

International Tourists Arrivals in Africa: Do Issues of Good Governance Matter?

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International Tourists Arrivals in Africa: Do Issues of Good Governance Matter?

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Abstract

Political stability, good governance, and an enabling business environment provide the foundation for tourism growth. Promotion of good governance in Africa, it is believed, has the potential to enhance the image and attractiveness of the continent to international tourists and thereby increase international tourists' arrivals. However, the issue of good governance and its effect on the demand for tourism in Africa has not been very much explored. This study, therefore, investigates the effect of governance institutions on international tourists' arrivals in Africa. Annual data from 1996 to 2014 on a panel of 41 destination countries in Africa has been used for the analysis. Two estimation techniques, a fixed-effects panel estimator with contemporaneous effects only, and a dynamic generalized method of moments estimator, are utilized to test the effect of various measures of good governance on international tourists' arrivals. Both models show strong evidence that good governance matters as far as international tourists' arrivals and share of Africa in global arrivals are concerned. Good governance institutions promote international tourism in Africa. If African countries are able to attain at least the average score of 36.66 percentile, it will result in a very significant improvement in international tourists' arrivals and Africa's share in global arrivals.

1. Introduction

The tourism sector can act as a catalyst for growth and development of developing countries. According to the World Bank Tourism Report (World Bank, 2013), tourism can provide an economic base for a country or a region whose only development options are its cultural and natural resources, whether coastal, mountain, or wildlife or a combination of these. It is an acceptable fact that tourism is one of the few industries in which many developing countries actually have a comparative advantage over developed countries in terms of cultural heritage, climate, wildlife, etc (Yunis, 2004). Therefore, it can be an effective tool to boost economic growth at the local, national and regional levels. The sector has been identified as one of the key sectors that African countries could take advantage of to help build up the much-needed international reserves, since the sector could generate the scarce foreign exchange. It is believed that proper packaging of tourists' products in Africa and enhancement of the continent's attractiveness to international tourists through implementation of appropriate policies in the member countries could increase international tourists' arrivals and receipts in Africa.

Across Sub-Saharan Africa, destinations are finding that political stability, good governance, and an enabling business environment provide the foundation for tourism growth (UNCTAD and UNDP, 2008). The impact of terrorism on the tourism industry, for example, can be great and devastating especially for many developing countries where tourism serves as the primary export industry. The repercussions are enormous, far-reaching and are felt in many other tourism-related industries such as the airlines, hotels, restaurants and shops that cater to the tourists. The tourism sectors' contribution to the economies of many countries is so great that any downturn in the industry is a cause of major concern for many governments. Promotion of good governance in Africa, it is believed, has the potential to enhance the image and attractiveness of the continent to international tourists, and thereby increase international tourists' arrivals. The issue of good governance and international tourism demand is an area which is not very much explored in Africa. The good governance issue has become a topical one in Africa. The effects of good governance on the economies of Africa cannot be underestimated. It is common knowledge that good governance promotes socio-economic development. Good governance indicators such as rule of law, freedom of expression and association, low levels of corruption, among others, help to unleash the economic potential

of the citizens and that helps to boost economic growth. More importantly, since in Africa a significant number of the tourists come for business purposes, good governance indicators could have the potential to promote business tourism. Moreover, the prevailing freedoms in the tourists' destination countries would go a long way to affect the welfare of the potential tourists positively. This could make those destinations more attractive.

However, these governance indicators that could affect the welfare of the tourists in the destination country have either been ignored in the tourism demand equation by many researchers, completely or at best only one aspect of good governance has been considered. In the tourism industry now, there is a strong advocacy by many scholars for safety in destinations. Most importantly, safety on vacation has become an expected requirement for any visitor in a tourist destination. Destinations that are perceived to have an unsafe reputation can suffer substitution by alternative destinations that are perceived as safer for tourists. The image of the destination is damaged by acts of terrorism, political instability and crimes committed against the tourism industry. These acts also instill fear in potential tourists.

In a study of Ghana, Bentum-Ennin (2014a) found that civil liberties and political rights are very significant factors as far as international tourists' arrivals are concerned. One of the gaps in the study is that it focused on a specific country, Ghana. No study with a continental coverage using such measures of good governance has been undertaken in Africa. Therefore, this study provides a novel contribution to the existing literature. Moreover, the study dwells much more on the effects of governance institutions on international tourists' arrivals. In addition to civil liberties and political rights, the study uses more measures of good governance such as control of corruption, rule of law, political stability and absence of violence/terrorism, efficiency of regulation, government effectiveness, voice and accountability. Improvement in these good governance indicators may enhance the image and attractiveness of the host nation to international tourists and vice versa.

There has been some systematic improvement in the scores on some good governance indicators for many countries in Africa. It is believed that this state of affairs could send good signals to would-be/potential tourists about the serene political atmosphere and freedoms that exist in the host countries, whereas deterioration or a curtailment of political rights and civil liberties may send bad signals to potential tourists. As Richter and Waugh (1986: 231) put it: "Tourism is frequently an early casualty of internecine warfare, revolution, or even prolonged labor disputes. Even if the tourist areas are secure (...) tourism may decline precipitously when political conditions appear unsettled. Tourists simply choose alternative destinations." Hall and O'Sullivan (1996: 117) also note that: "Perceptions of political instability and safety are a prerequisite for tourist visitation. Violent protests, social unrest, civil war, terrorist actions, the perceived violations of human rights, or even the mere threat of these activities can all serve to cause tourists to alter their travel behavior".

The questions that this study seeks to address are:

- (i) What is the impact of governance institutions on the international tourists' arrivals in Africa?
- (ii) How strong is the impact? and
- (iii) What will be the implications for international tourists' arrivals in Africa if all African countries make some conscious effort at attaining at least the average scores on governance index?

Objectives

The main objective of the study is to investigate the impact of the quality of governance institutions on international tourism demand in Africa. The specific objectives are to determine:

- (i) the effects of governance measures, namely control of corruption, regulatory quality, government effectiveness, civil liberties and political rights, rule of law, political stability and absence of violence/terrorism, voice and accountability on international tourists' arrivals and share of Africa in global arrivals;
- (ii) the strength of the impact of each measure of governance on international tourists' arrivals;
- (iii) the effect of informal advertisement (word-of-mouth) on international tourists' arrivals in Africa; and
- (iv) through simulations the implications for international tourists' arrivals if African countries make some conscious effort at attaining at least the average scores on governance index.

2. Overview of tourism industry and governance in Africa

Tourism is growing faster in the world's emerging and developing regions than in the rest of the world. International arrivals in developing countries grew an average of 11% a year between 1990 and 2009 (UNDP, 2011). According to UNWTO (2015), the market share of emerging economies increased from 30% in 1980 to 45% in 2014, and is expected to reach 57% by 2030, equivalent to over 1 billion international tourist arrivals. Africa accounted for about 5.8% of the 1,133 million international tourist arrivals and 3.5% of the US\$ 1,245 billion international receipts in 2014 (UNWTO, 2015). Growth in tourism arrivals was characterized by weak increase, stagnation in popular destinations and decrease in countries affected by political uncertainties and incidences of terrorism. UNWTO (2015) makes particular mention of destinations in Africa which posted notable performance, namely: Côte d'Ivoire (+24%), Madagascar (+13%), Mauritius (+5%), Zimbabwe (+3%) and the Seychelles (+1%).

Christie et al. (2014) outline the importance of developing tourism in Africa. Tourism in Africa spurs economic development; accelerates reform; improves infrastructure; increases domestic consumption and diversifies exports; and empowers women, young people, and marginalized populations. Globally, tourism is one of the few economic sectors in which women outnumber men in certain positions and are paid the same. In Africa, a 2010 study by the United Nations World Tourism Organization (UNWTO) and UN Women found that 31% of employers in the hotel and restaurant sector were women (UNWTO, 2011), compared with 21% in other sectors. Young people also derive productive employment from tourism. By engaging young people in productive employment, tourism can provide an alternative to out-migration, urban poverty, and armed conflict.

Furthermore, tourism in Africa preserves cultural heritage, conserves the environment and improves the national image. Successful tourism can change external perceptions of a country, improve intercultural understanding, and create a positive internal frame of reference for a country. Once war-torn, Rwanda has changed its image because it features mountain gorilla conservation and tourism. With civil strife in the past, Mozambique is now known for its attractive beach resorts.

According to Christie et al. (2014) tourists to Sub-Saharan Africa can be divided into four main groups according to the purpose of their visit: leisure, business, visiting friends and relatives (VFR), or others. Leisure tourists make up approximately 36% of the market. Business travelers constitute about 25% of international arrivals. Business

travel is a growth area for Sub-Saharan Africa. Unlike leisure travel, the flow of business travel depends on the dynamism of the economic activity in the destination. Business tourists, on average, tend to spend more daily than the other categories of tourists and are less seasonal than leisure tourists. Data on tourists visiting friends and relatives is not collected by all countries but is likely to make up about 20% of arrivals. The "other" category includes several important niches, such as sports tourism, visits for medical treatment, and attendance at meetings or conventions.

