady throughout the decade and has accelerated since 1996 just topping a 10% increase in 2001 over 2000 in spite of September 11 and the extended crisis over the presidential elections. In the week following September 11, there was a dip in arrivals, exclusively from the US market. However, October was one of the best months on record with most flights from Paris full and, reportedly, overbooked. Load factors declined in November 2001, as they have in some previous years. While the year 2002 was pretty much a disaster for tourism in Madagascar, it is now recovering now.

# Map 1. National Parks and Reserves in Madagascar

## Les Parcs et Réserves de Madagascar



### Box 1. A selection of tour operators' brochures

A sampling of tour operators' brochures reflects the perceived motives for travel to Madagascar as well as the distribution of tourists. Notably, only tour operators advertising "adventure-style" tourism include Madagascar in their brochures and most of these prefer to place their tourists in lodges and/or camps rather than hotels. The itineraries are at least two weeks long. A summary of four itineraries, which can be custom-designed, follows:

Forests and lagoons (east coast), the road to the south, trekking in the Betsileo, Bara and Antakarana regions, following the whales (Bay of Antogil and Sainte Marie), tour for ornithologists (forests of the west and south), lemurs throughout Madagascar, vanilla, clove and coffee (eastern coast and "Sambirano" region of the west, the Tsiribihina river and the Tsingy of Remaraha (a downstream cruise of the Tsiribihina river) (Designed for tourists exploring the country at economy prices.)

Antananarivo, Antsirabe, Fianarantsoa, Ranohira, Isalo, Tulear, Berenty Reserve, Fort Dauphin, Antananarivo, plus possible extension to Nosy Be (13-day cultural and wildlife tour for mid- to high-income tourists)

Antananarivo, Ambohimanga Palace, Perinet Reserve, Antsirabe, Ambositra, Ranomafana, Fianarantsoa, Ranohira, Isalo, Ifaty Beach, Fort Dauphin, Berenty Reserve, Fort Dauphin, Antananarivo (17-19 day exploratory tour for middle-income tourists.)

Tsara Camp, Tsaranoro (10 large safari-style tents): walking, viewing lemurs, swimming in a natural pool, trekking; Relais de la Reine, Isalo National Park: for botanists and to see lemurs and for trekking; Tsarabanjina, Mitsio (18 double bungalows built on a private island): for snorkeling, scuba diving and deep-sea fishing. (13-day tour designed for higher-income tourists)

Although there is some overlap in the above itineraries, they are each designed for tourists with particular interests and different income levels and expectations, which reveals Madagascar's appeal to several segments of the international tourist demand.

The groups that travel on these itineraries are very small, up to 16 people, and cannot be expanded very much in size because of internal constraints, as discussed below. Furthermore, the asset base does not lend itself to large group travel and certainly not to mass tourism. Nevertheless, with an expansion of demand, the frequency of small group visits could be increased to some areas. Assets not now visited could be brought on stream to help expand the tourism product

Arrival data published by the Ministry of Tourism are in Table 2 and Table 5. The arrival data include all foreigners visiting Madagascar, not just *bonafide* tourists, i.e., foreigners whose principal reason for visiting is tourism. The main categories of foreigners, other than tourists and business people, are: scientists and students, missionaries, friends and relatives of local people.

The Ministry of Internal Affairs, using another definition, classifies only about half arriving visitors as tourists and for the first time for several years recorded a drop in tourist arrivals in 2000. A comparison of the two series is shown in Table 3.

**Table 2. Non-resident Visitor Arrivals by Month 1990 to 2001**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Janvier	3890	3815	3097	3203	3767	5235	6 190	5 202	7 795	8 377	10 632	11209
Février	2411	3099	3748	3759	3040	4832	5 667	5 169	7 105	7 673	7 638	9011
Mars	2997	4905	3900	3944	4014	5603	6 558	6 790	8 449	10 620	10 973	11027
Avril	4551	2933	4054	3776	3586	5847	6 838	7 325	9 007	9 497	11 841	13107
Mai	4465	2639	3136	4552	4974	5252	6 297	7 535	9 230	10 285	12 459	12296
Juin	3553	3151	4394	4504	3970	4321	5 410	7 458	8 089	10 073	12 855	15034
Juillet	5620	3268	5393	4889	5692	5749	6 673	11 031	12 076	15 504	16 942	18034
Août	6791	3089	5285	4846	5780	6936	6 901	12 860	12 960	13 679	17 321	17166
Septembre	4279	1689	4767	4454	6347	6506	5 830	8 069	11 742	11 876	15 417	16008
Octobre	4887	1681	5230	5453	7452	6856	7 503	9 462	12 255	15 410	15 514	16121
Novembre	4582	1650	4744	5191	7837	7919	8 770	10 410	12 302	13 838	14 319	14307
Décembre	4897	2972	5907	6531	9380	9563	10 043	9 720	10 096	11 421	14 160	15238
<b>Total</b>	<b>52,923</b>	<b>34,891</b>	<b>53,655</b>	<b>55,102</b>	<b>65,839</b>	<b>7,4619</b>	<b>82,681</b>	<b>100,762</b>	<b>121,207</b>	<b>138,253</b>	<b>160,071</b>	<b>170,208</b>

Source: Ministry of Tourism

**Table 3. International “Tourist” Arrivals –Two Series**

Source	1996	1997	1998	1999	2000
Ministry of Tourism	82,681	100,762	121,207	138,253	160,071
<i>Ministry of Internal Affairs</i> (Non-residents)		71,368	80,170	83,311	68,054

The relatively low number of foreign tourists recorded as visiting national parks (54,440 in 2000) in Table 1, when these generally visit more than one park during their stay, casts even more doubt on the total figure of 160,071 tourists (2000). Possibly, some visitors may escape being recorded as they enter the national parks, but the numbers still seem low in relation to the claim of 160,071 total visitors.

The visitor survey undertaken in 2000 indicates that 63% of arriving non-resident visitors state that tourism is the main purpose of their visit. This suggests that of the 160,071 arrivals in 2000, only 100, 845 were *bonafide* tourists. In fact, though, many business visitors find it more convenient to enter Madagascar on a tourist visa, thus overstating the number of tourists. This suggests that the number of *bonafide* tourists may have been somewhere between 68, 054 and 100, 845 in 2000, of which about 20,000 arrived via tour operators and the balance through travel agencies or under their own arrangements. Even more tentatively, tourist arrivals grew in the nineties according to both data series, possibly at the same or a slightly higher rate than the World Tourism Organization (WTO) estimate of 7.2% for Africa as a whole in the 1988-97 decade.

Undoubtedly, some visitors who are not tourists will behave as tourists for part of the time they are in Madagascar, i.e., they will use hotels and related services in major cities, and

local transport. They will probably make one or more trips to national parks and/or resort areas, depending on the length of their stay. They may also buy handicrafts and gemstones as souvenirs. They may also return with their families as *bonafide* tourists. Nevertheless, the distinction between a tourist and a non-resident visiting a country for other purposes must be maintained in order to plan effectively for the needs of tourists.

Policy decisions for the tourism sector are, therefore, based on weak data. Not only are absolute numbers unknown but also rates of growth are consequently unknown too. Although the two series of arrival data followed the same trend since their respective inceptions, they diverged in 2000.

The Government is aware of tourism's statistical problems and, with financing from the EU, has undertaken two visitor sample surveys, the most recent in 2000, to help correct and supplement existing data. Visitor surveys are expensive to undertake and, though they provide valuable data on visitor characteristics, should not substitute for standard data collection at points of entry. The Government recognizes the need to improve the statistical base for tourism but is constrained by lack of financing. There are significant opportunity costs attached to not knowing the size of a sector that has the potential to become a significant generator of jobs, foreign exchange and taxes, as well as stimulate production of goods and services in other sectors. These costs may persuade the Government to find the money and/or a donor to assist with the important task of improving the tourism database.

Countries of Origin. France dominates the market with 60 % of foreign visitors, broadly defined and not exclusively tourists. Parisians and people from *La Réunion* make up the majority. Language and a partial common heritage, added to the frequency of flights from Paris and *Réunion*, are the reasons for French predominance. Italians are the next largest contingent with 12%, followed by US (4.2%), Swiss (2.9%), Germans (2.8%) and British (2.2%). Tour operators also mention a few visitors from South Africa. Given the quality and variety of assets in Madagascar, and the European predilection for eco/cultural tourism, the small percentage share of these countries, other than France, simply indicates unrealized potential demand in those markets.

Seasonality of Arrivals. Peak months are consistently August and July, when some 21 % of tourists arrive, with some 37 % of tourists arriving from September to December. The lowest month is February after which arrivals build up steadily to the peak months. Madagascar has less pronounced seasonality than many purely resort destinations, but, as discussed below, climate in Madagascar, rather than constraints in the major tourism supplier markets, are likely to make an expansion of demand difficult in the first quarter.

Average Length of Stay. The 2000 visitor survey suggests that the average length of stay for foreigners visiting relatives is 24 days, but for *bonafide* tourists is 20 days. Tour operators confirm that tourists stay at least two weeks and sometimes up to three weeks. That the average length of tourist stay is long by comparison with other destinations is not disputed and it is to Madagascar's benefit, nevertheless, an average length of stay of 20 days for all tourists is exceptionally long. As noted below, the average combined length of hotel stay is 15 days. The data may be influenced by the large numbers of those visiting friends and relatives and by other non-residents, such as the missionaries and scientists, who are likely to be long-stay visitors.

The exact length needs to be confirmed for planning purposes. Ideally, the length of stay should be determined for at least two broad categories of visitors; ecotourists and resort tourists, and by type of accommodation. The average length of stay in the National Parks is said to be 1 - 3 days depending on location, the quality of accommodation, and services for tourism and the availability of circuits within the park.

Gender, Age and Income Levels of Tourists. According to the 2000 visitor survey, the majority of tourists traveling to Madagascar are men (64%). This gender bias is unusual for a tourist destination, though less so when adventure tourism is the motive for travel. Nevertheless this statistic also suggests that not all visitors are bonafide tourists and, in this case, may be businessmen declaring themselves as tourists to circumvent visa problems. Over 60% of tourists are between 30 and 49 years old, but the median age is below 40. Many tour operators said that the age of tourists is increasing as health improves during old age. Nearly three quarters of tourists are highly educated. Nearly two-thirds of visitors are professionals or heads of businesses/ enterprises.

Over three quarters of all tourists report making their own travel arrangements and average daily expenditures are relatively low (see below); and, from observation, a significant number of tourists are backpackers. The term “backpacker” can include the adventure tourist, who is often quite well-off, as well as the student hiking on a low budget. Backpackers generally use different facilities to tourists traveling through tour operators. Madagascar caters to a broad range of tourists, with backpackers at one extreme and those arriving through international tour operators at the other. For planning purposes, more needs to be known about the different requirements of each and their approximate number.

Tourist Expenditures. The 2000 visitor survey found that, on average, *bonafide* tourists spent a little over FF 16,205 (roughly \$2,000), including international travel costs on their visit to Madagascar. The survey also found that the average cost of the trip varied according to whether the tourist traveled as an individual or on an organized tour. Tourists using tour operators paid FF 17,300 before departure for the combined package of air travel and accommodation in Madagascar and spent an additional FF 3,494 during the visit, for a total expenditure of FF 20,794. Those traveling alone spent FF 7,885 on their air ticket and FF 6784 while in Madagascar, for a total of FF 14,669. This statistic illustrates the weight of the airfare in the total package—well over 50%, which is high by international norms.

The breakdown of expenditures in Madagascar by those who did not use a tour operator was as follows:

- Accommodation and food 50.5%
- Internal travel 24.1%
- Excursions 11.5%
- Handicrafts 8.7%
- Other 5.2%.

The amount spent on handicrafts is comparatively high, which is a tribute to the quality and variety of handicrafts in Madagascar. If gemstones are defined as “handicrafts” the high expenditure would indicate that many tourists purchase gemstones. The breakdown also confirms the high cost of internal travel within Madagascar.

The relatively low level of daily expenditures in general (FF 383) and on accommodation (FF 192), in particular, by tourists, again suggests that some tourists are back packers and that others are staying with friends and relatives. Also, based on experience elsewhere in the Indian Ocean and Southeastern Africa, the average price of accommodation and food would seem to be lower than in these other destinations. (The quality of accommodation and services is generally lower too.) Another explanation is that most tourists traveling with tour operators will have prepaid their holiday in their country of origin so that expenditure in Madagascar, as reported to a visitor survey, is incorrect. The survey cannot take account of transfers made by the international tour operator for lodging and services used by tourists in Madagascar.

The State of Knowledge about Demand for Tourism. As the above analysis shows, much of the data related to tourism is questionable and/or insufficient to help formulate policies for the sector and address the questions raised at the beginning of this section. Madagascar needs to improve its collection of data on visitor arrivals at key frontier points. Few, if any, countries can claim to have perfect tourist statistics because of the innate problems of asking visitors to define their own status, but immigration data still provide the most efficient way of knowing the size of the sector. Because of the relatively few entry points, islands like Madagascar should have less difficulty in identifying tourists among other foreign visitors. At the same time, Madagascar has done well to conduct visitor surveys because that are revealing about the characteristics of tourists. Many countries do visitor surveys regularly and through a process of refinement and periodic repetition obtain more and more accurate information about their tourists. The next visitor survey that Madagascar undertakes could address some of the anomalies raised in this section. The Government should also examine the reports that the tourism industry itself (hotels, tour operators, ground transportation, airlines) provide for other purposes (taxes, licensing, etc.) to help improve its database. The industry itself would benefit from better data and could be co-opted to assist voluntarily in improving the database, as happens in many major tourism destinations. The most recent data on tourist demand is shown in Table 4.

## **4. Accommodation and Tourist Services**

The following sections analyze the supply side of the tourism sector, i.e. hotels and other tourist accommodation. Little information is available about tourism-related services, e.g., the numbers or operations of restaurants, scuba diving instructors, and other related services. This section, therefore, focuses on the supply of accommodation by category and by distribution throughout the island. Occupancy rates are also discussed. The objective is to determine whether the supply of accommodation is appropriate for the types of tourists who visit Madagascar and for the locations that are most visited.

### ***4.1 Availability, Quality and Occupancy Rates of Tourist Accommodation***

In 1999, the country had 556 hotels with 7,207 rooms (Table 1). In 1999, some 111 were classified as meeting international standards and were rated with stars (mostly 3 star). Another 109 met local standards and were rated with palm trees (*ravinala*). The remaining 336 were unclassified, with many of these containing no more than 5 rooms, operated as a family business, including providing living quarters and meals for the family.

**Table 4. Number of Hotels and Rooms, 1996 – 2001**

	1996	1997	1998	1999	2000	2001
<b>No of Hotels</b>	424	451	482	556	644	787
<b>No of Rooms</b>	6,066	6,246	6,637	7,207	7,779	8,248

Source: Ministry of Tourism

By July 2001, the number of hotels had reached 787 and the number of rooms was 8,248 (nor further detail on breakdown is available). The number of hotels increased by 42% between 1999 and July 2001 and the number of rooms by 36%, compared with an increase of 31% in hotels and 19% in rooms between 1996 and 1999. This big leap in accommodation was caused by the expectation of a large increase in tourism in 2001 because of Madagascar's vantage point for viewing the total eclipse of the sun. Unfortunately, the lack of any significant increase in plane capacity, limited the numbers who could travel for the event; and this illustrates one of Madagascar's key constraints, as discussed elsewhere.

**Table 5. Madagascar: Recent Tourist Data**

DIRECT EMPLOYMENT GENERATED BY TOURISM

	1999	2000	2001
Hotels and restaurants	12,640	13,628	14,010
Travel and entertainment establishments	2,934	3,231	3,554
<b>Total</b>	<b>15,574</b>	<b>16,859</b>	<b>17,564</b>

AVERAGE HOTEL OCCUPANCY RATE

	1999	2000	2001
Rate (%)	60%	63%	66%

AVERAGE LENGTH STAY

	1999	2000	2001
Country (days)	20	20	20
Hotel (days)	4	4	4

Source: Ministry of Tourism

The distribution of hotels and rooms in Madagascar is shown in Table 6. Antananarivo has 40% of the total rooms, followed by Antsiranana with 21%, Toliara with 14%, Toamasina with 11% and Fianarantsoa and Mahajanga with 7 % each.

**Table 6. Breakdown of Hotel Capacity by Province (Rooms)**

<b>Province</b>	<b>Number of Establishments</b>	<b>Number of Rooms</b>
Antananarivo	240	3,266
Antsiranana	164	1,720
Fianarantsoa	67	596
Mahajanga	67	618
Toamasina	134	878
Toliara	115	1,169
Total	787	8,247

Source: Ministry of Tourism

Hotels are the main types of accommodation used by tourists—over 90% spend about 15 days in a hotel according to the 2000 visitor survey. Some 25% of tourists spend on average 2 days camping and 21% of even *bonafide* tourists spend 3 days with family or friends. The 1998 survey had indicated that tourists spent only 4-5 days in hotels. It is inconceivable that the hotel stay would have increased so radically in just two years, so there is an inconsistency between the two surveys. Given the scarcity of appropriate camping or other alternatives to hotel accommodation, the 15-day combined stay for all hotels visited, seems more likely.

Quality of Accommodation. A recent visitor survey of the national parks concluded that facilities in the interior of the parks are limited and sometimes non-existent. Furthermore, accommodation and restaurant services are insufficient and sometimes non-existent in areas surrounding the parks and in neighboring villages. The 2000 visitor survey points out an anomaly in that tourists spend most of their time in nature sites yet it is the towns that are served by more hotels—and by hotels that are generally better than the accommodation in the nature sites.

The most significant characteristic of the hotels is that they are very small—the average size for the entire country in July 2001 is 10.5 rooms. Even Antananarivo, with its several business hotels, averages 13.6 rooms per hotel. Moreover, the average number of rooms per hotel has been declining since 1996, when the national average was 14.3 rooms per hotel. The substantial increase in hotel investments between 1999 and 2001 resulted in a decline in hotel size from 13.0 in 1999 to 10.5 rooms per hotel in 2001. The very small size of a hotel can indicate radically different hotel types—luxury or low end. Although Madagascar does have a very few luxury hotels the majority of the existing accommodation, even the newly built hotels, are designed for relatively low-income international tourists, which is not appropriate to demand.

An assessment of tourists' views on accommodation services in the 2000 visitor survey was somewhat critical. Tourists rated highly security and reception. The hotel rooms received average to good ratings, and were criticized mainly because of their lack of maintenance and modern fixtures and fittings. Cleanliness was similarly criticized. Food was rated more highly than all other categories. Tourists had some ambivalence about hotel tariffs with 32% rating

them “good”, 26% “very good” and another 26% average. As noted in the quotation from a tour operator’s brochure, below, about hotels in Madagascar, in general “the accommodation is not up to western standards”.

Group travel is a characteristic of tourism today and hotels outside Antananarivo cannot accommodate even the small groups of 16 people and less that travel to Madagascar. Tour operators are unwilling to distribute their group among a number of small hotels because of the lack of sufficient combined good accommodation and, to a lesser extent, because it raises their operational costs. All the ground operators interviewed in Madagascar stated that they compete with each other for rooms in the small number of hotels that meet acceptable standards. When there are no acceptable alternatives, tour operators change itineraries or even cancel groups for peak dates. Absence of quality accommodation in tourist destinations is a major constraint on the growth of the sector.

Occupancy Rates. Hotel occupancy rates were 60% in 1999, 63% in 2000, and 66% in 2001. Thus the occupancy rate is increasing at a time when capacity is also growing, indicating fairly strong growth. An average figure means little in a country with such a large number of hotels, dispersed over many destinations and with a few business hotels in the main cities. From conversations with hotel owners and tour operators, it seems that the few good hotels are operating at or near peak capacity in the main tourist months.

In other destinations, seasonality has been tempered by offering lower prices for hotel rooms, often wrapped in an incentive package for both airfare and accommodation, at shoulder and low seasons. Inflexibility caused by climate in Madagascar makes any increase in tourism demand in the low season through pricing incentives less susceptible to success, though some parts of Madagascar are more affected than others by climate (see below). Because of the heavy weight of the airfare in the total tourist package (at least 50%), incentive pricing would also need to be practiced by airlines to have any effect on the total cost of the package and so on the current timing of tourist arrivals.

This suggests that an increase in occupancy rates can only occur if tourists can be redistributed in the peak season to areas where occupancy rates are low. Tour operators, however, say that current destinations are selected because of their accessibility and the quality of accommodation. These operators also agree that the asset base is more diversified than the accommodation base and new areas would attract tourists if access and accommodation were available in new sites. The main areas where new accommodation is likely to be required in the near term is in the main ecotourism destinations, the prime beach resorts and in Antananarivo, where some of the bigger hotels have occupancy rates in the 70 + % range. Pressures on itineraries could also be alleviated if there were quality hotels along the roads to the major tourist destinations.

#### ***4.2 Tourism Operations Survey***

A survey of tourism operations was carried out as a way of improving the statistical base of tourism operations in Madagascar. The sample was 40 establishments including 23 lodging establishments covering major centers in the country of the country, four tour operators and 13 firms providing linkages with tourism. The coverage is shown in Appendix 1 of Annex 4. Data

was fairly complete for lodging establishments but much more sketchy for the other categories. Nonetheless, there were many conclusions that corroborated information from previous surveys, although there were a number of surprises too.

The main results of the sample for the lodging sector are summarized in Table 7 (with the number of units in the sample indicated at the head of the columns):

**Table 7. Summary Data on Lodging Operations**

	<b>Traditional hotels (6)</b>	<b>Ecolodges (4)</b>	<b>Small lodgings (13)</b>
<b>Ownership (% local)</b>	35	75	78
<b>Average size</b>	35	14	14
<b>Average total sales (US\$)</b>	796,442	27,850	49,182
<b>Average room rate (US\$)</b>	50	18	18.22
<b>Employees per room</b>	1.8	1	1.2
<b>Average monthly wage (US\$)</b>	61	21	41.47
<b>Gross operating profit (est. %)</b>	29	N/A	13
<b>Foreign market (%)</b>	81	94	72
<b>National market (%)</b>	19	6	28

Source: World Bank Survey (See Annex 4)

All units are small, especially those in the hotel sector (and there are only 15 so called traditional hotels outside Antananarivo) – all the rest are small family or individual owner operated. The thirteen smaller hotels and guesthouses are thus representative of a much larger body of establishments but again they are very small operations, many of them family businesses that do not produce accounts on an accrual basis; they are also in the informal sector. The average room rate is quite low by international standards but it appears that the hotels at least make a reasonable operating profit. The other two categories combine a family living in an operation and they do not differentiate between business and family expenditures – they seem to be unprofitable; in any event, they do not seem to be the sort of establishment that will produce sustainable tourism for Madagascar under current conditions. Traditional hotels on the other hand would appear to give cause for hope in that direction. From the data, it appears that the ecolodges and small hotels both appeal to lower spenders, perhaps backpackers. It is interesting that ecolodges attract almost all their business from foreigners, whereas the other two categories attract one fifth of their clientele locally (hotels) and one quarter (small hotels). It would appear that there is an active domestic market, although small, contrary to what one hears. Employees per room are 1.8 in the hotel category, almost 1 per room in ecolodges and 1.2 per room in small hotels and guesthouses; similarly wages are US\$61 in hotels, US\$ 21 in ecolodges, and US\$ 41.47 in small lodgings. Again, the data on labor suggests that the traditional hotel sector both employs more staff per room and also pays much better. The data (not presented above) shows overwhelmingly that practically everyone in the business self-finances their properties from wealth initially and from internal cash for improvements and maintenance. A number of general questions were asked about taxation but our interviewers ran into a blank wall for the most part (a few suggested that the VAT rate at 20% was too high – the average rates above include VAT). Amongst the problems cited by owners and managers, are the costs of importing spare parts – many operate their own power sets, pump stations and waste disposal through septic tanks.

JIRAMA's electricity, if available is considered to be a critical operating cost. Quite a few operators felt that environmental protection leaves a lot to be desired both in coastal areas and in forests. More than half the group mentioned administrative barriers as being obstacles to development and a few mentioned years of negotiation to gain access to land.

Details on the tour operators interviewed, as well as on marine activities (diving, fishing and sea excursions) and handicrafts outlets are given in Annex 4.

### **4.3 Hotel Investments**

Incentives. Foreign investment in tourism can lead to a much-needed transfer of skills and technology, which could have a long-term impact on the modernization of the sector. The Government used to provide a package of support to foreign investment in the tourism sector through exemptions on import duties during project implementation, a five-year tax exemption and a further staggered liability up to 10 years, plus visa exemptions for all expatriates and special lease agreements. The package was suddenly withdrawn in 1996 on the grounds of misuse of the incentives by a few investors. Simultaneously, the 20% VAT tax was imposed and import duties were increased on previously exempt imports used for tourism. Such discretionary decision-making is conducive to uncertainty and acts as a deterrent to investment in the sector.

Currently, an incentive scheme for investors is offered on a case-by-case basis, which is criticized and may even be ineffective because of lack of transparency about the rules of the game. This uncertainty is exacerbated by the lack of a "one-stop investment shop" for investors in the tourism sector.

Investor Interest. Several hotels have explored the possibility of establishing their brand name in Madagascar—either through direct investment or by managing an existing hotel under the brand name. The brands most frequently mentioned in this category are: Club Med, Sucreries de Bourbon, Sun International, and Beachcomber, a Mauritian hotel group. So far, the only international hotel chain is Hilton, which manages a government-owned hotel in Antananarivo. *Accor* formerly ran the Hotel du Louvre in Tana under the Ibis label; and the Pallasandre under the Mercure brand, which is now operated by a Réunion group with several hotels in the Indian Ocean Islands. The reasons for the failure to reach more deals are the subject of speculation and may be attributed to one or all of the constraints to the development of the sector discussed later in the report. The most frequently mentioned causes are land problems, high transaction costs and complex procedures.

The absence of an internationally recognized flagship resort hotel or ecotourism lodge in Madagascar has adverse consequences beyond the loss of name recognition and the quality of service it could offer. The presence of a recognized brand name hotel would generate confidence in other investors as well as in tour operators abroad. The benefits of international promotion by such a hotel chain cannot be underestimated at a time when Madagascar, as a country, does so little promotion of its own. It is incumbent on the Government to facilitate hotel investments so that Madagascar attracts a few hotels whose name recognition would raise the island's status in international markets.

Small-scale Investments. The evidence of small-scale investments confirms discussions in Madagascar about the characteristics of current hotel investors. Foreign investors tend to be mainly French and attracted to Madagascar partly because of the potential for success in a new venture but often because they are attracted to the idea of living in Madagascar. Many of these arrive with relatively small amounts of capital to invest and often without prior experience. Some gain experience by starting small and then expanding. Foreigners mainly own lodges in the most visited tourism circuits.

There are few families in Madagascar with the capacity to invest substantial equity in hotels. Therefore, local investors tend to build small hotels or, most frequently, create extensions to their own homes to transform it into a guesthouse or hotel, which they staff and operate themselves, with no standards and little if any comparative experience to guide them. Such hotels survive because standard norms of profitability are not applied.

If the current constraints to investment are removed, the supply response is likely to be the construction of new hotels, which will lead to a decline in occupancy rates in those hotels that do not meet standards for international tourism. Any change in Government policy to encourage new investment should, therefore, be accompanied by assistance to the existing small hotels, particularly those that are locally owned, to improve their facilities through physical, managerial and service improvements.

#### ***4.4 Hotel Financing***

Madagascar has made some progress in liberalizing and restructuring the banking sector. The privatization of the two remaining state-owned banks is considered to be successful. Nonetheless, potential hotel investors are unable to access credit at the right price in the local market, suggesting either that credit is not available or the projects proposed to financing institutions are not bankable. Banks prefer to lend to clients they know. Consequently, a client wishing to diversify into tourism may find credit where start-ups would find great difficulty in doing so. Security for the loan is the greatest problem and judicial processes do not function efficiently in the case of disputes. Bank of Africa is active in micro-finance and is considering new lines of credit for SMEs. There are also proposals for a stock market (which will take a long time to mature) and for guarantee funds. While this latter may work in some cases, the principal requirement is for financial instruments that share risks.

## Box 2. Profiles on the ground.

### Resort Hotel

One successful beach resort is on an island community and has demonstrated that operations can succeed in Madagascar. It generates annual sales well over US\$0.8 million equivalent from 30 units (investment is estimated at a net US\$1.2 million). The full board rate is \$160 and the occupancy rate 60% (believed to be constrained by infrequency of local flights). Recreational activities are subcontracted and include fishing, diving and boating tours. Improvements and capital expansion are funded internally for the moment. The property's market is 90% foreign, fed in via travel agents abroad who receive discounts from rack rates of up to 25%, depending on volume. The operation has four expatriate staff and 100 local staff (at full complement) and an annual wage bill of about 14% of sales (the average monthly wage is four times the minimum wage). The neighboring village has doubled in size since the property opened, as local residents provide services both to employees and the resort itself. For its food service operations, a high proportion of its products are bought on the local market (except imported alcohols, linens, etc.). In this remote location, energy costs are as high as 10% of sales – based on use of a generator (diesel is not VAT exempted); water is provided via a small desalinization plant. The property is seeking “green” certification from WWF.

### Réserve de l'Ankarana-ANGAP, Ambilobe, 140 km south of Antsiranana on road to Nosy Be

The Ankarana reserve (18,225 Ha.), next to the *Montagne d'Ambre National Park* is one of the older reserves in Madagascar. The reserve was set up in 1956 at the request of the Prince of Ankarana, and has been under ANGAP management since 1994. It is a remarkable area because of the dramatic pinnacle limestone formations ("tsingy"), and 110 km network of caves, forests, lakes and rivers. The reserve is also strategically placed between Antsiranana and Nosy Be, two major tourism spots, and it is part of the northern tour, and also on one of the few exceptionally good roads in Madagascar (however, visitors have to fly to reach either Antsiranana or Nosy Be). It has 35 staff (14 administrative, 12 conservation agents and 7 field agents). Some 50 self-employed guides (certified by ANGAP) are available for visitors – ANGAP offers training in most areas of reserve management and hospitality. The reserve is exempted from taxation but 50% of revenues go for community projects. Visitors can choose from among 12 tours, lasting from 2 to 9 hours each. Overnight camping in the reserve is permitted at dedicated sites or to watch nocturnal animals (50% of visitors). Visitation at the camp has increased from 3,812 visitors to 6,904 in 2001 – 70% foreign, of which half are French, and 30% Malagasy. The high season is July to October (53% of visitors) and the low season December to March (12.5% of visitors); part of the reserve is closed, during the rainy season from January to May. Revenues are about US\$38,000 (80% entrance fees and 20% camping); visitors bring their own food. Entry fees are US\$0.40 for nationals and US\$7.5 for foreigners; camping fees range from US\$0.80 to US\$3.20 per tent (no credit facilities available). The reserve is eco-friendly (“special reserve” under the legislation) – no telephone (radio only), lighting is by oil lamp and there is no running water; there are no health facilities and visitors carry their own medical supplies as do TOs. The reserve has some friction with illegal sapphire miners. The reserve's two priority issues are: acquisition of a telephone and support for an interpretative museum. [www.parcs-madagascar.com/angap.htm](http://www.parcs-madagascar.com/angap.htm)

### 1. Andringitra National Park (1999) and Peripheral Ecotourism Zone

Andringitra National Park is situated atop the Andringitra massif in Southeastern Madagascar, 100 kilometers southwest of Fianarantsoa and 50 kilometres from the village of Ambalavao. Its five objectives are: ecotourism, conservation, education, research, and development. Infrastructure in the park is managed by the WWF and ANGAP. In the peripheral zone, it is a cooperative effort among park management, local residents and private investors. The major tourist attractions in the park are high panoramic mountain scenery and trekking opportunities, as well as bird watching, sightseeing (waterfalls and wild rivers), wild terrestrial orchids, lemurs and wilderness camping. Tourism has the potential to provide significant long-term, sustainable economic benefits for local populations and regional entities. Park management has intentionally introduced tourism at Andringitra slowly and deliberately over the past five years to avoid rapid, unplanned change that could negatively affect the environment and cultural values in the peripheral zone.

