Towards More Effective Impact Measurement in the Tourism Sector

Observations and Key Issues

Prepared by the WBG Sustainable Tourism Global Solutions Group

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1. Foreword

The tourism sector is growing and growing fast. At 3.7 percent the sector is growing a faster in 2015 than the global economy at 2.9 percent\(^1\) Destinations and their stakeholders are responsible for ensuring that benefits from this growth are maximized and any negative externalities are minimized. This is a continuous process of planning and management that develops through time, requiring different levels of support and resources.

Effective management requires a sound understanding of impact. The measurement, monitoring and communication of impact is not as effective as it could be across the sector.

This paper is the direct output of a half-day event that was convened by the World Bank Group (WBG) in June 2015. The event, ‘Measuring for Impact in Tourism,’ was designed to kick-start a global conversation between a variety of stakeholders, from the private sector to governments, civil society and academia.

This was the first in a series of events with the specific objective of listening to the diverse challenges and experiences of those working in the tourism sector in order to map out where the greatest information gaps may still lie and to identify where future solutions may have the greatest impact.

"We want to be better at monitoring and evaluating our impact, we want to learn from others, and we want to contribute more effectively to tourism development. I believe these are goals most of you will share. We invite you to join this discussion – and be frank, open and provocative."

- Anabel Gonzalez, Trade & Competitiveness Global Practice Senior Director, WBG

We want this paper to be a starting point for real change across the sector. You are warmly invited to comment both in general terms and specifically on key issues in this paper that have been highlighted. A blog post has been published highlighting our findings, with a link to the document. Comments on the document should be submitted underneath this blog by March 4\(^{th}\) 2016. These will be reflected in a final version of this paper which will be made publicly available. Other enquiries can be sent to wbgsustainbletourismsolutions@worldbankgroup.org.

Going forward, we intend to continue to facilitate this dialogue, and we have identified specific areas of work where we think the WBG is best placed to take the lead. We are committed to improving impact work at a global level in the tourism sector and will be open and inclusive by publicly sharing information that is useful to wider audiences.

We thank and acknowledge the contribution of everyone who has so far joined this discussion and look forward to far wider participation.

\(^1\) Travel & Tourism World Economic Impact 2015, World Travel & Tourism Council
2. Rationale for engagement

2.1. **Travel and tourism is the largest service industry in the world.** At nearly $7 trillion it accounts for almost 10 percent of global GDP, 6 percent of global exports, and employs 277 million people. It has evolved into a diverse and sophisticated sector and is now recognized as one of the world’s most economically significant. Highly specialized market segments have developed for both leisure and business travel. Deregulation of airline services and the introduction of low-cost carriers have created new markets and opened up new destinations, encouraging more people to travel.

2.2. **The global context for this growth is also rapidly changing.** Changes in capital markets and the global economy, together with the continued development of more specialized hotel brands and business models (such as the sharing economy) has changed the way hotels are owned, operated and financed. Technology is now an essential tool for managing tourism and a powerful pathway for participation by SMEs, service providers, and tourist-destination interaction. Consumer decisions are increasingly influenced by social and environmental consciousness. Governments at all levels now see cities and urban areas, and cultural and natural heritage sites as significant tourism assets – assets which must be conserved and managed so as to remain competitive, deliver employment opportunities, services and quality of life which their residents demand, and be passed on to future generations.

2.3. **The sector has a tremendous effect on global, regional and local trade, investment, infrastructure, incomes, and the environment.** Tourism clearly has the potential to significantly reduce poverty and increase shared prosperity within its host countries, many of which are in the developing world. In 2013, tourists spent $413 billion in developing countries – nearly three times the level of development assistance that year. This also places tourism in the top five export income-earning categories for 83 percent of developing countries. It provides more employment opportunities for women and youth than almost any other industry, can motivate integrated, multi-stakeholder conservation efforts, and enhance social well-being across a lengthy value chain in every single corner of the globe.