According to Gisore and Ogutu (2015), more than 10 million people are traveling across national borders every year within Sub-Saharan Africa for business meetings and conferences, medical reasons, religious journeys, shopping, sports events, and visiting friends and relatives. South Africa is the largest source of intra-regional leisure travelers in Sub-Saharan Africa. Nigeria is a potential regional tourism powerhouse, and Kenya also shows potential as a large source market for intra-regional travel. The UNWTO forecasts that 75% of all tourists to Africa will be intra-regional African travelers by 2021. The pattern of short-haul travel in Sub-Saharan Africa is closely related to trading partners, nearest neighbours, relative incomes, and ethnic similarities.

Given Sub-Saharan Africa's rich traditions in music, art, and dance, cultural tourism presents a substantial opportunity for growth. Already, Ghana has marketed itself as a heritage destination by making its slave trade monuments into tourism destinations; Mali and Senegal have promoted their music festivals; Burkina Faso, through its film festival, which is attended by people from all over the world, has created a cultural product from a national passion. Tourists are particularly attracted to United Nations Educational, Scientific, and Cultural Organization (UNESCO) World Heritage sites. Ghana, for instance, has a number of forts and castles which have been designated as World Heritage sites. These sites attract significant number of tourists each year. Developing cultural heritage opportunities in Sub-Saharan Africa will involve identifying potential sites, establishing preservation plans, and ensuring that existing sites are managed better.

In spite of the huge potential that the tourism industry has in Africa, the continent is yet to derive the maximum benefit from the sector. This state of affairs is attributed to a host of factors including bad governance in the continent, which tends to create a bad image for the continent, rendering it unattractive to potential tourists.

Tables 1 shows international tourists' arrivals by regions of the world in percentage changes from 2009 to 2014. Apart from Africa and Middle East, there has been an upward trend in tourists' arrivals in all regions since 2009. Africa witnessed a decline in 2011 whereas Middle East witnessed declines in 2011, 2012 and 2013. There was a slight decline of about 0.5% in arrivals in Africa in 2011. This decline in arrivals witnessed in 2011 is attributable to the Arab Spring which refers to the series of anti-government protests, uprisings and armed rebellions that engulfed the north of Africa in the late 2010. In 2013, Africa's share of tourist arrivals constituted 4.4% of the World's total. This declined to 0.4% in 2014. North Africa contributed 6.0% and Sub-Saharan Africa contributed 3.6% of the Africa's total in 2013. In 2014, however, North Africa witnessed a decline in arrivals with a percentage change of -1.5%.

Table 1: International tourist arrivals by regions (% changes)

	2010/2009	2011/2010	2012/2011	2013/2012	2014/2013
World	6.5	4.9	4.0	4.6	4.2
Advanced Economies	5.3	4.9	3.7	4.6	5.7
Emerging Economies	7.9	4.9	4.4	4.6	2.5
Europe	3.1	6.4	3.4	4.8	2.4
Asia & Pacific	13.2	6.6	6.8	6.9	5.8
Americas	6.6	3.6	4.5	3.1	8.4
Africa	9.3	-0.5	6.9	4.4	0.4
North Africa	6.7	-9.1	8.2	6.0	-1.5
SS. Africa	10.9	4.6	6.2	3.6	1.5
Middle East	11.6	-6.1	-5.2	-2.8	6.6

Source: UNWTO (2014; 2016)

In many African countries, the tourism sector is not performing up to its potential. There are opportunities to grow the tourism sector, especially if constraints on growth are simultaneously addressed. The tourism sector has backward linkages to other sectors such as agriculture, construction, and light manufacturing and significant pro-poor benefits; therefore, any strategy aimed at removing the constraints on growth could have a truly transformative effect on the macroeconomies of African countries. To make the tourism sector truly transformative will call for adequate investments in the sector.

For tourism in Africa to achieve its full potential, a number of existing constraints will have to be addressed. These have been identified by the World Bank in its overview of tourism in Africa in 2013 to include: land availability, investor access to finance, taxes on tourism investments, low levels of tourism skills, lack of security, safety and high crime, public health, visa requirements, and red tape and bureaucracy. Fortunately, according to overview, individual countries can provide successful examples of policies and actions that have resolved these issues, and most depend on the political will of governments for their resolution. There are, however, other critical constraints, where the resolution is dependent on the actions of government and of external service providers such as air transportation, tour operators and accommodation.

Christie et al. (2014) identify key areas of consideration for competitiveness. These include:

- (i) Quality of tourism assets
- (ii) Standards of visitor accommodation
- (iii) Efficiency and safety of transport to, from, and within the country
- (iv) Adequacy of a variety of infrastructure components

- (v) Receptiveness of local populations to tourists
- (vi) Skills of the range of officials and employees with whom tourists interact
- (vii) Safety and security of the destinations

Perceptions of instability are increasingly influencing tourist flows. Eighteen (18) Sub-Saharan Africa countries were classified as “fragile states” on the fiscal 2011 rating list of the World Bank’s Country Policy and Institutional Assessment. These countries are diverse and include countries that face severe development challenges, such as conflict, recovery from conflict, political instability, weak institutional capacity, and poor governance, and some island economies. Tourism development in fragile and post-conflict countries involves a unique set of challenges. News of security concerns can result in immediate cessation of tourism activities in a country. High crime rates have the same effects on visitors as internal conflicts.

For the past few years, Sub-Saharan Africa has been ranked as the world’s most politically volatile region, with major democratic breakthroughs in some countries and coups, civil strife, and authoritarian crackdowns in others. Africa is known to be hosting several of the world’s worst performing countries in terms of respect for human rights, political instability, etc. In spite of this, in the 1990s and the early 2000s, the continent witnessed overall although uneven progress towards democratization. Recent years have, however, seen backsliding among both the top performers, such as South Africa, and the more repressive countries, such as The Gambia and Ethiopia. Freedom House reports indicate that lack of adherence to the rule of law, infringements on the freedoms of expression and association, widespread corruption, and discrimination against women and the Lesbian, Gay, Bisexual and Transgender (LGBT) community remain serious problems in many countries. All these negative attributes have the tendency to deter potential tourists.

According to Freedom in the World report, scores for all seven (7) topical categories namely electoral process; political pluralism and participation; functioning of government; freedom of expression and belief; associational and organizational rights; rule of law; personal autonomy and individual rights, measured showed decline, with substantial declines being registered in civil liberties. Although this pattern continued in 2012, the region saw several significant gains, especially in West Africa. Issues of civil conflicts and the emergence in some countries of violent Islamist groups prevented an overall upgrade for political freedom.

In 2014, Sub-Saharan Africa again witnessed extreme volatility. There was a sharp rise in violence by Islamist militants from Boko Haram in Nigeria and Al-Shabaab in Kenya. Several other countries, particularly in East Africa (such as Uganda, Burundi and Rwanda), suffered democratic declines during the year as repressive governments further limited the space for critical views. Civil conflicts sparked by poor governance continued to rage in South Sudan and Central African Republic in 2014. In Burkina Faso, President Blaise Compaoré was forced to resign

amid popular protests over his attempt to change the constitution and extend his 27-year rule in 2015. This led to the dissolution of the government and parliament by the military, which took charge of the country. Burkina Faso also witnessed four terrorist attacks in 2015, including kidnapping for ransom and two cross-border attacks on gendarmerie outposts. There were also some violent disturbances in Mali in 2015. Some Islamist militants with the support of the Al-Qaeda in the Islamic Maghreb took 170 hostages and killed 20 of them in a mass shooting at the Radisson Blu hotel in Bamako, the capital city of Mali. The hotel was later raided by Malian commandos who freed the surviving hostages. Improvements were, however, seen in Madagascar and Guinea Bissau, which held their first elections during late 2013 and 2014 following coups in previous years.

Table 2 shows freedom status in Sub-Saharan Africa in 2012 and 2015. The freedom status in Sub-Saharan Africa shows a decline between these two years. The percentage of countries which were classified as "Free" declined from 22% in 2012 to 20% in 2015. The percentage of countries which were classified as "Not Free" increased from 41% to 43%. In the case of the population, the percentage declined from 13% in 2012 to 12% in 2015 and those who were not free increased from 36% in 2012 to 40% in 2015.

Table 2: Freedom status in Sub-Saharan Africa

	Free		Partly Free		Not Free	
	2012	2015	2012	2015	2012	2015
Percentage of Countries	22%	20%	37%	37%	41%	43%
Percentage of Population	13%	12%	51%	48%	36%	40%