The authorities are now ready to market the park more aggressively. The park's carrying capacity is estimated at 10,650 (an average of 29 tourists a day). Currently, the park receives between 850-1,500 tourists a year; growth is now expected to move rapidly in coming years. Revenues from the park are estimated at US\$52,000 (entry fees and souvenir profits) and in the periphery \$74,000 (to guides and porters plus their share of the entry fees), for a total of US\$126,000.

#### **4.5 Hotel Classification and Standards**

The hotel classification system needs urgent updating, as it is key to the improvement of standards in existing and new hotels. Madagascar cannot hope to launch an expansion of tourism without an expansion of accommodation appropriate for international tourism. Given its varied tourism product, Madagascar needs to establish standards for ecotourism lodges, for campsites within the national parks, and for resort lodges. Such standards should define facilities and space requirements for different categories of accommodation. Furthermore, to preserve its image as an eco-tourist destination, new construction must meet strict environmental norms. To facilitate the process, the Government, assisted by consultants and with the active participation of the private sector, should draw up physical planning and architectural and building code guidelines for ecolodges, campsites and resort hotels. The guidelines should allow new investors the flexibility to develop individual products within the standard framework. An Environmental Impact Assessment (EIA) would be required for each construction in an ecologically sensitive area, i.e., in national parks, reserves and the coastal zone.

### **5. Domestic and Regional Tourism**

Domestic Tourism. Until recently, preferential hotel rates were offered to local people. The abolition of preferential rates is unfortunate, since they could be targeted to the low and shoulder seasons, thus helping to increase occupancy rates. As a technique of “yield management” hotels offer discounts on their published “rack rates” depending on market conditions: season, length of stay, level of reservations, etc. Through such a mechanism, hotels could offer incentive rates advertised only to local people, which could help dissipate the perception that tourism is reserved for foreigners and the consequent resentment against tourists. Preferential rates still apply to entrance fees in national parks.

Regional Tourism. The Indian Ocean islands of Mauritius, Seychelles, Reunion, Comoros and Madagascar, have recently joined together to form an Indian Ocean Islands Tourism Organization (IOITO) for which Madagascar provides the headquarters. Unfortunately, the organization is having difficulty finding funding for its start-up operations. The organization would clearly benefit Madagascar greatly as there would inevitably be a technology transfer from other islands, particularly Mauritius. It is ironic that with 5,000 km of coast, Madagascar attracts about one-tenth of the tourists that visit Mauritius with its 322.5 km of coastline. Madagascar’s natural resort assets are probably at this stage of their relative under-use in much better condition than those of Mauritius. But, the built assets and services are not comparable to those of Mauritius.

The average package to Madagascar lasts two weeks rather than the one-week that is standard in other Indian Ocean islands. Most of these resort destinations have few attractions beyond sun, sea and sand, which limits the time most tourists can stay at a resort without becoming bored. As the visitor survey indicates, Madagascar’s resort assets play a secondary role to its ecotourism assets.

The resort market is the most competitive segment of demand worldwide and Madagascar competes with destinations in the Caribbean, South Pacific, and other “island paradises”, as well as with the rest of the Indian Ocean. A challenge for Madagascar is to maintain its preeminent position as an ecotourism destination and simultaneously build up its image for other segments of demand, such as the resort market. The IOITO could help that to come about.

## 6. Cruise Tourism

Cruise tourism has radically different characteristics to land-based tourism, so is considered separately. Cruise passengers may use hotel accommodation either pre- or post boarding or for the land-based portion of their visit if it lasts longer than one day, though, generally, cruise passengers to Madagascar sleep and even eat on board<sup>5</sup> while in port. The common link with land-based tourism is that both groups are interested in the same tourism assets. Box 3 summarizes cruise ship schedules.

### Box 3. Cruise Ship Schedules

Madagascar is on the schedules of several cruise ship lines and in different contexts and combinations of ports of call, for example:

- **Round-Africa** cruises that call at Dakar, Senegal; Capetown and Durban (including visiting vineyards); Mombassa, Kenya (including a day on Safari); Zanzibar, Tanzania; “ the exquisite unspoiled beaches” of the Seychelles; and “the colonial French atmosphere” of Nosy Be, Madagascar
- **Africa (South) and Seychelles Islands** cruises include Comoros Islands, Kenya, Madagascar, Namibia, Seychelles Islands, South Africa, Tanzania
- **Indian Ocean** cruises between India, Madagascar and the East Coast of Africa
- **70-day return voyage from Southampton, UK**, with highlights listed as: South Africa, Mozambique, Madagascar, Seychelles, Kenya and Egypt
- **A German cruise line** sailing from Mumbai to India, calling at Marmagao, Cochin, Male, Victoria, Diego Suarez (i.e., Antsiranana, Madagascar), Seychelles, Le Port and Port Louis
- **In combination with a Kenyan safari** to Nosy Be and Nosy Komba
- **Several lines** cruising between South African ports and Mombasa.

International cruises in the Africa region typically last from 12 to 24 days. The demand for cruises, according to the trade, has expanded and continues to do so and to new destinations. Falling prices during the past two decades have made a type of travel, formerly associated only with the rich, accessible to middle-income tourists. Because of vertical integration in the industry and/or the sheer numbers of people cruising in the ever-larger ships, the cruise industry is able to negotiate reduced airfares and hotel rates for fly and cruise passengers. Consequently, travelers with less disposable leisure time can fly to cruises in distant locations and/or can add a contrasting land portion to the marine experience. In East and Southern Africa, popular combinations for land-based travel are a safari and a beach experience. A similar pattern is emerging for cruise traffic.

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<sup>5</sup> Eating on board includes packed lunches and snacks for land trips.

The African continent and its surrounding islands are still somewhat underdeveloped as a cruise market. One reason, according to the trade, is that in the worldwide high season from December to March, African destinations face better-known destinations in the Northern and Southern hemispheres, e.g., the Caribbean, South Pacific, Mediterranean and Adriatic. Also, cyclones are prevalent from December to March, with most frequency in January and February, around Madagascar and the Southern Indian Ocean, which inhibits cruise traffic. Compensating the threat of cyclones is the flexibility of cruise ships, where the itinerary is designed to replace one destination with another if there is trouble in a planned port of call. A major constraint is the lack of availability of destinations within Africa that have the required port and reception infrastructure for cruise ships, as well as nearby outstanding tourist assets (because of the short stays in each port) and a peaceful and safe environment for cruise passengers.

Madagascar is on a prime cruise ship route between two major cruise destinations: Mombassa and Durban/Capetown. The ports visited by cruise ships include: Fort Dauphin, Antsiranana, Maroantsetra, Toamasina, Toliara and the Nosy islands. One of the smaller cruise lines (200 passengers) visits Nosy Be (12 hours), Antsiranana (7 hours) and Maroantsetra (5 hours) during the same 12-day cruise. Madagascar's lemurs and/or beaches, and/or adventure tourism are perfect assets to entertain cruise passengers on a long cruise or in combination with a safari in Southern or Eastern Africa. Madagascar is one of the safer ports of call for passengers on a round-Africa cruise. Yet, cruise ships in the vicinity often bypass Madagascar.

Most cruise lines do not have a regular schedule for their visits. Currently, the frequency of cruise ships' visits is not known, though the Government should be able to assemble the information. But Madagascar could influence the decision to include one of its ports in the itinerary by improving port facilities and access to nearby tourism assets from Antsiranana, Maroantsetra, Toamasina and the Nosy islands initially. These are the ports of call already most frequented by cruise ships, but given the geographic diversity of its assets, an interesting program can be developed for cruise passengers within easy reach of almost any of Madagascar's 13 provincial ports. As a broad generalization, the smaller the cruise ship, the higher-income are the passengers, who tend to be older and more attached to creature comforts than the tourists that typically visit Madagascar. Because most of the tourism assets on the island have a relatively small carrying capacity, the smaller luxury cruise ships would seem to be a better fit for Madagascar. Cruises could bring tourism to areas of Madagascar inaccessible to land-based tourists.

The main constraints on the development of cruise traffic are:

- Lack of adequate port facilities to harbor cruise ships with their special requirements for down- and up-loading passengers. Cruise ships range in size. At an extreme, the largest of the new mega-liners can accommodate 2,500-4,000 passengers, plus crew, and have a gross tonnage (GRT) of 130,000. While such ships are not using Madagascar's ports, the cruise ships in the region handle from 200 to nearly 2,000 passengers and their GRT ranges from 8,282 to nearly 70,000.
- Lack of availability of adequate vehicles to move passengers from the port to the internal tourism destination, where there is frequently a lack of reception facilities, and
- Poor quality of road infrastructure between the cruise port and the tourism asset.

The extent to which Madagascar should pursue cruise tourism needs further analysis. As noted in another context (Crompton, D. E. 1999), the Caribbean, a major cruise destination, has maintained an ambivalent attitude to cruise tourism. The infrastructure costs of creating ports are high and the financial and economic benefits from cruise income are a matter of debate. When a cruise ship arrives, the social costs of traffic congestion in most islands are very high. Nevertheless, most Caribbean islands have set out to attract such visitors and a large service industry depends on them for part of its income. Madagascar will need to weigh the infrastructure costs of expanding port and access facilities against the port charges and taxes to be derived from this traffic and the tourist expenditures in communities visited. The mitigation and prevention measures of any social costs that it might generate, such as, traffic congestion, would also need to be calculated. Ideally, ongoing and future port rehabilitation projects would include an assessment of the additional minimum costs of providing infrastructure and reception facilities to increase their efficiency for cruise ships of a targeted size.

A strategy for tourism development related to cruise ships should include measures to:

- Limit ship size, frequency and timing of arrival in line with the destination's carrying capacity<sup>6</sup>, including the presence of traditional land-based tourists in the capacity calculation; in destinations where carrying capacity might be threatened by the arrival of cruise passengers, nearby port facilities should not be upgraded as a means to control where cruise ships dock
- Ensure that port fees include cost recovery of capital installations for and maintenance of cruise facilities
- Disperse small groups of arriving cruise passengers to different destinations and local communities within Madagascar
- Ensure that vehicles used to transport cruise passengers have passed inspection for reliability—the same action is recommended for all vehicles used to transport tourists
- Generate spending opportunities, in addition to local transport hire, for tourists in the communities they visit, e.g., food and drink (which should be carefully regulated for hygiene standards) and handicrafts
- Restrict the size of groups entering any one area of a national park at any one time
- Increase entry fees for parks to reflect the scarcity value of lemurs and other natural assets
- Insist on the use of local guides, who should be trained to speak the main languages of cruise visitors, which are the same as those of land visitors, though without the predominance of French travelers
- Provide information for cruise passengers about Madagascar and its tourist attractions, because many cruise visitors return as land tourists to visit destinations that have impressed them during their cruise, and
- Require cruise ships to meet environmental standards, i.e., “no dumping policy at sea”, waste minimization and appropriate management of solid and liquid wastes, energy and

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<sup>6</sup> At least three islands (Anguilla, Bermuda, Cayman) have introduced measures to restrict cruise ship arrivals by limiting the number, size and time of year of visiting cruise ships.

hazardous materials; spill prevention for oil, oily wastes and bilge water; and minimization of shore side excursion impacts. Responsible cruise ship lines are already pursuing such policies<sup>7</sup>.

A study to assess the current size and the costs and benefits of cruise tourism, as well as its potential, needs to be undertaken. From this study the elements of a strategy for cruise tourism, as outlined above, and with priority ports of call identified after a survey of cruise lines, will emerge. The cruise tourism study is an important element in the overall strategy for tourism. In line with the recommendations for the traditional land-based tourism sector, Madagascar will have a competitive advantage in the cruise market if clusters of excellent attractions and facilities are created for regular tourists that could also be used by cruise passengers during their brief stay in the country. The Government, in consultation with the private sector and local communities in areas now visited by cruise passengers, needs to decide whether to expand facilities for cruise ships and promote this decision to the cruise industry or whether to restrict the visits of cruise ships to Madagascar.

A related market is that for sailing vacations and several operators have entered what seems to be a growing niche market in Madagascar. Among the best known with offices in Madagascar are: SUNREEF, MADAVOILE and SPORT AWAY.

## **7. Economic Impact of Tourism**

Tourism generates substantial economic activity in other production and service sectors. The construction sector is obviously impacted during construction of hotel and tourism-related facilities, including infrastructure. Hotel and other types of accommodation generate economic activity through backward and forward linkages to agriculture and fishing and manufacturing. Tourist services and tourists themselves, through personal spending in and outside the tourist accommodation, create a demand for transport, banking, insurance, telecommunications, medical, security and retail services, and, particularly, handicrafts and other souvenirs. Tourism leads to the creation of businesses related to water, mountain and adventure sports and other recreation activities, as well as every facet of travel and transport. Personal services related to spa treatments and traditional beauty services are also expanded by the presence of tourists.

In 1993, the United Nations called on all countries to develop a National Satellite Account for Travel and Tourism (TSA) to provide a credible measure of its true contribution to the national economy. (The term satellite account measures the size of economic activities that are not included in their own right in national accounts.) The objective is to inform the policy decisions of governments and the investment decisions of private industry.

A number of developed and developing countries, notably South Africa, have begun to work on introducing TSAs<sup>8</sup>. The results generally show that the percentage contribution of

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<sup>7</sup> British Airways Tourism for Tomorrow (environmental) Awards presented its Highly Commended Award in 1999 to Princess Cruises and Tours.

<sup>8</sup> The Dominican Republic, with assistance from WTO and UNDP, undertook an experimental TSA in 1993, updated in 1998, designed to be a model for small island nations. The data for 1996 indicate that tourism expenditure as a percentage of GDP amounted to 20.5%. The comment of the Director of National Accounts of the

tourism to GDP and to export revenues is considerably higher in TSA than in conventional calculations that use only estimated direct tourist expenditures. Traditionally, tourism is included in sectoral GDP in Madagascar as “Trade, Hotels and Restaurants”. By lumping trade with tourism, the contribution of neither can be well understood.

## 7.1 *Employment*

Tourism currently generates some 17,564 jobs in hotels and restaurants, of which 3,554 in travel and entertainment establishments, as shown in Table 8.

**Table 8. Tourism Employment**

	1996	1997	1998	1999	2000	2001
Hotels & Restaurants	11,103	11,318	11,655	12,640	13,628	14,010
Travel & Entertainment	2,604	2,661	2,708	2,934	3,231	3,554
Total	13,707	13,979	14,363	15,574	16,859	17,564

Source: Ministry of Tourism

These estimates do not take account of employment generated by tourism in agriculture, fishing, agro-industries and manufacturing<sup>9</sup>, in transport and other tourism-related services (such as scuba diving, guides, etc.), and in the handicrafts sector<sup>10</sup>. Job creation in tourism is estimated to have grown by 8% annually in the past few years. The room - employee ratio is estimated at 1:1.3 to 1.6 in three star hotels, and closer to 1:2 in higher category hotels. The local hotel school offers fairly low quality certificate courses and managers complain that they have to do substantial on-the-job training. Wages in the hotel industry have a premium over the minimum wage (on average 40%, much higher in higher quality hotels), partly reflecting the scarcity of trained hotel staff.

## 7.2 *Foreign Exchange Receipts*

A large part of tourists’ spending takes place for purchases outside the accommodation<sup>11</sup> and for private and public services that are not specifically tourism related. No such estimates exist for Madagascar. Tourist expenditures are calculated from tax data on hotels, from in-country currency exchange data, and from visitor surveys of departing tourists. All these

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Central Bank, Olga Diaz Mora, is: “Before using the WTO methodology, the Dominican Republic only measured hotel and restaurant revenues as tourism earnings—a figure that amounted to about 4 % of GDP. By studying the impact of total tourism spending, investment in the tourism sector and tax revenues generated by tourism, the government can make better decisions that help develop this strategic sector.”

<sup>9</sup> An often-neglected facet of employment in the sector is that tourism creates “good jobs”. Physical working conditions are healthier and safer than in sugar cane, mining, logging and, often, manufacturing, among other economic activities. But, also, hotels and tourist services create jobs such as waiters, maintenance engineers, and drivers, which are relatively well paid, particularly when supplemented by tips.

<sup>10</sup> This sub-sector, because of the range and quality of handicraft products that are sold to tourists and also exported, deserves more detailed analysis in any follow-up work.

<sup>11</sup> Data collated by IFC from sample studies done by different sources indicates that “other tourist expenditures” as a percent of in-house tourism expenditures range from 50% to 113-188%. The highest levels being for safari expenditures in Kenya and the lowest for city/coast destinations also in Kenya.

estimates are characterized by inaccuracy. In Madagascar, according to the Central Bank, tourism is one of the top three sectors in terms of foreign exchange earnings, fluctuating in rank with the EPZs and fisheries. Tourism earnings have been growing at some 11% in the past few years. Tourism receipts are shown in Table 9 – although the number of tourists continued to increase in 2001, total revenues declined suggesting some pressure on prices. However, given the problems in defining who exactly is a tourist and of capturing the totality of tourist expenditures, all estimates related to tourism earnings must be tentative.

**Table 9. Tourism Receipts (US\$ millions)**

<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
44.6	52.9	65.5	72.9	91.9	81.6

Source: Central Bank of Madagascar

Tourism Demand and Exchange Receipts. Tourism is often considered volatile. As a global industry, all destinations face the heightened risk of direct terrorist attacks or the consequences of direct attacks elsewhere, such as those of September 11, 2001, which, together with civil strife, war and natural disasters, can slow or even terminate demand for the product for an indefinite period. Crime and poor public health standards in a specific destination can greatly reduce demand for an indefinite period after an event that garners international attention. But, there is some indication that fluctuations in demand for tourism are less severe than for the commodity exports on which many developing countries depend. Tourism also appears to be immune from competition from radically different substitutes in the international market that could cause a switch in demand to another product, as has happened with synthetics for example.

### **7.3 Taxes**

Government revenues are generated through various taxes, including sales, value added (VAT), room, airport or departure, corporate income, payroll, social security, and property taxes. Revenues are also derived from import duties and from aircraft landing fees and cruise and boat docking fees. The exact amount of taxes raised from tourism is difficult to estimate because of the dispersion of tourism expenditures and the variety of goods and services used by tourism.

In Madagascar, tourism generated tax revenues estimated at MF 62.5 billion in 1999, comprising VAT and income taxes. Whether these are income taxes on hotel and restaurant employees only or also include tour operators, transport services related to tourism, etc., needs to be clarified with the Government.

### **7.4 Linkages and Leakages**

Leakage may be defined as that part of the tourist dollar that leaves the country to pay for imports consumed by the tourism sector. An extended definition of leakage covers the tourists' payments in their country of origin for travel, insurance and financial transactions. Leakages of foreign exchange for imported goods actually identify those areas where there could be potential for the private sector to create linkages to producers and service suppliers in the formal and informal sectors. Given Madagascar's capacity to supply hotel and tourism services needs, it would be useful to undertake a supply chain analysis for a group of hotels in different geographic regions to determine which products comprise the chief inputs into local hotels, which are

produced locally and which are imported. An analysis of the reasons for importing rather than purchasing locally, where this is feasible, could identify some constraints that are capable of resolution.

Box 4 presents a list of products required for day-to-day operations in a business hotel in Antananarivo, based on a case study done by the team in Madagascar. These are categorized into three types: those that are produced and bought locally, direct, and imported goods available locally. This latter method of purchasing imported goods provides employment for local individuals but also reduces import costs to individual businesses. Analysis of these issues must be done in a comprehensive way and there may be unintended consequences – for example, an increase in demand for local produce (foodstuff and fish, for example) can result in scarcity and a spike in prices on the local market thus creating difficulty for local residents, as is said to be the case in Nosy Be. A solution is to analyze the market for such products and address gaps or market failures in the supply chain as part of the tourism program.

The import content of the operations of the business hotel in Antananarivo is not necessarily representative of the leakage that would occur in a lodge near a national park or in a resort hotel. It is presented here merely as an indication of where leakage can occur in a hotel operation. As noted at the outset, the identification of such leakages may stimulate a local supply response provided that the product can be produced at a comparable quality and competitive price and that there is sufficient demand.

**Box 4. Supplies for hotel operations: case study of business hotel in Antananarivo**

<b>Locally produced</b>	<b>Imported</b>	<b>Locally sourced imported products</b>
Furniture	Kitchen equipment	Engineering supplies
Soft drinks and min. water	Laundry equipment	Telephone equipment
Wine	Plumbing and heating equip	Liquor
Building material	Swimming pool equip	Curtains, draperies etc.
General carpentry	Mini bar	Health club equip
Floor coverings	Wine and Champagne	Printing and stationary
Advertising and promotion supplies	A/C and refrigeration	Computer supplies and paper
Linen	Guest supplies	Cleaning supplies
Bread	Linen	Kitchen fuel
Dairy products:	Chocolate	China, cutlery
Milk, cheese, eggs, butter	Oil	Glass ware and silverware
Fish and sea food	Electrical R&M	Cream, cheese
Fruits and vegetables	Painting R&M	Groceries:
Tea/coffee	Electric bulbs	Cereal, potato chips
Chocolate		Spaghetti, canned fruits and vegetables
Oil		Condiments and sauces
Spices		
Sugar		
Floor		
Meat, pork and chicken		
Sausages, salami and beef		

Initial construction costs of a business hotel in Antananarivo have a high import content, due to the type of construction and the non-production of equipment locally. For a hotel with a US \$5 million project cost, the estimated import content is in the range of 65 to 75 per cent. The construction of lodges using local materials and furniture should be feasible and should greatly reduce the import content. Resort hotels will vary according to their category and where they are sited.

### The Need For Further Economic Analysis

The knowledge base to undertake the type of economic analysis that would provide a better understanding of tourism's contribution to the economy is not in place in Madagascar. Policy formulation for the sector needs to be based on a better understanding of the costs and benefits of different types of tourism development. Macro-economic policies should incorporate an understanding of how to stimulate the backward and forward linkages to other production and service sectors of which tourism is capable. As noted at the outset of this chapter, in tandem with a program to improve basic tourism data, e.g., immigration statistics, a good starting point for an improved understanding of the sector would be the creation of a satellite account for tourism. The Government would need assistance with this initiative.

## **8. Tourism and Poverty**

Three organizations—the Centre for Responsible Tourism, International Institute for Environment and Development and Overseas Development Institute-- joined this year to establish a website on pro-poor tourism<sup>12</sup> ([www.propoortourism.org.uk](http://www.propoortourism.org.uk)). In their first briefing paper, the authors<sup>13</sup> define pro-poor tourism: “PPT is not a specific product or sector of tourism, but an overall approach. Rather than expanding the size of the sector, PPT strategies aim to unlock opportunities—for economic gain, other livelihood benefits, or engagement in decision-making—for the poor.”

The authors ask why to bring a poverty perspective to tourism? “Certain characteristics of tourism enhance its pro-poor potential. It can be: labour intensive, inclusive of women and the informal sector, based on natural or cultural assets of the poor and suitable for poor areas. Harnessing tourism for pro-poor growth means capitalizing on these features, while reducing negative impacts on the poor. Potential for *change* stems from the continued “master planning” role of governments, and strong commercial and international interest in sustainable tourism.”

The strengths of PPT identified so far are:

- The tourism sector can be “tilted” at the margin to expand opportunities for the poor, through diversification into culturally-based products, expansion of business linkages,

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<sup>12</sup> In the Madagascar context and for purposes of this report, the terms “pro-poor tourism”, community- or village-based tourism, and rural tourism are used interchangeably.

<sup>13</sup> Harold Goodwin (CRT and the University of Greenwich), Dilys Roe (IIED), and Caroline Ashley (ODI)

- redistribution of assets (equity, land) to the poor, and inclusion of their voice in planning
- The capacity to increase demand for goods and services provided by the poor and to increase their asset base
  - PPT has the dual advantage of supporting diversification and being particularly relevant to remote areas
  - PPT can contribute to changes in policies and processes as the poor are recognized as legitimate stakeholders
  - The existing “sustainable tourism” movement can be harnessed to include poverty as well as environment in its agenda.

### **8.1 Government Policies for Tourism and Poverty**

According to the draft Poverty Reduction Strategy Paper (PRSP) dated October 1, 2001, Madagascar’s poverty index was at 70.2 % in 2000, down from 73.3 % in 1997. More than 76 % of the rural population is poor compared with 52% of the urban population. Moreover, while urban poverty rates have declined, rural rates are unchanged since 1997. Poverty intensity is higher in rural than in urban areas and that intensity has been exacerbated since 1993.

The PRSP considers tourism a prime tool to reduce poverty. The Government notes its growth rate of over 14 % in recent years and the expectation that the rate will increase to 15 % annually between 2001 and 2003. Tourism is listed first among the sectors likely to produce sustained economic growth. “Although direct value-added from tourism is calculated at a mere 1.6 % of Gross Domestic Product in 1998”, foreign exchange revenues place tourism among the leading export sectors.

The one and a half page section on tourism in the PRSP outlines the Government’s plans to establish “*Reserves foncières touristiques*” (RFTs, which are discussed in detail below) that are expected to lead to even higher growth rates for the tourism sector. Essentially, RFTs provide land in ecotourism and resort areas serviced with on-site infrastructure, purportedly free of ownership disputes, to potential investors. The PRSP notes that training is essential for the tourism sector and that the National Hotel Training Institute (INTH) has been restructured and will be established in the five other provinces, as well as in Nosy-Be and Ile Sainte Marie eventually. Promotion is the mandate of the *Maison du Tourisme* (MDT) and of the *Maisons du Tourisme Provinciales* (MTP), which are private associations that benefit from the tourism tax (*vignette touristique*).

The PRSP assumes that a high growth rate of tourism receipts will of itself relieve poverty. While this is might be more likely to be the case in Madagascar because of its rural ecotourism base, economists note that there has not been much of a trickle down effect there. This is consonant with international experience, which indicates that targeted interventions are often required to ensure that tourism does benefit the poor. “Pro-poor tourism strategies are concerned specifically with impacts on poor people, though the non-poor may also benefit. Strategies focus less on expanding the overall size of tourism and more on unlocking

opportunities for specific groups within it (on tilting the cake, not expanding it.) However, these strategies have to be integrated with general tourism development for two reasons: mainstream activities (such as tourism planning) need to be influenced by pro-poor perspectives; and pro-poor tourism cannot succeed without successful development of the whole tourism destination.” (DFID 1999)

In the context of the PRSP, the Ministry of Tourism is preparing a paper on the impact of tourism on poverty: “*Lutte Contre la Pauvreté*”. An early draft notes the lack of in-depth studies of linkages between production and service sectors and tourism. The Ministry lists the main sectors and sub-sectors with which tourism is known to interact, i.e.:

- Handicrafts
- Services
- Agriculture, livestock and fisheries
- Transport
- Culture
- Education

Subsequent drafts of the report have focused on case studies of ecotourism initiatives undertaken in rural communities in Madagascar with the assistance of locally based NGOs.

As a matter of policy, ANGAP shares half the entrance fees collected in the national parks with the local communities around these parks for development purposes. The total distributed between 1992 and 1999 was MF 5,060 million for a total of 458 mini-projects. The annual amount collected grew from MF 53 million in 1992 to MF 1780 million in 1999. ANGAP estimates that in 2000 some 76,794 families benefited from these mini-projects, compared with 5,880 in 1994. The two parks that benefited most from the entrance fees over time are Fianarantsoa and Toamasina.

The policy of sharing revenues from the national parks with local communities is intended to help raise their standard of living. It is also intended to induce those living near the parks to help preserve the flora and fauna of the parks and, particularly, reduce poaching of the animals and destruction of their habitat for fuel wood. Given the importance of such entrance fees in areas where income-generating activities are often limited and where the conservation of the park relies heavily on such fees, their level should be examined periodically.

The cost of approximately US \$6-10 is low by comparison with parks in Africa, where an entrance fee of \$25-30 is more frequent. Undoubtedly, many such parks offer better visitor facilities than the parks in Madagascar. Nevertheless, most visitors to parks from abroad will be conservationists and will be willing to pay more either through a fee or a voluntary contribution to help support Madagascar’s national parks and the people who live in their periphery. Therefore, the level of entrance fees paid in Madagascar at all parks needs to be reviewed. The entrance fee could vary for each park depending on the level of facilities offered.

## 8.2 *Pro-Poor Tourism Initiatives in Madagascar*

Case studies of laudable initiatives undertaken by local communities in order to benefit from tourism, assisted by “Landscape Development Interventions (LDI)” funded by USAID and by the World Wildlife Fund (WWF) funded by KfW, are included in the Annex to this paper. These are only two of several ongoing initiatives to help incorporate local communities into the tourism sector in Madagascar.

## 8.3 *Types of Community -Based Tourism Initiative*

Often ecotourism is the only venture that brings in cash in subsistence economies in remote areas. In addition to diversifying incomes and creating employment for the poor, such tourism ventures can lead to positive environmental externalities. The local people develop an enhanced valuation of the resource as a result of deriving income from it and begin to protect the natural resource on which the tourism is based.

The ongoing initiatives in Madagascar are in the hands of NGOs with a considerable track record in working with local communities and assisting them to introduce tourism into their economic activities. There is now a considerable body of international experience with ecotourism from which some basic criteria for success can be drawn. This section contains a brief overview of the main types of ecotourist projects and some operating principles that can be drawn from experience elsewhere.

There are essentially two types of community-based tourism. In one case, an entrepreneur makes an investment in an area where local people traditionally own or use the tourism assets. The entrepreneur gives value—through attracting tourists—to the assets and involves the local community to a greater or lesser degree in the operations. The other case is where a local community of its own initiative, but generally with assistance from a government agency or an NGO, provides facilities for tourists in their community. The facilities may extend to overnight accommodation, but could be limited to the provision of reception facilities and guides to view a cultural or natural asset that is locally owned.

The *first type of community-based tourism* is well-illustrated by the award-winning Rainforest Expeditions (RFE) initiative in Tambopata, Peru started by two young entrepreneurs, which is described in the Annex. The premises on which RFE was based have been critical to its success and are of universal application<sup>14</sup>.

The *second type of community-based tourism* is a community-driven effort to give value to a locally-owned asset and to provide reception facilities around it. The success of the venture generally depends on the existence of an already thriving tourism sector, so that tourists already in the country can be induced to visit the community as part of the overall destination experience. The tourism asset can be either nature- or culture-based and is generally a mix of both, because one of the attractions for tourists is the living culture of the community. This type

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<sup>14</sup> Eduardo Nycander and Kurt Holle. A description of the project appears on Conservation International’s website and an article by Holle appeared on [www.planeta.com](http://www.planeta.com).

of tourism diversifies the national tourism product and is the equivalent of creating a new niche market within a more broadly based traditional destination.

The small scale of community-based projects can challenge their commercial viability. The financial viability conditions that apply to larger ecotourism projects, such as RFE, also apply to village initiatives. The ecotourism product must be of sufficient quality and the related services of sufficient efficiency to provide the tourist with value for money and with an experience that helps to promote the overall national tourism product. As one means to establish the project's marketability, the opinion of tour operators who could include the project in their tour should be sought from the outset. Any lodge in the vicinity might also be willing to promote the village project to its guests, as a means of creating an additional experience for them.

