Africa’s Strategies to Build Supportive Business Environment for Tourism Businesses

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ABSTRACT

The Travel and Tourism Competitive Index regards the business environment as one of the pillars supporting the tourism industry wellbeing. Although the importance of the business environment has been emphasised, researchers have not been keen to explore this area, especially in the African context. Africa has failed to stay competitive in the global tourism industry since 2007; hence studies that have the potential to positively influence the tourism performance are critical at this point. This study aims to create an understanding on the business environment support structures, policies and practices employed by best tourism performing African countries. Using the secondary research approach, a comprehensive literature review was conducted to learn some measures utilised by four African countries to build supportive business environment for tourism businesses in their settings. The findings of this study shed light on the legal frameworks, taxation policies, public sector institutions, and business policies utilised by the four benchmarking countries to enable a supportive business atmosphere. A comparative analysis of strategies practiced by the benchmarking countries is presented to identify the similarities and differences of the strategies implemented in the benchmarking countries.

Introduction

Tourism has emerged as one of the world’s fastest growing industry linked to financial development and economic growth (Rasool, Maqbool & Tarique, 2021). The Travel and Tourism Competitive Index (TTCI) regards the business environment as one of the 14 major pillars that support the growth of the tourism industry (World Economic Forum, 2019). This pillar considers the degree to which an economy has invested in to provide a conducive environment for tourism organisations, inclusive of those in business (World Economic Forum, 2017). Research has established that there is a relationship between economic growth and aspects such as how well property rights are
protected and the efficiency of the legal framework, taxation and competition policy, local and international competition and innovation standards of a country (Crotti & Mishari, 2015). The quality of the business environment has a significant role to play towards the wellbeing of businesses (Belas, Belás, Čepel & Rozsa, 2019), and businesses profitability is highly influenced by a country’s freedom from corruption, ease of credit as well as government regularities (Gaganis, Pasiouras & Voulgari, 2019).

Although the definition of the organisational environment has been susceptible to disagreement and argument in books and organisational studies, the business environment can be referred to as anything which surrounds the organisation and has an impact on decisions, strategies, processes, and performance of the organisation (Almanae, 2007). These also consist of internal and external stakeholders who are directly affected or indirectly by the organisation’s operations and have some influence over it (Avoculet, Belu, Parpandel & Rizea, 2010). Business environment consist of factors inclusive of government policies and regulations, nature of the economy and economic conditions (Cherunilam, 2016). The quality of the business environment is determined also by factors such as the political, institutional, and legal, that can have a negative or positive influence on businesses (Čepel, Belas, Rozsa & Strnad, 2019).

It is important to note that the organisational environment involves factors which are sometimes beyond the control of organisational managers (Eruemegbe, 2015); forcing organisations to be flexible enough to adapt to changes of the environment. For example, when a government decides to change its economic policies, the organisations respond accordingly to that change. Similarly, an organisation should keenly be observant and respond accordingly to the technological improvement as this can affect the organisational output (Katookaran, 2016). Therefore, all organisations must focus their attention on the business environment when developing their strategic management policies so that they facilitate their survival, growth and profit motives (Oginni & Adesanya, 2013). This is because the linkages between organisations and their business environment is highly close and continuous (Katookaran, 2016). The organisational external environment also includes everything outside the borders of the organisation; this could be globally, nationally, or at an industrial level. For example, regional and national political and economic events, new technological breakthroughs that influence the performance of the industry are not matters that business managers can have an influence on (Louw & Venter, 2011).

All industries are affected by the conditions of the external environment, including the tourism industry. For example, a country’s good economic conditions can stimulate the development of private tourism organisations (Ndife, 2014). The tourism industry cannot function without the support of other industries, and the actions of these supporting industries do have an impact on their performance too, therefore, for the industry to thrive, it calls other support industries to perform well too (Bader, 2010).
Urbano, Toledano and Ribeiro (2010) highlight that within the service industries, tourism turns out to be very crucial because its expansion significantly affects the growth of other sectors. Due to these diverse linkages, it is considered crucial to consider the views of stakeholders of the industry when drawing tourism regulations or policies as they affect multiple groups. For example, when drawing the Kenya tourism policy, the Kenyan government incorporated the views and suggestions of over 30 related stakeholders to shape this strategy to meet the needs and expectations of all (Ministry of East Africa, Commerce and Tourism, 2013). Such policies guiding the tourism industry play an essential role in achieving the competitiveness of tourist destinations. In Spain, for example, public-sector assistance of financial resources led to a positive impact on entrepreneurial activities in the tourism industry which in turn boosted the inflow of tourists (Urbano, et al., 2010). Though policies play an essential role in tourism development, developing countries are faced with the challenge of governments' inability to draw and implement tourism policies, thereby influencing the sector to underperform (Okharedia, 2017).