Source: Freedom House Report, Various issues

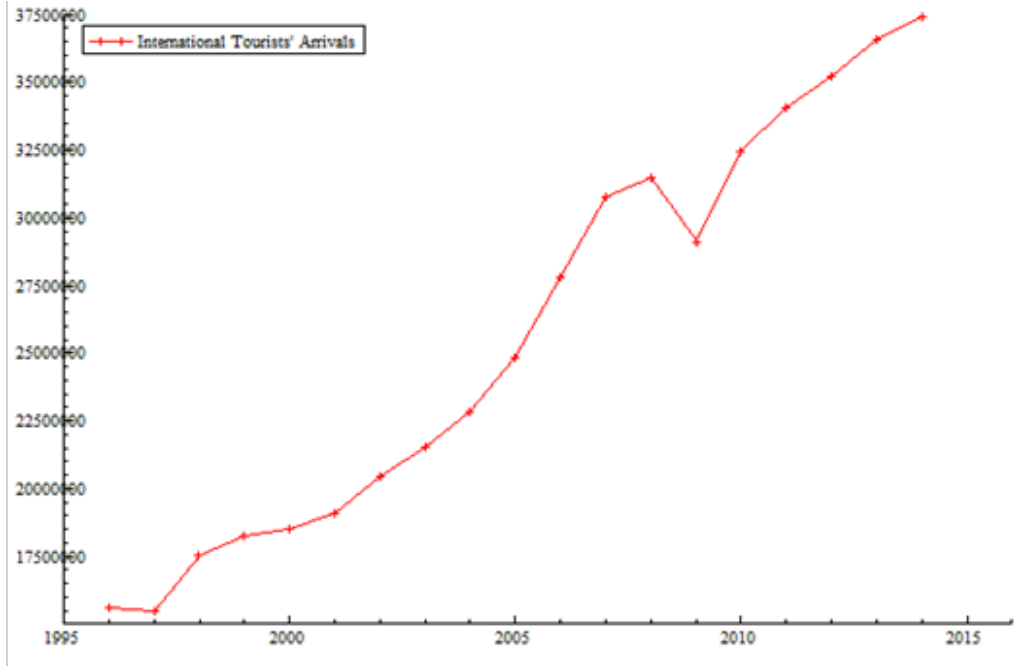
Freedom House report in 2016 indicated that there were some democratic setbacks and violence triggered by African leaders' manipulation of term limits which were offset by successful elections and peaceful transfers of power in several countries, including Nigeria and Burkina Faso. Nations across the Sahelian belt and Kenya continued to grapple with the challenge of combating Islamist militants while maintaining respect for civil liberties. The report also cited Angola as the country to watch in 2016. The report indicated that squeezed by low oil prices, Angola's autocratic government is likely to intensify suppression of dissent and expand surveillance of private citizens.

Africa's chequered history as far as governance is concerned has been a cause for concern for all stakeholders. Because of that, the continent has suffered some negative reportage for quite some time now. All these have the tendency to deter potential tourists to the continent, thereby negatively affecting demand for international tourism in Africa.

Figure 1 shows trends in international tourists' arrivals in Sub-Saharan Africa for the period 1996-2014. Apart from 2009 where there was a dip in arrivals, there has been an upward trend in international tourists' arrivals in Sub-Saharan

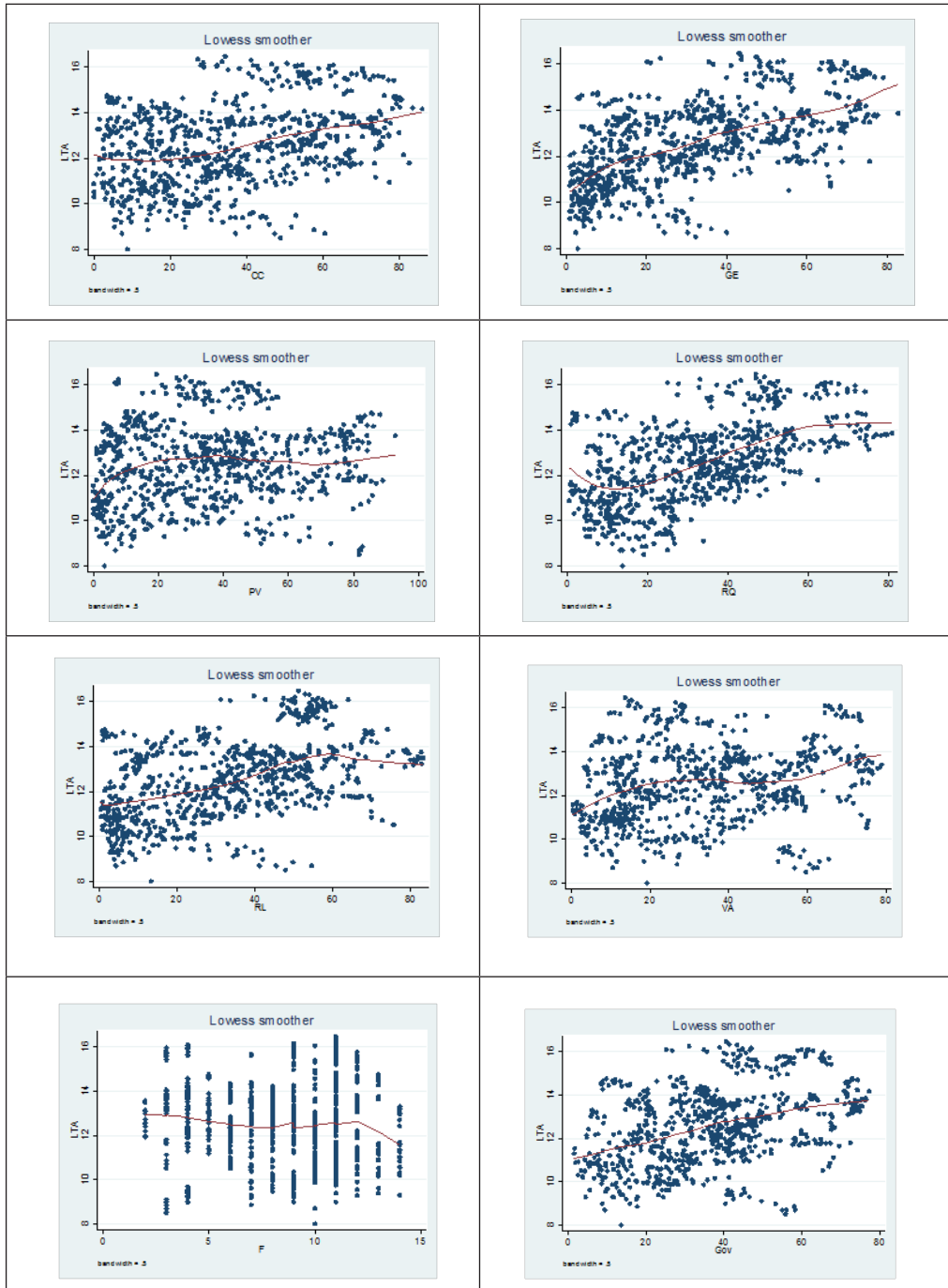
Africa. This indicates the potential benefits African countries stand to gain from international tourism. Figure 2, on the other hand, shows the scatter plots of the relationships between international tourists' arrivals and governance index and various measures of governance in Africa. The figures largely depict positive relationships between international tourists' arrivals and governance index and various measures of governance in Africa. This could suggest that good governance promotes international tourism in Africa.

Figure 1: Trends in international tourists' arrivals in Sub-Saharan Africa



Source: Author, based on WDI Data

Figure 2: Scatter plot of the relationship between tourists arrivals and governance measures



LTA = natural log of international tourists' arrivals; GDP = size of the economy of the destination country; Yrow = incomes of the originating countries; CC = control of corruption; GE = government effectiveness; PV = political stability and absence of violence/terrorism; RQ = regulatory quality; RL = rule of law; VA = voices of accountability; F = freedom (civil liberties and political rights); GOV = governance index.

3. Literature review

Theoretical literature review

Risk perception theory

There has been some attention given to the element of risk as a component of tourist decisions. The political environment (including governance issues) in the destination country influences the potential tourists' perception of risk in the destination. The media in many cases are accused of magnifying the volatile relationship between tourism and terrorism and other governance issues and this has the tendency to cloud actual probabilities of being targeted by terrorists or falling victim to unpleasant events in the destination. As a result, perceived risk may outweigh reality in forming attitudes towards destinations. Travel risk should therefore be studied in terms of real and perceived risk and in relation to destination image and tourists' attitudes. This is because it is crucial for destination marketers to understand perceptions and attitudes in order to devise promotional strategies to address concerns and to alter negative and reinforce positive perceptions.

Roehl and Fesenmaier (1992) classified tourists into three groups based on their perception of risk: risk neutral; functional risk and; place risk. The risk neutral group does not consider tourism or their destination to involve risk. The functional risk group considers the possibility of mechanical, equipment, or organizational problems as the major source of tourism-related risk. The place risk group perceives vacations as fairly risky and the destination of their most recent vacation as very risky. The risk neutral group puts emphasis more on a need to experience excitement and adventure when on vacation than the other two groups. Furthermore, the authors proposed that these tourists may be able to frame uncertainty (or risk) as part of the excitement of tourism.

Although risk perception theory has been in existence for some considerable time and has been widely accepted in other fields of study, scholars in the tourism field showed increased interest in the topic only after the 11 September 2001 terrorism attack in the USA.

Reisinger and Mavondo (2005) define risk as an exposure to certain threats or dangers. Safety in travel is considered as enrooted in the belief that the decision-

making processes at the time of choosing a destination are manifold. Seven different types of risks can be identified:

- i) financial,
- ii) social,
- iii) psychological,
- iv) physical,
- v) functional,
- vi) situational and finally,
- vii) travel risks.

Several authors such as Araña and León (2008), Kozak, Crofts and Law (2007), McCartney (2008), among others, have noted that risks associated with travel are often related to health concerns, terrorism, crime, or natural disasters at tourist destinations.

Governance and tourism

Mowforth and Munt (2003) describe governance as the web of institutions and agencies that are central players in the political environment [including] . . . national governments, bilateral development agencies and the supranational institutions (such as the World Bank, IMF and United Nations) (p. 252). What does governance mean for tourism if all these are its institutions? It refers to the complex set of agencies that are involved in the planning, regulation, and control of tourism itself, and the political environment in which it operates. Tourism, above all, requires a stable international environment to develop. Tourism is about freedom for travel and enjoyment.