As a precaution against market uncertainties, tourism activities should not at the outset, if ever, preclude the continuation of existing income earning activities within the community. This entails starting small and ensuring that village expectations are not overly optimistic about the new venture. Such niche markets have to be specifically targeted with carefully designed and funded measures that protect the culture and traditional occupations of the community and limit access to the assets in line with their carrying capacity. As a *sine qua non*, the community needs to be involved at the earliest stages of planning and a village ecotourism project must conform to and not conflict with local mores. Community-based tourism should be regarded as a means to protect the assets of poor communities while simultaneously diversifying their sources of income and, hopefully, raising the level of such income as equitably as possible throughout the community.

Communities engaged in tourism revenue-generating activities will normally require technical assistance from experienced NGOs to implement their projects.

#### **8.4 *Tourism, Culture and Poverty***

Many tourists still seek a "unique Malagasy cultural experience". In Madagascar today, as with other societies, the preservation of a distinctive culture is an uphill battle in today's world of instant contact with dominant cultures through radio, television, tapes, CDs, videos, DVDs and the Internet. Madagascar has a considerable incentive through tourism to strengthen and coordinate a national effort to keep alive its rich and diverse traditional cultures. With an integrated and well-designed policy for cultural heritage and the arts, implemented at the national and provincial level, Madagascar would be able to offer tourists a more vibrant cultural experience. This would attract visitor expenditures, and, in the process, give value to and help preserve the island's built and living cultural heritage, as well as enhance the income generation of villages, particularly remote ones.

#### **8.5 *Need for Collation of Information on Pro -Poor Tourism Initiatives***

The local initiatives discussed in the annex to this report are only a few examples of activities that are already being undertaken around Madagascar with assistance from different technical agencies like LDI, WWF and Conservation International (CI) among others. Financing for these initiatives is provided by a number of donors. The need to collate this information

became evident by its absence from the PRSP and from the first draft of the Ministry of Tourism's poverty report. If the information were centralized, it would assist the Government and, principally, the Ministry of Tourism to analyze the experiences, develop policies for PPT and incorporate these into its sector planning. Collation of results could lead to a definition of best practices within Madagascar on poverty initiatives related to tourism. Lastly, collation would provide a source of information for new communities eager to incorporate tourism into their activities.

The initiatives will already be subject to reporting requirements for their donors for monitoring purposes, so, to the extent possible, there should be little additional reporting burden on the villages or the agencies assisting them. The main function of this Committee would be to collate information and experience of what worked and what didn't, which could then be shared with new villages wanting to engage in tourism.

Currently, most of the ecotourism/village-based initiatives are being assisted by experienced and responsible NGOs. But, if the tourism sector expands and ever more communities begin to take some part in that expansion, quality control of the end-product will be essential, particularly since many villages would be intermediate or final destinations for adventure tourism, which can entail substantial physical risks. In addition to the safety concern, a basic condition for community-based tourism is that it should enhance the tourism product at the national level by creating a positive and different experience for tourists. The Ministry has already created a committee, the *Comité d'Appui au Développement de l'Ecotourisme* (CADE), which includes, in addition to the Ministry of Tourism, representatives of the leading NGOs that are currently engaged in ecotourism in order to benefit from their technical experience.

A matter of debate is whether the Committee could help resolve the crucial issue of territorial disputes arising between landowners and the village tourism initiatives. Clearly, the Committee should have a relatively simple mandate in order to attract service from busy experts, but if the land issue continues to be a serious issue in tourism development (as discussed later in this report), the Committee might be a first stop in the advisory/mediation process.

Eventually, the Committee could design agreed "ecotourism" criteria and award a symbol (e.g., a star, a local flower, or lemur) to those activities meeting the criteria. To avoid conflicts of interest for NGOs on the committee, which would be assisting villages to develop ecotourism facilities, this function should be undertaken either by a sub-committee or appointed experts. The emblem would act as both a quality control measure and a marketing tool.

Adopting pro poor (or fair traded or community-based) tourism as a policy option will require a set of guidelines that are somewhat different than for general tourism. Indeed, growth in Madagascar is not evenly distributed – are there incentives that would encourage growth in areas that lag behind the areas of high population density? As Annex 1 describes, land is often community owned and the communities themselves often have little exposure to the outside world. This can be turned into an opportunity for more equitable growth, if well-managed First steps often include providing social services (schools, health and infrastructure) to build confidence and address basic local concerns. Ways in which citizens – as citizens, consumers, employees and owners -- are involved in projects must be thoroughly understood; and it must be

explicit that their participation is critical for sustainability of the resource on which tourism is based. It is important to emphasize linkages with agriculture and handicrafts (to mention two amongst several possibilities) to minimize leakages and increase returns. There are tour operators and NGOs who specialize in fair traded/pro poor tourism and they often guarantee in their contracts that wages will be at least equal to the minimum wage and that a percentage (say 75%) of total tourist expenditure will remain in the community. The excess funds of non-profits are often transferred as charitable contributions to local activities such as conservation of wildlife, building of schools or clinics and can offer volunteer activities (such as teaching of a language) as part of the tourist experience<sup>15</sup>. If well done, these activities can provide the kind of personal contact for tourists that cannot be achieved by more traditional modes. Such projects, however, often provide only partial (or seasonal) employment and should be seen as complementary to other activities in the tourism product line.

## 9. Tourism and Environment

The positive role of tourism/ecotourism in benefiting the poor and in helping preserve the natural resource base and its biodiversity is outlined in the 1996 Appraisal Report for the Second Environment program: “Madagascar is known for its high degree of environmental degradation. According to available information, almost eighty per cent of the country's original forest cover has disappeared, or has been severely degraded. The area covered with primary natural forest has declined from about 25% of total surface in 1950 to 20% in 1972 and less than 15% today. This degradation threatens not only biological diversity, but also watershed and soil stability vital to the agrarian economy...Poverty continues to threaten the sustainability of the natural resource base and the rural poor need more options in order to utilize available natural resources in a sustainable manner. Reversing the downward spiral of environmental degradation would thus mostly benefit the poor, while maintaining exceptional biodiversity.”

“Long term sustainable growth of the country cannot be achieved in the absence of proper management of its natural resources and the cost of inaction would be higher than the cost of the program. Induced benefits would come from...private investments in ecotourism facilities and services. ...The long-term financial sustainability of protected areas would be ensured by a combination of income from ecotourism with the revenue from capital investment. ....Policies that discriminate against tourism development (e.g. visa regime, air transport monopoly) would also affect the program negatively, because ecotourism is a major potential source of income from protected areas.”

In 1999, a new law was introduced designed to require that all projects meet high standards of environmental protection (*Mise en Compatibilité les Investissements à l'Environnement*). Its critics in the investment community allege that the law's onerous requirements make its application to projects already underway impractical.

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<sup>15</sup> One such project, featured by the Conference Board and recipient of numerous awards, is Turtle Island, Fiji. The private owners of the island have built a resort that caters to high end tourists – many guests make charitable contributions for social services on the island (e.g. schools, health clinics); and in response to a growing backpacking movement, the owners have sponsored hostels for backpackers in each of the island's seven villages, owned and operated by the villagers. The two very different markets co-exist side by side.

Tourism, carefully managed, can become a tool for environmental protection and for financing conservation. By law, ANGAP already provides 50% of park entrance fees to local communities in the vicinity for economic development. This creates incentives for the local people to protect both the habitat and the animals in the national parks and can create a disincentive for deforestation.

Tourism in or (preferably) in the vicinity of National Parks is helping to reduce a serious financial gap in funding for the parks by accommodating visitors to the parks and by environmental taxes on those visitors—not just in Madagascar but worldwide. Many “willingness to pay” studies indicate that tourists can be tapped to support environmental or cultural protection either through entrance fees, departure or other taxes, and voluntary contributions. To elicit voluntary contributions and increased entrance fees, tourists always require assurances that their contribution will be earmarked for the specific use for which it was given and will not become a part of general budgetary revenues. Park entrance fees in Madagascar, for example, are low by international standards. If an increase were presented to the tourist as a means of supporting local communities and conserving the park, it should be possible to raise the fees, especially since their incidence on the total tourism package cost may not be too great. A recent survey of visitors to national parks in Madagascar suggests that tourists would be willing to pay a daily entrance fee to the parks of US\$13 -18 (compared to roughly US\$6 currently for foreigners and US\$0.50 for nationals for three days). Some 10% of visitors indicated a willingness to pay a daily fee of \$31<sup>16</sup>.

By establishing physical planning, including zoning, and architectural standards for construction on or for the use of natural resources, the resource itself will be conserved. An Environmental Impact Assessment (EIA) should always be required for any construction on or use of natural resources and the capacity to monitor that EIA will have to be strengthened. A number of NGOs, supported by international funding in Madagascar, are capable of assisting the Government in establishing environmental standards for diverse tourism activities, many of which will have to be site-specific. Alternatively, as suggested in a later section, Madagascar could require that environmental regulations be developed in the proposed Master Plan for the sustainable development of the sector.

In 1997, a five-year national marine and coastal environment program was initiated, which seeks to promote Integrated Coastal Zone Management, including the creation of marine protected areas, pollution prevention and monitoring systems. This is a critical step forward and without it sustainable management of the coast is impossible. Accommodation constructions on the coast should be subject to setback regulations that also take into account sea level rise. Densities should be strictly controlled through physical planning and zoning regulations, as well as site-specific measures of carrying capacity on beachfronts, to the extent that these are feasible. Codes of conduct should be adopted by the diving sector for reef protection and there should be penalties for their non-observance.

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<sup>16</sup> A forthcoming study (June 2003), “Towards a Nature Tourism Economy in KwaZulu Natal” (World Bank/DBSA) estimates that for that region an entry fee equivalent to \$41 would be required to cover local employment and sufficient cash flow to ensure conservation of the region’s parks.

Development of the coastal zone in Madagascar, particularly on its fragile island sites and the use of its reefs, should ensure that the economic rents<sup>17</sup> from that development or use benefit local and state coffers rather than the developer. (Scarce public assets, such as beachfront land, tend to generate above normal rates of return when developed.) The Government should ensure that returns are sufficient for environmental monitoring of the asset's use and the upkeep of any infrastructure or other related public sector investments.

To enhance the island's image, as well as help preserve the natural resource base, the larger accommodation units and, particularly those in sensitive ecological areas, should begin to aim for hotel accreditation that signifies that the unit has met clearly defined environmental standards. Most large hotels seek international accreditation, either from the non-profit International Standards Organization (ISO) for 14,001 status, or Green Globe status, which was launched by the World Travel and Tourism Council (WTTC) and has now become independent.<sup>18</sup> Some regions of the world are preparing their own accreditation system. It is nevertheless important that the accreditation system be seen to be independent and objective.

Green accreditation improves waste disposal and sets up recycling and utility monitoring programs and as a result, after an initial capital investment that is generally recouped within the first year, hotels have recorded considerable savings in both energy and water consumption. As a result of an accreditation program supported by USAID in Jamaica, hotels are reported to have improved profitability, enhanced guest relations, built bridges to local communities and helped to preserve the island's beauty. There has also been a significant externality in improving health and sanitation in employees' homes and in their communities.

A major reason for seeking environmental credentials for tourist accommodation and services is that many lodges and hotels worldwide are already doing so. That Madagascar, whose attraction is as an ecotourism destination, does not have any accredited "green" tourist accommodation will appear to be an anomaly. Worse, if accommodation and service managers are not using environmentally benign practices, tourists could be repelled. "Green" tour operators in developed countries increasingly only establish business relationships with hotel and lodge managers that have adopted "green" practices—as is demanded by an increasing number of tourists, particularly European. A major benefit from accreditation is that a large number of awards or "ecolabels" are now offered for good environmental management of hotels and other accommodation. Those awards receive wide publicity and become an effective marketing tool for the accommodation, and, in the process, for the island.

## **10. Negative Social Impacts of Tourism**

The negative social aspects of tourism can include an increase in prostitution—at its worst of child prostitution. The Ministry of Tourism has become aware that child prostitution has occurred in Madagascar (particularly in Nosy Be and Diego) and there are rumors of linkages to international pornography rings. The Government is waging a vigorous campaign against

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<sup>17</sup> Annex 3 discusses economic rents for public goods in natural resource areas.

<sup>18</sup> Annex 2 contains a note on the process for adopting Environmental Management Systems in tourist accommodation.

abuses—using every medium of communication, including vivid posters. The campaign states that offenders will be prosecuted to the full extent of the law and, under a recent international convention, in their home country if they leave the tourism destination. The Ministry noted that extreme poverty sometimes led parents to connive with the offender in suppressing evidence. In interviews with the Ministry of Tourism, their determination to stamp out this intolerable activity was made evident. The World Tourism Organization recently published a Code of Ethics and all members, including Madagascar are encouraged to adhere to its principles

## **11. Sector Administration**

Whether Madagascar becomes a major tourism destination will depend on the quality of sector administration. Tourism is essentially a private sector activity but is highly dependent on public sector support. Tourism cuts across many sectors and there is often little communications between them. Notable among the ministries whose activities are related to tourism, in addition to the Ministry of Tourism, are, for example, the Ministries of Finance, Land, Culture, Public Works, Agriculture, Labor and Commerce. To be successful, tourism requires coordination and complementarity between the Government and the private sector, civil society in general and, in particular, with local communities that are specifically impacted by tourism, where NGOs can facilitate the process. Only a continuing dialogue between the public and private sectors can lead to successful tourism management. Despite some progress, that dialogue is not yet in place. A strengthening of public and private sector institutions, combined with a strengthening of coordination mechanisms among them, should facilitate the process but specific procedures should be put in place as soon as possible to formalize the dialogue.

### ***11.1 Ministry of Tourism***

The Ministry of Tourism is responsible for tourism policy, which currently has a three pronged focus: investment promotion; professional training at all levels; and promotion of Madagascar's tourism. On the first point, the Ministry has made good progress in designating priority areas for tourism development through the creation of the RFTs. On professional training, there are proposals to set up hotel/tourism establishments, one in each province, in addition to the existing Institute for Tourism. This seems overly ambitious and is perhaps not efficient. Training is clearly a priority but can be achieved in a variety of ways that might be more cost effective, such as a mix of classroom and on-the-job training. Distance learning and itinerant programs are being used effectively elsewhere. On the third axis, the government recognizes the importance of promoting tourism to Madagascar, and wishes to introduce a more effective mechanism (see below). The Ministry also chairs an inter-ministerial committee designed to harmonize interventions in tourism across sectors.

Investment promotion is also the responsibility of the Ministry, which has an Investment Promotion Directorate – its functions seems to be purely administrative and not designed to promote investment in a proactive way. Madagascar has no representation overseas either for investment promotion or destination marketing, the activity being assumed by Embassies and other delegations.

The Government, with support from the European Commission, created the *Maison du Tourisme* as a statutory body whose main functions are to: provide an umbrella organization for the professional associations (hotels, tour operators, etc.); promote the “destination Madagascar”; and encourage education for the tourism industries. Its Board of Directors with 30 members is cumbersome and MDT’s role of facilitating public private exchanges and decision-making has been lost – there needs to be much greater emphasis of promoting an effective public/private dialogue. Sector administration lacks effective partnerships between the private and public sectors. The private sector consists of a large number of small enterprises, which reduces its capacity to act in unison on issues affecting the sector.

MDT is financed by the *vignette touristique*, a parastatal tax (MF 3,000/US\$0.50/night in hotels with three stars or more and MF2,000 /US\$0.33 in other hotels)<sup>19</sup>. Hotels are responsible for collecting the tax and turning it over to the Treasury and then to the MDT. Collection is not dependable because MDT cannot take legal measures to pursue those who do not pay and it does not today provide a sufficient budget to finance more than salaries of officials. The budget for the *vignette* is about MF 2,000,000 and MDT expects to collect about 75% of that. The system needs to be overhauled and an incentive created for it to be collected efficiently by the government – by a matching grant, for example. The objective should be to design an appropriate marketing program and generate a budget to launch it. At the time of the fieldwork for this study the Managing Director was setting up a task force to examine ways of raising funds on a more permanent basis but information has become available since then to our knowledge.

Fundamentally, the MDT is a sound idea but there are weaknesses in its Board/management structures and its financing mechanisms. As an association, it has no capital and depends on members’ annual fees (*côtisations*). It would be useful to strengthen MDT as the umbrella organization to lead the public/private dialogue from the private side, with emphasis on building trust and creating *terrains d’entente*. MDT also needs to develop a “destination Madagascar” program; and it could also be called upon to play a role in the development of capacity building and professional education in the tourism industries. The government is embarking on a decentralization program and wishes to establish antennae for the MDT. With limited trained resources, it may be worth strengthening the local professional organizations that are members of MDT, so that they could address local coordination.

The Government is said to be considering leaving the MDT to become a purely private association and creating an *Office du Tourisme*, to promote the country. In the Bank’s view, the important issue is to create a space where the private sector and government can discuss policy and operational issues in a mutually reinforcing environment – this could be achieved by a restructuring of MDT or by creating a new *Office*, the former being possibly more efficient. The fundamental point is that if the problems that beset the MDT are not addressed, merely creating a new institution will not solve the problem. Inasmuch as the government puts an *Office* in place, it would be useful to revisit the functions of the ministry with a view to the ministry focusing on policy, the Office focusing on regulatory and operational matters and *inter alia* redynamizing the *Comité national de développement du tourisme* (CNDT).

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<sup>19</sup> Another system of raising money is being studied based on a tax on air transport tickets.

## ***11.2 Ministry of the Environment***

The Ministry was created a few years ago to formulate environmental policy. It has been somewhat in the shadow of the National Environment Office, which was created long before the Ministry and enjoys the support of many donors. But the principal agency concerned with managing the Government's conservation policy is the *Association Nationale pour la Gestion des Aires Protégées* (ANGAP), set up with a number of donors. ANGAP has designed a fifteen year program of three five year phases (the second ending in 2002) and manages: a) Integrated Natural Reserves designed to protect flora and fauna and into which entry is prohibited; b) National Parks designed to protect the natural and cultural patrimony in a recreational and environmental environment; and c) Special Reserves to protect entire ecosystems<sup>20</sup>. It has three main programs the *Project d'Appui à la Gestion de l'Environnement* (PAGE), the WWF and Landscape Development Interventions (LDI). ANGAP has been an effective manager of the national parks and reserves and has built a solid reputation, but faces funding shortfalls in the short-run. Given the critical role of the national parks for conservation and for tourism, ANGAP urgently requires resources to enable it to continue its operations. Currently, ANGAP's budget is funded by donors (70-80%), government (15-20%) and park fees (about 7%). With the support of the Global Environment Fund<sup>21</sup> (GEF), ANGAP is moving to the concept of a trust fund to give it more independence and to increasing the share of park fees in its overall budget.

## ***11.3 The Private Sector***

Just as there are many small hotels in Madagascar, so too there are many small tour operators. To some extent the multiple tour operators reflect the difficulty of mobilizing tourist groups and the amount of individual attention that each needs. These grew from 248 to 370 in five years, with a spectacular growth in the last two, in line with the rapid growth of hotels, probably in expectation of an increase in tourists to see the eclipse of the sun. Over 80 percent of tour operators are said to be foreigners, but this is likely to have been before the growth spurt. Many of these, like hotel owners, are in Madagascar as much for the lifestyle as for their business, though obviously none of them wants to fail. The large number of very small enterprises reduces their capacity to work in unison on issues affecting the sector and handicaps the opening of an effective dialogue between the public and private sectors. Thus, the MDT with its private sector representatives may be the best vehicle for that dialogue.

## **12. Constraints to the Growth of Tourism**

The following sections attempt to identify the main constraints on the growth of tourism, which has fallen far short of its potential, given the resource base. A review of the several issues reveals how intertwined are supply and demand constraints. Unusually, by comparative international experience, demand potential, in the abstract, appears to be unlimited because of the quality, variety and uniqueness of the tourism assets. Meager official and private sector promotion has left this demand untapped. Simultaneously, the current inability of the sector to accommodate and transport increased numbers of tourists, constrains its size.

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<sup>20</sup> The government is also looking into opening regional parks that will be under the authority of the Provinces.

<sup>21</sup> Fonds Global pour l'Environnement (FGE).

The cost and vagaries of airline access and restrictions on internal travel because of poor road infrastructure and unreliable, unavailable and high cost commuter airlines, is a major limiting factor on the size of the sector. As a specific example, new accommodation was built to accommodate the large number of tourists expected in 2001 for the eclipse of the sun, but there was only a marginal increase in air access and none in internal transport. Not surprisingly, investors' expectations were dashed. Consequently, there is little incentive to supply additional accommodation of the appropriate size and quality to meet market demand. For these and other reasons discussed below, Madagascar is without a flagship ecotourism or resort hotel that would expand worldwide promotion and help attract other investors.

Furthermore, Madagascar's asset base is -- with specific exceptions in certain resort and other areas -- more appropriate for small groups. This acts as a disincentive to invest in larger accommodation units, which in turn acts as a disincentive to larger group travel where tour operators counteract low margins with higher volumes. Therefore, tour operators try to target higher-income tourists and buffer them against the scarcity of suitable reception facilities. Despite this spider's web of constraints, many tourists leaving Madagascar report their satisfaction with their visit because of the quality of the natural assets. These tourists value Madagascar as a more rugged and unpredictable holiday experience. The larger segment of the more conventional tourist market and the small, but often profitable, luxury markets are the ones most difficult to attract to Madagascar.

Despite the market complexities, several respected international hotel operators have explored the possibility of investing in Madagascar. Lack of transparency in the business environment, combined with the critical issue that ensnares the plans of many prospective investors -- a clear title to land, has thwarted the intent of such hotel companies, as well as individuals, to invest in accommodation in Madagascar. The next sections address the several constraints to tourism growth in Madagascar. While issues related to climate are difficult to address, others that limit the expansion of existing capacity do have solutions and they are discussed below.

### ***12.1 Land***

As noted in the recent draft Integration Framework report on Madagascar<sup>22</sup>, "The current land situation in Madagascar represents a fundamental obstacle to any durable development in such major sectors as industry, tourism, commercial agriculture, and livestock ranching." Among the several difficulties facing hotel (and other) investors in Madagascar the most frequently mentioned is that of acquiring title to land. So far, less than 15% of the nation's territory has been formally registered in the cadastre and much of this land registry is out of date. Land titling is most frequent in Antananarivo. Traditionally, land improvement, collective ownership and respect for the notion of ancestral lands have been the cornerstones for the recognition of land ownership. To a large extent, these criteria are valid to this day.

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<sup>22</sup> Madagascar: Increasing Integration into World Markets as a Poverty Reduction Strategy. Pilot Study for the Integrated Framework. IMF, ITC, UNCTAD, UNDP, WB, WTO. (First Draft.) September 2001. This Land section relies heavily on Chapter 7 "The Regulatory Environment" of that report.

The process of “spontaneous” claims to untitled land, using some rudimentary level of improvement or a claim to ancestral rights as justification, is continuing and in some regions, accelerating. Much untitled land with potentially high development value along the coast and in prime ecotourism areas is said to have been claimed mostly for speculative purposes, so that the “rights” can be sold to prospective investors.

Since independence, foreigners have formally been barred from direct ownership of land. Nevertheless, to promote FDI, in 1996, the Government made it possible, in principle, for foreigners to obtain a long-term land lease for periods of 15 to 99 years. A decentralized system of *Guichets uniques de bail emphytéotique (GUBE)* has been created to assist applicants in the procedures required to obtain the lease. Land on a defined coastal strip, the *Pas Géométriques*, which extends 80 meters inwards from the High Water Mark, is owned by the state and can also be leased. On paper, it should be possible to obtain the lease within 60 days. In reality, this is rarely the case, particularly when it concerns unregistered state lands. To obtain a long-term lease to unregistered state land, the application needs to be submitted repeatedly for the approval of the surrounding community, a non-transparent process that can lead to delays of several years or more. Most importantly, because of potentially undiscovered claimants, investors face lack of security of tenure.

The law on land leases gives the Government discretionary powers to revoke the lease in the event of non-performance on any aspect of the lease agreement (“*en cas de toute inexécution des conditions du contrat de bail ainsi que toute détérioration grave commise par le preneur sur le fonds*”). So far, the legal value of these long-term leases is untested in the courts against Government revocation of the lease and claims of a prior land improvement or ancestral right. Adding to these insecurities, the lease system is alleged not to give the security that bankers, for example, require for lending, though it works well in other countries.

A New Land Acquisition Scheme. The Ministry of Tourism, in collaboration with the private sector and an NGO representative, and with assistance from donors (France, Germany and USAID) initiated a new land acquisition scheme (*Réserves foncières touristiques--RFTs*) to resolve the problem of making land available to tourism investors. The land was acquired from local people with the promise that tourism development would bring benefits to them and their community. The initial public offering of the first lands, through a dedicated web page, attracted few bids, which after review were annulled. The RFTs are in principle a good way to break the most serious barrier for investors, though the procedure also carries risks.

To contain speculation, the Government must have a preemptive right to buy back properties that are to be re-sold or remain undeveloped. RFTs must be offered only to those investors whose plans conform to the Ministry’s strategic objectives and the *cahier de charges*<sup>23</sup>. Transactions must be seen to be arms-length. Management of individual RFTs needs to be carefully designed. The responsibility for financing the infrastructure costs within the RFTs and the infrastructure to access the RFT’s remains to be determined. The *plans d’aménagement* and *schémas directeurs* should be process frameworks that prescribe development solutions but also recognize investor priorities. While there are multiple institutional options, an autonomous structure that leaves managers free to develop the sites without political interference is essential.

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<sup>23</sup> The Ministry is proposing to create an Office to manage RFTs.

There are currently plans for 15 RFTs in the Southwest, 12 in Isalo (center), and 3 in the North, which appears to the authors too ambitious a target.

Contrary to accepted practice elsewhere, the Ministry of Finance has refused to classify tourism as an export industry, though some official documents refer to it as “an in-country export sector” (*exportation sur place*). The EPZs receive effective incentives. Given the economic importance of tourism to Madagascar, and its equivalent ranking in foreign exchange earnings with the EPZs, there would seem to be a strong case for applying comparable incentives to tourism investors. The RFTs could be extended the same incentives as the EPZs and become *zones franches touristiques*. Consequently, access to financing would be strengthened because infrastructure would be included in land development.

As a strategy, RFTs should be confined to areas of high tourism potential, the number of RFTs should be limited and the number of sites within them must also be limited to make initial investments profitable. The target should be to create a cluster of high quality accommodation and tourist-related services that make the RFT a major tourist attraction. Surrounding the accommodation, there should be supporting services such as restaurants, financial, telecommunications and transport services, as well as access to emergency medical services. The site should also supply well-trained guides. The grouping of small accommodation units within a cluster, with supporting services, would make it feasible for more and somewhat larger tourist groups to visit the same destination. As a first step, two pilot clusters should be developed: one in a national park and another in a resort area. If there is an evident need to provide a rest area between two or more major destinations, a third small complex could be launched.

## ***12.2 Spatial hierarchy.***

For tourism to succeed, there will have to be agreement on designated gateways where foreign tourists enter Madagascar – its air or maritime ports as well as its surface transport (road and rail). Within the country, there will be a hierarchy of centers with economies of scale in the provision of services (“clusters”) from which tourism emanates: gateway and anchor cities, regional hubs and local staging posts – the latter are often in remote areas where there are few or no other opportunities for economic activity. Centers can be linked as hub and spokes, linearly, or in larger circuits (these options can all be conceived within a country or can cover two or more countries). Without such a framework it is difficult to create the *niche* markets, which, while not justified in themselves, create value added and linkages to other areas.

## ***12.3 International Access***

The Government initiated a liberalization of air traffic policies in 1997. Among the principal measures are:

- Opening of non-regular scheduled flights to charters
- Elimination of Air Madagascar’s monopoly of domestic routes and the beginnings of “open skies” policies on international scheduled routes
- Granting of a moratorium for 8 international traffic rights as part of the privatization process scheduled for 2004 (this date is likely to slip).

Although this has not resulted in a rush of new entries to the business, liberalization has been a major factor in the 20% increase in passenger traffic internationally and domestically in the last three years. The World Bank has been a government partner in the liberalization process and also in encouraging public-private partnerships for the management of the main international and provincial airports. On international access, there are concerns on pricing, capacity and the frequency of flights, as well as linkages between international and domestic flights.

Airfares to Madagascar are higher than to other destinations in the region because of limited capacity and lack of competition. They are even said to be among the highest fares in the world on a per kilometer basis. The most recent tariff schedules (Annex 6) show the low and high season one month apex fares to Antananarivo from Paris as about US\$2000 – 2,200 on Air France/Air Madagascar and slightly lower on CORSAIR, and just below comparable fares to Reunion<sup>24</sup>. Recently, Internet sales, which cover no more than 10% of the market, have offered a price as low as FF 800 and, more frequently, FF 1,700 equivalent. Clearly, the high airfares merit more analysis as to their rationale.

The scheduled carriers, Air France and Air Madagascar, dominate travel from Paris to Madagascar with code share arrangements; management of Air Madagascar is now in the hands of Lufthansa, following a contract signed in early 2002. Air France has three flights per week to/from Paris and Air Madagascar two. Milan is the only other gateway city in Europe with one flight per week, compared to four from Paris. The only charter flight, CORSAIR, recently became a scheduled carrier. It flies from Paris with one flight a week (with a load of two thirds of capacity for the Madagascar market and one third for Reunion), except for two in the peak months of July and August, and visits Reunion on its return flight. Although CORSAIR's prices originally undercut other airlines, fares have gradually increased until in the peak season they are only slightly below the scheduled airlines.

Air Madagascar used to operate a weekly flight to Singapore but it ceased servicing the destination following the political upheaval last year. Within Africa, Air Austral operates code share flights from Johannesburg and Réunion with Air Madagascar, which also has a weekly flight through Nairobi. Air Madagascar and Air Mauritius have code share arrangements for three weekly flights between the two islands. Air Madagascar also flies to Moroni and Séychelles. There are daily flights between Reunion and Madagascar under code share arrangements between Air Austral, Air Madagascar and Air France.

Air Madagascar has a joint venture agreement with Air Mauritius and Air France and has increasingly been a creditor for the several support services they provide. Air Madagascar currently serves four out of every ten regional or international travelers to Madagascar. The privatization of Air Madagascar by 2004 should improve services efficiency, but, if, as some commentators expect, the airline were to be taken over by Air France, the absence of competition is unlikely to reduce the current high airfares.

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<sup>24</sup> Comparable low season fares from Paris to Guadeloupe and Australia are of the order of US \$ 600 and US \$ 700. One diving operator said that a week all costs included on the Red Sea could be had for the price of the airfare alone to Madagascar.

The significance of gateway cities in Europe and in other major tourist supplier destinations is proved by the decline in German travel and the increase in Italian once Air Madagascar dropped its flight from Munich in favor of Rome. Air travel to Madagascar is ultra expensive, inflexible, and limits the number of tourists who can afford to travel as well as the main source markets from which tourists come. An expansion of demand from European countries other than France and from other supplier markets will require better air access, cheaper fares and direct marketing. Moreover, the international airport in Antananarivo needs upgrading to permit the landing of larger planes and for greater passenger comfort. It would be interesting to review existing bilateral agreements in Africa and to open several airports in Madagascar to international flights and thus diversify the supply of air services.