2.4. **Yet despite its extensive reach and economic weight, travel and tourism is typically underestimated as a tool for development and growth.** There are constant calls from both the public and private sector to better measure, track and communicate the full impacts derived from the tourism industry. Given the industry’s scale and cross-cutting nature, measuring the breadth and depth of tourism impacts matters to a large quantity and variety of stakeholders. This requires

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1. Travel & Tourism World Economic Impact 2015, World Travel & Tourism Council; Tourism Highlights 2015, United Nations World Tourism Organization
2. Travel & Tourism World Economic Impact 2015, World Travel & Tourism Council; Tourism Highlights 2015, United Nations World Tourism Organization
3. Travel & Tourism World Economic Impact 2015, World Travel & Tourism Council; Tourism Highlights 2015, United Nations World Tourism Organization
4. Tourism Highlights 2015, United Nations World Tourism Organization
a more holistic accounting of the effects, scale, and value of tourism’s diverse impacts across the value chain, be it to improve policy formulation, program interventions, business operations, or destination stewardship. While exact data and reporting needs vary, better understanding of impacts can help all stakeholders to manage effective growth and sustainability better.

2.5. Impact measurement, monitoring and communication is useful for:

- Measuring and comparing performance — across a spectrum of metrics both internally, and benchmarking with peers or competitors
- Identifying and mitigating risks
- Demonstrating effective use or allocation of resources
- Assessing trade-offs, adjusting prioritizations, planning and budgeting
- Becoming compliant with key corporate, industry, national or international standards
- Forecasting and simulating future impacts and scenarios, providing an early warning system for potential risks
- Selling and marketing — attracting donors, partners, investments, customers
- Being accountable to internal and external stakeholders through communication of progress and process
- Advocating and raising awareness
- Informing and educating

2.6. The World Bank Group (WBG), as a financier, learning organization, and convener of stakeholders from across the tourism industry, is committed to the twin goals of reducing poverty and increasing shared prosperity. In the tourism context, there is strong interest from developing countries to share in the prosperity that will be generated by the growth of the sector. The challenge is how to focus the wealth creating power of tourism on the people most in need while managing growth for the benefit of all. WBG clients are asking for help in managing their destinations so that tourism can deliver the best possible outcome for their economies and their communities.

2.7. The WBG has a responsibility to fully capture and report the range of impacts on people and places in order to improve its ability to serve clients. With 146 tourism or tourism-related programs totaling $2.5 billion in lending and technical assistance, and an additional $1.1 billion in investments from the International Finance Corporation (IFC)5, the WBG needs consistent, reliable and compelling ways to communicate the impact of its work to external stakeholders and clients, as well as improve internal learning and operations.

2.8. Leading governments, businesses and other groups share these broad goals and much has already been done to further their realization. Most agree that a more holistic, longer-term approach to impact work would better serve the interests of all responsible parties, and that a better integrated, collective effort between all groups could yield better results. It is clear, however, that challenges remain.

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5 As of October 2014.
3. Challenges faced in tourism impact work

3.1. There are many challenges to improved impact measurement, monitoring, and reporting. All stakeholders – national governments, sub-national state agencies, businesses (multinationals and SMEs), multilaterals, NGOs, academics and think-tanks face the following challenges to some extent, but are affected to varying degrees according to their particular functions and perspectives.

3.2. The availability, quality and consistency of data. All organizations involved in measuring impact need to collect and analyze data over a given period of time. There are a number of different challenges presented here.

- The technical and logistical challenges of physically collecting primary data from often remote, underdeveloped and disparate geographies where there are human and technological capacity issues. Data collection is often expensive and time-consuming.
- The quality, consistency and comparability of data poses challenges. Collecting baselines and other data relies to a large degree on third parties where definitions, methods of collection, accuracy and rigor can vary. This can be the case year-on-year in the same place but becomes more challenging when comparing data sets from different jurisdictions or geographies.