The choice of where to allocate scarce resources among competing choices depends upon an individual's underlying utility function. Tourism is merely one of the many ways consumers can spend surplus money and leisure hours, and individuals will engage in it with different propensities. Nonetheless, despite many alternative options for spending or saving disposable income, many consumers choose to direct expenditures at travel services. Once consumers have chosen to travel, they face another decision: whether to travel overseas, and if so, to where.

A consumer may choose tourism at different destinations with varying degrees of substitution. To consume tourism services, individuals must visit the place of supply and while there they purchase goods and services subject to availability. Consumers are constrained by income and time limitations. This suggests that the choice of destinations is a typical consumer choice problem (Divisekera, 1995; Rugg 1973).

It is assumed that a representative consumer (tourist), faced with different alternatives, chooses a destination(s) to maximize utility. The tourist derives utility

from spending time in a particular destination. The utility stems from destination attributes such as an agreeable climate, beautiful scenery, and/or socio-cultural features. These attributes are consumed along with other goods and services available at the destination.

For a given individual, some destinations will be less attractive due to so many factors such as the length of time involved in getting there, the expenses incurred upon arrival, attributes of the destination countries including governance issues which affect the welfare of the tourists, among others. Like all goods, the price of tourism factors into their decision-making process. However, unlike most other goods, tourism must be consumed at the point of supply and therefore the characteristics of the destination country will be factored in the decision-making process. This further complicates the consumer choice problem. Destinations cannot be packaged attractively and sold at local markets; tourism choices, by definition, account for the willingness of consumers to travel to, and live temporarily in a given destination. Thus scenery, climate, prejudices, cultural attractions, governance institutions and many other attributes will affect consumer choices in conjunction with prices. Therefore, the factors influencing consumer maximization theory for tourism will be different compared to other goods. To approximate the attributes that influence consumer choices, one can construct a model for tourism demand.

Tourists are sensitive to the negative image of a tourist destination. Events occurring in the destination countries, for a number of reasons, are likely to affect tourism both contemporaneously and with lagged effects. Tourists might be locked into bookings already made, and it takes time to realize the full extent of the instability or any other unpleasant events. Because tourists are sensitive to the negative image of a tourist destination, any unpleasant event such as increased levels of corruption, political instability, civil strife or civil unrest and violence can affect a tourist destination long after the event has passed and situation has improved. Tourism will only bounce back to its original or before-event level if the negative image is eradicated from the tourists' minds. Depending on how sustained the period of the events and the negative media coverage have been, this might take years. Countries with a negative image due to past events often attempt to improve their image with aggressive advertising campaigns to portray themselves as entirely safe destinations (Sönmez, Apostolopoulos, and Tarlow 1999).

Empirical literature review

Typical tourism demand factors

There is a plethora of empirical studies on factors influencing international tourists' arrivals. Income per head has been identified as the most important factor to influence the decision of people to travel in a number of studies such as Narayan (2004), Proenca and Soukiazis (2005), Kareem (2008), Salleh et al. (2008), Habibi and Rahim (2009), Ibrahim (2011), Jintranun, et al. (2011), Muchapondwa and Pimhidzai

(2011), Alvarez-Diaz, Gonzalez-Gomez and Otero-Giraldez (2012) and Bentum-Ennin (2014a). Income per head is seen to have a positive relationship with demand for tourism.

The price variables (relative prices and substitute price) have also featured prominently in the demand for international tourism. The relative price variable is seen to have an inverse relationship with the demand for international tourism. Empirical studies such as Kulendran and Wilson (2000); Lathiras and Siriopoulos (1998); Proenca and Soukiazis (2005); Aslan et al. (2008); Habibi and Rahim (2009); Ibrahim (2011); Alvarez-Diaz, Gonzalez-Gomez and Otero-Giraldez, (2012) and Bentum-Ennin (2014a) have all found this inverse relationship. The price substitution effect has been captured using the ratio of the consumer price indexes between different competing destinations. The relationship between the substitute price and the demand for tourism can be positive or negative depending on whether the destinations are substitutes or complementary. Some authors such as Turner, Reisinger and Witt (1998), Lathiras and Siriopoulos (1998), Proenca and Soukiazis (2005), Aslan et al. (2008), Habibi and Rahim (2009) and Bentum-Ennin (2014a) introduce the same ratio between different competing destinations to count for the price substitution effect. Bentum-Ennin (2014a), for instance, found Nigeria to be a substitute destination for international tourists' arrivals in Ghana.

Another explanatory variable used in the tourism demand equation is the transport cost. Normally, the higher the travelling cost the lower the total arrivals and vice versa. Transportation cost or travelling cost can be measured by air fares between the visited destination and the origin country (Gray, 1966; Kliman, 1981; Kulendran and Witt, 2001; Lim and McAleer 2001; and Dritsakis, 2004) ferry fares and/or petrol costs for surface travel (Quayson and Var, 1982; and Witt and Martin, 1987) and price of crude oil (Munoz, 2006; Mervar and Payne, 2007; Salleh et al., 2008; Habibi and Rahim, 2009; Muchapondwa, and Pimhidzai, 2011). Bentum-Ennin (2014a) captured the transportation cost using price of crude oil weighted by the distance.

The lagged dependent variable in the tourism demand function is normally included for two reasons: first, to introduce dynamics into the demand function and second, to capture word-of-mouth effect on tourists' inflows. A number of studies including Salman (2003), Dritsakis (2004), Narayan (2004), Toh, Habibullah and Goh (2006), Muñoz (2006), Salleh et al. (2008), Kareem (2008) and Bentum-Ennin (2014b) have included the lagged dependent variable into the tourism demand functions. According to Sinclair and Stabler (1997), tourists in general are averse to risk, preferring to spend holidays in places that are already familiar to them or they have heard something positive about the places they plan to visit. Word-of-mouth effect is proxied by the past year number of tourist arrivals. Therefore, knowledge about the destination will be spread out as people talk about their holidays, and thereby reducing the uncertainty for potential visitors. Thus, it will encourage more tourists to come to that destination.

There are some supply conditions from the point of view of the hosting country that are considered important in attracting more tourists. A more general supply measures related to infrastructure (airports, roads, railways, hospitals, telecommunications, among others) are believed to have welfare effects on the daily lives of the tourists at the destination country. The ratio of public investment to GDP is used as a proxy to capture the welfare effects emanating from public infrastructure networks (Proenca and Soukiazis, 2005; Aslan et al., 2008). In his study of the demand for tourism in Africa, Kareem (2008) noted that number of telephone lines, a measure of infrastructure, positively influences or determines tourist arrivals to Africa.

Governance and tourism demand

The existing empirical literature so far discussed suffers from some gaps. Most of the studies focused on specific countries and more so on typical demand factors. In spite of the importance for tourism, the impact of governance institutions has not been given greater scholarly attention as this study attempts to do. Some previous studies including Bashagi and Muchapondwa (2009), Bentum-Ennin (2014a,b) have examined the impact of some factors such as terrorism, political violence, civil liberties and political rights, and human rights violations on tourism. Even though these are all governance issues, none of the studies have delved more into the issues of good governance by considering various measures of good governance in their studies, and also through simulations finding the implications for international tourists' arrivals if African countries make some conscious effort at attaining at least the average scores on governance index. This study, therefore, provides a number of novel contributions to the existing literature.

In a study that sought to explain what is pushing international tourism expenditures, Vietze (2009) established that the existence of good institutions in the origin countries has a positive impact on the amount of tourism expenditures per capita. People in countries with a high level of civil rights, stable and effective governance, low corruption and a high level of freedom to speak spend more money for foreign tourism than such with bad institutions. According to him, the demand to travel abroad is directly affected by the level of civil rights and political freedom. In other words, freedom to travel is an immediate outcome of political freedom and that people in open-minded societies decide more often to spend their holiday abroad. Vietze (2009) results are however limited to the origin countries. Vietze (2009) did not look at the effect of good institutions in the destination countries on the amount of tourism expenditures. However, one could deduce from the results that such people would also like to travel more into similar destinations where they could continue to enjoy such freedoms.

Neumayer (2004) provides evidence that human rights violations, conflict, and other politically motivated violent events negatively affect tourist arrivals. He also established that although autocratic regimes do not resort to violence, they have lower numbers of tourist arrivals than more democratic regimes. According to him,

there is evidence of a spillover effect within regions because higher political violence in the region further reduces tourism even after controlling for the extent of political violence within the country itself. There is also a substitution effect among regions because a higher average level of political violence within one region relative to the world average further reduces tourism within countries of that region. The spillover and regional substitution effects were, however, not significant in the dynamic GMM model. The study by Neumayer (2004), however, examined spillover and substitution effects of only political violence on tourism.

Enders and Sandler's (1991) and Enders, Sandler, and Parise's (1992) time series analyses of the impact of terrorism on tourism in Spain and other Western countries suggest that often, 3 to 9 months pass before tourist arrivals decrease drastically. This gives some indication that there could be lagged effects of governance on tourists' arrivals. Some time could pass before some information about governance issues is factored into decisions to travel to a destination or not. The effect of any governance issue may be felt not only in the year a particular event occurs but also in following years.

Bashagi and Muchapondwa (2009) and Bentum-Ennin (2014b) found that the 2001 terror attack in the USA had a significant impact on international tourism demand for Tanzania and Ghana, respectively.