Details on air transport (passenger and aircraft movements, airline companies and tariffs) are set out in Annex 6

#### ***12.4 The Business Environment***

The current sound macro-economic policies that have led to sustained growth are the ideal framework for a tourism industry. The Government must ensure that specific sector policies support this economic framework. Investors, whether foreign or local, will be attracted to invest in the tourism sector only if the macro-economic framework is conducive to private sector investments. Macro-economic policies should foster stability, confidence and predictability. Unfortunately, this has not been the case in Madagascar. Local tour operators and hotel managers must commit a year ahead to a price structure in their brochures and in their contracts with international tour operators. The private sector has watched investment incentives revoked suddenly and VAT imposed without sufficient lead-time to be able to pass on the increased costs to clients. In 1999, local inflation and a depreciating exchange rate led to an increase in up to 50% in the cost in Euros of the package local operators had advertised, which they also had to absorb.

Today, the industry complains about the sheer number of taxes to which their businesses are subject. The impact of duties and taxes on vehicles, mainly 4-wheel drives, can increase the f.o.b. price by as much as 130%. These costs are passed on to the consumer, raising the cost of the total tourism package.

Strengthening the case for designating tourism as an “export industry”, as which it would be eligible for the benefits of the EPZ legislation, is the assessment reported in the previously referenced Integrated Framework study, that: “Investors time and again stated that their decision to establish operations in Madagascar was based in large part on the incentives provided by the EPZ legislation. Successful implementation of the laws reduced the costs from government bureaucracy and red tape, as well as their taxation liabilities.” By contrast, the report states that high taxes, capricious enforcement of laws and regulations and corruption have made it difficult for companies producing for the domestic market that are unable to benefit from EPZ legislation to restructure to meet the challenge of imports. The efficiency of the tourism sector is as adversely affected, as are these domestic manufacturing companies by not benefiting from EPZ legislation. Red tape, unpredictable and arbitrary decision-making deters tourism investors from pursuing their intention to invest or to continue in the country.

Labor Laws. Many firms reported increasing difficulty in obtaining permissions from the Ministry of Labor for expatriates to work in a timely manner. A decision can now take almost a year. So far expatriates have not been stopped from working, even without permits, but it makes investors nervous. Furthermore, permits for expatriates are reported to be withdrawn unexpectedly and without warning with a threat of immediate expulsion, leading the manager to drop everything until the matter is resolved. Given the lack of skilled Malagasy workers and managers and the critical need for investors in tourism, making expatriates unwelcome sends investors the wrong signal.

Financing. There are six banks in Madagascar. A number of micro-credit schemes try to reach a fraction of the population out of the reach of the commercial banking system, but by and large the Malagasy banking system is very concentrated in Antananarivo, even by the standards of Sub-Saharan Africa. Despite the improvement in its financial position, the Malagasy banking system still acts very conservatively in its lending policies, which is considered by industrialists and tourism investors as a drag on the economy's much-needed investment effort. Most enterprises are unable to access bank credit and when they are able to the costs are high. Banks demand personal guarantees as well as high levels of collateral and generally will not lend to small firms, handicraft companies or any other companies, including tourism, that do not have extensive resources. Bankers consider that the business environment is too risky to make substantial business loans. An interesting exception is the Bank of Africa, which has substantial Microfinance activity, lending to associations that assume the risk for recovery from their members.

Credit is restricted both because of the lack of information and of enforcement mechanisms. Banks are unable to obtain reliable information on new borrowers or to assess their creditworthiness accurately. More importantly, the judicial system is weak and ineffective. If a borrower defaults it is extremely difficult and costly for creditors to obtain recourse.

The lack of working capital severely constrains the ability of firms to expand, particularly handicraft producers. Small foreign-owned firms also find it difficult to access local credit but they often are able to bring in capital from abroad. But, because bank fees are so high, firms only bring in money from abroad when absolutely necessary and try to pay their bills overseas.

As difficult as it is to get short-term money, long-term finance is even harder. Term loans are very rare and loans of over five years are completely unavailable. Because tourist operations are unable to borrow short-term from banks for working capital, they are forced to forego investing in order to fund current operations with their internal funds. Complicating tourism investments, hotel finances tend to require specially designed terms of lending, according to IFC's 1992 "Lessons from IFC's Experience in the Tourism Sector". Hotels are characterized by high fixed costs, both in terms of the capital required to build a property and of operating costs. The IFC recommends, *inter alia*, that it should grant and encourage others to grant longer grace periods. A new hotel typically takes about three years to achieve a stable level of revenue. Inadequate grace periods contribute to the need for financial restructuring. Longer repayment periods and/or graduated payments should be considered.

Financing remains a major constraint on the expansion of the tourism sector within Madagascar, which is an important objective for outreach to poor communities. The absence of appropriate financing will also hold back the creation of clusters of excellent hotel and tourist-related services that are recommended in this report. Alternatively, they will be financed preponderantly by foreign capital, thus marginalizing local investors.

### ***12.5 Internal Air Travel***

Some 37% of tourists use a plane when traveling a long distance within Madagascar. International and local tour operators –and tourists, according to the visitor survey—complain about flight delays and even cancellations. Furthermore, access to resorts such as Nosy Be can make for an arduous journey if the tourist tries to fly without an overnight stopover in Antananarivo. A European would fly some 11 hours to Madagascar, then wait at least an hour at the airport—provided the plane leaves on time— then face an hour’s flight to Nosy Be and then a drive and perhaps even boat travel to the final destination. This tedious journey compares with the accepted rule in the tourism industry that a final destination should be no more than one hour’s travel from the airport or port of arrival. Box 5 highlights bottlenecks to tourism in Madagascar.

Tour operators in Madagascar complain about the changes in tariffs, routes and schedules by Air Madagascar. The individual traveler does not have to pay VAT on domestic flights booked locally, but a tour operator must pay the VAT on the same flight if the package is booked abroad. The rationale for this differentiation is unknown. If the government wishes to encourage locals to use internal flights by removing the VAT, a better system could be designed that limits such privileges to them and not to tourists.

Madagascar has 133 airports; of this total, 29 have paved runways. Only four domestic airports are equipped to handle night landings and take-offs and most of the domestic airports accept only small aircraft, again limiting anything but very small group travel.

### **Box 5. Travel Tales**

#### **Isle Sainte Marie**

In June, July and August, whales congregate in the waters off Ile Ste. Marie and are a strong tourist attraction. However, many tourists wishing access this year could not find a seat on a plane – the airport has no facilities for large planes. In the event, people had to make other plans. Unfortunately, Ile Ste. Marie has a capacity of some 50 small hotels, many of which were unable to welcome customers, because of the constraints in air transport.

#### **Japanese market**

A nice market niche has been established from Japan – via Singapore on Air Madagascar. While tourists have no problem reaching Antananarivo in this way, the size of a group is limited to 15, although the Japanese often travel in much larger groups. Lodging constraints in the destinations the Japanese wish to visit for landscapes and sunset photo opportunities limit the group size. These destinations include Perinet, Morondava, Ranohira, Tulear, Fort Dauphin and Berenty.

While these barriers prevent abuse of fragile assets, better management, whose marginal cost might be modest, could result in a much expanded tourist industry.

Air Madagascar provides scheduled commuter services to and from 28 of these airports. However, Ivato is its primary commercial hub, where its maintenance facilities and its commuter/international flight interchanges take place. In each airport where Air Madagascar operates, the airline also holds the exclusive right to provide ground-handling services. Since the commuter airline business was opened to new entrants in 1994, no one private company has entered the market. Significantly, as part of its efficiency improvement program, Air Madagascar is planning to exit 20 or so low-density commuter lines. If no commuter airline replaces Air Madagascar in these markets, a significant loss of connectivity and market access will result for the 20 affected communities.

As recommended in the draft Integrated Framework report, instead of simply exiting these markets, a better solution would be for Air Madagascar to sell franchise rights to replacement carriers that would include ticketing, joint marketing and ground handling services it currently provides. Or, simply, the Government could liberalize domestic air service and encourage operators to begin operations with appropriate equipment for the task. As long as Air Madagascar continues to control ground-handling operations at all of Madagascar's commuter airports, and as long as its charges are unregulated, few private investors are likely to attempt to start up new commuter airlines. Given the poor state of much of the road network, as discussed below, lack of airline access will have a negative impact on the tourism sector.

## ***12.6 The Road Network***

There is no good road access from North to South, i.e., between the two major poles of tourism development. Because of poor maintenance and under-investment, the country has been losing between 300 and 1,000 km of roads per year. At present, the national road network consists of approximately 33,000 km, of which 11,800 km are national roads, an additional 17,800 km are provincial roads and approximately 3400 km are unclassified. Only 12,000 km can be used year-round and only 5,500 km are paved.

All tour operators noted the hazardous state of roads on all but the most traveled routes. Some improvements have already taken place in the road network but with few all-weather roads in such a large country, many areas remain inaccessible. Even during the dry season, portions of the island on the west and south coasts cannot be accessed easily. The result is that the island is divided into a number of isolated regions that can be accessed only by a combination of road, air and water transport. Currently, nearly 8,700 km of rural roads have been selected for improvement under a World Bank-financed project. Of these, 2500 km would provide access to 67 communities that are isolated.

This poor state of the roads has an impact on the condition of the vehicles used and, therefore, on costs. One tour operator described a "good" tour as one in which the vehicles didn't break down at all. The Government has recently agreed to use donor funding to improve the road network. Tourism will benefit only if the needs of the sector are included among the priorities.

## ***12.7 Other Internal Transport Access***

In the visitor survey some 28% of tourists said they “walked” to their destination, which suggests that they are backpackers. Other means of travel within Madagascar follow:

Rail. There is potential for rail travel in Madagascar. One railway can already carry passengers from Antananarivo to Perinet and the rehabilitation of another from Fianarantsoa to the east coast is now under rehabilitation with support from Switzerland, USAID and the World Bank. On those routes to tourist destinations where tracks already exist, railway travel could be an important solution to the problems of internal mobilization.

Ports. Madagascar has 13 provincial ports, responsibility for which falls under the control of local government bodies. Several of these provincial ports have been privatized. However, the pending federal decentralization of authority over regional ports has created uncertainties about operations, funding and new investment. Given the potential of cruise tourism, fishing and sailing, ports could play a significant role in the expansion of the tourism sector.

## ***12.8 Lack of Promotion***

As discussed under Sector Administration below, the *Maison du Tourisme* is responsible for promotion, but has no funds currently with which to promote the country. International tour operators mentioned the absence of Government promotion of the country as a destination *per se* as a major constraint to increasing tourism. Countries that are successful in tourism normally combine the efforts and funding of the public and private sectors to promote the country. Two wildlife destinations, Kenya and South Africa, even a few years ago were spending US \$ 10 and 23 million respectively on tourism promotion. Madagascar’s promotional budget for 2002 was about \$150,000. If Madagascar succeeds in removing the constraints to an expansion of its tourism sector, it will be essential to support the new investments with an effective promotion and marketing campaign. This requires that the current financial shortfall of the *Maison de Tourisme* be resolved and measures introduced to ensure transparency in its financial operations, together with a review of its capacity to implement its mandate.

## ***12.9 Infrastructure of Importance to Tourism***

The tourism sector is highly dependent on almost every component of national infrastructure. The efficiency of such infrastructure also affects the operating profits of accommodation establishments and their ability to dispose of waste benignly and avoid pollution of natural assets. Inadequate infrastructure raises costs for all firms no matter what their business.

Power. Currently, electric power appears to be adequate in the capital, but voltage fluctuations and outages are increasing and are expected to get worse as demand increases. Outside of Antananarivo, infrastructure is far worse and many of the larger tourism establishments have generating plants. The smaller and more isolated establishments use traditional energy sources.

Water Supply. Water supply is generally adequate to better-off areas of larger towns, but is inadequate in the poorer sections. Many villages are without adequate wells for water and an African Development Bank, UNDP, and World Bank-financed project is expanding the supply in villages. Sewage disposal processes in the national parks are much criticized by tour operators and tourists alike. The issue of sewage disposal in resort areas has not been examined but is apparently a problem as untreated wastes find their way into the sea.

Telecommunications. The item that received the most criticism in the 2000 visitor survey was *communications*, with 21 % of visitors rating them “bad” and 23% rating them “very bad” and another 23 % rating them “average”. The tourism sector is highly dependent on telecommunications. The success of the Internet as a marketing tool for tourism has been remarkable. Tour operators rely for their bookings on the phone, fax and the Web. In Madagascar, as noted in the draft Integrated Framework report, the lack of bandwidth keeps the cost of connectivity high, effectively capping the size of the IT sector. It leads to high telecommunications costs for not only voice traffic but also for Internet and data transmissions. All firms, not just IT firms, are hurt by the high cost of communications, but it is a particular burden for small ones, such as the handicraft firms trying to advertise their products and find new markets. Few small companies can afford Internet sites, which would make it much easier for foreign buyers to learn about them. Telecom costs may come down as the market is deregulated. Already, the introduction of mobile phone licenses has helped lower the cost of voice. Most people use them for international calls since they cost significantly less than the national phone company’s international service.

### ***12.10 Education and Training***

As noted in the draft Integrated Framework report, the lack of training and skills is a major impediment in all industries and all sectors, including the handicrafts sector. The skills shortage is not just confined to managers and technicians. Industry suffers because it is hard to find workers with basic numeracy and literacy. Far from getting better with time, this problem is becoming worse. Basic education achievement appears to be declining throughout the country, especially in the sciences and technical fields.

An important void in the education system is the lack of training in languages. Few people in Madagascar, even among the most educated, communicate well in English. This makes it difficult to penetrate tourism markets in Europe and the US, as well as Japan and other major tourist supplier markets. Prospective tourists and investors cannot easily obtain information on Madagascar because they do not speak French. To expand Madagascar’s possible tourist markets, a substantial effort must be made to teach English in schools and to local people who have frequent contact with tourists.

### ***12.11 Climate***

Climate has a marked impact on tourist arrivals in the first three months of the year, which is unfortunate because this would be a prime time to attract tourists because of the reverse season with northern Europe. The winter season in the north generates an exodus of tourists but coincides with an inhospitable wet season in Madagascar. From January to March the wet season

restricts tourism because of heavy rain, flooded rivers and damaged roads that can make some overland travel impossible given that only 7,000 km out of the 35,000 km road network are weatherproof. Rough seas can delay or make dangerous inter-island travel. Cyclones are also frequent at this time of year and can cause loss of life. This critical first quarter, which for many islands in the vicinity is the peak season, is most negatively affected by climate in Madagascar.

From April to even late December, rain is insignificant. Average dry season temperatures vary from a maximum of 30 C in coastal areas to around 25 C on the *hauts plateaux*, though in Antananarivo and surrounding areas the temperature can fall to 0 C in July and August. Even snow occurs at the highest altitudes. The optimal visiting periods are:

- East coast: March to May and September to November
- Southwest area: hot, dry and semi-arid, with March to April the best time for flowers and reptiles
- North and its major resort areas: year-round, though with some climatic perils.

Fortunately, lemurs, a main attraction, can be viewed all year round. Climate is an implacable constraint, but even the effect of cyclones can be mitigated if accommodation is appropriately constructed and hotels are ready for emergency management<sup>25</sup>.

### ***12.12 Other Constraints***

The absence of medical facilities in destinations with malaria and in a country where there was a serious outbreak of cholera also weighs in the balance. Personal safety is not regarded as a serious problem in most of Madagascar, except in Antananarivo, where tourists frequently experience petty theft.

### ***12.13 Summary of Constraints***

All these constraints do not need to be removed simultaneously for tourism to succeed; and while tourism policy should focus on comparative advantage, it will also be necessary to evaluate constraints both in terms of the barriers they engender and the cost of resolving them in specific contexts. Choice of tourism initiatives will be guided by consideration of these issues. Furthermore, all tourism options cannot be developed in the short-run and choices will have to be made. Thus, a well-prioritized program will minimize additional investment in infrastructure by ensuring that new tourism investment will utilize existing or new infrastructure already in the pipeline, rather than designing tourism projects from the ground up. The Bank will discuss with the Malagasy authorities their site options – in the context of progress under the master plan under development (see below). In addition, if a regional approach is adopted, Madagascar could be one destination (offering its first rate natural resources and biodiversity) in a circuit that might include Mauritius (superb hotels, high quality service and relatively lower air fares) or South Africa (traditional safaris).

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<sup>25</sup> A hurricane manual was first prepared for Caribbean hotels in 1990 after Hurricane Hugo. In 1998, with financing from the Caribbean Hotel Association, Caribbean Tourism Organization, Organization of American States and USAID, a new Hurricane Procedures Manual was published. See references.

### ***12.14 Competitiveness of the Tourism Product***

The constraints discussed above, have a direct impact on the competitiveness of the tourism product in Madagascar. One international tour operator explained that he paints any potential client interested in traveling to Madagascar a grim picture of the state of infrastructure, health, climate and aforesaid facilities, as well as the uncertainty about timetables and availability of hotels. Only if interest does not fade, does the tour operator not try to divert the tourist to another destination. Madagascar does not feature in the itineraries of Abercrombie & Kent, among the most exclusive of the international tour operators, who noted the inadequacy of hotels for their high-spending clients. Madagascar is also excluded from Kuoni's catalogue, a large tour operator that handles middle-income tourists. Low margins require the bigger tour operators to transport large numbers of tourists to each advertised destination in order to make a profit.

One tour operator who specializes in adventure travel for high-income tourists sums up the international tour operators' views about Madagascar's competitiveness. The elegant brochure has a relatively short section on Madagascar, the opening paragraph of which is dedicated to preparing tourists for their visit: "A visit to Madagascar is a very special experience and the people, despite terrible poverty in certain areas, are very friendly. Naturally, the standard of accommodation is not up to western standards and the infrastructure quite often unreliable with a poor domestic flight service and rough roads. An open mind and sense of humour, as well as a realistic approach and genuine desire to see strange and wonderful wildlife, will ensure an incomparable holiday...Whilst tourist accommodation in Madagascar is more than adequate, it lacks the sophistication and refinement one has come to expect elsewhere in the Indian Ocean. The three properties featured on this page<sup>26</sup> are of a higher standard and offer the definitive Malagasy experience."<sup>27</sup>

While the cost of the overall package is quite expensive for the tourist, it is weighted by the high cost of airfares. The cost of accommodation, food and other facilities is generally lower than in other Indian Ocean islands.

It is a remarkable tribute to Madagascar's assets and its people, that despite lack of competitiveness in quality of accommodation and services and in airfares, tourists express a high degree of satisfaction with their visit. The number of return tourists also confirms the level of satisfaction. Clearly, if the above constraints could be resolved, Madagascar could become a major tourist destination.

## **13. Prospects for Tourism**

Tourist numbers cannot continue to grow at the pace of recent years for much longer, unless some of the constraints are removed. Demand is not the constraint on tourism growth. Madagascar's outstanding and varied natural resources will be in demand by an ever-greener tourist market for the foreseeable future. Capacity constraints that are likely to kick in at some

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<sup>26</sup> The Tsara camp and the Relais de la Reine and Tsarabanjina hotels.

<sup>27</sup> Worldwide Journeys & Expeditions. Discover the World in 2001.

point soon are, principally, the availability of quality accommodation and services and seats on internal and international flights. Without a more detailed survey of the many destinations visited by tourists, the exact timing of when such constraints will restrict tourist numbers cannot be forecast. But, there is evidence today of scarcity of quality lodging in the peak season in the main destinations and of lack of seats on international flights. Consequently, without targeted interventions, Madagascar is unlikely to be able to increase the numbers of tourism arrivals much beyond present levels for the foreseeable future.

The potential for growth, if current constraints are addressed, is almost unlimited. Madagascar has sufficient and varied assets that can be brought on stream successively over time to cater to different segments of the tourism market and to help create development poles in different regions of the country. Unfortunately, no quantitative assessment of that potential growth is currently feasible. The current time series of visitor arrivals includes all foreign visitors, consequently neither the absolute numbers of tourists nor their rate of growth are known. Furthermore, more information is needed on the number of rooms suitable for international tourism and their distribution. The various constraints already discussed seriously limit the growth of the sector and its expansion to new areas in Madagascar.

The main limiting factor on the quality of those assets may well be effects induced by poverty. Deforestation in Madagascar is a continuing threat to the habitat of the wildlife and to the sites that attract tourists. The deforestation reflects the desperate attempt at survival by very poor rural populations, with few economic alternatives to subsistence agriculture and the use of trees as fuel wood. Poverty that leads to over-fishing and population pressures that induce migration to the coast are among the threats to the sustainability of the coastal zone. Consequently, the very economic activity that could alleviate poverty throughout the island is itself threatened by that poverty. In Madagascar there is, therefore, a race against time to alleviate poverty, which of itself requires no justification, in tandem with a race to preserve the island's world class and unique bio-diversity by also alleviating poverty. The potential of any expansion is evident when tourism today, with all its constraints, is even now one of the top three foreign exchange earners.

Tourism may be the ideal development tool for Madagascar because it can be a catalyst for economic growth and can create a number of positive externalities to alleviate poverty and protect the environment. Like all export industries, tourism generates foreign exchange, as well as employment and Government revenues through taxes. Tourism already absorbs local inputs in hotel construction and in the operations of accommodation entities throughout the country. Tourism stimulates production of goods and services in a wide range of sectors and sub-sectors, e.g., construction, furniture and fittings, agriculture, fisheries, food processing and light manufacturing, handicrafts, and gemstones, as also transport, telecoms and financial services. The dispersion of tourist assets throughout the island creates pockets of economic growth in each of these destinations. Madagascar should also explore options for creating regional tours as suggested above with other islands in the Indian Ocean and neighboring countries on the continent, building on its own comparative advantage and harnessing that of other areas to create superior circuits.

## 14. A Proposed Strategy for Tourism

Tourism cannot bridge the gap between its current low level and its potential without a plan for the sector. On-going World Bank projects in Madagascar can help to remove some of the constraints on the sector and increase the outreach of tourism to rural areas, where it can help to alleviate poverty, if they are reoriented to that goal. Because tourism is cross-sectoral, almost any donor-assisted activity could have a significant impact on tourism, as, for example, all infrastructure projects, including water, power, telecommunications, as well as health and education. The national transport plan could help to improve those roads, secondary airports and, possibly, railways, ports and river navigation that would directly benefit the growth and/or expansion of tourism. The rural roads project could be instrumental in opening up remote areas with tourism potential. Policy discussions with the Government should include the need to improve the business environment for tourism and, particularly, measures that will enable new investors to follow-through on their investment plans. A study on the linkages between agriculture and tourism would help establish demand from the accommodation sector. Public expenditure reviews should examine Government expenditures for the tourism sector, including promotion and training, which should be financed through a partnership with the private sector. Both IFC and MIGA could play a crucial role in investment and marketing.

Ideally, a donor consultation process should be established for the tourism sector. Such a system is already in place for the financing of the national parks through ANGAP, which uses tourism-related projects to raise revenues and, through community funding, help conserve the asset. But, to enable the Government to improve its policies towards the sector and to enable meaningful dialogues with all the different stakeholders, it is first necessary to have a blueprint for development of the sector in the short- and long-term.

As a first step, a grouping could be developed in a national park, a beach area and a transit zone, to serve as pilot projects for future clusters. The areas that seem to have appeal in the short-run are the province of Diego Suarez (with a core in Nosy Be); the center (from Antananarivo to Ile Ste. Marie, passing by Perinet); and the south (triangular circuit between Toliara/ Isalo/ Ft. Dauphin). Alternately, one could conceive of three core areas within these regions. The guiding principle should be that of prioritization and sequencing of activities.

Such a blueprint would enable the Government to improve its policies towards the sector and to begin a meaningful dialogue with all the different stakeholders. It would identify priority tourism areas and types of tourism that should be encouraged and should develop a comprehensive and sustainable strategy for the sector, in close consultation with all the local stakeholders. Many countries use the tool of a Master Plan to establish a roadmap for tourism development over periods as long as twenty years. Financing can often be obtained from donors for such exercises.

As several other countries have done, Madagascar intends to complete master plans<sup>28</sup> for its tourism zones (some are already underway) and, with the support of GATO AG (a German apex organization for tourism), develop a “concept for tourism” in order to provide short- and

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<sup>28</sup> *Schéma directeur*

long-term frameworks for tourism development. These studies should result in a strategic framework containing a detailed analysis of the existing tourism products, a development concept with targets for the short-, medium- and long- term, as well as guidelines and implementation schemes and budgets covering the following areas: tourism product lines; marketing and distribution; the institutional framework; human resources; and investment in tourism. The study is still at the research phase and a final report is expected in October/November 2003.

While members of the Bank team have had a chance to meet briefly with the consultants carrying out the study, they have not yet had in-depth discussions. In a spirit of cooperation, the Bank would like to suggest that the Master Plans extend to the following issues:

- Propose improvements to the existing system of tourism data collection and processing
- Identify the most critical infrastructure constraints in existing tourism circuits, cost the improvements, and make recommendations for their financing
- Design physical planning procedures for tourist areas, including zoning, setback regulations and, where relevant, provision for sea level rise
- Identify the most critical weaknesses in hotel operations in existing tourism circuits and design training methods and train appropriate trainers to improve these operations. The training may include workshops and/or production of low cost videos and manuals
- Draw up programs to assist hotels, lodges, camps and other accommodation and services to adopt criteria that will make them eligible for “green” certification, which may be through an existing international program or a certification program managed by the equivalent of an institute of standards in Madagascar. Green certification is beneficial for Madagascar’s natural resource base and is also a persuasive marketing tool to its predominantly eco-tourist clients
- Based on the existing visitor surveys and selected new ones to be undertaken, identify target markets and their segments from which new visitors can be drawn
- Review the activities and funding of the *Maison du Tourisme* and make recommendations for a promotion and marketing program for Madagascar, undertaken jointly with the private sector
- Examine and make recommendations about the existing system of taxes on the tourism sector
- Devise mechanisms whereby the state receives adequate rents for the use of the country’s natural resources for tourism purposes
- Recommend financing mechanisms for the accommodation and service sector at all levels, including a system of small grants to help local communities provide facilities to attract tourists
- Recommend improvements to customs and immigration services at the airport, including a review of visa requirements

- Examine ways in which Madagascar can enhance the benefits of belonging to regional organizations. Help identify funding sources for IOITO, for which Madagascar provides the headquarters
- Undertake an assessment of the potential of cruise tourism for Madagascar
- Identify high-priority areas for new tourism investments (clusters), which would set quality control, environmental, and community development standards for the accommodation and services to be provided. As a first step, a cluster should be developed in a national park, in a resort area and in a major transit destination to act as pilots for future such clusters. Assess the carrying capacity of the area and determine the optimal size of the accommodation that should be constructed to permit profitability in each of the three pilot clusters. Design physical planning norms for a pilot cluster that include land-use planning, zoning and accommodation densities
- Examine the current tourism land reserves (RFTs) for an independent assessment of their appropriateness for development as a priority cluster and suggest any changes that would ensure that the existing RFTs be so used, including the proposed number of units and the rooms in each. Consider staggering the introduction of RFTs if their simultaneous promotion would exceed investor interest.
- Identify the type of infrastructure needed in each cluster and to create access to the cluster. Determine how costs for this infrastructure can be shared between the public and private sectors.

The Bank has recently approved a modest component for tourism under the on-going private sector development project and is willing to discuss with the Malagasy authorities areas of cooperation to complement the activities of the Master Plan. Terms of Reference for a handicrafts study have been prepared but there are clearly other areas that will require detailed analysis (such as the institutional framework, economic analysis of impacts and land tenure issues).

*Expected Outcomes.* The expectation is that at the conclusion of preparation of the Master Plan the major constraints that currently hold back the growth of tourism will have been identified and, through Government, private sector and donor action will be in the process of being removed. Simultaneously, the rate of growth of tourist arrivals will increase as a result of planning for expansion in specific areas, through creation of clusters of accommodation, services and infrastructure that set standards of excellence, combined with improved transport access, and the initiation of an effective promotion campaign. Furthermore, by raising standards, the levels of tourist expenditure should increase. Because of the spread of tourism throughout the island and the targeting of local communities as beneficiaries and participants in the process of tourism expansion, a stimulus will be given to regional development and poverty alleviation. The emphasis in the planning on environmental conservation should also raise revenues for that purpose, as well as ensuring the preservation of the natural resource base. Achievement of these objectives will also require effective management by the public sector and a good partnership with the private sector, donors and NGOs.

## 15. Summary of Findings and Recommendations

A number of recommendations have been made throughout this report. These would help to achieve a “step-change” in the size of the tourism sector and in the quality of the tourism product and, consequently, in the benefits that could be derived from tourism. These recommendations require to be prioritized and after discussion with the Malagasy authorities, will be reordered to reflect these priorities – critical bottlenecks are an overall Master Plan to identify strategy, and would likely include increased access and increased lodging capacity and all measures to support that. Finally, it will also be important to focus on a limited set of interventions in a pilot program – probably building on the early successes that Madagascar has undoubtedly had. All recommendations are summarized below.

- A comprehensive strategy for the sustainable development of the sector that evolves in close consultation with local stakeholders is needed. The Master Plans currently underway will contribute much in this sense (Section 14). The Master Plan should at least set out a business plan for tourism, an appropriate environmental program and a framework for social inclusion.
- Tourism is highly competitive in some markets, particularly the international beach resort market; (Madagascar’s endemism varied and unusual natural resources means that it has some unique potential to tap for tourism development. In any event, the country will need to establish a product line that offers diverse experiences. There is also the opportunity to create regional markets with neighboring islands and countries on the African continent and thus produce a product line with very high value added for the country.
- Reallocation of available funds under on-going projects could help to remove constraints on the sector and increase the outreach of tourism to rural areas, where it can help to alleviate poverty, if components are adjusted to focus on tourism, as discussed in Section 14.
- IFC has just completed a mission to Madagascar – its support and that of MIGA would enhance support for accommodation and services financing and, possibly, for continuing privatization efforts.
- A donor consultation process should be established for the tourism sector. Such a system is already in place for the financing of the national parks through ANGAP, which manages the ecotourism plans for the parks. That consultation process could be extended to cover the tourism sector more broadly.
- The Government recognizes the need to improve the statistical base for tourism but is constrained by lack of financing. There are significant opportunity costs attached to not knowing the size of a sector that has the potential to become a significant generator of jobs, foreign exchange and taxes, as well as to stimulate production of goods and services in other sectors. These costs may persuade the Government to find the resources to assist with this important task of improving the tourism database.

- The hotel classification system needs urgent updating as it is key to the improvement of standards in existing and new hotels. Madagascar cannot hope to launch an expansion of tourism without an expansion of accommodation appropriate for international tourism. Given its varied tourism product, Madagascar needs to establish standards for ecotourism lodges, for campsites within the national parks, and for resort lodges. Furthermore, to preserve its image as an eco-tourist destination new construction must meet strict environmental norms. The guidelines should allow new investors the flexibility to develop individual products within their framework. An EIA would be required for each construction in an ecologically sensitive area, i.e., in National Parks and the coastal zone.
- A study to assess the current size and the costs and benefits of cruise tourism, as well as its potential, needs to be undertaken. From this study the elements of a strategy for cruise tourism, with priority ports of call identified after a survey of cruise lines, will emerge. The cruise tourism study is an important element in the overall strategy for tourism. The Government, in consultation with the private sector and local communities in areas now visited by cruise passengers, needs to decide whether to expand facilities for cruise ships and promote this decision to the cruise industry or whether to restrict the visits of cruise ships to Madagascar.
- Policy formulation for the sector needs to be based on a better understanding of the costs and benefits of different types of tourism and policies should incorporate an understanding of how to stimulate the backward and forward linkages to other production and service sectors. A study of the linkages between tourism and agriculture would help understand the demand from the tourism sector for agricultural produce; a study of handicrafts would help strengthen linkages between tourism and that sector and promote higher value added from tourism.
- Most visitors to parks from abroad will be conservationists and will be willing to pay more either through a fee or a voluntary contribution to help support Madagascar's National Parks and the people who live in their periphery. Therefore, the level of entrance fees paid in Madagascar at all parks needs to be reviewed. The entrance fee could vary for each park depending on the level of facilities offered.
- Madagascar has a considerable incentive through tourism to strengthen and coordinate a national effort to keep alive its rich and diverse traditional cultures. With an integrated and well-designed policy for cultural heritage and the arts, implemented at the national and provincial level, Madagascar would be able to offer tourists a more vibrant cultural experience. This would attract visitor expenditures, and, in the process, give value to and help preserve the island's built and living cultural heritage, as well as enhance the income generation potential of villages, particularly remote ones.
- Madagascar has considerable potential for tourism to address poverty alleviation and more equitable growth in some disadvantaged regions of the country over time. This will require targeted programs designed to remove market failures and integrate those regions into the mainstream of economic activity by encouraging linkages to other sectors of the

economy. Such projects are often only partial solutions or components in a larger set of activities that make up the full product line.