3.3. Speaking effectively to the right audience. Different organizations within the sector have different audiences. For example, a global hotel chain needs to communicate its impacts to stakeholders including its customers, staff, investors and shareholders, the government, local communities and the travel industry. Not only are each of these groups interested in different types of impact, they also require different channels of communication. This applies to the language used and the format used for dissemination. A significant challenge in the sector is a lack of a common understanding about what is being done, which can translate to a lack of support. This is compounded by a communications challenge with vastly different vocabulary employed by different agencies such as the United Nations and World Bank Group than that which is used by the private sector.

3.4. High cost of impact measurement for small and medium sized enterprises (SMEs). SMEs play a critical role in the tourism sector. In developed destinations such as Canada, SMEs account for over 90 percent of the business in the sector. The challenges identified apply to all players in this sector but are more significant for smaller businesses where time and cost considerations are more critical. Without bringing this large majority of the industry into the discussion, much of the impacts will remain uncaptured making it difficult to see how real change can occur.

3.5. The proliferation of different monitoring systems. From the micro to the macro, there are hundreds if not thousands of different systems designed to measure impact. These range from

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individual businesses to different international donors, United Nations codes, industry guidelines, national reporting requirements and ad-hoc audits or academic studies. Even at the multilateral level, there is limited alignment between the three core examples of the Sustainable Development Goals (SDGs), the 10-Year Framework of Programs (10YFP) and Sustainable Consumption and Production (SCP). Because of the diverse nature of the sector, there is no universal system. This means that throughout the sector there is much duplication, data is collected numerous times, reporting focuses on different areas and is communicated in different ways. Operationally this is frustrating for those supplying data, it is not cost or time-effective for the analysis, and the messages are not aligned or consistent for stakeholders.

3.6. **Disconnect in ‘impact demand’ between destination and other stakeholders.** The types of impacts measured by the destination (government) and other players such as tour operators or international donors may not be aligned. In some cases the destination is obliged to collect and monitor certain impacts for a period of time, but if there is no real demand there, or if the particular impact is low down on the government priority list, measurement and tracking is likely to cease. This means time, money and consistency in long-term monitoring is lost.

3.7. **Defining the scope of an impact assessment.** The cross-cutting nature of tourism and its great potential to create broad-based benefits means that it can be challenging to draw the line and decide what not to measure. Practitioners struggle with the extent to which they should measure backwards along the supply chain, for example. There is no standardized approach so most impact studies are varied in scope.

3.8. **Global impact agendas can be weakened through the negotiation process.** Although they start with excellent intentions, these types of large, global initiatives typically involve multiple rounds of negotiation by committees. It is almost inevitable that language and ideals are eroded during the course of their development. The resulting frameworks may not adequately fulfill their original purpose.

3.9. **Selecting what to measure in terms of social impacts.** Determining appropriate indicators when looking at social impact is more challenging than environmental impact. In the latter case, most impact analyses focus on core metrics such as water consumption and carbon emissions whereas social indicators are far more numerous and cover a wider spectrum. Because social impact measurement can involve ambitious goals that are difficult to report, organizations either choose to measure everything at a high level or pick a few core metrics that reflect their objectives.
3.10. Quantifying intangible impacts and notions of ‘value’. There is a relatively clear understanding of the economic impacts of tourism in terms of GDP, jobs, investment and other macroeconomic indicators, but the less tangible impacts in a destination – like biodiversity preservation or cultural heritage protection (and their ‘value’) – can be more challenging to capture. Measuring and reporting on impact is an important first part of the puzzle, but determining what that impact means, and how valuable it is, is a much more challenging question. For many audiences, quantitative expressions of economic value are still the most compelling metric to use.

3.11. Attribution based on assumptions. Being able to demonstrate that a given impact has arisen from a specific intervention or series of factors remains a key challenge. Like impact work in other sectors, assertions tend to be made based on a set of assumptions. These assumptions are not necessarily applied uniformly in terms of proving attribution, but transparency is key.