Methodological review

Causal methods have dominated the studies on tourism demand. They can further be divided into single equation methods, systems of equation methods and panel data methods. The single equation model has been used in studies of tourism demand for numerous countries and periods, and posits that demand is a function of a number of determining variables. The estimated equations permit the calculation of the sensitivity of demand to changes in these variables. One of the advantages of this approach is that it can be used to determine the extent to which a change in any of them alters tourism demand, quantified by calculation of the relevant elasticities. The elasticity value can be calculated for different durations of time, thereby showing the difference between the short-run and long-run responsiveness of demand to changes in the variable under consideration. This may be useful for policy purposes, indicating, for example, the time within which any appropriate countervailing policy adjustment should take effect.

Single equation models often used in tourism forecasting empirical studies include Autoregressive Distributed Lag Models (ADLM), Error Correction Models (ECM), Time Varying Parameter (TVP) models and various combinations of these models (Song and Li, 2008). According to Hilaly and El-Shishiny (2008), the ECM has the ability to capture the short-run and the long-run dynamics when cointegration occurs. Li et al. (2006) asserts that TVP models are often used when there are structural changes in data or when constant coefficients are too restricted. The TVP model accommodates

the changing behaviour of tourists, for example due to economic circumstances, whereas fixed-parameter models do not have this ability (Song and Witt, 2000). When the coefficients are estimated with the TVP, the more recent data have a stronger influence than data further back into the past (Hilaly and El-Shishiny, 2008:4).

Salleh et al. (2007) state that the ADLM can be used when the time series available is relatively short. The ADLM includes a lagged dependent variable, lagged independent variables, and contemporaneous independent variables as regressors (Song and Witt, 2000:74). The inclusion of too many explanatory variables may result in multicollinearity and, as a result, high standard errors which may lead to invalid test statistics (Song and Witt, 2000). The ADLM benefits from the inclusion of lagged values of the explanatory variables and independent variables because it takes time for certain changes to take effect, and this is taken into consideration with this specification. It is also possible to estimate both long-run relationships and short-run relationships if cointegration is present (Divisekera and Kulendran, 2006). In such a case, the ADLM is expanded to include an error correction model specification.

In contrast to the first approach, the system of equations model is not very popular and it requires the simultaneous estimation of a range of tourism demand equations for the countries or types of tourism expenditure considered.

Panel data analysis has also appeared in tourism demand research (Eilat and Einav, 2004; Munoz, 2006; and Naude and Saayman, 2005). The panel data models that were used in the literature are pooled logit regression, the generalized method of moments (GMM) procedure of Arellano and Bond (1991), generalized least squares (GLS) panel data regressions, and ordinary least square (OLS) panel data regressions comprising fixed and random effects models. Using a panel data approach has several advantages. It allows a combination of cross-sectional and time series data (Song and Witt, 2000). In addition, panel data give more informative data, more variability, less collinearity among the variables, more degrees of freedom and more efficiency (Baltagi, 2001). This study uses a dynamic panel model. The benefit of such model is that it contains a lagged dependent variable which can be used to measure tourists' habit persistency or word-of-mouth effects.

4. Conceptual framework

According to consumer demand theory, three broad categories of determinants explain demand for a given commodity: socio-economic and demographic factors, qualitative factors (including issues of governance), and price factors. In turn, these broad determinants can be broken down into specific factors directly applicable to tourism demand.

One of the qualitative factors is the issue of governance in the host countries. Countries with more authoritarian political regimes and heavily controlled economies can be expected to exhibit greater social instability and therefore be less attractive as tourist destinations. Tourists are only willing to travel to foreign places in mass numbers if their journey and their stay are safe and shielded from events that threaten a joyous holiday experience. Faced with unpleasant events in a country, potential tourists might fear for their lives or physical integrity, might simply anticipate becoming involved in stressful situations, or be unable to visit the places they wanted to visit according to schedule. Tourists might therefore choose an alternative destination with similar characteristics but in a more stable condition.

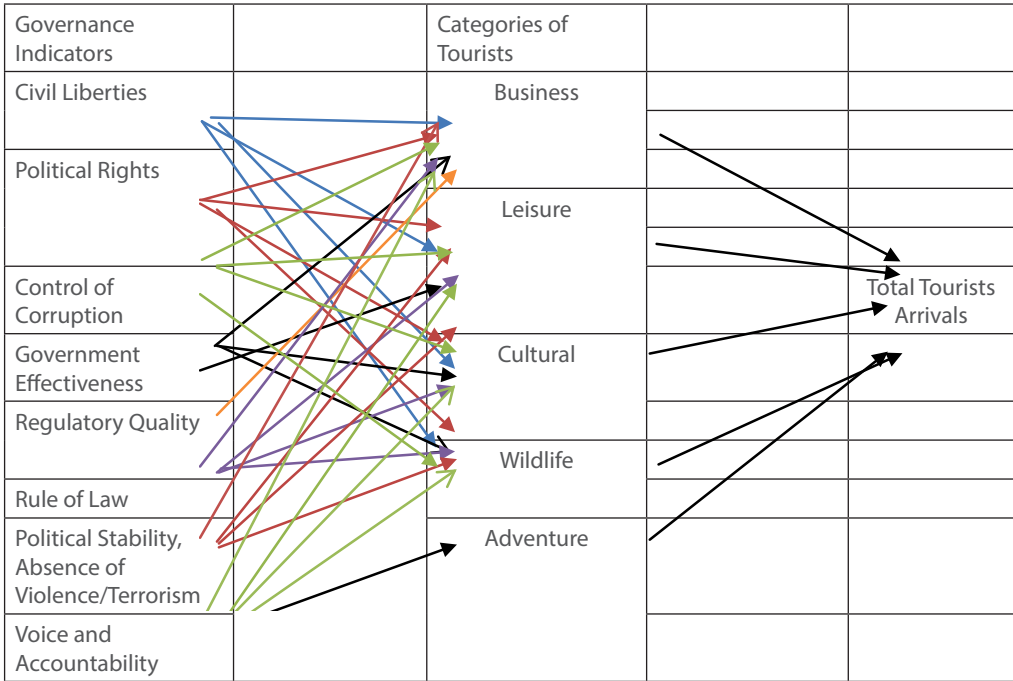
Good governance measures influence different categories of tourists. Civil liberties and political rights capture the levels of freedoms prevailing in the various countries. The factors considered include electoral process, political pluralism and participation, functioning of government, freedom of expression and belief, associational and organizational rights, rule of law, personal autonomy and individual rights. All these will influence all categories of tourists except maybe those on adventure. They affect the general welfare of the tourists in the destination countries. Improvement in these will positively affect tourists' arrivals and vice versa. In general, countries with less freedom, more repressive states, and a higher degree of political instability will not be attractive destinations for tourists. The perception of potential risks, either real or imagined, will influence tastes and preferences and therefore the willingness to spend exorbitant amounts of money to visit a country.

Over the longer run, autocratic regimes become less attractive to tourists because they tend to restrict the entertainment opportunities and free movement of tourists more than democratic regimes do.

Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, and "capture" of the state by elites and private interests. Control of corruption is expected

to influence business, leisure and even wildlife tourists since corruption increases the cost of doing business and cost of leisure activities and thus hampers demand for international tourism in Africa.

Table 3: Conceptual model of governance indicators influencing different categories of international tourists



Source: Author

Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Bureaucracy and red-tapeism breed inefficiency and corruption in public and civil service, and these are likely to deter all categories of tourists, especially business tourists. However, tourists on adventure may not be deterred.

Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Regulatory quality is likely to affect business tourists.

Rule of law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, and the likelihood of crime and violence. Absence of rule of law will create chaos in the destination countries and, therefore, will not be attractive to potential tourists. Rule of law is expected to influence all categories of tourists except may be those on adventure.

Political stability and absence of violence/terrorism captures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional

or violent means, including politically-motivated violence and terrorism. Tourists are very sensitive to insecurity at the destination countries. Political stability and absence of violence/terrorism will influence all categories of tourists except may be those on adventure.

Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, and freedom of expression, freedom of association, and a free media. Tourists depend on free flow of information from the destination countries to make decisions to travel. Situations where information is restricted as a result of some restrictions imposed on the media and on freedom of expression, and freedom of association will negatively affect all categories of tourist and reduce arrivals. The converse is true.

All these governance indicators serve as proxy for the safety of a destination, and tourists are known to be very much concerned about their safety in the destination countries. The deterioration of these governance indicators in the destination countries sends negative signals to potential tourists that a particular destination is generally unsafe to travel to and vice versa. As noted by Richter and Waugh (1986) and Hall and O'Sullivan (1996), tourists are sensitive to the prevailing governance situations in the destination countries.

5. Model specification

The underlying theory that explains tourist flows between the origin and the destination country is based on the demand function which can be derived by maximizing utility function subject to consumer's income. The demand function can be written in general form as:

$$Q = Q(P, M) \tag{1}$$

where Q stands for tourist consumption in the receiving country, M is income per capita of the supplying country as a measure of its purchasing power capacity and P is a relative price index to measure price levels between the origin and the destination countries.

Equation (1) above represents the basic or standard model which has been used very often in the estimation of the demand for international tourism. It should be noted that changes in these variables are, however, beyond the control of destination countries and hence it is quite difficult to formulate related recommendations to respond to changes in these variables. Economic theory in the tradition of Lancaster (1971) predicts that tourists consume certain characteristics of a tourist destination rather than one single good. Unless these characteristics are very specific to the country and highly valued, tourists will easily switch to another destination if faced with some unpleasant events such as violence, curtailment of freedoms, etc.