- If information about Pro-Poor Tourism (PPT) were centralized, it would assist the Government and, principally, the Ministry of Tourism to analyze the experiences, develop policies for PPT and incorporate these into its sector planning. It would also provide a source of information for new communities that are eager to incorporate tourism into their economic activities. A small and technically orientated “Ecotourism and Village-based Tourism Committee” could be established to liaise with the various agencies engaged in ecotourism, collate information about the activities, and monitor their development.
- To enhance the island’s image, as well as help preserve the natural resource base, the larger accommodation units and, particularly those in sensitive ecological areas, should begin to aim for hotel accreditation that signifies that the unit has met clearly defined environmental standards. Most large hotels seek international accreditation, either from the non-profit International Standards Organization (ISO) for 14,001 status, or Green Globe status, which was launched by the World Travel and Tourism Council (WTTC) and has now become independent.
- Only a continuing dialogue between the public and private sectors can lead to successful tourism management. Despite some progress, that dialogue is not yet in place – the *Maison du Tourisme* offers that opportunity with restructuring and dynamization of its functions. A strengthening of public and private sector institutions, combined with a strengthening of coordination mechanisms among them, should facilitate the process but specific procedures should be put in place as soon as possible to formalize the dialogue.
- Tourism is not classified as an export industry and cannot succeed as long as this remains the case -- some documents refer to it as “an in-country export sector” (*exportation sur place*) but it has to become explicit that tourism is an export industry, if invisible. The Export Promotion Zones (EPZs) receive effective incentives. There is a strong case for applying comparable incentives to tourism. The RFTs could be extended the same incentives as the EPZs and become *zones franches touristiques*. As a strategy, RFTs should be confined to areas of high tourism potential, the number of RFTs should be limited and the number of sites within them must also be limited to make initial investments profitable. The target should be to create a cluster of high quality accommodation and tourist-related services that make the RFT a major tourist attraction.
- Air travel to Madagascar is ultra expensive, inflexible, and limits the number of tourists who can afford to travel as well as the main source markets from which tourists come. Part of this is due to the distances but part is also due to high fares. An expansion of demand from European countries other than France and from other supplier markets will require better air access, cheaper fares and direct marketing. Moreover, the international airport in Antananarivo needs upgrading to permit the landing of larger planes and for greater passenger comfort. It would be interesting to review existing bilateral agreements

in Africa and to open several airports in Madagascar to international flights and thus diversify the supply of air services.

- The Government should focus on streamlining procedures to reduce transactions costs for investors and operators. Red tape, unpredictable and arbitrary decision-making deters investors from pursuing their intention to invest or to continue in the country. Many firms reported increasing difficulty in obtaining permissions from the Ministry of Labor for expatriates to work in a timely manner.
- An effective promotion and marketing campaign is needed to support Madagascar's efforts to expand tourism. This requires that the current financial shortfall of the *Maison du Tourisme* be resolved and measures introduced to ensure transparency in its financial operations taken. If the MDT is to become a purely private association, the proposal to create an *Office du Tourisme* needs to be analyzed thoroughly. Simply creating a new organization will not resolve the issues that beset the MDT.
- The poor state of the roads has an impact on the condition of the vehicles used and, therefore, on costs. The Government has recently agreed to use donor funding to improve the road network. Tourism will benefit only if its needs are included among the priorities of the road sector.
- The tourism sector is highly dependent on almost every component of national infrastructure. The efficiency of such infrastructure also affects the operating profits of the establishment and its ability to dispose of waste benignly and avoid pollution of natural assets.
- While there are many constraints, Madagascar does not need to resolve all of them simultaneously to achieve progress – judicious choice of sites should minimize the cost of removing constraints.
- The lack of training and skills is a major impediment in all industries and all sectors, including the handicrafts sector. To expand Madagascar's tourist markets, a substantial effort must be made to teach languages in schools and to local people who have frequent contact with tourists.

It is a remarkable tribute to Madagascar's assets and its people, that despite lack of competitiveness in quality of accommodation and services and in airfares, tourists express a high degree of satisfaction with their visit. The number of return tourists also confirms the level of satisfaction. Clearly, if the above constraints could be resolved, Madagascar could become a major tourist destination.

## **Annex 1. Pro-Poor Tourism Initiatives in Madagascar and in Selected Other Countries**

The following case studies of existing community-based tourism initiatives in Madagascar are presented to illustrate how community owned assets could become part of the tourism product, with the benefits from tourism returned to the community. Because Madagascar's tourism is primarily based in fairly remote rural areas, the potential for replicating such experiences is high, though each context will require specific designs. The main requirement is good technical assistance to the local community in preparing and then managing the project.

**USAID** has already helped to fund programs executed by "Landscape Development Interventions" (LDI) that target linkages between tourism and poverty. LDI is a program financed by USAID and executed by Chemonics International (a Washington DC-based consulting firm), under the aegis of the Ministry of the Environment. The objective of the program is to combat rural poverty while also protecting Madagascar's unique natural resources, in LDI's words "to anchor farmers and businesses to generate value from natural resources, instead of depleting them". Concretely, LDI promotes SME/micro enterprises that are both profitable and that conserve natural resources to the benefit of the local community. Ecotourism is a target area because it gives value to natural and cultural resources as tourism attractions, while also preserving them. Several projects have already been financed, such as those in the Antsiranana region, which consist of:

- Assistance with funding applications that were submitted to a revolving fund financed by USAID (*Fonds d'Investissements pour les Entreprises Favorable à l'Environnement* (FIEFE))
- Preparation of management plans for areas defined as *Zones d'Investissement Ecotouristiques* (ZIEs)
- Creation of the "Eco-Tourisme Nord" association for promotion of the region for ecotourism and the installation of a Tourism Office
- Building of two ecolodges (that can house 4 people) in Ankarana Ouest to ensure direct participation of the local population in the development of ecotourism
- Preparation of prototype EIAs and architectural plans for ecolodges.

In the *Isalo ZIE*, LDI has helped prepare the management plans for the RFTs and has begun the rehabilitation of roads around the reserve to enable local people to export their agricultural production to markets. The roads are also intended as concrete evidence that local people will benefit from the use of the land for tourism. Once hotels are in operation in the region, they should absorb part of the local agricultural and other production as well as local labor.

The *revolving fund*, FIEFE, started with a \$700,000 grant from USAID. FIEFE assists the local people to prepare feasibility studies and management plans for the project. Once the proposed project has passed through FIEFE's own review procedures it is presented to a local commercial bank. The Fund places the equivalent of the commercial loan with the *Caisse*

*d'Epargne* as a guarantee for the local entrepreneur. Currently, LDI is searching for supplementary funds to expand the revolving fund because of the demand for its financing.

**WWF and KfW.** Andringitra National Park was inaugurated in October 1999. The park is characterized by very high diversity in plant and animal life and a large variety of endemic species—including a recently discovered lemur, which feeds, with no ill effects, on a bamboo that has a high cyanide content. The Park is suitable for trekking and has spectacular panoramic views of the region. It lies between the longer-established Ranomafana and Isalo National Parks. KfW, the German development agency, World Wildlife Fund (WWF) and the Government have financed Park development. The pristine mountainous park became accessible to tourists when a road rehabilitation project was completed in 1999. The rehabilitation of the 47-km secondary road to the Namoly Valley was undertaken to facilitate the transport of agricultural products and to promote ecotourism.

Before the Park and the people living in the isolated valley were exposed to visitors, WWF recognized the need to minimize environmental and cultural change and helped the residents to draw up a four-point plan.

- A “benevolent guardian association”, consisting of individuals living on the park boundary at strategic points was set up to register and control everyone entering the park. As noted earlier, 50% of all park entry fees in Madagascar are returned to local residents for community development projects. The guardians also register the entry of local residents, in order to control illegal activities and conserve natural resources. Guardians are paid not in cash but in watches, notebooks and pens.
- An ecotourism pilot committee was established to address issues related to tourism development in the peripheral area of the park and to set guidelines to preserve the pristine environment and the chance for tourists to experience the rich local culture. Over 80% of the members are local residents and the rest are private tour operators, hotel operators, Government officials and NGOs, including WWF. Guidelines have been prepared that are distributed to each visitor that explain the importance of respecting local taboos and that define acceptable tourist behavior. The committee is also feeding information to WWF personnel for an Ecotourism Management Plan for infrastructure development in the peripheral zone of the park. In future, the committee will control the type and extent of hotel development that is permissible in the valley and ensure that local residents are considered for employment opportunities.
- A guide and porter association was created with assistance from WWF. The local residents’ lack of formal education coupled with their cultural isolation initially handicapped them as much-needed guides and porters. Building on local knowledge of the natural resources in the park and local awareness of the potentially dangerous trekking conditions in the mountains, WWF initiated a guide training program, that included language training, information on the natural history of the area, first aid and techniques in dealing with national and international visitors. From the outset it was made clear that working as a guide or porter was not a substitute for farming but a source of supplemental income to help feed their families. When members of the association

wanted to learn French to communicate with tourists, they paid a tutor with rice—the product of their subsistence farming. The same association voted to donate two days of work each month for trail maintenance in the park. From April to May 2001, over 120 individuals contributed 720 days of free labor to prepare the park for tourists.

- Park infrastructure was developed by WWF in collaboration with local residents. In two years over 50 km of hiking trails and three wilderness campgrounds were constructed in the rugged mountains. This has given local people skills in trail design, construction and maintenance.

Among the several issues that still need to be addressed are those of land tenure and capacity constraints. Legal counsel has been arranged by WWF, in collaboration with LDI, to assure that small hotel developments, which will initially be done by investors from outside the valley, will provide a direct benefit to residents and will avoid a transfer of communal lands with no local benefits. Efforts are underway to manage increasing numbers of tourists to minimize disruption of the local culture and environmental degradation.

### **Selected International Pro-Poor Initiatives**

**DFID.** Interest in “pro-poor tourism” has grown in the last few years. The UK Department for International Development (DFID) commissioned a study: Sustainable Tourism and Poverty Elimination, in early 1999. DFID presented a summary of the study to the Seventh Session of the UN Commission on Sustainable Development in April 1999. A major finding of the study was that tourism currently makes a significant contribution to the economies of poor countries: “80% of the world’s poor (below US\$ 1 a day) live in 12 countries. In 11 of these, tourism is significant and/or growing. Of the 100 or so poorest countries, tourism is significant in almost half the low income countries and virtually all the lower—middle income countries (accounting for over 2% of GDP or 5% of exports).”

DFID established “The Tourism Challenge Fund (TCF)”, which was managed by Deloitte & Touche, (London)<sup>29</sup>. The Fund aimed at encouraging private sector-led tourism initiatives that would benefit the poor in developing countries where there is a growing tourism industry, or where tourism is a strong part of the economy. The initiatives designed new approaches to tourism strategies and activities that benefit the poor. An independent panel evaluated initial proposals. Detailed proposals were invited from those that were short-listed and cost-sharing grants were awarded to those initiatives that best met the Fund’s objectives. In December 2002, DFID merged the TCF with the Business Linkages Challenge Fund (BLCF). Tourism projects continue to be funded under the BLCF, which has a higher maximum limit than the TCF, i.e., up to GBP 1 million. Geographical coverage is more limited than the TCF in that there have to be linkages between or within Central and Southern Africa and between and within eligible territories in the Caribbean, as well as in eligible countries where the business link is with the UK. The BLCF is managed by Deloitte & Touche (London), Project North-East and Enterplan.

- A partnership with Tribes Travel, a UK tour operator with industry expertise that also was awarded “Most Responsible Tour Operator” status by Tourism Concern and International Travellers World, which promote “ethical” tourism. (This may be defined as respect for the people and their customs in tourist areas, as well as support for sustainable

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<sup>29</sup> The TCF website is [www.challengefunds.org](http://www.challengefunds.org).

tourism that pays “fair market” prices for goods and services and promotes environmental sustainability.)

- A marketing link-up with Twin’s sister organization, Cafedirect, the leading UK Fairtrade coffee brand (and fastest growing brand in the mainstream coffee market).
- The proposed ventures will be developed in Kilimanjaro and Machu Picchu, which are two of Tribes most popular tourism destinations, as well as areas where Cafedirect has recently launched “gourmet coffees”. Each venture will:
  - Develop a tourism product, i.e. guided trip or excursion, in collaboration with the local community and identified local consultants
  - Market the product as a segment of Tribes’ holidays, and
  - Promote the product in conjunction with sales of Cafedirect’s ‘Kilimanjaro Mountain Special’ and ‘Organic Machu Picchu Mountain Special’ coffee lines.

**Rain Forest Expeditions (RFE), Peru** won Conservation International’s 2000 Ecotourism Excellence Award, in the company section. Two young graduates of the University of Peru, Eduardo Nycander and Kurt Holle, founded Rainforest Expeditions in 1989. Their objective is to initiate business and local community joint ventures in tourism that are not only successful in empowering local communities and conserving natural resources, but also constitute sound business practices.

#### The Tambopata Research Center

The first venture consisted of a thirteen-bedroom lodge in the uninhabited nucleus of the pristine Tambopata Candamo Reserved Zone in southeastern Amazonian Peru. The lodge was designed to forge an innovative link between science and tourism. The Tambopata Research Center is a biological field station where tourists experience the rainforest alongside working scientists. The local Ese’ejá Native Community (ENC) provides the guides. Wildlife sightings include the harpy eagle, giant river otters and jaguars, all of which are endangered species. A dozen or so research papers by prestigious academics have been published from the Research Center activities.

**Rainforest Expeditions (RFE)** pursued a policy of cooperating and integrating the ENC into its ecotourism project at both a personal and institutional level. The ENC numbers some 400 individuals in 83 households. They subsist off small-scale agriculture, ranching and timber extraction. The community was initially skeptical of RFE because two decades of a nature tourism industry, profitable to its promoters outside the region, had left little benefits in the community. In late 1995, after two years of exposure to RFE, the president of the ENC asked the RFE managers to involve the ENC at a community rather than individual level in its ecotourism plans.

#### Posadas Amazonas

As a result, the ENC and RFE signed a 20-year contract forming a for-profit association in 1996, in which 60% of the profits accrue to the ENC and decision-making is shared. Posadas Amazonas (PA), the first completed product of the joint venture, is located in ENC communal

lands on the outskirts of the Tambopata-Candamo Reserved Zone. The lodge has 24 rooms designed to maximize comfort without losing authenticity, combining native architecture and materials with ecolodge construction techniques. Four-day trips to PA include exploration of the area's outstanding natural resources, as well as visits to one of the community's farms and an ethno-botanical tour guided by an Ese'ija native. The byelaws provide for a 2000-hectare reserve around the lodge to ensure the protection of the natural assets that surround it.

The contract defines the management and financial responsibilities of each participant, the land-use terms, the obligations and rights of both participants, and conflict resolution procedures. Work procedures, project policies, marketing strategies, infrastructure and itinerary development, are all designed and approved by RFE and the ENC, as represented in its ten-member Ecotourism Committee. Community members are trained to fill all lodge positions, products are purchased from the community if they equal market quality and price, and the ENC's cultural resources are gradually being incorporated into the tour programs. In 20 years, the ENC will take over the business in its entirety.

The company has actively recruited and received funding and support from the MacArthur Foundation, the Canadian-Peru General Counterpart Fund, the American Bird Conservancy and the Backus Foundation for community training, infrastructure development and wildlife research. Catalyzed by the success of PA, the ENC has formed committees to lead education, handicraft, cultural rescue, agriculture and urbanization programs in the community.

In its first year of operation, PA hosted over 3000 guests, who, when surveyed, reported a satisfaction rate of over 95% with the experience. The occupancy rate was 44%, which is reduced to 33% when only paying guests are included. The RFE managers are confident that the project will be profitable and that it is in line with their financial projections.

As both RFE entrepreneurs always underline<sup>30</sup>, although the community training and empowerment are vital to the success of the operation, they will be useless if Posadas Amazonas does not sell its rooms and attain break-even or better occupancy rates. This requires solid product development and marketing strategies. The Tambopata ecotourism market is highly competitive with other several other entrepreneurs selling similar two-to-four-day products to over 10,000 nature tourists annually. The RFE/ENC projects are, therefore, based on the following market concepts:

- The experience must produce excellent probabilities of quality encounters with spectacular and, in some cases endangered, Amazonian wildlife at accessible locations. This is achieved through the utilization of the ENC members unsurpassed knowledge of the rainforest
- Tourists are provided with a competitive and unusually comfortable, almost luxurious, lodge in the area. The facilities include private bathrooms, hot water, a bar and lounge. The lodge remains contextual with the environment through a combination of native construction techniques and materials and imported architectural design

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<sup>30</sup> Kurt Holle has written articles on the RFE projects, one of which is published on [www.planeta.com](http://www.planeta.com)

- A growing number of tourists want to support legitimate ecotourism ventures and favor locally owned enterprises. They want to interact with local communities in an authentic not contrived environment as they do with the ENC throughout their visit.

The RFE managers note that these market-driven activities have effectively led to wildlife conservation and stimulated scientific research in ways similar to those produced by government or NGO-funded conservation and research programs.

**Other Examples of PPT** are becoming known throughout the world. In some cases Governments take the initiative and, in many cases, a prime objective is to help preserve the natural resources that attract tourists by giving local communities an economic reason to preserve the asset. South Africa, for example, creates incentives for tourism investors to incorporate local communities into the project; both the governments of Tanzania and Madagascar share National Park fees with local communities for development purposes. A large corporation in South Africa, Wilderness Safaris, has created a tripartite equity partnership with neighboring communities and the state conservation authority. A small commercial company in Ecuador, Tropic Ecological Adventures, runs tour packages with remote Amazonian communities.

Community or village-based tourism can be a tool to preserve a dying *cultural heritage*. The Wekso project is an ongoing community-based tourism project, which involves a collaboration between Conservation International (CI) and the Naso indigenous group of Panama, and is designed to protect the ecology and cultural heritage of the region. Through Wekso, members of the Naso Tribe have been trained as eco-guides and are constructing an eco-lodge and cultural museum for guests and visiting researchers. The Naso Indians have retained their language, but older members of the tribe expressed concern about the loss of tribal traditions, and the tourism project has helped to revitalize these traditions.

Tourism can also help to revive or even initiate new *handicraft traditions* in villages, which can be sold to tourists. In a poor Zambian village ruled by a tribal chief that attracts tourists because of its proximity to Lusaka, handicraft training is one of the few opportunities to create income-generating activities. In Jamaica in the 1960s, Italian straw workers were brought in to teach Jamaicans the art of straw hat and handbag making, which is now a major handicraft on the island.

More such initiatives are being started as the potential of tourism to have a beneficial economic impact on local communities becomes better understood. These international initiatives have been difficult to track down without a visit to the country or the specific site. More are becoming known and the 2002 Year of Ecotourism has undoubtedly led to the publication of more experiences.

## **Annex 2. The Process for Adopting Environmental Management Systems in Tourist Accommodation**

The tourism sector needs to become better informed about the procedures for obtaining accreditation for improved environmental management. Once the process is undertaken, hotels and tourist services can expect to begin to receive environmental awards. Essentially, the hotels and service entities will be adopting environmental management systems (EMS) that meet international standards, such as those established by ISO 14001 for all economic activities and by Green Globe specifically for the tourism sector.

The process can be undertaken individually, as is generally the case with independent hotels, or collectively, as was done by an unrelated group of hotels in Negril in Jamaica, with financing from USAID, and has been done by hotel chains, such as Taj Hotels in India and InterContinental, among others. Because of the small size of hotels and tourist service organisations in Madagascar, a collective approach would be the most cost-effective. Decisions as to whether to join the process would be entirely voluntary.

An enormous amount of information is currently available on the subject. The quarterly report of the International Hotels Environmental Initiative (IHEI), for which the annual subscription is GBP 25, provides examples of good practices around the world. It also contains technical papers on specialised aspects of “greening”, e.g., waste water management; energy-efficient lighting; reducing kitchen waste; heating, ventilation and air-conditioning; etc. A large number of websites also provide information on the subject. But, the hotels and service sector in will need assistance in contacting the sources, in interpreting the information and in drawing up an appropriate EMS. See for example the Ecotourism Society website [www.ecotourism.org](http://www.ecotourism.org).

Ideally an association representing the hotel sector should take the lead in this process, but should be assisted by a donor agency. Possible donors are the EC, UNDP and USAID, though these have not been consulted. A donor agency could fund the services of an expert in “greening” of hotels and services, who should make periodic visits to Madagascar, after an initial stay of at least three months, to train the hotel and service operators in improved management.

The expert should write guidelines for the hotels and service sectors that are adapted to the specific conditions of Madagascar. As an example, the Caribbean Hotel Association and American Express, jointly funded the preparation of: “Environmental Tool Kit for Caribbean Hotels”, prepared by a local consultant. Such manuals will assist the local managers of the EMS to resolve questions and to pursue an action plan.

The role of the expert should be to assist managers to introduce an EMS, no matter how small the operation, and then to train them and the staff to integrate the system into the daily operations of the hotel or tourism service. The EMS improves management generally not just environmentally, normally leads to improved profits and also has an impact on sanitary and waste management practices in the households and communities of hotel employees.

### **Annex 3. Economic Rents in Tourism Development.**

Generally, economic cost benefit analysis will capture all streams of costs and benefits. The problem begins when there are benefits or costs not quantified, as is the case for some public goods, such as the environment. Tourism assets, often the outdoors and nature, are fixed and so will generate “rents”, whose size will vary based on the assets’ scarcity<sup>31</sup>. These must be quantified and collected if conservation and tourism are to be sustainable. Countries own such assets and to the extent that citizens enjoy them, the fact that they are not quantified is not disastrous as all citizens share in owning and using the assets (but even in this case, there is the question of finding resources for management of the asset). Where assets are enjoyed by foreigners, however, there is an issue if they use the assets at less than their value there is an implicit subsidy to the foreigner (also compare investment incentives which also are a subsidy to owners, if foreign).

The question for policy analysts is how to capture these rents, which are in effect a fee for using the asset. This is a matter of some conflict between countries and developers/ owners who are reluctant to increase prices by paying for unquantified benefits. There are questions of equity and efficiency, but hotel taxes are an effective and equitable way of charging for use of tourist assets; where access is controlled to areas such as national parks, user fees can be applied; where enjoyment of the assets is more diffuse an arrival/ departure tax or visa is efficient but unpopular with consumers. Input from tourism professionals is essential to find ways of packaging such charges, for without them many conservation areas would be unsustainable – there needs to be joint discussion between government and the industry to reach tenable positions and a level of predictability.

Once raised, there is a serious question of how to apply funds generated to their target markets, whether by earmarking or sound budget management – for example, WWF has developed a series of instruments (debt/equity swaps, conservation funds, etc.) and CI has similar tools but with an added advantage that it can also invest in eco-projects and thus have a greater say in use of resources and management. Both are active in Madagascar in these areas.

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<sup>31</sup> This is based on the Report “Tourism and the Environment in the Caribbean: An Economic Framework”, March 2001. John Dixon, Kirk Hamilton, Stefano Pagiola, Lisa Segnestam. Environment Department Papers. No. 80. The World Bank.

## Annex 4. Tourism Survey 2002

**Introduction.** As part of the sector review, a pilot survey of tourism operations was conducted, financed by the Korean Trust Fund. The survey was carried out by Patricia Rajeriarison and Andry Ralijaona, consultants, based in Madagascar.

Information was based on operations for the year 2001 and 2002. Only information for 2001 was utilized in view of the downturn following the presidential elections at the end of 2001. It is interesting that the effects of September 11 were short-lived in Madagascar.

**Questionnaire.** The questionnaire was designed using earlier models for the Regional Program for Enterprise Development, adapted both for Madagascar and to the tourism sector. It covers ownership and management (direct, management contract, leasing, etc.); markets accessed (domestic and foreign); sales by department and relevant direct cost of sales; employment with a variety of data, such as total number of staff employed, monthly wages, and (modest) measurements of productivity (number of tables waiters serve, bedrooms maids service, etc.). It also attempts to elicit responses to aspects like utility service, access to incentive code, staffing issues, etc. A blank survey is available in project files.

**Sample.** The survey covered hotels throughout the country and related establishments, such as travel agencies and tour operators. A sample of 91 operations was selected for face-to-face interviews but because of budget constraints had to be further refined. In the event, the survey is based on a core of 40 operations and additional anecdotal information was generated from ten others. It includes 23 hotels, four tour operators and 13 “linkages”, establishments linked to tourism like handicrafts and recreational opportunities. The structure of the sample is shown in Appendix 1.

Details of the survey results are shown in Exhibits 1 – 4.

**Interview technique.** The interviews were carried out in September/October 2002 and either one or both the consultants visited each operation, collected information on the establishment and interviewed the manager and/or owner face-to-face over a period of about 2 hours.

**Analysis.** Given recent world events, as well as the hiatus created over the presidential elections, the information generated, seems to be comprehensive. For the purposes of this report, a small data set was devised from the data for forty enterprises and was limited to an overview of day-to-day operations. This analysis captures some of the key dynamics of the hotel sector. In general, hotels in Madagascar are small and not really capable of handling groups of greater than 12-15 people.

**Higher category hotels.** A conclusion of the evaluation of this set of six hotels is that they appear to be operating fairly well and possibly profitably. Foreigners, both individuals and companies, own all the hotels. Two of the hotels in the sample are leased and four owned directly; one has a short-term franchising agreement. The average size in the sample is 35 rooms with a range of 11 to 60 rooms. The market for the hotels in the sample is predominantly foreign

(81%), although one hotel registered 75% domestic travelers. The sales split is 68% for accommodation, 29% food and beverage, and 4% other sales. Hotel occupancy was just under 70% in 2001, a commendable performance given the interruptions to business caused by the presidential elections. This compares to an overall reported national figure of 66% for 2001. The average room rate is US\$50 (the range is from US\$18 in a remote location in the south to US\$67 in the capital), inclusive of VAT (14% or 20%?). Food and beverage sales are more difficult to estimate as much consumption is taken outside the place of residence – hotels in the sample average US\$8.50 for the food and beverage tab. Labor costs average 20% of sales; food cost 20% (of food sales) and beverage cost 10% (of beverage sales) and about half of all provisions are bought on the domestic market; indirect operating costs amount to about 22%. The average wage for employees is US\$61 equivalent, roughly twice the minimum wage (SMIG US\$28.5), and higher than was expected. At the managerial level, hotels employ an average of 3 expatriates, with a range from 0 to 6. The staffing ratios in hotels are quite similar to other countries – 1.7 employees per room in Madagascar (compared to a rule of thumb of 2 employees per room), although there is wide variation between types and location. Hoteliers complain of the difficulty in training staff locally – in many hotels throughout the country, staff is imported from the capital but does not seem to adapt to local conditions. Other operating costs were not reported in detail but one hotel indicated that its advertising/marketing cost was about as high as 17% of sales (direct advertising, reservations system, credit card expenses, etc.) Although many hoteliers report interruptions in infrastructure services, only three of the hotels have standby generators and an alternate source of water supply (such as a separate well on the property); nor did the hotels complain about the high cost of utility services (energy costs are about 5% of sales), perhaps because many have their own systems. The mission calculated the gross operating profit at 29% (that is before depreciation, interest and taxes), with a spread of 10 – 40% between hotels based on location and category.

**Cost of a package.** Given the national average length of stay of 20 days (possibly exaggerated somewhat, the cost of accommodation is on average would be roughly \$1,000 in hotels of 3 – 5 stars. With an apex fare of roughly US\$ 1,200 to/from Paris and a commission of 15%, the total comes to US\$2,530, excluding meals and extras; Madagascar is clearly for a well-heeled market segment.

**Professional associations.** A critical area for developing the sector is a performing network of professional associations to share information, lobby for policy reform and debate policy options with government. The *Maison du Tourisme* was set up for this purpose but most professionals believe that it is not delivering – the model is perhaps appropriate but its functioning leaves much to be desired at both the central and local level. Most hoteliers in the sample felt that the *Maison du Tourisme* was not delivering an effective marketing campaign to promote the destination; and more generally, that the professional associations do not seem to be generating useful services for members.

**Frequent problems.** The most critical problems faced by the operators in this category include: cash flow during the recent crisis; VAT is too high (20%); the difficulty in training and finding trained staff; dependence on international access; poor infrastructure; equipment maintenance; need to improve the product line (including entertainment, culture, handicrafts, etc.); need for uniform system of regulation (business environment and roles of the game) for all;

weak destination marketing; and difficulty of access to financing for expanding operations. See Exhibit 1.

***Small hotels and Guest Houses.*** This category, hotels of 2 stars and under, comprises thirteen hotels. Eleven hotels are owned by Malagasy citizens; one is fully foreign-owned and the other has a partner holding 50% of the equity. Five of the hotels in the sample are leased and eight owned directly. The average size in the sample is about 14 rooms with a range from 4 to 28 rooms – most generate their business directly and they cannot accommodate groups (the five hotels above 20 rooms can accommodate very small groups). The market for the hotels in the sample is predominantly foreign (71%), although three registered 60% or more domestic travelers. A few of these establishments accept Visa International and charge a 5% supplement for the privilege of using the credit card. The sales split is 72% for accommodation, 27% food and beverage, and 1% other sales. Hotel occupancy was just under 66.7% in 2001, which is close to the maximum possible in the tourist season. This compares to an overall reported national figure of 66% for 2001. The average room rate is US\$18.22 (the range is from US\$7 to \$35), inclusive of VAT (20%). Eleven hotels had some food service and beverage sales – with an average US\$6.24 for the food and beverage tab. Labor costs average about 24% of sales; food cost 25.5% (of food sales) and beverage cost 10.5% (of beverage sales) and about 80% of all provisions are bought on the domestic market; indirect operating costs amount to about 26%. The average wage for employees is US\$25.52 equivalent, somewhat below the minimum wage, in stark contrast to the bigger hotels. At the managerial level, only three establishments have an expatriate on the staff. The staffing ratio is 1.1 employees per room, again much lower than the major hotels. Other operating costs were not reported in detail. Although many hoteliers report interruptions in infrastructure services, only three of the hotels in this group have standby generators and one an alternate source of water supply (such as a separate well on the property). The mission calculated the gross operating profit at roughly 13%. It is hard to see how these hotels are profitable – especially as the wage bill probably does not include a charge for the owner’s time. Nonetheless, these firms do appear to provide a “comfortable” living to the families operating them – as long as they remain informal, as many are.

**Cost of a package.** Given the national average length of stay of 20 days (possibly exaggerated somewhat, the cost of accommodation in these small hotels would be roughly \$365 on average. With an apex fare of roughly US\$ 1,200 to/from Paris and a commission of 15%, the total comes to US\$1,810, excluding meals and extras. On that basis, the air fare represents roughly two thirds of the package cost.