Africa ranks at the bottom of the TTCI; lagging behind the rest of the world across all pillars sustaining competitive tourism (World Economic Forum, 2019). One of Africa’s tourism challenges has been noted to be inability to provide proper conditions for the private sector to conduct businesses effectively (Southern African Development Community, 2020). Against this background, the aim of this study is to explore the business environment and the strategies employed by some African countries to attain a conducive business environment. Only 10 African countries ranked below 100 in the TTCI report in 2019 while 27 other countries rank above 100 (World Economic Forum, 2019). The study shall focus on the business environment of four African countries namely Mauritius, Botswana, Tanzania, and Egypt as they are among the top 10 countries ranking below 100. Mauritius and Egypt are two of the best tourism performing countries in Africa (ranking below 70) while Tanzania and Botswana have been ranking in the 80s and 90s during this period (World Economic Forum, 2015; 2017; 2019). The majority of African countries rank above 100 in the TTCI reports since 2007, and Africa is noted to be the worst tourism performing continent (World Economic Forum, 2007; 2015; 2017; 2019).

It is believed that the combination of these four countries shall bring-forth a picture of the strategies employed by best forming tourism countries to create a conducive business environment (countries ranging between 50 and 60) and those that have an average performance (those ranging between 80 and 90). The strategies employed by these countries shall further be compared to identify the similarities and differences so that common and unique strategies can be recognised. It is believed that the identified structures, practices and policies shall inform policies and decisions of less tourism performing African countries (those ranking above 100) in order to identify means of creating a conducive business, especially for tourism businesses. This in turn would

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create a supportive environment for tourism businesses leading to a more competitive tourism industry.

**Methodology**

This research was built on existing knowledge therefore only secondary data was utilised to inform the main issues under investigation; moreover, this method appeared to be a more relevant in collecting evidence in this particular area. Secondary data is information that has already been collected by previous researchers and readily available from other sources that are published and unpublished (Kapur, 2018). The first step in exploring secondary data in this research was through conducting a wide-ranging literature review to identify factors that have been pointed out to be critical by the TTCI when defining business environment. The business environment involves issues surrounding a country’s legal framework, government investment towards supportive business environment, and supportive policies, taxation regulations among others; the literature review was therefore modelled around these factors. Information regarding these factors was gathered through a wide range of sources inclusive of academic journals, government websites and reports, business websites, international and local reports, newspapers, and international organisations websites and reports. These enabled this study to generate sufficient data to develop accurate conclusions and enabled the research to make valuable contribution to the issue under investigation. The strategies being employed by the four countries were further analysed to identify a pattern of strategies similarities and differences being employed by the four countries.

**Results and analysis**

This section shall explore the strategies employed by Mauritius, Botswana, Tanzania, and Egypt to build a conducive business environment. A comparative analysis of the strategies utilised by these four countries shall also be presented in this section.

**Case of Mauritius**

Corruption in Mauritius is at a minimum level by regional standards, and this position has been established through development of numerous structures and regulations inclusive of the Prevention of Corruption Act which led to the formation of an Independent Commission Against Corruption (Bertelsmann Stiftung’s Transformation Index, 2018a). Such commitments led Mauritius to be number 56 out of 180 countries ranked in the Corruption Perception Index 2018 (Transparency International, 2019). According to The World Bank (2020), Mauritius has been identified as a leading country in Sub-Saharan Africa with the best business environment and has been ranked number 13th out of 190 countries. This was supported by the country’s ability to build a competitive image and is widely recognised as a safe investment destination.
as a result of its strong-rooted political stability, free-market economy, and excellent governance (Bertelsmann Stiftung’s Transformation Index, 2020).

To provide a good business atmosphere, the Mauritian government has established a strong network of investment promotion and protection agreements with some African countries and its network of Double Taxation Treaties, advanced banking system, pro-business environment including better infrastructural support has also added to its comparative advantage. The country also has well-established democratic institutions where the political decision is organised and implemented and looked over in legitimate processes by the relevant authorities (Bertelsmann Stiftung’s Transformation Index, 2016b). To support its private sector, the government has introduced supportive legislation and policies which include building stronger legal frameworks to protect investors, making it possible for foreign citizens to access more economic sectors, establishing the Mauritius Board of Investment, offering stable environment to foreign investors, and engaging in bold economic improvements to improve its global competitiveness (Organisation for Economic Co-operation and Development, 2014c).