Moreover, it has been noted that political stability, good governance, and an enabling business environment provide the foundation for tourism growth. Promotion of good governance in Africa, it is believed, has the potential to enhance the image and attractiveness of the continent to international tourists and thereby increasing international tourists' arrivals.

Good governance indicators such as control of corruption, quality of regulations, government effectiveness, civil liberties and political rights, political stability and absence of violence/terrorism are just a few of the assets countries claim in differing degrees, that may draw an individual tourist to one country rather than another. However, these qualitative factors, while they might influence demand for given countries, have remained relegated in most cases to the error term of any econometric

study. However, this study, unlike the previous ones, seeks to illuminate the impact of good governance institutions of host countries on the demand for international tourism. We therefore follow from equation 1 and incorporate into the demand function these governance issues. The modified or extended model for international arrivals is expressed as follows:

$$TA = f(\text{GDPpc}, \text{Yrow}, \text{Gov}) \quad (2)$$

where TA refers to tourist arrivals/Africa's share of global tourists' arrivals; GDPpc is the level of development in the destination countries; Yrow is income of the tourists from origin countries; Gov captures various measures of good governance in the destination countries such as civil liberties and political rights; control of corruption; regulatory quality; government effectiveness; rule of law; political stability and absence of violence/terrorism; and voice and accountability.

In our panel data context, the model to be estimated can be written and interpreted as follows:

$$\ln TA_{ijt} = \delta_0 + \delta_1 \ln \text{GDPpc}_{jt} + \delta_2 \ln \text{Yrow}_{ijt} + \delta_3 \text{Gov}_{jt} + \mu_{ijt} \quad (3)$$

where $\ln TA_{ijt}$ refers to the natural log of tourists' arrivals from origin country i to a destination country j in Africa in year t ; $\ln \text{GDPpc}_{jt}$ refers to the natural log of GDP per capita representing the level of development in the destination country j in Africa in year t ; $\ln \text{Yrow}_{ijt}$ refers to the natural log of income of tourists from origin country i to a destination country j in Africa in year t ; Gov_{jt} refers to various measures of good governance in a destination country j in Africa in year t ; μ_{ijt} is the error term.

Justification of the model and sign expectations

The higher the level of development of the destination country, the more likely it will attract more tourists to the destination country and therefore the level of development of the destination country is expected to have a positive relationship with international tourists' arrivals. Income per capita, as noted already, is the most popular variable included in the tourism demand function. Normally, a higher income will increase total arrivals.

Countries with more authoritarian political regimes and heavily controlled economies can be expected to exhibit greater social instability and therefore be less attractive as tourist destinations. For instance, the influx of tourists to South Africa was astounding following the demise of Apartheid in the early 1990s. According to Commey (2002), "Tourism has grown from 3% to 12% of the economy and is being touted as

one of the solutions to the country's unemployment problems. It has provided more than 800,000 jobs since 1994". Once the violence, uncertainty, and stigma associated with an illegitimate government became no more than a memory, tourists began to arrive in greater numbers. Moreover, political effects should be significant because all other things being equal, tourists will be more likely to visit nations with greater freedoms. Improvement in political rights and civil liberties may enhance the image and attractiveness of the host nation to international tourists and vice versa.

Improvement in the control of corruption, regulatory quality, government effectiveness, political stability and absence of violence/terrorism, rule of law and voice and accountability are expected to impact positively on the demand for international tourism in Africa since they have the tendency to affect all categories of tourists, especially business tourists.

Estimation procedure

A panel data on 41 tourists' destination countries in Africa has been used to estimate international tourism demand model. The standard model to analyze panel data is the unobserved effects model. Observations are pooled over time and units of observation, with or without individual-specific effects. These effects can be fixed (fixed effects model) or random (random effects model). Analytically, it can be written as:

$$TA_{it} = \beta' \chi_{it} + \mu_i + \pi_{it} \quad (4)$$

where TA is the international tourists' arrivals/Africa's share of global tourists' arrivals and x represents a set of variables that potentially affect the international tourists' arrivals. β is a vector of slope parameters, μ represents the country specific effects which are supposed to capture any country-specific effects that do not change over time and are not included in the explanatory variables, such as the general attractiveness of a destination for tourists (weather, beaches, cultural and historical attractions, etc.) is the error term, i denotes a specific country and t stands for time. In total, we observe N countries over T time periods.

The choice between fixed or random effects formulation can be justified by considerations on the data-generating process and by statistical tests. When the sample is open, i.e. when the N cross-section units are drawn randomly from a large population, random effects are natural candidates. When, on the other hand, the sample contains all units of interest and is not a sample drawn from a larger population, fixed effects are appropriate. The Hausman's test can also be used to select the more appropriate model.

As a next step, we allow for a lagged effect of governance on tourism. It might be preferable to estimate the impact of governance on tourism in a dynamic framework,

given that it is likely to affect tourism not only in the year a particular event occurs but also in the following years. We therefore specify a dynamic model which includes the lagged dependent variable as a right-hand-side variable as follows:

$$TA_{it} = \alpha TA_{i,t-1} + \beta' \chi_{it} + \mu_i + \varphi_{it} \quad (5)$$

where α is the coefficient of the lagged dependent variable. The empirical model in a dynamic framework becomes:

$$\ln TA_{ijt} = \alpha_0 + \alpha_1 \ln TA_{ijt-1} + \alpha_2 \ln GDP_{pcjt} + \alpha_3 \ln Yrow_{ijt} + \alpha_4 \ln Gov_{jt} + \omega_{it} \quad (6)$$

The short-run effect of governance on tourism is simply given by α_4 , whereas the long-run effect can be computed as $\alpha_4/(1-\alpha_1)$. Estimation of equation (6) with either ordinary least squares (OLS) or a fixed effects or a first-differenced panel estimator is problematic. This is because of the inclusion of the lagged dependent variable as a regressor. The correlation of a regressor with the error term renders the OLS estimator both biased and inconsistent. The same is true for the fixed-effects or first-differenced estimator. We use the GMM estimator Arellano and Bond dynamic panel estimator because it is more efficient than the 2SLS first-differenced estimator with heteroskedasticity-robust standard errors.

The GMM estimator will thus be consistent in the absence of second-order serial correlation in the residuals, while the presence of the problem of weak instrument in this estimator is solved by employing the Blundell and Bond (1998) system GMM (SYS-GMM) estimator. This estimator is obtained from jointly estimating the model in levels and in first differences.

Data description and sources

The study uses annual data based on the destination countries in Africa for the period 1996 to 2014. The level of development of the destination countries has been measured by the respective countries' real GDP per capita, and incomes of the originating countries have been captured by $Yrow_{jt} = GDP_{wt} - GDP_{jt}$ where GDP_{wt} is the world GDP at time t and GDP_{jt} is the GDP of the destination country j at time t .

Data on international tourists' arrivals and GDP have been sourced from the WDI. Data on civil liberties and political rights were obtained from Freedom House's surveys of freedom available at <http://www.freedomhouse.org>. The indices of civil liberties and political rights rates countries are based on a scale of 1 to 7, where 1 represents the highest degree of civil liberties and political rights and 7 the lowest. The ratings process

is based on a checklist of 10 political rights questions and 15 civil liberties questions. The political rights questions are grouped into three sub-categories: Electoral Process (3 questions), Political Pluralism and Participation (4), and Functioning of Government (3). The civil liberties questions are grouped into four sub-categories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3), Rule of Law (4), and Personal Autonomy and Individual Rights (4). Raw points are awarded to each of these questions on a scale of 0 to 4, where 0 point represents the smallest degree and 4 the greatest degree of rights or liberties present. The highest number of points that can be awarded to the political rights checklist is 40 (or a total of up to 4 points for each of the 10 questions). The highest number of points that can be awarded to the civil liberties checklist is 60 (or a total of up to 4 points for each of the 15 questions) (see Table A1 to A3 in the Annex). A combined freedom index was constructed by multiplying the two indices.

Data on control of corruption, regulatory quality, government effectiveness, political stability and absence of violence/terrorism, rule of law and voice and accountability have been sourced from Worldwide Governance Indicators (WGI) published by the World Bank. Data on percentile ranks have been used. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI. A single governance index variable has also been captured by the weighted average of the percentile scores on all the six measures of governance. The weights were generated using the scaled first principal components. The percentile ranks for each measure of governance have been standardized to aid the comparison of the individual effects of these governance measures using the formula: $z = (x - \bar{x})/\sigma$.

6. Analysis of results

Basic descriptive statistics

Table 4 presents the basic descriptive statistics of the main variables of interest. As it can be seen from the table, the African continent has, on average, performed poorly as far as good governance is concerned. The percentile ranks of the governance indicators, namely control of corruption, government effectiveness, political stability and absence of violence/terrorism, regulatory quality, rule of law and voice and accountability, have averaged less than 36 percentile over the sample period. The minimum scores for the indicators have ranged between 0 and 1 percentile, buttressing Africa's poor performance over the period under consideration. Africa's performance as far as freedoms (civil liberties and political rights) are concerned is not too bad. The mean score is far lower than the worst score of 49.