**Frequent problems.** The major problems here are: lack of access to financing for small operators; administrative procedures that obstruct the private sector; the cost of travel to come to the country; staff in all sectors that requires better training (guest houses, guides, park staff, etc.); and lack of suitable vehicles for local access. Electricity costs (also influencing telecoms cost) are perceived to be high, although no number is given). One at least referred to the lack of a fire department in Nosy Be and poor health service (the hospital is poorly equipped and has no running water). Several mention the poor road infrastructure and lack of maintenance of beaches and forests – in many parts of the country. One investor feels that foreigners are treated better than Malagasy and suggests that foreign investment be restricted to bigger establishment and that guesthouses, bed & breakfast be restricted to Malagasy. Several foreigners suggested that their

visa status was tenuous at best. Lastly, one owner felt that ‘Government should create synergy among its ministries for better coordination of priorities’. See Exhibit 1.

**Ecotourism lodges.** There were three such establishments in the survey, all starting operations in the past three to five years. The average size is nineteen rooms and only one had a restaurant serving non-residents—and it is really in a class apart from the others (see below). One lodge is fully foreign-owned and one 50% foreign- owned.

The first operation is 100% foreign owned and generates annual sales of over US\$ 1 million from 30 units (investment is estimated at a net US\$1.2 million). It has a full board rate of \$160, inclusive of VAT, and an occupancy rate of 60% (believed to be constrained by infrequency of local flights); recreational activities are subcontracted; improvements and capital expansion are funded internally for the moment. The property’s market is 90% foreign, fed in via travel agents abroad who receive discounts from rack rates of up to 25%, depending on volume. The lodge has four expatriate staff and an annual wage bill of US\$138,500 (the average monthly wage is four times the minimum wage). The neighboring village has doubled in size since the property opened, as local residents provide services both to employees and the establishment itself. For its food service operations, a high proportion of its products are bought on the local market (except imported alcohols, linens, etc.). In this remote location, energy costs are as high as 10% of sales – based on use of a generator (diesel is not VAT exempted); water is provided via a desalinization plant. The property is seeking “green” certification from WWF.

The other two lodges are more typical of the smaller eco-friendly lodges that are available in Madagascar. They are 10 and 18 units respectively; one is owner operated (Malagasy) and the other has a foreign partner (a visitor who became enamored of the island and stayed!) with a net investment of between US\$150,000 and US\$ 400,000 respectively, built entirely from local materials; the former has become a secondary activity in the last year or so. These small operations have no access to credit and all sales are cash in advance. Sales average about US\$26,000 derived from room rates averaging US\$18 equivalent and an average occupancy rate of 50% (one is full for all practical purposes from July to November). The market is 95% foreign, obviously a different segment from that described above, but nonetheless, 95% comes from tour operators providing “discovery” tours in one case and the other has 70% come via TOs and 30% via local guides. Both operations are listed in touristic publications (Lonely Planet, *Guide du Routard*, etc.) Wages at these establishments are about the same as the minimum wage. All electricity is self-generated using diesel (15% of sales) in one establishment, while the other has a photovoltaic system that generates all its power needs (estimated at 20% less than the power utility could deliver – if it could deliver the service). Water is pumped from wells and stored and sewage disposal is by septic tank. Neither of these operations seems to be profitable in the short run although both wish to improve quality of service (rather than expand) and feel that with a return to normalcy, they may be able to get a return on their investment but it is not clear that this type of operation alone can lead to sustainable tourism – and hence a sustainable environment. See Exhibit 1.

**Frequent problems.** Problems cited in this category of operation are predominantly the low cash flow as a result of the crisis. Availability of spare parts is a problem, as is lack of access

to telecommunications. In one case, security has become a problem in recent years. Both cited the need for better-trained staff.

**Handicrafts.** This sample included four handicrafts operations, one of them also operating a restaurant in the same locale; three serve the public directly, while the fourth sells 90% of the firm's output to hotels and other shops, as a sort of wholesaler. At least one operator received a small loan from a donor (US\$6,000 from the *Agence française de développement*). Very little formal information was divulged from these interviews – two operations reported sales, market and operating costs and so the data is really not reliable for making any compelling statements about handicrafts. There is clearly a job to do to understand handicrafts better in the country.

Information culled from the interviews suggests that average sales are of the order of US\$10,500, with a range of US\$6-15,000. Interestingly, about 40% of the clientele is national (i.e. local retailers) and 60% foreign – sales follow the tourist season and local holidays are also high points. One operator makes 25% of his sales on the basis of privately placed orders. All articles sold in these outlets are produced in Madagascar and several stressed that the skills are passed from one generation to the next, with few opportunities for access to new technology or design. The average wage paid to employees is US\$38.5 a month – the minimum wage. One owner is proud to have trained over 400 craftsmen over a period of 18 years. It seems that these shops operate in the informal sector and are reluctant to provide much information.

**Frequent problems.** The lack of reliable suppliers (and availability of some materials, including woods and raffia) and the lack of trained staff – local people are eager to learn but have not training.

The questionnaire was ill-adapted for retail outlets – follow up work should focus on handicrafts, as recommended in the study. See Exhibit 3.

**Diving and fishing centers and Sea Excursion operators.** Three diving centers reported on their operations and two fishing clubs – all of them carry out sea excursions. Each is from a different part of the island. The diving centers all rent their locations from the hotels in which they are located. Three are owned fully by foreigners and two are half foreign-owned. Assets employed range from US\$37-400,000, and do not usually include boats (3-5, based on partial information), as these are rented from the private owners. Interestingly, one had investment incentives. Total sales averaged US\$78,500 (based on four units only and sales are 97% to foreigners; one operator reported 30% of sales via the Internet. Many have close relations with tour operators such as *Nouvelles Frontières* and also work closely with local hoteliers for up to 60% of their business. Utilization of boats is of the order of 55%, meaning that throughout the season, they are rented out just more than half of the available days. One operator stated that in a good month he has about 150 divers. All diving agencies are accredited by the *Comité Mondial des Activités Subaquatiques* (CMAS)—there is no diving federation in Madagascar and all employees have to be trained on the job. The average total staff is 7 persons (and the average number of expatriates 2.7) based on four operations, with an average monthly wage US\$40, with a wide range. With the exception of wages, none of the operators reported operating costs (likely to be office rental, electricity and fuel for the boats employed). See exhibit 4 for details.

All operators felt that the quality of the diving assets was superior – similar to the Red Sea according to one commentator. However, this is offset by the high cost of getting to Madagascar from Europe.

The questionnaire was not designed to achieve a detailed response to this highly specialized area – but it is clear that diving offers value added and is a key attraction in certain beach/coral reef locations.

**Frequent problems.** Not surprisingly, expatriate visas figures high on the list of critical problems, as this is a sport requiring good technical skills. Lack of concern for environmental protection is also reported is bureaucratic red tape (over and above that related to expatriate visas). Over and over, operators cite the high cost of transport to Madagascar – one operator said: “the price of an air fare to Madagascar can buy a week on the Red Sea, all costs included”

**Tour operators.** Four tour operators were interviewed, one in each of four different cities. One is attached to a 10-room hotel (hotel data deleted) and the other three are purely tour operators. It must be said that tour operators and travel agencies are used sometimes interchangeably in Madagascar – tour operators are usually travel agents in order to have access to the global reservations systems, such as AMADEUS or GALILEO. In other contexts, these firms might be described as providing ground services and local tours. Average sales for the group were US\$454,400. They report a mix of business, including tours, and car rentals generated by local sources such as hotel guests in the area; up to 50% of business originated via foreign tour operators. Employment data is suspect but the average number of employees is 7.7 and the average wage US\$ 80.0 a month. Two operators’ have 95% of their clientele dealing with foreigners; one has a clientele 60% domestic, suggesting that it deals more in out-going travel than travel in Madagascar.

Once again, respondents were reluctant to share much information and many of the categories provided no data that can be reported.

**Frequent problems.** The main problems cited were: lack of qualified workers and training facilities; lack of vehicles in peak season; and lack of good and trained guides. Surprisingly, none of the TOs reported that shortage of hotel capacity was a problem – perhaps a reflection that their clientele were already resident in hotels and in fact that they do not organize lodging as part of their services. See Exhibit 2.

<b>Exhibit 1 Lodging Facilities</b>					
General information	Sections	High-End Hotels (rated 3 stars or more )	Ecotourism Structures	Small Structures (rated 2 stars or non-classified)	Average
	Yr Founded	1993	1996	N/A	<b>1995</b>
	# of Rooms	35	14	13.92	<b>20.97</b>
	Restaurant Seats	88	N/A	60	<b>74.00</b>
Ownership	Foreign Individual (%)	53.33	25	11.46	<b>29.93</b>
	Foreign Company (%)	11.67	-	-	<b>11.67</b>
	Management	N/A	N/A	N/A	<b>N/A</b>
	Property Type	Owned	Owned	Owned	<b>Owned</b>
Sales	Hotel	68%	1%	72%	<b>47%</b>
	Restaurant & Bar	29%	-	27%	<b>28%</b>
	Other	4%	-	1%	<b>3%</b>
	Occupancy (%)	69.67	45	66.75	<b>60.47</b>
	Total Sales (US\$)	796,442	27,850	49,182	<b>291,158.00</b>
	Av Room Rate (US\$)	50	18	18.22	<b>28.74</b>
	Food Check (US\$)	9.54	11	6.24	<b>8.93</b>
Market	% National	19	6	28.08	<b>17.69</b>
	% Foreign	81	94	71.92	<b>82.31</b>
Costs	Labor Cost (US\$)	69,715	7,950	8,625.54	<b>28,763.51</b>
	Employment	63	14	16.2	<b>31.07</b>
	Average Wage US\$	61	29	41.87	<b>43.96</b>
	Labor (%)	20	24	23.55	<b>22.52</b>
	Food Cost (%)	20	35	25.5	<b>26.83</b>
	Beverage Cost (%)	10	21	10.5	<b>13.83</b>
	Other (%)	25	14	25.65	<b>21.55</b>
	Fixed Assets (US\$)	649,300	73,314	158,419.70	<b>293,677.90</b>
	Indirect Cost (US\$)	174,374	N/A	18,607.14	<b>96,490.57</b>
Labor	Bedrooms / Maid	5	6	5.67	<b>5.56</b>
	Tables / Waiter	5	1	3.33	<b>3.11</b>
	Kitchen Staff	8	1	2.5	<b>3.83</b>
	Maintenance	8	1	2	<b>3.67</b>
	Expatriates	3	-	0.33	<b>1.67</b>
Other	% Local Raw Materials	70	90	86.15	<b>82.05</b>
Emergency Equipment	Power (US\$)	45,128	16,848	16,244.67	<b>26,073.56</b>
	Water (US\$)	8,461	N/A	35,500	<b>21,980.50</b>
	Other (US\$)	4,615	N/A	N/A	<b>4,615.00</b>

Source: World Bank Survey

**Exhibit 2:  
Tour Operators**

<b>General</b>	<b>Firm</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>Average</b>
	Location	Antsiranana	Toamasina	Antananarivo	Fort Dauphin	
	Yr. Founded	1986	N/A	1999	N/A	
	Rooms	10	N/A	N/A	N/A	<b>10.0</b>
	Restaurant Seats	30	N/A	N/A	N/A	<b>30.0</b>
Ownership	Foreign Individual (%)	0	100	0	100	<b>50.0</b>
	Foreign Company (%)	0	0	0	0	<b>-</b>
	Property Type	N/A	Rented	Rented	Owned	<b>Rented</b>
Sales	Hotel	35%	N/A	0%	N/A	<b>0.2</b>
	Restaurant & Bar	10%	N/A	0%	N/A	<b>0.1</b>
	Other	65%	N/A	100%	N/A	<b>0.8</b>
	Total Sales (US\$)	265,000	746,300	658	239,000	<b>312,739.5</b>
	Room Rate (US\$)	17	N/A	N/A	N/A	<b>17.0</b>
	Food Check (US\$)	6	N/A	N/A	N/A	<b>6.0</b>
Market	% National	5	5	60	15	<b>21.3</b>
	% Foreign	95	95	40	85	<b>78.8</b>
Cost structure	Labor Cost US\$	14,200	N/A	190	N/A	<b>7,195.0</b>
	Employment	11	11	1	N/A	<b>7.7</b>
	Av Wage US\$	107.7	89.6		43	<b>80.1</b>
	Labor (%)	14.5	60	45	30	<b>37.4</b>
	Food Cost (%)	N/A	0	18	0	<b>6.0</b>
	Beverage %	N/A	0	N/A	0	<b>-</b>
	Other %	25	40	N/A	70	<b>45.0</b>
	Fixed Assets US\$	N/A	N/A	N/A	134,330	<b>134,330.0</b>
Other	% Local Raw Materials	N/A	N/A	100	N/A	<b>100.0</b>
	Investment Incentives	Yes	No	Yes	No	<b>N/A</b>

Source: World Bank Survey

**Exhibit 3:  
Handicrafts**

<b>General</b>	<b>Name of Firm</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>Average</b>
	Location	Antananarivo	Ambatoloaka	Ambositra	
	Yr Founded	1985	1999	1970	
Ownership	Foreign Individual (%)	0	100	0	<b>33.3</b>
Sales	Restaurant & Bar	N/A	N/A	0%	-
	Handicrafts	100%	100%	100%	<b>1.0</b>
	Total Sales (US\$)	N/A	N/A	14,925	<b>14,925.0</b>
Market	% National	25	90	25	<b>46.7</b>
	% Foreign	75	10	75	<b>53.3</b>
Costs	Labor Cost US\$	N/A	N/A	N/A	<b>N/A</b>
	Employment	N/A	N/A	N/A	<b>N/A</b>
	Average Wage US\$	N/A	38.46		<b>38.5</b>
	Labor %	0	N/A	N/A	-
	Food Cost %	100	N/A	N/A	<b>100.0</b>
	Other %	0	N/A	N/A	-
	Fixed Assets US\$	4,477	N/A	N/A	<b>4,477.0</b>
Labor	Expatriates	N/A	1	0	<b>0.5</b>
Other	% Local Raw Materials	100	N/A	100	<b>100.0</b>

Source: World Bank Survey

**Exhibit 4: Summary Diving  
& Fishing Centers, Sea Excursion Operator**

<b>Unit:</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Average</b>
Age	4	6	12	5	14	8
Employment	2	12	20	20	10	13
Foreign ownership	49%	100%	100%	100%	49%	
High Season	All year long	July-September	April- May & Oct-Nov	September-May	August-November	
<b>Sales</b>						
Total sales (\$)	61,538	44,780	NA	92,308	115,300	78,482
Number of clients	1,800		NA	50	5,000	
<b>Rate (average)</b>	31	165	200	1,846	20	
<b>Guests</b>						
Resident (%)	0%	10%	1%	1%	3%	3%
Foreign (%)	100%	90%	99%	99%	97%	97%
TO discount			20%	10%	10%	13%
<b>Cost structure</b>						
Labor	358	4,475	NA	7,692	29,500	10,506
Labor %	2%	15%	NA	30%	18%	16%
<b>Labor</b>						
Maintenance	0	0	2	2	3	2
Average cost of labor	38	31	58	32	38	40

**Source: World Bank Survey**

## **Annex 5. Proposed Tourism Firm Models for Madagascar**

The sections below present some ideas for developing lodging models as well as linkages (e.g. handicrafts) and tour operators. They are presented for discussion and further eventual elaboration. Each case is set out on the basis of: (a) opportunities and actions; and (b) constraints and solutions.

### **Traditional Hotels**

*Synopsis:* Tourism has developed in Madagascar on the basis of circuits with tour operators using whatever lodging facilities were available (although the scale has been very modest – 25,000 tourists a year). While it is still a model fraught with constraints, it has been successful in Madagascar. Now, the idea of the independent resort as a destination in itself is emerging, often linked to a novel idea, such as research on whales. All hotel projects face severe financing constraints.

### **Traditional tourism, Madagascar style.**

Most hotels in Madagascar obtain their business from a system of tour operators that has developed over the years in response to conditions on the ground. They are “traditional” in the following ways:

- Target markets do not seek specialized products other than a little entertainment and discovery (the basic idea behind tourism at its inception); visitors travel individually, in couples, or in groups of 8-15 persons, or more;
- Accommodation facilities should be of international quality, particularly as regards comfort, service and cleanliness; the actual mix will vary depending on the location and the hotel itself;
- Marketing is through the international travel industry network and Tour Operators: package planning (with pricing and reservations) is done a year in advance; the TO’s local representative carries out the tour and ensures its proper execution, monitoring the quality services.

### **Constrained supply**

There are about only 15 hotels, excluding Antananarivo, scattered around Madagascar that fulfill the “traditional” requirements set out above. Perhaps the main reason for this is unavailability of the capital necessary to build and operate such facilities. More importantly, the knowledge and skills required to create such facilities and manage the associated risk are limited. Moreover, the support system for large tourist hotels does not yet exist in Madagascar.

### **Emergence of tour circuits in Madagascar**

Circuit tours emerged in Madagascar over time, using available hotels located in areas of touristic interest:

- Southern tour, South of Antananarivo to Ifaty, passing through Isalo with an option of visiting Fort-Dauphin; a side trip to Nosy Be or Ile Sainte Marie is sometimes added,
- Northern tour, North of Antsirananana to Nosy Be, and visiting the Ankarana reserve,
- Eastern tour, East of Antananarivo to Sainte Marie, passing through Andasibe and Toamasina.

Often, it has been the opening of a single hotel that has triggered the interest of a TO for a specific site. Later, other hotel investments in many categories follow. This has been the pattern for the Relais de la Reine in Isalo, the Vakona in Andasibe, the hotel complexes of the "de Heaulme" group in Tolagnaro and Berenty. It is likely that the process will repeat itself in not-so-well known sites such as Ankarana, Andringitra, Masoala or those that used to enjoy a certain reputation, such as Ranomafana or Joffreville.

These tours all have a common feature: they are all based upon rich natural environments, declared protected areas; they are organized in or around national parks or special reserves usually managed by ANGAP on behalf of the government (and there are privately managed parks in Andasibe and Tolagnaro). Reserves and natural parks are essential components of the Malagasy tourist package.

### **Availability of quality hotels, a limiting factor during peak season**

In peak season, hotels are packed and reach seasonal occupancy rates of 100%. The absence of sufficient lodging for this clientele is a real bottleneck for TOs. Success stories in hotel investment have all benefited from the full commitment and active participation of the promoters, at all stages: negotiation of the land with local communities; following-up on administrative formalities; on-the-spot monitoring of construction work; and management of the process. Sites are often located in remote regions, which complicates logistics during construction: delivery and storage of materials, organization and care of the work force, food supply, and personnel. On the other hand, these experiences build team spirit: often hotel personnel are recruited from among the workers who built the facilities, thanks to an on-going internal training program: the project has become a common stake. As one promoter said, some of his workers learned how to use a trowel and a pie slice!

Several projects have failed because of lack of involvement of the promoters and reliable entrepreneurs: competencies in hotel building are scarce.

It is interesting that these types of hotel are actually designated as "establishments for tourists only" (82% of the clients) and are ignored by nationals, even in the low season.

### **Mobility and activities**

Hotels are critically dependent on roads and air transportation. Important tourism zones like Antsiranana and Nosy Be can only be reached by air (the trip by sea currently takes too long). Local hotel associations claim that the infrequency of flights creates a bottleneck with the result that hotels are left with unsold capacity that could have been sold in the absence of the constraint. Tour operators in Antananarivo confirmed that reservations for these destinations are often cancelled or re-routed because planes are full, especially for groups of 10 and more.

Hotel guests in international hotels seldom stay more than three days. The length of stay could be lengthened if there was a variety of activities capture the attention of visitors. The cultural heritage in each location (history, arts and handicrafts) is there but is not accessible to tourists. Most cultural events are now geared to local communities and traditional cultural

ceremonies are not shown to tourists. But such activities do exist as annual events (Festival Donia de Nosy Be), permanent exhibitions on history and traditions (Mozea Akiba of Mahajanga, Musée de l'Anosy in Tolagnaro), and historical tours. If such activities were interpreted in sensitive ways, they could enrich visitors' experiences greatly. Visitors currently go from one site to another, viewing nature and landscapes, but contacts with local populations are limited. TOs should be encouraged to give their views on what is needed to make these activities accessible to tourists and then include them in their packages; similarly, the Government would have to budget for these activities and publicize them well.

### **A new concept of traditional tourism**

In recent years, a concept of the "independent" international hotel, or resort, has emerged in Madagascar. It is designed to retain visitors as long as possible on-site through a high standard of service and a variety of entertainment. It is targeted at the high-income market. Examples in Madagascar are island-hotels, for example, Tsara Banjina, Iranja Islands Dreams and resort hotels in Anjajavy, La Marina, Le Domaine de Fontenay. These operations are autonomous and propose activities in and around the hotel, with entertainment for guests for at least 5 days. Similarly, Princess Boar Lodge in Sainte-Marie partners with a research center specialized in the humped-back whale; the Nautilus of Ifaty has its own diving center and fishing equipment; and the Relais de la Reine developed an equestrian center and is planning to create a golf course in Isalo.

### **Self-financing is key**

Except for the Princess Bora Lodge (financed by Proparco and IFC) and the Relais de la Reine (for its initial investment), these projects have all been financed with self-generated funds, both at the investment stage and during operation. The typical investment amount is about US\$0.75 million. Banks have been approached but they have insisted on unacceptably draconian conditions, interest rates of 16-20% and collateral on property or assets located abroad exceeding the value of the investment (120% of investment). Similarly, for operations of resort hotels requires a high level of cash flow. Most TOs require a 30 to 60 day turnaround with the voucher system. In practice, payment is seldom received within the stated limit. On the other hand, suppliers are paid cash.

## Traditional Hotels

Opportunities	Actions
<p><u>Demand is high</u></p> <ul style="list-style-type: none"> <li>● Profit margin goes from 10 to 60% (29% on average), even if the costs are high (energy and water supply, food and general supply): high-end hotels are success stories in Madagascar.</li> <li>● All promoters intend to expand their capacity in order to satisfy the allotment requests of TOs.</li> </ul>	<ul style="list-style-type: none"> <li>● Diffusion of pioneering success stories as an example for future investors.</li> <li>● Promotion of the model on new sites through incentives. Replicate the "Relais de la Reine" model.</li> </ul>
<p><u>Labor</u></p> <ul style="list-style-type: none"> <li>● Hotels generate more employment than small structures since they focus on service quality.</li> <li>● They provide jobs for people living in remote areas and training to non-qualified workers.</li> </ul>	<ul style="list-style-type: none"> <li>● Definition of continued training courses and system that would adapt to the needs of remote operations employing non-qualified workers.</li> </ul>
<p><u>Natural resource-based tourism</u></p> <ul style="list-style-type: none"> <li>● Interdependence of hotel and nature conservation activities.</li> <li>● The existence of a high-end hotel in one area raises interest in the surrounding environment and creates knowledge for workers and clients.</li> </ul>	<ul style="list-style-type: none"> <li>● Promote dialogue between ANGAP and tourism operators by admitting tourism operators to the Board of ANGAP or the management committee of each reserve in order to set rules and create new products.</li> <li>● Implementation of the "private reserve" system: tourism operators are given the right to manage part of ANGAP reserves or non-classified forests under supervision of offices and ministries in charge, if they undertake to follow specifications.</li> </ul>

Constraints	Solutions
<p><u>Land ownership</u></p> <ul style="list-style-type: none"> <li>● Double procedure: traditional negotiation and official administrative procedures</li> <li>● The administrative procedures can take 10 years to obtain title. Speculative behavior from people outside the involved communities makes the procedures longer.</li> </ul>	<ul style="list-style-type: none"> <li>● The integration of the traditional procedure into the official one is effective, but not always enforced. The "services des domaines" needs support for a procedures manual and its computerization.</li> <li>● An inventory of ongoing land requests on main tourism areas would help to identify impediments to the procedures.</li> </ul>
<p><u>Access to sites</u></p> <ul style="list-style-type: none"> <li>● Road access is a major problem: all costs related to energy, supply, labor, equipment servicing (when available) become higher.</li> </ul>	<ul style="list-style-type: none"> <li>● Gathering of investments in identified areas through an incentive system (<i>Réserve foncière</i> linked to a land management program) and creation of a cluster effect to improve land and supply management.</li> </ul>

<b>Constraints</b>	<b>Solutions</b>
<u>Seasonal fluctuations</u> <ul style="list-style-type: none"> <li>● Traditional tourism is very low between mid-January and June.</li> </ul>	<ul style="list-style-type: none"> <li>● Development of <i>niche</i> markets linked to specific services: mountain climbing, bird watching, painting tours, music festivals, ...</li> </ul>
<u>Labor</u> <ul style="list-style-type: none"> <li>● Permanent training is required but not available: no trainers, no training facilities</li> </ul>	<ul style="list-style-type: none"> <li>● Design of long-term training program with mobile trainers.</li> </ul>
<u>Public infrastructure</u> <ul style="list-style-type: none"> <li>● Energy costs are too high: no tax exemption on fuel allocated to generators, Jirama electricity is more expensive in Antsiranana province than anywhere in Madagascar.</li> <li>● No telephone line in major tourism areas like Isalo or Sainte-Marie: it worked only 6 months at the Relais de la Reine (Isalo) and in the south of Sainte-Marie, lines have not been operational for 18 months now.</li> <li>● It is difficult to maintain high quality service or sophisticated equipment when public services are poor: for example, no water in Nosy Be hospital, major variations of electric current, bumpy roads, ...</li> </ul>	<ul style="list-style-type: none"> <li>● Privatization of public services (water and electricity supply, road maintenance, health center) through a licensing system in areas where they are not available.</li> <li>● Review of the taxation system of private companies committed into public service missions.</li> </ul>
<u>Taxes</u> <ul style="list-style-type: none"> <li>● VAT is more a Tax on turnover rather than value-added. Most suppliers do not provide invoices, and related VAT cannot be deducted. 20% is too high for a tax on turnover.</li> </ul>	<ul style="list-style-type: none"> <li>● Review of the VAT system for tourism operators.</li> </ul>
<u>Financing</u> <ul style="list-style-type: none"> <li>● Hotels must be built and operated to international standards in remote areas. It is very rare (3 cases out of 15) that promoters got bank credit due to the lack of a land property title and high interest rates.</li> </ul>	<ul style="list-style-type: none"> <li>● Facilitate access to information related to AMSCO, IFC &amp; MIGA services and promote SME program.</li> </ul>

These facilities have 20 or fewer rooms. They represent the majority of lodging facilities in Madagascar. The best and the worst are encountered. The most famous provide excellent service, have high occupancy rates, enjoy a good reputation and are profitable. The worst survive until they no longer have any business; in the meantime they devalue the reputation and image of Madagascar as an interesting tourist destination.

Most small hotels and guesthouses are built from personal savings or family loans. They are run with a family atmosphere, which appeals to most visitors. On the other hand, personnel are not professionally trained. Managers/owners use common sense and experience to run their business and to train the personnel. They understand the necessity of training employees and do so if they can and if opportunities arise.

Operators in this category lack information regarding administration rights and duties. It is obvious that they are neglected by the current system and have not found a way to tackle the problem; it is also true that many of them are in the informal sector and wish for as little contact with the administration as possible. Most understand that they need to invest to maintain their properties and be vigilant to diversify their market segments – mainly groups- but they have to finance their operations from internal cash generation or from wealth.

### Small hotels and Guesthouses

Opportunities	Actions
<p><b>Market</b></p> <ul style="list-style-type: none"> <li>● The demands for simple lodging structures exist and stem from Germany, Switzerland, Belgium; the offer satisfies those customers in search of the authentic Malagasy hospitality, and interested in the social aspects of the country. Generally, 2 segments of customers are identified: young twenties with a spirit of adventure, not necessarily poor, and older tourists in their fifties or retired, fairly well-off customers. They show a common feature: they seek genuine human contacts, life experience;</li> </ul>	<p><b>Marketing</b></p> <ul style="list-style-type: none"> <li>● Promote small structures development: it contributes to preserving the Malagasy way-of-being, and ensures economic growth at local levels;</li> </ul>
<p><b>Regulations</b></p> <ul style="list-style-type: none"> <li>● Small structures start generally with a family-owned house or land. No big investments required;</li> </ul>	<p><b>Regulations</b></p> <ul style="list-style-type: none"> <li>● Encourage Malagasy investors to enter this specific market by providing proper a specific investment settings, and tools: efficient and straight-forward procedures, tax incentives, well-defined regulations (e.g. compliance of the MECIE law), establishment of an administrative agency not far from the place, and monitoring procedures, training and technical supports, and investments financing</li> </ul>
<ul style="list-style-type: none"> <li>● Small structures are competitive in terms of pricing: Chez Aïna, Chez Anita, Ville d’Eau, Résidence Camélia, Les Toiles de l’Isalo...</li> </ul>	<ul style="list-style-type: none"> <li>● Maintain competitiveness by ensuring a proper fiscal environment and adequate infrastructure and superstructure to lower transaction costs: <ul style="list-style-type: none"> <li>– E.g. incentives for building maintenance and betterment of buildings could be granted (to improve general atmosphere and landscape);</li> <li>– Small structures purchase supplies in the underground market (informal market) that does not pay VAT; a progressive integration scheme of the underground economy in the official economic system should be planned.</li> </ul> </li> </ul>

Constraints	Solutions
<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>● Access to financing for small structures is very limited;</li> </ul>	<p><b>Financing</b></p> <ul style="list-style-type: none"> <li>● Initiate the development of intermediate banking structures (institutions that provide funds between MGF 100 millions to MGF 2 billions)</li> <li>● Design a specific investment framework to promote those structures: e.g. give the possibility to acquire telecommunication technologies or support, to forming a network of small structures;</li> </ul>
<p><b>Superstructure and governance</b></p> <ul style="list-style-type: none"> <li>● Administrative procedures not designed to help the private sector;</li> <li>● There are no administrative services in Sainte-Marie, while it has about 50 lodging structures: for any administrative operations (tax, land affair...), one has to go on the main island wasting 2 to 3 days for each operation. Nothing is paid to Sainte-Marie but at the central administration;</li> </ul>	<p><b>Superstructure and governance</b></p> <ul style="list-style-type: none"> <li>● Work in team with administrative agencies and superstructure in general, to simplify and streamline procedures; sufficient resources should be allocated to take care of small structures as they are numerous (cf. inventory of lodging structures);</li> </ul>
<p><b>Labor and training</b></p> <ul style="list-style-type: none"> <li>● Human resources management: lack of discipline and inadequate training</li> </ul>	<p><b>Labor and training</b></p> <ul style="list-style-type: none"> <li>● Invest in training centers in each of the six (6) provinces; training centers are for employees as well as managers who are eager to update their knowledge and specific skills: e.g. standards of management, cultural differences of the foreign visitors</li> </ul>

## Ecotodges

Ecotourism lodges are built in or around an environmental attraction pole. In Madagascar, where there are already a number in existence, they include several components:

- The site and all its conservation system;
- The lodge itself
- The local communities that supply the lodge with manpower; and
- Occasionally, complementary services, such as leisure activities.

Some work has been done to identify the markets and know their preferences but formal data is scarce. Much relies on operators' experience and knowledge of their specific markets. In terms of economic development, models based on ecotourism are interesting for a number of reasons:

- There is an increasing demand for ecotourism where *niche* markets can be developed: e.g. counter-seasonal tourism, whale watching, bird watching, underwater photo safari, incentive tourism for companies, retired persons tourism etc, which can be highly profitable markets;
- They can contribute to conservation by respecting nature and generating revenue to fund conservation;

- They involve local communities and therefore the project can improve their standard of living, monetarily, socially and intellectually (openness of mind, and increase of income), and hence help reduce poverty; and
- They can demonstrate the tangible benefits of environmental protection and preservation, and augment the “ownership” of the environment.