Case of Botswana

For organisations operating in Botswana, corruption is not a major threat as the government took significant measures to root out corruption by developing new legislation and a functional anti-corruption unit which is largely independent (Jefferis & Nemaorani, 2014). According to Transparency International (2019), Botswana was ranked number 34 out of 180 countries in the Corruption Perception Index 2018, and here it ranked above all the African countries taking part in the survey. These successes could be linked to factors including Botswana’s long political stability with flourishing multiparty constitutional democracy where free and fair national elections are held every five years (Jefferis & Nemaorani, 2014). Botswana’s improved socio-economic development forms the basis of its successes; hence the World Bank categorised it as a middle-income country (Bertelsmann Stiftung’s Transformation Index, 2018b). The Botswana government has invested in improving the business climate to maintain smooth operations for all investors. This led to the establishment of a body responsible for trade and investment, namely Botswana Investment and Trade Centre (Organisation for Economic Co-operation and Development, 2014a).

The country also has sound laws providing for adequate investor protection and has well-opened channels for public-private dialogue on investment policy (Organisation for Economic Co-operation and Development, 2014a). To establish good governance, the government of Botswana maintained respect for the rule of law, highly transparent administration which is strengthened by the continuing Tswana tribal tradition of consultation, implementation of good policies and clean democracy (Lewin, 2011).
Case of Tanzania

Corruption affects many sectors in Tanzania, including procurement, tax administration, service-delivery, the police and the judiciary (Lindner, 2014). To eliminate corruption, Lindner (2014) highlights that the Tanzanian government has developed the following strategies:

- The 1971 Prevention of Corruption Act was amended in 2007, and this was revised to allow for the implementation of the United Nations and Africa Union Conventions against corruption;
- Prevention and Combating of Corruption Bureau, an independent body under Section 5 of the Prevention of Corruption Act with its power enhanced in 2007;
- Commission for Human Rights and Good Governance (CHRGG) which acts as an Ombudsman office that can receive complaints from citizens and make non-binding recommendations to the state, and
- Ethics Secretariat, which is the implementing institution of the 1995 Public Leadership Code of Ethics and this ES is based in the President’s Office.

To improve Tanzania’s taxation systems, the World Bank has assisted the government with $7 million in funding to review the taxation system leading to smooth operations in areas including tax incentives for investors (United Nations Conference for Trade and Development, 2011). In Tanzania, tourism investors were offered a chance to import duty-free four-wheel-drive vehicles built for tourism purposes and hotel equipment. Moreover, these investors were also allowed to provide building materials and utility vehicles which were exempt from paying 75% of import duties (Charles, 2017).

The Tanzanian economy has shown resilience despite the weakening global economy, placing Tanzania among the fastest-growing economies in the East of Africa. For example, the country’s economic growth of 7.1% in 2015 was linked to the strong performance of sectors including ICT, public administration, defence, and banking and insurance (United Nations Economic Commission of Africa, 2015). In collaboration with the US government, Tanzania has been working on programmes that improve the business environment, promote strong governance and principles of democracy (United States Agency for International Development, 2020).

The 1997 Tanzania Investment Act has also opened up significantly for foreign investment in the country, and the opening of the Tanzania Investment Centre in 1997 has also proved to be a good strategy for building a more efficient framework for business establishment. In 2009, the Tanzanian government established their roadmap for improving investment climate with the belief that this would improve the ease of doing business in Tanzania (Organisation for Economic Co-operation and Development, 2013). However, the Ease of Doing Business reports that in 2014, Tanzania ranked number 131
out of 189 countries (World Bank, 2015) and in 2020, it had been ranked as number 141 out of 190 (World Bank, 2020), inciting that the effort has not been highly effective.

Case of Egypt

According to Puddephatt (2012), Egypt has significant anti-corruption provisions in the criminal code, anti-corruption, and audit institutions. But like in other places, the laws are infrequently enforced, and these organisations have limited power and information. Puddephatt (2012) therefore recommended the following strategies to the Egyptian government:

• An enforceable and effective right to freedom of information;
• Regular and open publication of information;
• Effective audit and regulatory bodies with real independence, and
• Active and engaged civil society and media capable of challenging corruption.

However, regardless of all these strategies and recommendations, the Transparency International (2019) shed light that Egypt has only been ranked number 105 out of 180 countries ranked in the Corruption Perception Index of 2018 while it was ranked number 94 out of 174 countries in 2014 (Transparency International, 2014). Progress has been made so far with regard to freedom of information as the Supreme Media Regularity Council has issued the final draft of the freedom of information law to be amended and presented in parliament (El-Sayed, 2017). Additionally, Elbayoumi, Awadallah and Basuony (2019) brought light to the fact that the business environment in Egypt has improved and these new setting has been dynamic. Egypt witnessed developments in several economic, financial, legal, cultural, and political frameworks which to some extent has also influenced the auditing profession. For example, the movement towards privatisation has led to an improvement in Egypt’s financial reporting regulations and setting the corporate governance policy framework; all of these has improved the country’s stand in foreign investment.