Table 4: Descriptive statistics

Variable	Mean	Std. Dev.	Min	Max
Tourists' arrivals	1059429	2089218	3000	1.41e+07
Control of corruption	35.651	21.908	0	85.854
Government effectiveness	31.28	21.38	0.96	82.69
Political stability and absence of violence	34.97	23.59	0	92.82
Regulatory quality	31.74	18.54	0.49	80.77
Rule of law	33.51	20.71	0.47	83.25
Voice and accountability	33.02	20.36	0.47	78.85
Freedoms (civil liberties and political rights)	19.33	12.87	1	49
Good governance index	36.66	18.12	1.60	77.22

Source: Author's calculations based on WDI data

Governance and international tourists arrivals in the sub-regions of Africa

Table 5 shows the average scores for international tourists' arrivals and the various good governance indicators in the sub-region of Africa over the period, 1996-2014. North Africa has the highest mean score for international tourists' arrivals. Southern

Africa, East Africa, West Africa and Central Africa follow in that order. In terms of good governance, Southern Africa has the best scores which are far better than the African averages. Central Africa has had the worst scores, which are way below the African averages. This is not surprising given that the sub-region hosts countries such as Central African Republic, Congo DR, Congo and Angola which have experienced long periods of political instability and conflicts resulting in the weakening or breakdown of governance institutions in that sub-region.

Table 5: Governance and international tourists' arrivals: Sub-regional average scores over the period, 1996-2014

Variable	Africa	North Africa	Central Africa	Southern Africa	West Africa	East Africa
Tourists' arrivals	1059429	4319588	91592.2	2132727	279394	526024.2
Control of corruption	35.65	37.46	15.12	63.20	33.86	34.04
Government effectiveness	31.28	39.31	10.84	54.96	28.75	29.43
Political stability and absence of violence	34.97	23.50	22.35	54.38	38.11	33.96
Regulatory quality	31.73	33.49	12.63	51.91	33.42	29.28
Rule of law	33.51	36.98	11.80	52.88	33.69	32.95
Voice and accountability	33.02	19.92	21.92	49.77	37.61	31.76
Freedoms (civil liberties and political rights)	19.33	32.13	24.03	10.74	14.91	19.94
Good governance index	36.66	34.87	18.99	56.46	37.12	36.16
No. of countries	41	5	5	5	12	14

Source: Author's calculations based on WDI data

Governance and international tourists arrivals in Africa

Presentation of results

We first estimated both the basic and extended models and compared the adjusted R-squared and analyzed the diagnostics to determine whether or not governance matters as far as international tourists' arrivals in Africa is concerned. Table 6 presents the estimated basic and extended models with a battery of diagnostic tests. The test for addition of a governance variable indicates that governance is significant. Incorporating the governance variable into the basic model improves all three information criteria reported. Also, the adjusted R-squared of the extended model indicates an improvement over that of the basic model. The amount of variations in the dependent variable explained by the independent variables is higher with the augmented model. This gives an indication that the extended model with governance index is better and that governance matters as far as international tourists' arrivals and Africa's share in global arrivals are concerned.

Table 6: Basic model vs extended model

Variable	International Tourists' Arrivals		Africa's Share of Global Arrivals	
	Basic Model	Augmented Model	Basic Model	Augmented Model
LGDPpc	0.632***	0.476***	0.617***	0.456***
LYrow	0.915***	0.990***	0.314***	0.392***
GOV		0.362***		0.375***
Cons	-20.51***	-21.85***	-22.02***	-23.40***
F-test	460.00(0.000)	339.54(0.000)	128.14 (0.000)	106.72 (0.000)
Akaike Criterion	732.176	688.493	733.985	687.064
Schwarz Criterion	932.471	893.446	934.280	892.016
Hannan-Quinn	809.217	767.325	811.026	765.896
Panel Effect Test	290.32(0.000)	295.32(0.000)	289.54 (0.000)	295.74 (0.000)
N	779	779	779	779
R ²	0.556	0.581	0.258	0.303
R ² _a	0.530	0.556	0.216	0.263
Test for Addition of a Variable				
Null hypothesis: parameter is zero for variable, GOV	Test statistic: F(1, 735) = 44.392(0.000)		Test statistic: F(1, 735) = 47.639(0.000)	

legend: * p<0.05; ** p<0.01; *** p<0.001

GDPPc = level of development of the destination country; Yrow = incomes of the originating countries; GOV = governance index = weighted average of CC, GE, PV, RQ, RL and VA.

Having established that governance matters, we proceed with an estimation method that allows only for a contemporaneous effect of governance on international tourists' arrivals and Africa's share of global arrivals, but no lagged effect. The governance indicators were found to be highly correlated (refer to the correlation matrix in Annex B) and so they were not used simultaneously in the estimation. They were rather used separately in the estimation. Table 7 and 8 show the results for the fixed effects models, with Africa's international tourists' arrivals and Africa's share of global arrivals as dependent variables, respectively. The significant F-tests for the fixed effects models indicate the overall significance of the estimated regression lines. We also conducted appropriate formal tests to examine individual group and/or time effects. The panel effect test rejects the null hypothesis in favour of the fixed group effect ($p < .000$). This means that a fixed effect model is favoured over OLS.

The estimations indicate that all the measures of good governance except regulatory quality are highly significant and have the expected positive relationship with international tourists' arrivals in Africa. All the measures of good governance except the regulatory quality and freedoms (civil liberties and political rights) are significant and have the expected positive relationship with the share of Africa in global arrivals. The level of development of the destination countries and incomes of the originating countries are also significant and have the expected positive signs.

As a next step, we allow for a lagged effect of governance on international tourists' arrivals and on the share of Africa in global arrivals. It might be preferable to estimate the impact of governance in a dynamic framework, given that it is likely to affect tourism not only in the year the event of governance occurs but also in the following years. Table 9 and 10 present the results of the dynamic model. The Wald chi² test for the dynamic models indicate the overall significance of the estimated regression lines.

In the dynamic model, the lagged dependent variable is highly significant and has the expected positive sign. The governance measures such as government effectiveness, political stability and absence of violence/terrorism, voice and accountability and freedoms (civil liberties and political rights) are significant whereas control of corruption, rule of law and regulatory quality are not significant. The single index of governance is highly significant in both the fixed effects and the dynamic models. The level of development in the destination countries is, however, not significant in the dynamic model.

Discussion of results

The results so far have shown that various measures of good governance have a positive impact on tourist arrivals and Africa's share of global arrivals. How strong is the effect of each measure of governance on international tourism in Africa? The results in the tables present the effect of a one standard deviation increase in measures of good governance on international tourist arrivals and Africa's share in global arrivals. If variables are held in different units and have different distributions, the estimated coefficients cannot be compared directly with each other, and therefore the need to standardize to compare the effects of each of the measures of governance on tourists' arrivals and Africa's share of global tourism. A one standard deviation increase in any of the measures of governance increases tourist arrivals and Africa's share of global arrivals. Rule of law has the strongest effect in the fixed effects model. This is followed by government effectiveness, political stability and absence of violence/terrorism, voice and accountability and control of corruption in that order.

In the dynamic model, government effectiveness exerts the greatest impact on international tourists' arrivals in Africa and also Africa's share in global arrivals. In all cases, single governance index exerts a significant positive impact on international tourists' arrivals and Africa's share in global arrivals. These results indicate that the existence of good institutions has a positive impact on the number of international tourists' arrivals in Africa and increases Africa's share in global arrivals. Improvement in governance enhances the image and attractiveness of the country to international tourists and vice versa. The systematic improvement in the scores of many African countries on these measures sends good signals to potential tourists about the serene political atmosphere and freedoms that exist in the continent, whereas deterioration sends bad signals to potential tourists.

The results also indicate that consistent with tourism demand studies such as Narayan (2004); Proenca and Soukiazis (2005); Kareem (2008); Salleh et al. (2008);

and Habibi and Rahim (2009), incomes of the originating countries exert a positive effect on tourists' arrivals and Africa's share of global arrivals. There are some other studies such as Witt and Witt (1995) which have not only found a positive income effect but also confirmed that tourism is a luxury, with the coefficient of elasticity being greater than one. According to Witt and Witt (1995), tourism is a luxury good with an expected income elasticity of demand higher than one and this is what normally occurred in most studies. On the other hand, Crouch (1994), in an attempt to review the empirical findings on this subject, concludes that income elasticities of the demand for tourism are specific to each country, and no generalization can be made about its value. The result is, however, contrary to that of Kareem (2008) and Naude and Saayman (2005). Naude and Saayman (2005) revealed, in their study of Africa, that income is insignificant.

The level of development in Africa attracts more international tourists into Africa and increases Africa's share in global arrivals. The result is not surprising given that a significant number of the international tourists come for business purposes. The size of African economies has also been used to capture the level of development, and this has been revealed by Naude and Saayman (2005) to have significant effect on international tourists' arrivals.

Furthermore, the word-of-mouth effects have been positive since the coefficient of the lagged dependent variable is positive. This signifies an informal advertisement for Africa which is positive. This means that the experiences tourists get and the kind of treatment tourists receive in Africa significantly affect inflow of tourists in a positive way. It encourages more tourists into the continent. The result is consistent with that of Bentum-Ennin (2014b) which confirmed the existence of the word-of-mouth effects for Ghana, and other studies such as Salman (2003), Dritsakis (2004), Narayan (2004), Toh, Habibullah and Goh (2006), Muñoz (2006), Salleh et al. (2008) and Kareem (2008). According to Sinclair and Stabler (1997), tourists in general are averse to risk, preferring to spend holidays in places that are already familiar to them or they have heard something positive about the places they plan to visit. Therefore, knowledge about the destination will be spread out as people talk about their holidays, and thereby reducing the uncertainty for potential visitors. Thus, it will encourage more tourists to come to that destination.