Ecolodges usually use local materials and rely on appropriate technology for infrastructure – photovoltaic power, septic tanks and mini desalinization are some of the examples found in Madagascar; many offer rudimentary services (cold water, no electricity) that are part of the experience. Because of these factors, there are wide variations in the cost of investments. Typically, the investment cost can be quite low and, as successful ecolodges can charge high rates, can become profitable at lower occupancy thresholds, than traditional hotels. On the other hand, some so-called ecolodges can be quite luxurious and expensive to build, operate and maintain. This pattern is already evident in Madagascar – see Annex 4.

Government has a role to play to encourage the financial system to foster ecotourism, which is not at all the case right now. If the Government were to support ecolodges as tourist accommodations, centers for improvement of social conditions and a key part of environmental management, the sector might grow substantially with a consequent growth in the number of Malagasy and foreign investors who can bring more professional services, and eventually satisfy the market better. Malagasy citizens could also be attracted to such facilities.

### **Ecolodges**

<b>Opportunities</b>	<b>Actions</b>
<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>● Madagascar has outstanding natural assets for ecotourism: e.g. Ankarana (North), Andasibe (East), Andringitra and Isalo (South), Tsingy (West) to name few great sites;</li> </ul>	<p><b>Leveraging assets</b></p> <ul style="list-style-type: none"> <li>● Carry out an inventory of suitable locations for ecotourism development;</li> <li>● Design a specific investment framework for those areas: tax incentives for investors and for professionals who accept to move to those places, well-defined regulations (e.g. compliance of the MECIE law, ISO), establishment of adequate administrative framework, and monitoring procedures;</li> <li>● Make investment opportunities known to investors;</li> </ul>
<p><b>Marketing</b></p> <ul style="list-style-type: none"> <li>● The concept is still unusual and most customers enjoy it many come from France, neighboring islands, Germany, Holland, Switzerland, Japan, and the US; Malagasy citizens can also afford this type of product</li> </ul>	<p><b>Marketing</b></p> <ul style="list-style-type: none"> <li>● Capitalize on Madagascar’s image and the word-of-mouth advertising of past visitors. Launch a planned advertising campaign locally and internationally, stressing the many unique features to create a “Malagasy ecotourism” brand;</li> <li>● The advertising campaign should build the same recognizable image of Malagasy ecotourism around the world; the campaign should be adapted to each target country and segments;</li> </ul>

<b>Opportunities</b>	<b>Actions</b>
<ul style="list-style-type: none"> <li>● Ecotourism can appeal to niche markets which will differ from country to countries: birdwatchers from US; groups of elder people from Belgium; sport and adventure tourists; social and study tourism.</li> </ul>	<ul style="list-style-type: none"> <li>● Work on a plan lengthen the season and to regulate the flow of visitors throughout the year; such a project should be led by a team including TOs, airline companies, hotels, and government</li> </ul>
<p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>● Construction buildings may be simple, not expensive (Isalo Ranch), e.g. Andringitra Namoly Camp; they use local building materials;</li> </ul>	<p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>● Many ecolodges will have to provide their own infrastructure but Government can help by supporting key trunk infrastructure, if tourism is made an export industry and the region in question is a priority.</li> </ul>
<p><b>Poverty reduction</b></p> <ul style="list-style-type: none"> <li>● Ecotourism creates synergy among ecotourism development, nature conservation and social enrichment of local communities (Andringitra Reserve Park).</li> </ul>	<p><b>Poverty reduction</b></p> <ul style="list-style-type: none"> <li>● Publicize best practices like Andringitra Camp (Namoly); demonstrate value creation by leveraging the outstanding environmental assets and designing mechanisms that engage local communities as shareholders, employees and service providers;</li> <li>● Replicate approach</li> </ul>

### **Ecolodges**

<b>Constraints</b>	<b>Solutions</b>
<p><b>General policy</b></p> <ul style="list-style-type: none"> <li>● Lack of tourism development program at a national level and in ecotourism areas (ecotourism spots are often located in remote areas) – Isalo, Masoala, Ankarana...</li> </ul>	<p>General policy</p> <ul style="list-style-type: none"> <li>● Either give priority to those sites for basic infrastructure: roads, railways, secondary harbors and secondary airports; electric and water supply systems; telecommunication system;</li> <li>● Or provide alternatives: e.g. grant tax discounts for investors who use environment friendly systems or allow investors to depreciate infrastructure equipment at more than face value like in Mauritius;</li> <li>● Ensure basic support services: health, security, tax and administrative, monitoring of standards and regulation compliance) services, school (or alternative solutions)</li> </ul>
<p><b>Labor</b></p> <ul style="list-style-type: none"> <li>● Assets are outstanding BUT services are very inferior compared to the competition;</li> </ul>	<p><b>Labor training</b></p> <ul style="list-style-type: none"> <li>● Review standards and regulations;</li> <li>● Support on-going training programs for professionals on quality of services, quality of organizations, and environment management (ISO 9000, 14 000 and MECIE requirements); inform on rights and duties;</li> <li>● Enforce standards and regulations;</li> </ul>

Constraints	Solutions
<ul style="list-style-type: none"> <li>● Training of uneducated local people (communities) is difficult but should be done. They lack sensitiveness on several aspects of servicing; welcome, hygiene, responsiveness, clients' expectations, environment preservation etc...</li> </ul>	<ul style="list-style-type: none"> <li>● Support educational programs for communities: it develops communities socially and economically, and improves the experience of visitors</li> </ul>
<p><b>Transportation</b></p> <ul style="list-style-type: none"> <li>● Transportation services need to be improved: both frequency and reliability of service need to be improved (Ankarana, Andringitra, Isalo)</li> </ul>	<p><b>Transportation</b></p> <ul style="list-style-type: none"> <li>● Market mechanisms (demand/supply) will take over once infrastructure and investment frameworks are effective;</li> </ul>
<p><b>Availability of inputs</b></p> <ul style="list-style-type: none"> <li>● Availability of inputs in remote places</li> </ul>	<p><b>Availability of inputs</b></p> <ul style="list-style-type: none"> <li>● Regulated by market mechanisms; linked to infrastructure; work in coordination with concerned actors: transportation providers, Ministries.</li> </ul>

### Linkages: reserves, sites, and cultural attraction poles

**Overview.** Reserves, sites, and other cultural attraction poles are extremely important for tourism development. Their existence and quality make the destination more memorable for visitors, be they foreign or Malagasy.

Tangible efforts to enhance some sites by the WWF, CI, LDI and ANGAP and some private initiatives (Fort-Dauphin, Tolagnaro) have been achieved. While much remains to be done, there are success stories (Masoala reserve, Andringitra, Andasibe etc...)

Communities are becoming skeptical as the share of entrance fees to parks (50%) that should return to them has never been paid. ANGAP will be making a greater effort to respect its part of the bargain in the future and actions are now being reinforced to educate inhabitants on the value of preserving their environment

## Overview of linkages

Opportunities	Actions
<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>● World-classified, outstanding and unparalleled natural assets:               <ul style="list-style-type: none"> <li>– The Berivotra site is invaluable for Madagascar: experts know it is still possible to piece together various dinosaurs skeletons; examples of possible exhibitions: archeology, fauna and flora, history: Mahajanga has seen famous battles between two major Malagasy tribes and is the cradle of Sakalava culture</li> <li>– The Bemaraha reserve is the other place in Madagascar where Tsingys are found, and it is classified World Heritage: Bemaraha is better known than Ankarana but less accessible. The Ankarana reserve is located next to the national park of Montagne d’Ambre; the Ankarana reserve is one of the older reserve in Madagascar, and is remarkable because of the particular pinnacle limestone formations called "tsingy", beneath which lies a 110 km network of caves, forests, lakes and rivers;</li> <li>– Park arrangement of the Andringitra reserve is seen as the Pyramids of Madagascar by visitors</li> </ul> </li> </ul>	<p><b>Leveraging assets</b></p> <ul style="list-style-type: none"> <li>● Limits access to zones: visitors have to feel they are privileged to enter the sanctuaries of Nature of Madagascar; local community must understand they have a precious heritage (RFT may be extended);</li> <li>● Standardize acceptable infrastructure: define suitable landscape management practices to preserve and maintain sites and surroundings;</li> <li>● Design a communication plan around identified opportunities to market internationally products;</li> <li>● Design a communication plan around identified opportunities, putting together cultural heritage preservation, social and economic developments to integrate local communities in the process of value creation (reduction of monetary poverty as well as intellectual and social poverty);</li> </ul>
<p><b>Opportunity to</b></p> <ul style="list-style-type: none"> <li>● Give the Malagasy researchers a way to publicize their work to the public, and to let the Malagasy people know about their global heritage, both natural and cultural, and so they understand they are the guardian of this heritage;</li> <li>● Create a tourism attraction hence contributing to developing a real tourism local economy: e.g. Lolo Voyage is an association whose members were all local students from Institut Tiako ny Taniko, a guide training center based in Fianarantsoa.</li> </ul>	<ul style="list-style-type: none"> <li>– Create value by enhancing natural sites: e.g. create an on-site “DINOSAURS MUSEUM of the world”; preliminary archeology work itself may become an attraction and visitors would be asked to contribute to finance the future museum (identified resource: Dr Ramanivosoa, Scott Grenfell)</li> </ul>
<ul style="list-style-type: none"> <li>● Enforce old discipline, hygiene standards and safety standards</li> </ul>	<ul style="list-style-type: none"> <li>● Replicate models</li> </ul>
<ul style="list-style-type: none"> <li>● Existence of success stories to foster as benchmark or reference: guides in Andasibe enjoy a very good reputation; they are professionally trained, which is not always the case for other parks. Guidance adds value to visitors experience but the visitors’ fear of reported aggressions by guides in Isalo destroys the value (see constraints).</li> </ul>	

## Overview of linkages

Constraints	Solutions
<p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>● Access to the sites: Museum Mozea Akiba's building was taken back by the municipality in 2001 and the museum moved away, 20 km out of town. Immediately, the number of visitors decreased.</li> <li>● Inappropriate infrastructure that decreases value (drinking water, sewage and waste treatment, transportation). On logistics, there are no shuttles between the Isalo office where customers are supposed to pay entrance fees and the entrance gate. Safety in the park is an issue.</li> <li>● Insufficient international standard lodging facilities: e.g. there are only 239 beds in Isalo.</li> </ul>	<p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>● Government coordination to give priority to building adequate infrastructure;</li> <li>● Design a specific investment framework for those areas: construction of vital infrastructure, tax incentives for investors and for professionals who accept to move to those places, well-defined regulations (e.g. compliance with the MECIE law, ISO), establishment of adequate superstructure, and monitoring procedures; investment promotion activity.</li> </ul>
<p><b>Plunder of artifacts</b></p> <ul style="list-style-type: none"> <li>● Fossils are stolen, sold and smuggled out without control;</li> </ul>	<p><b>Plunder of artifacts</b></p> <ul style="list-style-type: none"> <li>● Implement required control equipment and training;</li> </ul>
<ul style="list-style-type: none"> <li>● Services around the sites are irregular: guidance system has to be reviewed;</li> </ul>	<ul style="list-style-type: none"> <li>● Provide training assistance, and visits to other countries' parks etc...</li> </ul>
<p><b>Regulations</b></p> <ul style="list-style-type: none"> <li>● Efforts at conservation are useless if local communities do not feel included, leading them to disregard or even destroy the environment. Destroyed environment is of no interest to visitors and sustainability is lost.</li> </ul>	<p><b>Regulations</b></p> <ul style="list-style-type: none"> <li>● Adjust existing mechanisms to let local communities participate in (employment, part ownership, information dissemination, etc.) benefit directly from nature conservation</li> <li>● Finance training for local employees either in the classroom or on-the-job (e.g. use part of the income that ANGAP should pay to communities)</li> <li>● Reserve to be managed by a syndicate composed of ANGAP, local communities and operators: it implements good governance and ensure results-oriented behaviors.</li> </ul>
<p><b>Information</b></p> <ul style="list-style-type: none"> <li>● Visitors feel cheated, as they are not aware of the local environment: it increases bad reputation of the country in general.</li> </ul>	<p><b>Information</b></p> <ul style="list-style-type: none"> <li>● Communication plans to be coordinated and implemented.</li> </ul>

Two sets of linkages are selected below to highlight opportunities for development and actions to implement them, as well as constraints and recommendations for their removal: Activity and service providers (diving, birding, etc.); handicrafts and merchandising; and

### Activity and service providers

<b>Opportunities</b>	<b>Actions</b>
<p><b>Marketing</b></p> <ul style="list-style-type: none"> <li>• Several world-class spots for specific activities: scuba diving and specialized diving, fishing, trekking windsurfing, kite-surfing, cruises etc...devotees come from around the world. According to experts, sites are still unknown; examples are Nosy Be, Saint-Marie, Ifaty, Fort-Dauphin (Tolagnaro)</li> </ul>	<p><b>Marketing</b></p> <ul style="list-style-type: none"> <li>• Support advertising campaign to unveil these sites, and to make Madagascar known.</li> </ul>
<ul style="list-style-type: none"> <li>• Seasonality does not follow western countries' holiday patterns: it is an opportunity to promote a complementary season (counter-season) to the classical western summer season</li> </ul>	

<b>Constraints</b>	<b>Solutions</b>
<p><b>Tax and Regulations</b></p> <ul style="list-style-type: none"> <li>• Service activities require specialized and costly equipment; e.g. every spot should have a decompression chamber and the trained personnel to operate it; proper equipment increases security and therefore attracts many devotees.</li> </ul>	<p><b>Tax and Regulations</b></p> <ul style="list-style-type: none"> <li>• Study the feasibility of granting tax discounts for investors in these fields, or allow investors to depreciate specialized equipment at more than face value like in Mauritius;</li> <li>• Carry out an inventory of suitable locations for service development (e.g. diving, fishing, birding)</li> </ul>
<p><b>Transportation</b></p> <ul style="list-style-type: none"> <li>• Access to developed sites. Air transportation is already mediocre in terms of service, and visitors are forced to take (multiple) connecting flights to reach final destinations</li> <li>• Travel agencies are not well informed: to avoid risk of customer dissatisfaction, they would rather send travelers to destinations they know.</li> </ul>	<p><b>Transportation</b></p> <ul style="list-style-type: none"> <li>• Same solutions as for solutions for transportation issues.</li> </ul>
<p><b>Environmental issues</b></p> <ul style="list-style-type: none"> <li>• The environment is degrading in some places, e.g. in Fiat and Sainte-Marie. The very species that make the sites attractive, which were abundant a few years ago, are now seldom seen, e.g. sharks and fish, are disappearing.</li> <li>• Fishing methods of villagers have to comply with ministry regulations, which is not the case right now. Current methods are destroying the coral reef barrier and unbalancing the ecosystem.</li> </ul>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• Educate villagers in appropriate environment management and design mechanisms that provide them with tangible profits from proper environment management (align local villagers interests to global Malagasy economic interest)</li> </ul>

## Handicrafts and merchandising.

The country's artisans and craftsmen are the guardian of its patrimony. Micro enterprises and SMEs producing handicrafts have been neglected in the economic system and have been forced to find ways of working without the necessary infrastructure. Yet they form the majority (more than 60%) of the industrial companies and are potential sources of revenue for the state – not to mention essential parts of the tourism infrastructure. Access to finance is again an impediment to development, as well as lack of information.

<b>Opportunities</b>	<b>Actions</b>
<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>● 30% to 90% of the revenues of some craftsmen and women (merchandising providers) are from tourists.</li> </ul>	<p><b>Leveraging assets</b></p> <ul style="list-style-type: none"> <li>● Design a specific investment framework for handicrafts professionals: tax incentives, well-defined regulations, efficient administrative procedures;</li> </ul>
<ul style="list-style-type: none"> <li>● Variety of products: handicrafts (textile, woodwork, arts, gemstones, famous sand bottles, a know-how unique, only seen in Madagascar);</li> <li>● Variety of raw materials available in Madagascar: raffia, zebu horn, coconut shell, wood, and more: example of Brin de Fille in Nosy Be.</li> </ul>	<ul style="list-style-type: none"> <li>● Support success stories and partnership with international designers for exports;</li> </ul>

<b>Constraints</b>	<b>Solutions</b>
<p><b>Capacity</b></p> <ul style="list-style-type: none"> <li>● Local handicrafts cannot compete in international markets: <ul style="list-style-type: none"> <li>– Limited production capacity is also an impediment; lack of financing for investment and working capital;</li> <li>– They are not properly equipped to satisfy international quality standards;</li> <li>– They are skilled craftsmen but they are not exposed to international competition; lack of creativity: loss of the notion of value; youngsters need to learn again how to create value;</li> </ul> </li> </ul>	<p><b>Capacity building</b></p> <ul style="list-style-type: none"> <li>● Design instruments to let small companies access investment financing;</li> <li>● Provide training programs and facilities for craftsmen/women to teach value creation principles and processes.</li> </ul>
<p><b>Capacity of Administration</b></p> <ul style="list-style-type: none"> <li>● Administrative red tape has an immediate effect on small handicrafts workshops;</li> <li>● Rules and regulations should be customer driven but not administration driven;</li> </ul>	<p><b>Capacity building of Administration</b></p> <ul style="list-style-type: none"> <li>● (Part of good governance, improvement of effectiveness and efficiency of administration tasks)</li> </ul>
<p><b>Raw materials</b></p> <ul style="list-style-type: none"> <li>● Supply of raw materials is a problem: raffia comes from Ambanja on the mainland, as does wood.</li> </ul>	<p><b>Environmental management</b></p> <ul style="list-style-type: none"> <li>● Enforce environmental management system (ISO 14 000, MECIE law) to rationalize raw material utilization</li> </ul>

## **Annex 6. Andringitra National Park and Peripheral Zone Ecotourism Development**

Ecotourism was officially recognized as one of the management objectives of Andringitra National Park when it was inaugurated on October 1999. The other four objectives are: conservation, education, research, and development. Given the attractions (dramatic mountain territory) in the park and the surrounding region, tourism has the potential to provide significant long-term, sustainable economic benefits for local populations and regional entities if it is developed in a responsible manner.

All ecotourism infrastructure within the park, such as trail and campground construction, is managed by the World Wide Fund (WWF) and *Association Nationale pour la Gestion des Aires Protégées* (ANGAP). In the peripheral zone of the park, infrastructure is a cooperative effort among park management, local residents, and private investors. Park infrastructure development is financed by the German *Kreditanstalt für Wiederaufbau* (KfW / BMZ), WWF Germany and the Government of Madagascar. The park is managed and operated by WWF for the Nature Madagascar Program, in close collaboration with ANGAP.

There are many definitions of ecotourism but for the purposes of this document, a simple definition used by the International Ecotourism Society has been adopted: “Ecotourism is responsible travel to natural areas which conserves the environment and improves the welfare of local people.”

Recognizing that the introduction of tourism can have both positive and negative environmental and cultural effects, three main tourism objectives have been developed by the Andringitra Park Management team to:

- Protect cultural values and natural resources
- Stimulate economic benefits for local residents
- Provide a safe and quality visit for all guests.

In the initial years of ecotourism at Andringitra, park management concentrated on developing the tourism infrastructure inside the park to assure that the maximum was done to protect visitors from injury in the mountainous terrain, to protect fragile mountain ecosystems and to prepare the park staff and local residents for tourism.

Park management has intentionally introduced tourism progressively at Andringitra in a slow, methodical and deliberate manner to avoid rapid, unplanned changes that could negatively affect the environment and cultural values in the peripheral zone. It also serves help local residents better understand and accept their role in managing tourism.

No marketing activities were undertaken until some infrastructure was in place. The emphasis has been put on the supply side of tourism – resource constraints and the needs and culture of local residents - rather on the demand side –trying to only increase the number of tourists or attract mass tourism. Word of mouth was the only way tourists learned about the park. Even with this lack of marketing, dramatic annual increases in the number of visitors were experienced from 1998 (89 tourists) to 2000 (1495 tourists).

As of August 2001, over seventy kilometres of hiking trails and four wilderness campgrounds have been constructed in the park and the local community has been involved in all aspects of ecotourism planning both in the park and in the peripheral zone. The park and local residents are now ready for greater numbers of tourists.

### **Regional Context**

Andringitra National Park is situated atop the Andringitra mountain range in southeastern Madagascar. The northern boundary of the park is located 100 kilometers southwest of the provincial capital Fianarantsoa and 50 kilometres from the village of Ambalavao. Andringitra is located along Madagascar's Great Southern Tourism Circuit, which extends from Fianarantsoa to Toliara and crosses Ranomafana and Isalo National Parks.

In the small town of Ambalavao (less than 10,000 inhabitants), the nearest population center to the park, there is currently one hotel, the Bougainvilleas, catering to international tourists. The hotel is part of the Antanamoro paper factory that manufactures and sells hand-made decorated paper. Several small restaurants have emerged catering to both national and international visitors but the tourism industry is in its infancy in the region. Near Ambalavao, there is a small community managed forest called Anja where *Lemur catta* can be seen. A silk factory is also located near the town where workers raise silk worms, collect the raw silk, and create and sell silk products.

### **Andringitra Tourism Products**

The primary attraction in the region of Andringitra National Park is the unspoiled mountain environment surrounded by local pastoral cultures and scenery. The isolation of the region before road improvements in 1998 and 1999 has resulted in a relatively pristine environment virtually untouched by the 'outside world'. The major tourist attractions in the park are high mountain panoramic scenery and trekking opportunities. Complementary tourist activities such as bird watching, sightseeing (waterfalls and wild rivers), wild terrestrial orchids, lemur watching, photography, and wilderness camping are also found in the park.

At present, the park visit is for individuals who are capable of negotiating medium to difficult mountainous terrain, although it is not limited exclusively to backpackers. Individuals of any age with a modicum of physical conditioning can enjoy the diverse trails in the park that have been constructed to assure a safe visit. In the future, peripheral zone development will focus on medium to high quality hotels to will expand the target market to older, more affluent travellers who can experience the fantastic scenery from the balcony of their hotel, should they desire.

Outside the park zone, visitors can experience varied cultural attractions of the Betsileo and Bara Bory ethnic groups in the Namoly and Sahanambo Valley. Mountain climbing and hang gliding opportunities are provided by a private tour operator in the Sahanambo Valley, in the western peripheral zone of the park. Because of the lack of rescue facilities in Madagascar and the conflict with cultural belief, 'danger tourism' such as technical mountain climbing and hang gliding are prohibited within the park boundaries.

### **WWF Guesthouse**

Constructed in 1996, the guesthouse is located near the small village of Ambalamanandray, in Namoly. The guesthouse currently serves as an office, lodging for official

WWF guests and as a hotel for tourists. It is envisioned that, once small hotels are constructed in the valley, the guesthouse will be limited to park staff and official visitors and will no longer be available to tourists. The building follows the architectural style of Betsileo houses in the region. It has eighteen beds, hot and cold running water, two fireplaces and kitchen facilities. Electricity is provided by a small generator, which was replaced by a solar electric system in 2001 to follow hotel standards in the Ecotourism Development Plan Document. These standards recommend either solar or hydroelectric energy to avoid noise and polluting exhaust created by gasoline or diesel generators.

Between August 6, 1998, and August 20, 2001, the Namoly guesthouse hosted 626 individuals, 25% of the total number of tourists who visited the park. The numbers of visitors per year staying in the guesthouse are:

1998	56 tourists
1999	126 tourists
2000	212 tourists
2001	232 tourists (January to August 20)

During this period, the cost for a bed at the guesthouse went from MGF 10,000 (\$1.5) to MGF 30,000 (\$3) a night. Gross revenues of MGF 20.8 millions (\$3,105) were collected. 35% of the tourists who stayed at the guesthouse stayed more than one night, which yields a total occupancy of 847 nights. The guesthouse was not designed as a hotel so no marketing has been done to attract tourists.

### **Hiking Trail / Campground System**

As of July 2001, over 70 kilometers of hiking trails and four wilderness campsites have been constructed in the tourism zone of the park. The trail system provides national and international tourists the opportunity to visit some of the park's varied ecosystems – rain forest, high mountain prairies and mountain pinnacles. There is abundant space to expand the trail system in the future if the tourism demand is high and if the park management determines that expansion will provide sufficient benefits with minimal negative environmental impacts.

The trail system at Andringitra has been designed and constructed with maximum attention to visitor safety, trail durability, minimal future maintenance costs and the utilization of all natural materials. Utmost emphasis has been placed on aesthetic aspects of the trails to provide a quality visit for all guests. All trail construction has been accomplished by park staff in collaboration with local residents, who are primarily members of the guide and porter association. This has resulted in a group of over 200 individuals who are capable of monitoring and effecting immediate trail maintenance when necessary.

### **Growth of number of visits and profile of visitors**

Tourism at Andringitra began informally in 1998, and was legitimised when the park was inaugurated in October 1999. During this time period, a total of 2,916 tourists visited the park.

The growth during the first 3 years had been:

1998 89 visitors  
 1999 480 visitors  
 2000 1495 visitors  
 2001 852 visitors from January to July

### **Tourism Profile Andringitra National Park**

Average age: 35 Years' old	Average length of stay: 1,5 Days
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Sex 62% Male 38% Female	Accommodation 5% Guest house only 20% Guest house/Camping 70% Camping only 5% Day use only
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Area of origin 47% European 45% Malagasy 7% American 1% Other	
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Occupation 37% Professional 31% Blue collar 22% Students 4% Retired 2% Religious 2% Unemployed 1% Agriculture	
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### **The Concept of the Maximum Desirable Number of Tourists**

Although tourism has the potential to provide valuable economic benefits to peripheral zone residents and regional entities, it can also have negative cultural and environmental impacts if not controlled. To ensure a quality visit for tourists and to minimize negative impacts, park management established the 'maximum number of tourist' guidelines.

Month	Number of tourists	Comment / Tourist per day
January, February	100	Park closed during rainy season: dangerous access road conditions; possibility exists for special reservations during this period (Orchid tours e.g.)
March	310	Low season; estimated 10 tourists / day x 31 days
April-October	9630	High season; estimated 45 tourists / day x 214 days
November-December	610	Low season; estimated 10 tourists/day x 61 days
Year	10,650	Maximum desirable number of tourists per year

The estimated limitations are based on road access conditions, monthly tourism patterns, and the distribution of visitors to ensure a 'wilderness' experience and conserve the infrastructure developed in the park as of August 2001.

The guideline serves to avoiding overcrowding in the park with resulting facility degradation and the loss of a quality ‘wilderness’ experience. The monitoring program will help determine if the existing facilities need to be expanded or if use should be limited to fewer visitors in the future. The goal is to find the point of maximum economic returns without negative environmental/cultural impacts or a decline in visitor satisfaction.

### Visitor satisfaction survey

How did you hear about Andringitra?	How do you rate your visit to the Park?
Tour agent 20 %	Excellent 77 %
Brochure/ads 7 %	Acceptable 6 %
Media 6 %	Bad 0 %
Word of mouth 32 %	Neutral 17 %
International Travel	Were you satisfied with:
Guide book 21 %	Your welcome Yes 93 %
Curiosity 14 %	The trails Yes 93 %
	Your guide Yes 93 %
	Your accommodation Yes 76 %
Do you have positive or negative things to mention?	Suggestions
+	Language training for guides 23 %
Quality of hiking trails/campground 29 %	More publicity about park 17 %
Scenery 20 %	WWF guest house suggestions 17 %
Accommodation @ WWF guest house 13 %	Install solar electricity (done), charge more money, noisy when full, arrange small library, provide a first aid kit for tourists
Welcome by local residents 11 %	
Competence of WWF staff 10 %	Need restaurants / stores 12 %
Legends of the region 7 %	Create other trails 9 %
Quality of guides / porters 5 %	Collective transport from Ambalavao 9 %
Good access road 3 %	Need self guiding trails 4 %
-	
Lack of information about the park 20 %	
Noise in guest house (when generator was used, tourists) 19 %	
Competence of guides 13 %	
Trails tiring 13 %	
Lack of fauna 6 %	
Access road connection points 4 %	

### Employment: Guide/porter Association

Residents in the peripheral zone formed a private guide and porter association in 1999. Most individuals in the valley have an average of only five years of formal education before they assume the responsibilities for looking after their cattle or full time work in the rice fields to feed their families.

Visitors need guides and porters to help them discover the park. Although local residents know much about the region, their lack of formal education coupled with their isolation, left them ill-equipped to work with tourists. Building on local resident’s knowledge of the natural resources in the park and their understanding the potentially dangerous conditions in the mountains, WWF personnel initiated a training program for guides. This included some language training, scientific training, first aid training, and techniques to deal with national and international visitors. This training continues and will continue throughout the life of the park.

From the beginning, WWF personnel made it clear that working as a guide or porter is not meant to be a substitute for farming, but is a supplement to help feed their families. In 1999, the effects of two cyclones destroyed the entire rice crop in the valley and tourism provided much-needed source of income for survival. After 2 years of working with the park staff, the association now has 25 guides and over 200 porters to aid tourists.

There is close collaboration between the park staff and the guides and porters. The association donates one day per month to maintain trails for free inside the park. At times, more than a 150 individuals get together for the work. This close collaboration is unique to Madagascar so far. In other national parks conflicts are frequently experienced between guides and park management. The collaboration is the result of constant communication between the park staff and the association.

Although ANGAP instituted a policy of self-guiding trails where possible, the majority of trails in Andringitra require guides for safety reasons. The mountainous terrain coupled with rapidly changing climatic conditions at higher altitudes poses an ever present danger for anyone stranger to the region. Local residents are very adept at predicting changing weather patterns and know conditions in the mountains well. Because there is not a viable ‘rescue network’ in Madagascar with appropriate life saving potential, park management has insisted that tourists be accompanied by local guides, both for safety reasons and to ensure economic benefits for local residents.

Statistical data compiled at Andringitra National Park show that each international tourist takes 1.5 porters on the average to carry luggage, food and firewood into the mountains. The maximum number of tourists for one guide has been set at five (5), for safety and communication reasons.

### **Economic analysis of tourism in Andringitra**

The following analyses are based on three hypotheses:

1. It is assumed that the park entrance fees will remain the same as they are at the time projections were made (2001);
2. 50 % of all entrance fees are returned to local communities for development projects under the Droit d’Entrée des Aires Protégées (DEAP) program; and
3. It is assumed that the ratio of national and international tourists will remain at or near the rate of 45 % Malagasy visitors and 55 % international tourists.