The strong Egyptian political commitment to smooth investment, good legal and regulatory structures, supported by values of transparency and non-discrimination, are essential weapons in attracting investment (Organisation for Economic Co-operation and Development, 2014b). In 2004, the government of Egypt established an Economic Group to deal with reforms in the country’s critical areas such as income taxes, tariff rates, overhauling tax and customs administrations, exchange rate, privatisation, and banking sector reforms, including the sale of state-owned and joint venture banks. These reforms have been reported to have created a firm economic foundation that enabled growth in the country since 2004 (Ghanem, Lotfy & Hamday, 2007).
To provide a conducive business environment, the Central Bank of Egypt embarked on a major banking reform leading to a more liberal system. This exercise comprised of the reinforcement of bank supervision and regulation and these resulted in better services, improved market competitiveness and the move yielded positive results to various sectors of the economy (Daradkah & Miani, 2011). To repair its damaged economy, the Egyptian government has supported large scale businesses operating in the country through a decade’s tax holidays and subsidies (Adly, 2014).

Table 1 outlines the strategies employed by the four selected countries for the first pillar in the TTCI model, namely the business environment.

**Table 1: Business environment practices analysis**

<table>
<thead>
<tr>
<th>Strategies implemented</th>
<th>Mauritius</th>
<th>Botswana</th>
<th>Tanzania</th>
<th>Egypt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment of corruption prevention act and formation of anti-corruption units</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Introduction of supportive legislative and policies</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Establishment of frameworks to protect investors</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Efforts to promote excellent governance system</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Establishment of political stability</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Improvement of taxation system</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Establishment of enhanced infrastructure inclusive of banking and insurance systems</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Providing tax holidays for investors in tourism</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment of investment promotion and protection agreements</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Open markets for foreign investors</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment of a trade and investment body to improve investment climate</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishing task teams to deal with emerging issues that affect the business environment</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Establishment of democratic institutions</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establishment of a free-market economy</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From this comparison, it can be noted that all four countries have established corruption prevention acts and established anti-corruption units, introduced supportive legislations and policies and established frameworks to protect investors. All these findings support the views of Gaganis, et.al. (2019) that moves towards easing corruption and credit, and supportive government regulations are essential for the business...
These countries seemed to have invested in improved taxations systems and enhanced infrastructure inclusive of banking and insurance systems. It appears that Tanzania and Egypt provided tax holidays for tourism investors while Mauritius and Botswana established investment promotion and protection agreements. Development of effective taxation and competition policies have also been noted as a tool that enhances the business environment in a country (Crotti & Mishari, 2015). Efforts to promote excellent governance systems also seem to be a similar strategy utilised by these benchmarking countries. Botswana and Tanzania developed trade and investment bodies to improve investment climate while only Mauritius established a democratic institution. Egypt seems to be the only country that established task teams to deal with emerging issues that affect the business environment. The efforts of the four countries are supported by the viewpoints of several authors that the development of supportive economic conditions, political and institutions are key in establishing a conducive business environment (Cherunilam, 2016; Cepel et al., 2019).

Conclusions

For a country to build a competitive tourism sector, developing a conducive and supportive business environment is a necessity for tourism businesses to thrive. It can be established that the four benchmarking countries have put efforts towards creating a supportive business environment. This research has managed to expose the strategies utilised by better tourism performing African countries for decision-makers in less tourism competitive tourism countries to consider during policies formulation and national strategic development plans. It can be concluded that a conducive business environment is established through development and enforcement of polices inclusive of the corruption prevention acts, investment policies, business and taxation policies and competition policies among others. Also, it is important for African leaders to invest in the move towards establishing anti-corruption institutions, democratic institutions, promotion of excellent governance structures, and improve investment in banking and insurance infrastructure to enable credit access among other factors. A stable political environment also plays a critical role in creating a conducive business environment as noted from the results of the study. To expand the tourism business sector, African governments are encouraged to open markets for foreign investors, and launch investment promotion and protection agreements. Furthermore, establishment of trade and investment body to improve investment climate is another strategy that Africa’s decision-makers could employ in order to have a better business environment. It is also imperative for African governments to establish business development committees comprising of both the public and the tourism private sector members. This could enable speedy communication regarding emerging trends and challenges affecting the tourism businesses so that prompt and well-informed decisions can be taken. Founding such teams could also serve as a platform for the government to disseminate information on new policies and regulations that could have a direct impact on the operations of the community.
tourism businesses. These platforms could also allow collaborative efforts towards tourism policy formulations which in turn would be clearly understood and have the buy-in of the tourism business community.

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