“We calculated the economic value of large species to local communities in Namibia. Being able to quantify in these terms has been instrumental in fundraising for the Trust for Public Land in the USA – for example.”

-Jim Sano, WWF
4. Discussion of processes and initiatives to date

4.1. Despite the challenges of measuring impact in a sector that is large, diverse, constantly evolving, and managed by different groups of stakeholders, there are a number of initiatives and frameworks that have been developed to capture information across all dimensions. This discussion is by no means exhaustive. It focuses on the most widely used monitoring systems that capture destination or global impacts that go beyond economic indicators alone.

4.2. Key chronological milestones in the development of monitoring systems have included: 1) the development of destination specific management and monitoring systems, prominent examples of which include Kangaroo Island, Australia, or the US Forest Service’s Limits of Acceptable Change methodology for protected areas; 2) the UNWTO’s Indicators of Sustainable Development for Tourism Destinations in 2004; 3) the Global Sustainable Tourism Council’s (GSTC) Global Sustainability Criteria for Destinations; and, 4) the European Tourism Indicator System (ETIS) in 2011. These regional and global level systems all include a set of indicators relating to economic, environmental, social, and cultural impacts with the goal of aggregating and standardizing the monitoring of several impact types across multiple destinations for improved geographic and temporal comparison and analysis.

4.2.1. US Forest Service’s Limits of Acceptable Change (LAC) methodology for protected areas
Limits of acceptable change was developed in response to concerns about the management of recreation impacts. The process identifies appropriate and acceptable resource and social conditions and the actions needed to protect or achieve those conditions. The final product is a strategic and tactical plan for the area based on defined limits of acceptable change for each opportunity with indicators that are used to monitor ecological and social conditions. However, the plan is limited in that it focuses on issues of immediate concern.

4.2.2. UNWTO’s Indicators of Sustainable Development for Tourism Destinations
UNWTO’s indicators cover over 40 major sustainability issues, ranging from the management of natural resources to development control, satisfaction of tourists and host communities, preservation of cultural heritage, seasonality, economic leakages, or climate change. For each issue, indicators and measurement techniques are suggested with practical information sources and examples. UNWTO aims to promote these indicators as essential instruments for policy making, planning and management processes at destinations.

4.2.3. Global Sustainable Tourism Council’s Global Sustainability Criteria for Destinations
The GSTC criteria and the related performance indicators reflect certification standards and best practices from different cultural and geo-political contexts around the world in tourism and other related sectors. The Criteria are the optimum which businesses, governments, and destinations should apply to support social, environmental, cultural, and economic sustainability.
4.2.4. European Tourism Indicator System

ETIS system is designed to be used by tourism destinations to monitor, manage, measure and enhance their sustainability performance. This system is suitable for all tourist destinations, encouraging them to adopt a more intelligent approach to tourism planning. ETIS will make it possible for local authorities to get improved data for policy making, prioritize action projects, manage risk effectively and create a framework for benchmarking, communications and good practice. ETIS is now used by more than 20 destinations across Europe which collect data on more than 20 indicators related to sustainable tourism.

4.3. As the sector is moving forward in the fast changing global context, the impact monitoring system is also evolving. The new shift can be characterized by a few examples below:

4.3.1. United Nations Sustainable Development Goals

The SDGs are a proposed set of targets relating to future international development. They are to replace the Millennium Development Goals which will expire at the end of 2015. Tourism stands in a position of paramount importance for delivering on the goals. SDGs call for the member states to develop and implement tools to monitor sustainable development impacts for sustainable tourism, which creates jobs and promotes local culture.