### **Historical data**

Madagascar Park entry fees	MGF	\$US
Malagasy Adult	2,500	0.37
Malagasy Child	250	0.037
Malagasy student with school group	150	0.022
Malagasy Guide	1,000	0.15
International Adult	50,000	7.46
International Student	25,000	3.73
Researcher	125,000	18.66

### **Park entry fees collected 1998-July 2001**

<b>Year</b>	<b># of tourists</b>	<b>Entry fees MGF</b>	<b>50 % DEAP</b>
1998	89	3,262,500	1,631,250
1999	480	12,900,000	6,450,000
2000	1495	32,449,700	16,224,850
2001 Jan.-Jul.	852	10,348,850	5,174,425
<i>TOTAL</i>	2916	58,961,050	29,480,525

### **Future Park revenues scenarii – Economic analysis of entry fees / souvenirs**

The analysis is based on available statistics of the park and on possible scenarii for future numbers of tourists. Assumptions made are:

1. The average entry fee for Malagasy tourists is MGF 1,000
2. The average entry fee for international visitors is MGF 50,000
3. The maximum desirable number of tourists [10,650] is reached, but not exceed, during the analysis period
4. Operations and maintenance costs [staff salaries + functioning costs + maintenance] are based on the actual projected 2005 yearly budget of MGF 291,000,000
5. Each Malagasy visitor spends an average of MGF 10,000 on souvenirs –post cards, posters, local handicraft products, coffee table book, etc.
6. Each international tourist spends an average of MGF 50,000 on souvenirs
7. Souvenir profits average 15% of gross revenues

### Scenario 1

#### ENTRY FEES

If 10,650 tourists visit the park during one year, the entry fee total would be:

45 % Malagasy	= 4,792 x MGF 1,000	= MGF 4,792,000
55 % International	= 5,858 x MGF 50,000	= <u>MGF 292,900,000</u>
TOTAL Entry fees		= MGF 297,692,000
50% entry fees for park operations		= MGF 148,846,000

#### SOUVENIR SALES

If 10,650 tourists visit the park during one year, the entry fee total would be:

4,792 Malagasy	x MGF 10,000	= MGF 47,920,000
5,858 International	x MGF 50,000	= <u>MGF 292,900,000</u>
TOTAL Entry fees		= MGF 340,820,000
Souvenir profit (15%) for park operations		= MGF 51,123,000

#### COMBINED ENTRY FEE & SOUVENIR SALES

50% entry fees for park operations	=MGF 148,846,000
Souvenir profit (15%) for park operations	= <u>MGF 51,123,000</u>
Available for park operations	=MGF 199,969,000
i.e. 68 % of estimated 2005 operations and maintenance budget (MGF 291,000,000)	

### Scenario 2:

25 % of maximum desirable number of tourists visit the park in one year  
2,662 tourists, revenues of MGF 49,992,250 = 17 % of MGF 291,000,000 budget.

### Scenario 3:

50 % of maximum desirable #of tourists visit the park in one year  
5,325 tourists, revenues of MGF 99,984,500 = 34 % of MGF 291,000,000 budget.

### Scenario 4:

75 % of maximum desirable #of tourists visit the park in one year  
7,987 tourists, revenues of MGF 149,976,750 = 51 % of MGF 291,000,000 budget.

### Peripheral zone resident Economic analysis

The following economic analyses attempt to project possible future revenues available for peripheral zone residents from guide / porter revenues and the DEAP. The analysis does not include potential hotel revenues (data not available while writing up the case).

The analysis is based on available statistics of the park and on maximum desirable number of tourists and the guide/porter fees presented earlier. Assumptions are:

1. Fees for tour guides will remain the same with the average fee being MGF 30,000 / day
2. The maximum desirable number of tourists [10,650] is reached, but not exceed, during the analysis period
3. The average length of stay in the park remains 1.5 days
4. Tourists continue to use the same number of guides (1 guide for 5 international tourists, and 1 guide for 15 Malagasy visitor) that they currently use
5. Tourists continue to use the same number of porters (1.5 porters for each international tourists, and 1 porter for 7.5 Malagasy visitor) that they currently use
6. The ratio of national and international tourists will remain at or near the rate of 45 % Malagasy visitors and 55 % international tourists.

### **Potential Revenues for Guides**

- 1 guide / 5 international tourists = 1,171 groups x 1.5 days average = 1,756 guide days / year
- 1,756 guide days x MGF 30,000 = MGF 52,680,000
- 1 guide / 15 national tourists = 319 groups x 1.5 days average = 478 guide days / year
- 478 guide days x MGF 30,000 = MGF 14,340,000

Total guide revenues / year = MGF 67,020,000

Note:

If tourists are 25 % if the max = 2,662 → MGF 16,755,000

If tourists are 50 % if the max = 5,325 → MGF 33,510,000

If tourists are 75 % if the max = 7,987 → MGF 50,265,000

### **Potential Revenues for Porters**

1.5 porter / international tourist = 8,787 porters x 1.5 days average = 13,180 porter days / year

13,180 porter days x MGF 20,000 = MGF 263,600,000

1 porter / 7.5 national tourists = 638 porters x 1.5 days average = 957 porter days / year

957 porter days x MGF 20,000 = MGF 19,140,000

Total porter revenues / year = MGF 282,740,000

Note:

If tourists are 25 % if the max = 2,662 → MGF 70,685,000

If tourists are 50 % if the max = 5,325 → MGF 141,370,000

If tourists are 75 % if the max = 7,987 → MGF 212,055,000

### **Potential Total revenues – Peripheral Zone Residents**

Total revenues potentially available for peripheral zone residents from guide / porter fees and the DEAP are then:

Total guide revenues / year = MGF 67,020,000  
Total porter revenues / year = MGF 282,740,000  
50% DEAP for local residents = MGF 148,846,000  
TOTAL = MGF 498,606,000

(does not include potential income from sales of private hotel construction materials, labor to build ecolodges, sales of vegetables and food to tourists, firewood sales, craft sales etc...)

Note:

If tourists are 25 % if the max = 2,662 → MGF 124,651,500

If tourists are 50 % if the max = 5,325 → MGF 249,303,000

If tourists are 75 % if the max = 7,987 → MGF 373,954,500

*Sources:*

- Mr. Roger RAMANATSOA, Ecotourism Specialist, WWF Ambalavao
  - Mr. Scott Grenfell, Andringitra Technical Advisor  
Andringitra National Park, Ecotourism Development Plan, WWF Madagascar / West Indian Ocean Program Office, August 2001.
- Case researched by Andry Ralijaona.

## Annex 7. Air Transport

**Notes on Air Transport.** Most observers see domestic and international air transport as the main constraint to the development of tourism in Madagascar. On international routes, operators consider that fares to be too expensive (50% of package) compared to other services (food, accommodation, road transport). Nonetheless, a comparison of tariffs on other routes (Paris - Mauritius, Paris - Réunion, Paris - Johannesburg) also shows that the Paris - Antananarivo route is now competitive with these destinations on direct flights in economy class. According to travel agents, indirect flights from Europe through Réunion or Mauritius are slightly more expensive than direct flights, but some have the advantage of landing directly in some Madagascar provincial towns (Nosy Be, Toamasina, Antsiranana). Similarly, in 2001, Air Madagascar had a policy of giving a 20 to 30% discount on domestic flights for its international flight customers. Further study is needed as to whether pricing is as important a determinant of demand as available seat capacity and flight frequency.

The following table shows the demand for North/South air travel to Madagascar. Air Madagascar's load factor is the lowest of the three main companies. Corsair's available capacity for Madagascar is limited contractually to 67% of its total capacity and Air France has a load factor of over 90% -- it is difficult to see how they could do better without additional flights.

### Seat capacity available and load factors on international flights (North/South) in 2001.

	Seat capacity <sup>32</sup>	Available capacity <sup>33</sup>	Passengers carried <sup>34</sup>	Load factor
Air Madagascar	56,992	66,687	33,344	58.5%
Air France	39,312	74,528	37,264	94.8%
Corsair <sup>35</sup>	28,725 <sup>36</sup>		19,234	66.9%
<b>Total</b>	<b>125,029</b>	<b>182,455</b>	<b>89,842</b>	<b>71.85%</b>

*(Source: ACM, airlines companies, mission calculations)*

Those figures do not take into account the flow of visitors from incoming international flights other than Europe or those that transport North/South passengers through Réunion or Mauritius. This may explain the gap with the ADEMA figures in the table below showing the incoming flow of visitors. The number of potential tourists was calculated according the results of the 2000 MADIO survey on tourism: 63% of interviewed non-residents said they came to Madagascar with tourism as first their first objective.

<sup>32</sup> The global capacity was calculated according to normal frequencies, additional flights are not taken into account.

<sup>33</sup> Includes supplemental flights.

<sup>34</sup> Estimations calculated on the basis of round trips.

<sup>35</sup> 67% of total plane capacity is allocated to TNR (Antananarivo), as final destination is RUN (Réunion)

<sup>36</sup> Combination of three types of aircraft: B747-300, B747SP and A340

### Arrivals on international and regional airports (Source: Adema)

	1998	1999	2000	2001
International flights	78,595	98,234	103,580	108,165
Regional flights	79,409	79,312	79,517	80,718
<b>Total</b>	<b>158,004</b>	<b>177,546</b>	<b>183,097</b>	<b>188,883</b>
Potential tourists	99,542	111,853	115,351	118,996

43% of visitors in 2001 arrived in Madagascar on regional flights. Data from the Ministry of Tourism show that only 10% of total visitors come from Réunion but do not give much indication on visitors from Mauritius or South Africa and so it is difficult to reconcile the data.

As regards domestic flights, operators and service providers surveyed criticize Air Madagascar, the main air carrier on the domestic network, with respect to the following points:

- Tariffs were perceived as high in 2001 and have further risen in most categories in 2002; Flight frequency is insufficient to major tourist destinations, where access depends on air transport only: Nosy Be, Antsiranana, Fort-Dauphin and to some extent Sainte-Marie. The Southern circuit always includes a one way flight to or from Toliara and available capacity is not sufficient to cover demand;
- Flight scheduling on international and domestic flights is not linked, as TOs would like to see; as a result, tourists have to stay at least one night in Antananarivo (which could become an opportunity);
- Scheduling is somewhat erratic: flight delays or cancellations happen so often that customers do not feel secure.

It is clear that Air Madagascar has a dominant position on the domestic market. Charter companies are too small and expensive to be real competitors for the time being. This market was liberalized in 1996 as noted in the main report but, so far, no license has been issued by the ACM (Aviation Civile de Madagascar) for passenger transport, perhaps because of perceived barriers to entry.

### Passenger movements on main national airports

Airports	1997	1998	1999	2000
Antananarivo	321,310	316,277	345,616	351,203
Toamasina (Tamatave)	84,954	85,426	90,545	80,597
Antsiranana (Diego Suarez)	79,233	73,882	76,118	70,676
Mahajanga (Majunga)	71,682	70,425	67,352	65,708
Toliara (Tuléar)	50,364	49,500	60,935	62,983
Nosy Be	56,802	55,695	61,767	60,650
Tolagnaro (Fort-Dauphin)	34,498	38,710	43,010	44,539
Sainte Marie	25,234	28,939	32,082	33,500
Morondava	21,886	22,192	23,390	26,915

(Source: ADEMA)

The flow of passengers to Nosy Be, Toliara et Sainte- Marie has increased in the past four years: Air Madagascar has made an effort to satisfy that part of the demand but it is obviously not sufficient according to tourism operators. On the other hand, traffic between some

harbor destinations (Toamasina, Antsiranana and Mahajanga), which have some tourist interest, and the center has progressively decreased over the past four years.

**PLANE MOVEMENTS PER PERIOD on airports managed by ADEMA only (Source: ADEMA)**

<b>2002</b>	National		Regional		International	
	Landings	Take-offs	Landings	Take-offs	Landings	Take-offs
January	873	873	119	111	39	46
February	272	271	77	77	20	21
March	446	445	108	102	17	25
April	453	454	112	101	4	16
May	190	190	95	87	10	17
June	248	248	66	59	9	16
<b>Total</b>	<b>2,482</b>	<b>2,481</b>	<b>577</b>	<b>537</b>	<b>99</b>	<b>141</b>

<b>2001</b>	National		Regional		International	
	Landings	Take-offs	Landings	Take-offs	Landings	Take-offs
January	1,039	1,039	116	109	46	54
February	926	926	101	94	40	47
March	1,026	1,024	113	105	44	53
April	1,029	1,030	105	98	47	54
May	996	997	115	106	46	54
June	1,018	1,015	106	100	47	53
July	1,091	1,091	115	110	52	57
August	1,161	1,157	119	110	59	69
September	1,024	1,023	107	108	50	50
October	1,044	1,043	110	105	48	54
November	977	977	129	120	45	55
December	1,001	1,002	140	132	40	47
<b>Total</b>	<b>12,332</b>	<b>12,324</b>	<b>1,376</b>	<b>1,297</b>	<b>564</b>	<b>647</b>

<b>2000</b>	National		Regional		International	
	Landings	Take-offs	Landings	Take-offs	Landings	Take-offs
January	1,108	1,104	124	127	46	45
February	969	968	105	105	37	36
March	996	998	112	112	43	40
April	1,071	1,071	104	106	45	44
May	1,062	1,064	104	98	50	55
June	1,040	1,040	97	87	45	55
July	1,138	1,136	109	101	50	60
August	1,157	1,174	115	118	53	51
September	1,072	1,070	110	103	46	53
October	1,074	1,071	119	115	38	45
November	1,016	1,017	107	102	46	50
December	1,040	1,041	112	108	46	49
<b>Total</b>	<b>12,743</b>	<b>12,754</b>	<b>1,318</b>	<b>1,282</b>	<b>545</b>	<b>583</b>

1999	National		Regional		International	
	Landings	Take-offs	Landings	Take-offs	Landings	Take-offs
January	1,018	1,016	127	128	42	42
February	946	943	113	110	35	38
March	1,051	1,053	123	123	43	42
April	989	986	127	131	43	42
May	1,069	1,069	135	131	41	44
June	1,005	1,003	130	123	36	43
July	1,107	1,105	137	136	45	46
August	1,184	1,183	136	136	50	53
September	1,033	1,032	126	123	44	47
October	1,039	1,038	126	128	43	46
November	1,071	1,071	118	112	44	49
December	1,120	1,121	132	125	41	47
<b>Total</b>	<b>12,632</b>	<b>12,620</b>	<b>1,530</b>	<b>1,506</b>	<b>507</b>	<b>539</b>

1998	National		Regional		International	
	Landings	Take-offs	Landings	Take-offs	Landings	Take-offs
January	919	915	117	118	25	27
February	866	864	107	110	22	22
March	944	940	116	117	25	28
April	995	992	127	127	34	35
May	1,000	1,001	135	131	35	38
June	956	959	123	123	38	34
July	1,039	1,043	133	129	44	45
August	1,103	1,100	133	131	53	57
September	959	960	128	125	43	44
October	1,018	1,018	128	123	34	39
November	1,045	1,053	126	122	44	40
December	1,043	1,042	141	140	36	37
<b>Total</b>	<b>11,887</b>	<b>11,887</b>	<b>1,514</b>	<b>1,496</b>	<b>433</b>	<b>446</b>

**PASSENGERS' MOVEMENTS PER PERIOD (airports managed by ADEMA only)**

(Source: ADEMA)

2002	National		Regional		International	
	Arrivals	Departures	Arrivals	Departures	Arrivals	Departures
January	23,485	23,436	4,929	5,748	5,502	7,210
February	6,617	6,716	2,572	4,366	2,346	3,339
March	9,747	9,856	3,642	4,742	1,692	2,016
April	9,528	9,758	3,523	6,084	325	659
May	4,597	4,849	4,327	4,587	906	1,477
June	2,704	3,739	3,219	4,490	1,202	1,388
<b>Total</b>	<b>56,678</b>	<b>58,354</b>	<b>22,212</b>	<b>30,017</b>	<b>11,973</b>	<b>16,089</b>

2001	National		Regional		International	
	Arrivals	Departures	Arrivals	Departures	Arrivals	Departures
January	30,870	30,458	5,655	7,094	7,139	8,972
February	26,387	26,540	5,313	5,676	5,582	6,270
March	29,975	30,079	6,462	6,150	7,039	6,357
April	34,656	34,433	5,926	6,225	9,248	8,697
May	33,700	33,656	7,136	6,533	8,253	8,963
June	33,760	34,396	6,811	6,259	10,106	9,303
July	37,816	38,488	8,749	8,061	12,054	10,700
August	43,849	43,441	7,762	9,516	10,469	12,080
September	34,336	33,953	5,629	7,291	10,836	9,644
October	36,046	35,659	6,871	7,365	10,687	10,758
November	34,182	33,943	6,389	6,365	9,295	10,178
December	29,551	30,780	8,015	6,867	7,457	8,063
<b>Total</b>	<b>405,128</b>	<b>405,826</b>	<b>80,718</b>	<b>83,402</b>	<b>108,165</b>	<b>109,985</b>

2000	National		Regional		International	
	Arrivals	Departures	Arrivals	Departures	Arrivals	Departures
January	33,467	33,275	7,018	9,122	6,552	7,654
February	27,325	27,022	5,644	7,175	6,082	5,801
March	28,322	28,157	6,231	6,797	7,054	6,027
April	32,866	33,567	6,100	7,072	7,940	6,716
May	31,346	30,648	6,548	6,138	7,109	8,037
June	30,045	30,166	5,864	5,817	8,030	8,073
July	38,545	39,867	7,981	6,774	12,270	10,004
August	47,551	46,152	7,294	9,165	11,112	12,540
September	36,182	35,954	6,152	6,525	9,772	9,998
October	36,956	36,792	7,516	8,042	9,415	8,010
November	36,499	35,509	6,115	6,255	9,403	9,342
December	33,908	34,651	7,054	6,442	8,841	8,134
<b>Total</b>	<b>413,012</b>	<b>411,760</b>	<b>79,517</b>	<b>85,324</b>	<b>103,580</b>	<b>100,336</b>

1999	National		Regional		International	
	Arrivals	Departures	Arrivals	Departures	Arrivals	Departures
January	31,890	32,323	6,136	8,414	5,275	6,563
February	26,883	27,895	4,771	6,065	5,538	4,932
March	30,464	31,141	5,870	5,762	7,482	6,224
April	32,847	33,102	5,848	7,730	6,700	6,738
May	32,094	32,335	6,798	7,174	6,768	7,087
June	28,829	29,470	6,377	6,018	7,477	7,483
July	37,805	38,923	7,398	7,046	11,424	8,374
August	46,427	47,490	8,439	9,589	11,266	13,158
September	33,768	35,392	5,797	6,509	9,342	9,726
October	36,987	38,503	6,859	6,877	10,276	9,433
November	36,097	36,386	6,320	6,604	9,000	9,778
December	33,679	36,508	8,699	7,037	7,686	7,240
<b>Total</b>	<b>407,770</b>	<b>419,468</b>	<b>79,312</b>	<b>84,825</b>	<b>98,234</b>	<b>96,736</b>

1998	National		Regional		International	
	Arrivals	Departures	Arrivals	Departures	Arrivals	Departures
January	26,517	27,233	5,228	7,988	4,908	5,180
February	25,431	25,634	4,485	6,271	4,142	4,110
March	26,304	27,014	5,684	6,225	5,311	5,312
April	31,279	32,657	6,039	7,323	5,213	5,104
May	29,430	29,836	7,606	6,540	4,935	6,089
June	24,686	26,165	5,573	6,241	6,623	6,199
July	32,185	34,741	7,195	6,635	8,876	6,160
August	45,813	46,012	9,247	9,463	9,439	11,088
September	31,673	31,883	6,001	8,508	6,952	6,492
October	35,804	35,500	6,544	6,488	7,906	7,919
November	33,147	34,671	6,445	7,964	8,487	6,974
December	33,676	35,285	9,362	7,142	5,803	6,239
<b>Total</b>	<b>375,945</b>	<b>386,631</b>	<b>79,409</b>	<b>86,788</b>	<b>78,595</b>	<b>76,866</b>

## LIST OF AIRPORTS OPEN TO PUBLIC

Province	Name/Location	Runway		
		Dimensions (m)	Surface	Strength
Antananarivo	<b>Antsirabe</b>	<b>1,500 x 50</b>	<b>Grass</b>	<b>DC3</b>
	<b>Ivato - Antananarivo</b>	<b>3,100 x 45</b>	<b>Tarred</b>	<b>B747</b>
	Tsiroanomandidy	1,075 x 35	Bare ground	DC3
Antsiranana	Ambanja	960 x 15	Tarred	Twin Otter
	<b>Ambilobe Mahavavy</b>	<b>1,500 x 50</b>	<b>Tarred</b>	<b>DC4</b>
	<b>Andapa</b>	<b>1,250 x 30</b>	<b>Tarred</b>	<b>DC3</b>
	Antalaha	1,193 x 27	Tarred	HS748
	<b>Antsiranana</b>	<b>1,500 x 30</b>	<b>Tarred</b>	<b>B737</b>
	<b>Nosy Be Fascène</b>	<b>2,190 x 45</b>	<b>Tarred</b>	<b>B737</b>
	<b>Sambava</b>	<b>1,800 x 30</b>	<b>Tarred</b>	<b>B737</b>
	Vohémar	1,300 x 25	Tarred	DC3
Fianarantsoa	<b>Ambalavao</b>	<b>1,100 x 30</b>	<b>Grass</b>	<b>DC3</b>
		<b>945 x 40</b>	<b>Grass</b>	<b>DC3</b>
	Farafangana	1,050 x 25	Tarred	HS748
	<b>Fianarantsoa</b>	<b>1,250 x 25</b>	<b>Tarred</b>	<b>HS748</b>
	<b>Ihosy</b>	<b>1,600 x 30</b>	<b>Bare Ground</b>	<b>DC3</b>
	Manakara	1,200 x 25	Tarred	HS748
	<b>Mananjary</b>	<b>1,500 x 30</b>	<b>Tarred</b>	<b>B737</b>
	<b>Vangaindrano</b>	<b>900 x 30</b>	<b>Bare Ground</b>	<b>Twin Otter</b>

Province	Name/Location	Runway		
		Dimensions (m)	Surface	Strength
Mahajanga	Analalava	1,200 x 22	Graveled	DC3
		1,030 x 26	Grass	DC3
	Ankavandra	1,000 x 30	Grass	DC3
	<b>Ankazoabo</b>	<b>1,070 x 45</b>	<b>Grass</b>	<b>DC3</b>
	Antsalova	920 x 30	Grass	DC3
	Antsohihy	1,500 x 30	Tarred	DC3
	<b>Bealanana Ankaizina</b>	<b>1,214 x 30</b>	<b>Grass</b>	<b>DC3</b>
	<b>Befandriana Nord</b>	<b>1,270 x 50</b>	<b>Grass</b>	<b>DC3</b>
	<b>Bekily</b>	<b>1,280 x 40</b>	<b>Grass</b>	<b>DC3</b>
		<b>780 x 35</b>	<b>Grass</b>	<b>Twin Otter</b>
	Belo/Tsiribihina	1,350 x 30	Grass	DC3
	<b>Beroroha Antsoa</b>	<b>950 x 30</b>	<b>Grass</b>	<b>Twin Otter</b>
	Besalampy	850 x 20	Tarred	Twin Otter
	<b>Betioky</b>	<b>1,330 x 30</b>	<b>Grass</b>	<b>DC3</b>
	<b>Mahajanga</b>	<b>2,200 x 45</b>	<b>Tarred</b>	<b>B707</b>
	Maintirano	1,300 x 30	Grass	DC3
		1,285 x 30	Grass	DC3
	Mandritsara	1,140 x 30	Grass	DC3
	Morafenobe	850 x 20	Tarred	Twin Otter
	Port Bergé	1,300 x 30	Grass	DC3
Soalala	1,250 x 20	Tarred	DC3	
Tambohorano	1,000 x 35	Grass	DC3	
Tsaratanana	1,320 x 30	Grass	DC3	

In bold: airports managed by ADEMA (Aéroports de Madagascar)

In normal: airports managed by ACM (Aviation Civile de Madagascar)

**LIST OF AIRPORTS OPENED TO PUBLIC CIRCULATION (following)**

Toliary	<b>Ampanihy</b>	<b>1,100 x 30</b>	<b>Grass</b>	<b>DC3</b>
	<b>Betroka</b>	<b>1,100 x 20</b>	<b>Grass</b>	<b>DC3</b>
		<b>1,200 x 30</b>	<b>Grass</b>	<b>DC3</b>
	<b>Malaimbandy</b>	<b>1,195 x 30</b>	<b>Grass</b>	<b>DC3</b>
	<b>Mandabe</b>	<b>1,070 x 30</b>	<b>Grass</b>	<b>DC3</b>
	Manja	1,600 x 30	Grass	DC3
	Miandrivazo	1,100 x 30	Tarred	DC3
	Morombe	1,300 x 30	Tarred	DC4
	<b>Morondava</b>	<b>1,500 x 30</b>	<b>Tarred</b>	<b>B737</b>
		<b>1,345 x 35</b>	<b>Tarred</b>	<b>DC3</b>
<b>Tolagnaro</b>	<b>1,800 x 30</b>	<b>Tarred</b>	<b>B737</b>	
<b>Toliara</b>	<b>2,000 x 30</b>	<b>Tarred</b>	<b>B737</b>	
	<b>800 x 15</b>		<b>Twin Otter</b>	
10				
Toamasina	Ambatondrazaka	1,000 x 30	Grass	DC3
	<b>Amparafaravola</b>	<b>1,200 x 50</b>	<b>Grass</b>	<b>DC3</b>
	Mahanoro	1,350 x 55	Grass	DC3
	Mananara Avaratra	1,250 x 25	Tarred	HS748
	Maroantsetra	1,300 x 30	Tarred	DC4
	<b>Sainte Marie</b>	<b>1,025 x 30</b>	<b>Tarred</b>	<b>HS748</b>
		<b>660 x 30</b>	<b>Grass</b>	<b>DC3</b>
	<b>Toamasina</b>	<b>2,200 x 40</b>	<b>Tarred</b>	<b>B737</b>
Vatomandry	1,175 x 33	Grass	DC3	
8				
<b>Total</b>	<b>56</b>	<b>Airports</b>		

**In bold: airports managed by ADEMA (Aéroports de Madagascar)**

In normal: airports managed by ACM (Aviation Civile de Madagascar)

**LIST OF AIRLINES COMPANIES**

(Source: Aviation Civile de Madagascar, ACM)

Type of flights	Company	Aircraft	Seats	Winter IATA 2002			
	Name			Route	Route	Weekly	
INTERNATIONAL				<b>(South/North)</b>	<b>(North/South)</b>	<b>Flights</b>	
	AIR MAD.	B767-300	12C / 262Y	TNR-MBA-GDC-MXT	MXT-CDG-TNR	2	
	AIR France	A340	06P / 42 J/ 204 Y	TNR-CDG	CDG-TNR	3	
	CORSAIR	B747-300	24 C / 551 Y	TNR-RUN-ORY	ORY-TNR	1	
REGIONAL				<b>Route</b>	<b>Weekly/</b>		
					<b>flights</b>		
	AIR AUSTRAL	B737		RUN-TNR-RUN	3		
		B737		DZA-NOS-RUN	3		
		B737		RUN-TMM-RUN	1		
		B737		DZA-MJN-DZA	1		
	AIR MAURITIUS	A319		MRU-TNR-MRU	2		
	AIR MAD.	B737-300	08C / 130 Y	TNR-HAH-NBO-HAH-TNR	1		
		ATR42	49 Y	TMM-RUN-TMM	2		
		B737-200	125 Y	JNB-TNR-JNB	1		
		B737-300	08C / 130 Y	TNR-MRU-TNR	3		
		B737-300	08C / 130 Y	TNR-RUN-DIE	1		
		ATR42	49 Y	MJN-DZA-MJN	2		
	B737-300	08C / 130 Y	TNR-RUN-TNR	2			
	INTER AIR	B737-200	125 Y	TNR-JNB-TNR	1		
NATIONAL				<b>Destination</b>	<b>Weekly/</b>		
					<b>flights</b>		
		AIR MAD.	B737	12 C / 118 Y	Nosy Be	3	
	Antananarivo		ATR42	49 Y	Nosy Be	10	
	La Réunion		TO	19 Y	Nosy Be	1	
	Mauritius				<b>Total seat capacity per week</b>	<b>899</b>	
	Dzaoudzi (Mayotte)		B737	12 C / 118 Y	Antsiranana	1	
	Antsiranana (Diego Suarez)		ATR42	49 Y	Antsiranana	6	
	Toamasina (Tamatave)		TO	19 Y	Antsiranana	2	
	Mahajanga (Majunga)				<b>Total seat capacity per week</b>	<b>462</b>	
	Nosy Be		B737	12 C / 118 Y	Toliary	2	
			ATR42	49 Y	Toliary	6	
			TO	19 Y	Toliary	3	
					<b>Total seat capacity per week</b>	<b>611</b>	
			ATR42	49 Y	Sainte Marie	2	
			TO	19 Y	Sainte Marie	7	
					<b>Total seat capacity per week</b>	<b>231</b>	
		ATR42	49 Y	Tolagnaro	6		
				<b>Total seat capacity per week</b>	<b>294</b>		

**LIST OF DOMESTIC LEASING COMPANIES, with equipment available**

<b>Company Name</b>	<b>Aircraft</b>
MALAGASY AIRLINES	C208 Caravan I PA 23-250 PA 23-250 C402 B C TU 206F C402 B
MADAGASCAR FLYING SERVICES (MFS)	LET 410 UVP C206 PA 31-350 PA 32-300
AEROMARINE	C207 A
	C310 R
	C310 R
	Beech 95C55
	PA 23-250
	Corvette SN 601
HFF TRAVEL AIRWAYS	C551 Citation II C401
ROCKAIR	Antonov 2T
AIR HOTEL	C208 Amphibie C208 Amphibie
SERVICES ET TRANSPORTS AERIENS (STA)	C421 C C210 N
SUN & SEA	C182 E C210 PA 23-250
SONAVAM	Antonov 2 Antonov 2

**AIR FARES** (from November 1st, 2002)

Route	Conditions	High	Low	High	Low
		season	season	season	season
		<b>Air Madagascar</b>		<b>Air France</b>	
Tana - Paris - Tana	First class	3,883\$	3,883\$	3,860\$	3,860\$
	Business class	3,106\$	3,106\$	2,885\$	2,885\$
	Economy class	2,430\$	2,430\$	2,430\$	2,430\$
	Apex 3 month	1,575\$	1,277\$	1,621\$	1,315\$
	Apex 2 month	1,137\$	1,102\$	1,171\$	1,135\$
	Apex 1 month	1,050\$	927\$	1,051\$	955\$
	Student	1,701\$	1,701\$	1,701\$	1,701\$
	Excursion (four days to 6 months)	2,043\$	2,043\$	2,043\$	2,043\$
		<b>Air Madagascar</b>		<b>Corsair</b>	
Paris - Tana - Paris	First class	4,579€	4,579€		
	Business class	4,304€	4,304€		
	Economy class	3,568€	3,568€	1,574€	922€
	Apex 3 month	1,577€	1,217€		
	Apex 2 month	1,331€	1,039€		
	Apex 1 month	1,196€	924€		
	Student	2,376€	2,376€		
	Excursion (four days to 6 months)	2,390€	2,390€		
		<b>Air France</b>			
Paris - Réunion - Paris	First class	6,204€			
	Business class	4,625€			
	Economy class	3,943€			
	Apex 6 months	2,669€			
Paris - Johannesburg - Paris	First class	7,464€			
	Business class	5,725€			
	Economy class	4,833€			
	Apex 6 month	2,669€			
	Student	1,761€			
		<b>Air Madagascar</b>			
Tana - Johannesburg - Tana	Business	998\$	998\$		
	Economy	871\$	871\$		
	Apex 2 month	671\$	612\$		
	Apex 1 month	510\$	480\$		
Tana - Mauritius - Tana	Business	580\$			
	Economy	504\$			
	Excursion (3 days to one month)	332\$			

## AIR FARES ON DOMESTIC FLIGHTS

(in Malagasy Francs)

Route	Conditions	High season	Low season	High season	Low season
(one way)					
		Air Madagascar		Aérotour	
Tana -Nosy Be	Business	1,251,000	1,137,000		
	Economy	1,009,000	916,000		
Tana - Ste Marie	Business	983,000	893,000	750,000	615,000
	Economy	787,000	714,000		
Tana - Toliary	Business	1,251,000	1,137,000		
	Economy	1,009,000	916,000		
Tana - Tolagnaro	Business	1,251,000	1,137,000		
	Economy	1,009,000	916,000		
Tana - Toamasina	Business	838,000	761,000		
	Economy	669,000	608,000	564,000	490,000
Tana - Antsiranana	Business	1,251,000	1,137,000		
	Economy	1,009,000	916,000		

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