4.3.2. 10 Year Framework of Programs on Sustainable Consumption and Production Patterns

The 10YFP is a global framework of action to enhance international cooperation to accelerate the shift towards sustainable consumption and production (SCP) in both developed and developing countries. The program on sustainable tourism includes: integrating sustainable consumption and production patterns in tourism related policies and frameworks; collaboration among stakeholders for the improvement of the tourism sector’s SCP performance; fostering the application of guidelines, tools and technical solutions to improve, mitigate and prevent tourism impacts and to mainstream SCP patterns; enhancing sustainable tourism investment and financing for SCP.

4.3.3. Integrated Impact Monitoring System

Sustainable Travel International’s ‘Integrated Impact Monitoring System,’ currently in development, seeks to take the lessons learned from previous efforts to combine policy assessment, tracking of quantitative indicators, and an impact multiplier. It involves a self-assessment of policy to identify best practice and risks, data collection for 16 standard socioeconomic and environmental indicators, and the use of an assumption-based project impact calculator.

--- Louise Twining-Ward, STI

“Sustainable Travel International’s Impact Monitoring System is an integrated tool designed to aggregate and report on the benefits and impacts of tourism. The results help to inspire change and prioritize future sustainability investments.”

--- Louise Twining-Ward, STI
4.3.4. The World Economic Forum’s Travel & Tourism Competitiveness Index

The index benchmarks and compares over 140 economies on their performance on “factors and policies that enable the sustainable development of the travel and tourism sector.” It examines four categories (Enabling Environment, Travel and Tourism Policy and Enabling Conditions, Infrastructure, and Natural and Cultural Resources), which are comprised of 14 pillars and 90 indicators (see http://reports.weforum.org/travel-and-tourism-competitiveness-report-2015/technical-notes-and-sources/). Data comes from the annual executive opinion surveys as well as secondary sources compiled by international organizations.

4.3.5. Econometric Modelling

There is a range of econometric approaches to examining the economic impacts of tourism at multiple scales and for different stakeholders using several modelling techniques. These include comparison and forecasting of travel and tourism’s macroeconomic contributions across 180 countries carried out by the World Travel & Tourism Council (WTTC); use of tourism satellite accounts (TSAs), and more in-depth case studies of the socioeconomic impacts of specific tourism projects and investments such as recent work carried out by Oxford Economics on behalf of the IFC. These approaches use a mix of quantitative and qualitative methods to examine multiple types and depths of impacts at the macro and micro-levels.

4.3.6. The Total Impact Measurement and Management Model (TIMM)

TIMM is targeted for use by tourism businesses, though it is applicable to other actors and sectors as well. It allows for measurement and monetization of social, environmental, and economic impacts from across the value chain, as well as forecasting, alternative future simulation, and highly visual reporting. The TIMM methodology is open source. To pilot this model, PwC worked with the Travel Foundation and TUI Group to conduct a pilot study in Cyprus. The key results of the study showed that the estimated total economic impact was €32.3 million, the total tax impact was €13.7 million, and the total environmental cost was €2.3 million. In terms of social impact, the results highlighted the tourism sector’s significant role in developing skills in the Cypriot workforce.

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4.3.7. **The Advanced Landscape Planning Program**

This program developed by the International Sustainable Tourism Initiative (ISTI) at the Center for Health and the Global Environment at the Harvard T.H. Chan School of Public Health also provides a highly visual forecasting tool to improve tourism development and management at the destination level. The program utilizes dynamic simulations and mapping to visualize alternative scenarios for tourism destinations. It can model the potential environmental
impacts and cost implications of projects and policies, particularly those related to infrastructure and land use.
5. Remaining gaps in global impact work

5.1. While impossible to conduct a full analysis of gaps and limitation using the small snapshot of challenges and monitoring frameworks here, a few key observations can be made.

5.2. Moving beyond the green agenda and into the entire value chain. Advanced corporations are now going beyond the footprint of internal operations to examine dependencies along the entire value chain. These corporations are moving from mitigating to internalizing externalities. The Advanced Landscape Planning Program and the TIMM model both provide a means to demonstrate the implications for a destination or business of possible impacts resulting from policy or operational decisions, with TIMM calculating the monetary value to tourism businesses of destination dependency, for example.

5.3. There is a difference between macroeconomic metrics and improved livelihoods. Most of the models presented rely heavily on economic metrics. Beyond micro-level case studies, few ‘solutions’ address the link between jobs and poverty eradication or other social outcomes. There is an assumption that when growth occurs, extreme poverty is reduced. This link could be examined further in tourism with a structured theory of change. What happens as a result of tourism employment? What types of jobs address the needs of the poor? Can inequality be accounted for when looking at different impact scenarios resulting from tourism policies, investments, or projects?

5.4. Do we really understand the impacts of different types of tourism? The sector, with diverse products ranging from all-inclusive resorts to “voluntourism”, naturally creates different types and values of impact that policy makers are increasingly trying to understand. There has been some research into this by the Center for Responsible Travel (CREST) and TUI, but it is an important area to develop further.

5.5. There is an assumption that tourism is not as effective as it could be as a growth and poverty reduction tool because the data we have is not good enough. But perhaps there are also situations where there is plenty of data but no plans to prioritize action. There is a compelling need for more powerful means of communicating results such as through visualization rather than just monitoring for improving decision making, mobilizing support, and motivating action. Indeed, most of the approaches presented above include an effort to address the communication and reporting challenges discussed earlier. However, as the type and mechanisms we use to consume information are changing, what implication does this have for impact communications?

5.6. Finally, the narrative is largely based around capturing positive impact. However, negative impact also occurs as a result of tourism development. It is not clear whether we are doing enough to measure these at scale and compare them with the positive ones. Few models utilize a concept of ‘net’ loss or gain, which could be useful.
6. Next steps for greater impact

6.1. Having launched this discussion, it is clear that good work has been done with significant findings at both the micro and macro levels. It would seem that to some degree there is an information deficit between the micro and macro – in the ‘missing middle’. Therefore, key observations from this discussion include:

- The need to continue working on impact and addressing the various gaps and challenges identified.
- A one-size solution will never fit all, and attempts to over-standardize or excessively benchmark create misleading results.
- Value is not the same as impact and further elaborating this will be beneficial.
- Strong and coordinated leadership in impact evaluation could be strengthened.

6.2. The WBG is committed to this agenda. As an international organization heavily invested in the sector with a real motivation to see and deliver change for the world’s poorest people, we offer to take a lead in a number of key areas identified in this paper.

We will continue to facilitate and participate in this debate. Specifically, we propose to continue to host meetings, dialogue, research and publication of relevant information and will focus our own interventions on those areas where the WBG is best placed to addressing the twin goals of eliminating poverty and boosting shared prosperity.

6.3. Gaps and challenges remain open for development. The following are specific ideas and areas of work stemming from the major gaps highlighted in this paper. As the WBG we are keen to explore the development of solutions to such gaps, and welcome initiatives from other organizations and entities.

i. Exploring the Theory of Change (see paragraph 5.3.) by examining the assumption that when tourism growth occurs, those living in extreme poverty benefit and digging deeper through a structured analysis into what tourism growth really means for the poor, especially in terms of employment. This topic may best be handled by the WBG.

ii. Assessing the impact value of different types of tourism (paragraph 5.4). This topic could also be handled by the WBG in collaboration with others already doing excellent work in this space.

iii. Assessing and developing the role of technology for impact collection and communication.

iv. Evaluating the use of training for better communication. A critical assessment of what has been used, what has worked and how it could be scaled up would be valuable.

v. Analyzing the necessity and practicality of improving collaboration between actors and ongoing alignment of frameworks, together with proposals for greater alignment.

vi. Developing ideas and proposals for enhanced sharing and pooling of impact data.

vii. Developing ideas and proposals for greater inclusion of SMEs.
6.4. **Any other suggested topics are welcome**, as well as general comments on the accuracy, relevance and practicality of this paper. We are all keen to move this agenda forward and open to discuss any further ideas or proposals.