Table 7: Effects of governance on international tourists' arrivals in Africa: Fixed effects model

Dependent variable: LTA (Africa's International tourists' arrivals)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
LGDPpc	.608 [#] (.077)	.567 [#] (.077)	.547 [#] (.076)	.611 [#] (.078)	.537 [#] (.075)	.612 [#] (.077)	.628 [#] (.076)	.476 [#] (.077)
LYrow	.933 [#] (.049)	.956 [#] (.050)	.955 [#] (.049)	.921 [#] (.049)	.952 [#] (.048)	.914 [#] (.049)	.906 [#] (.049)	.990 [#] (.049)
CC	.082 ^{**} (.038)							
GE		.191 [#] (.049)						
PV			.188 [#] (.035)					
RQ				.053 (.046)				
RL					.318 [#] (.047)			
VA						.090 ^{**} (.045)		
F							-.057 [*] (.034)	
GOV								.362 [#] (.054)
Const.	-20.94 [#] (1.32)	-21.37 [#] (1.31)	-21.21 [#] (1.29)	-20.57 [#] (1.31)	-21.06 [#] (1.27)	-20.35 [#] (1.31)	-20.21 [#] (1.32)	-21.85 [#] (1.29)
N	779	779	779	779	779	779	779	779
R ²	.558	.565	.572	.556	.582	.558	.557	.581
F-test	309.79 (0.000)	317.52 (0.000)	327.99 (0.000)	307.25 (0.000)	341.17 (0.000)	309.34 (0.000)	308.31 (0.000)	339.54 (0.000)
Effect Test	284.28 (0.000)	226.51 (0.000)	293.89 (0.000)	234.95 (0.000)	277.98 (0.000)	291.63 (0.000)	289.70 (0.000)	295.32 (0.000)

* significant at 1%; ** significant at 5%; # significant at 10%

GDPPc = level of development of the destination country; Yrow = incomes of the originating countries; CC = control of corruption; GE = government effectiveness; PV = political stability and absence of violence/terrorism; RQ = regulatory quality; RL = rule of law; VA = voice and accountability; F = freedom (civil liberties and political rights); GOV = governance index = weighted average of CC, GE, PV, RQ, RL and VA.

Table 8: Effects of governance on Africa's share of global arrivals: Fixed effects model

Dependent variable: LTA (share of global arrivals)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
LGDPpc	.591 [#] (.077)	.550 [#] (.077)	.528 [#] (.076)	.595 [#] (.078)	.522 [#] (.075)	.598 [#] (.077)	.613 [#] (.076)	.456 [#] (.077)
LYrow	.334 [#] (.050)	.356 [#] (.050)	.355 [#] (.048)	.320 [#] (.049)	.314 [#] (.047)	.313 [#] (.049)	.306 [#] (.049)	.392 [#] (.049)
CC	.089 ^{**} (.038)							
GE		.196 [#] (.049)						
PV			.196 [#] (.035)					
RQ				.054 (.046)				
RL					.314 [#] (.047)			
VA						.081 [*] (.045)		
F							-.049 (.034)	
GOV								.375 [#] (.054)
Const.	-22.48 [#] (1.32)	-22.89 [#] (1.31)	-22.74 [#] (1.29)	-22.07 [#] (1.31)	-22.56 [#] (1.27)	-21.87 [#] (1.31)	-21.76 [#] (1.32)	-23.40 [#] (1.28)
N	779	779	779	779	779	779	779	779
R	.264	.274	.289	.260	.301	.262	.260	.303
F-test	87.80 (0.000)	92.42 (0.000)	99.50 (0.000)	85.93 (0.000)	105.69 (0.000)	86.78 (0.000)	86.23 (0.000)	106.72 (0.000)
Effect Test	283.77 (0.000)	226.00 (0.000)	294.27 (0.000)	234.30 (0.000)	276.79 (0.000)	290.50 (0.000)	288.60 (0.000)	295.74 (0.000)

significant at 1%; ** significant at 5%; * significant at 10%

GDPpc = level of development of the destination country; Yrow = incomes of the originating countries; CC = control of corruption; GE = government effectiveness; PV = political stability and absence of violence/terrorism; RQ = regulatory quality; RL = rule of law; VA = voice and accountability; F = freedom (civil liberties and political rights); GOV = governance index = weighted average of CC, GE, PV, RQ, RL and VA.

Table 9: Effects of governance on international tourists' arrivals in Africa: Dynamic model

Dependent variable: LTA (Africa's International tourists' arrivals)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
LTA_1	.639 [#] (.046)	.637 [#] (.045)	.637 [#] (.045)	.646 [#] (.045)	.647 [#] (.046)	.636 [#] (.045)	.646 [#] (.045)	.636 [#] (.045)
LGDPpc	-.054 (.075)	-.066 (.075)	-.055 (.078)	-.048 (.076)	-.051 (.075)	-.049 (.075)	-.050 (.075)	-.059 (.075)
LYrow	.427 [#] (.065)	.447 [#] (.064)	.440 [#] (.062)	.416 [#] (.063)	.415 [#] (.064)	.420 [#] (.063)	.402 [#] (.063)	.436 [#] (.064)
CC	.016 (.039)							
GE		.135 [#] (.050)						
PV			.080 ^{**} (.036)					
RQ				-.020 (.047)				
RL					-.028 (.050)			
VA						.085 [*] (.043)		
F							-.086 [#] (.033)	
GOV								.103 [*] (.057)
Const.	-8.53 [#] (1.35)	-9.04 [#] (1.32)	-8.75 [#] (1.28)	-8.30 [#] (1.30)	-8.26 [#] (1.31)	-8.29 [#] (1.29)	-7.85 [#] (1.30)	-8.72 [#] (1.53)
N	697	697	697	697	697	697	697	697
Wald chi2	2715.9 (0.000)	2728.5 (0.000)	2758.5 (0.000)	2703.5 (0.000)	2701.1 (0.000)	2746.7 (0.000)	2745.81 (0.000)	2741.6 (0.000)

[#] significant at 1%; ^{**} significant at 5%; ^{*} significant at 10%

GDPPc = level of development of the destination country; Yrow = incomes of the originating countries; CC = control of corruption; GE = government effectiveness; PV = political stability and absence of violence/terrorism; RQ = regulatory quality; RL = rule of law; VA = voice and accountability; F = freedom (civil liberties and political rights); GOV = governance index = weighted average of CC, GE, PV, RQ, RL and VA.

Table 10: Effects of governance on Africa's share of global arrivals: Dynamic model
 Dependent variable: LTA (Africa's share of global arrivals)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
LTA_1	.614 [#] (.047)	.615 [#] (.046)	.615 [#] (.045)	.625 [#] (.046)	.626 [#] (.046)	.618 [#] (.046)	.627 [#] (.046)	.615 [#] (.046)
LGDPpc	-.050 (.075)	-.067 (.076)	-.080 (.076)	-.047 (.076)	-.046 (.076)	-.043 (.075)	-.045 (.075)	-.057 (.076)
LYrow	.265 [#] (.049)	.278 [#] (.049)	.277 [#] (.048)	.254 [#] (.048)	.254 [#] (.048)	.248 [#] (.048)	.240 [#] (.048)	.267 [#] (.048)
CC	.035 (.038)							
GE		.149 [#] (.050)						
PV			.090 ^{**} (.036)					
RQ				-.002 (.047)				
RL					-.026 (.050)			
VA						.088 ^{**} (.044)		
F							-.087 [#] (.033)	
GOV								.120 [*] (.057)
Const.	-11.09 [#] (1.56)	-11.38 [#] (1.54)	-11.26 [#] (1.51)	-10.69 [#] (1.52)	-10.67 [#] (1.53)	-10.59 [#] (1.52)	-10.23 [#] (1.52)	-11.11 (1.53)
N	697	697	697	697	697	697	697	697
Wald chi2	939.52 (0.000)	948.01 (0.000)	954.96 (0.000)	933.25 (0.000)	933.13 (0.000)	948.02 (0.000)	952.09 (0.000)	949.94 (0.000)

[#] significant at 1%; ^{**} significant at 5%; ^{*} significant at 10%

GDPpc = level of development of the destination country; Yrow = incomes of the originating countries; CC = control of corruption; GE = government effectiveness; PV = political stability and absence of violence/terrorism; RQ = regulatory quality; RL = rule of law; VA = voice and accountability; F = freedom (civil liberties and political rights); GOV = governance index = weighted average of CC, GE, PV, RQ, RL and VA.

Long-run analysis of the effects of governance on international tourism in Africa

The short-run effect of governance on tourism is simply given by α_4 in Equation 6, whereas the long-run effect can be computed as $\alpha_4/(1 - \alpha_1)$. Tables 11 and 12 present the long-run estimates vis a vis the short-run estimates. The governance variables which are significant in the dynamic model are reported. In a dynamic context, we see that the short-term effect is often considerably smaller than the long-term effect, suggesting that lagged effects are important. A one standard deviation improvement in the scores on government effectiveness, political stability and absence of violence/

terrorism, voice and accountability, freedoms (civil liberties and political rights) in both the short-run and long-run will increase international tourists' arrivals and Africa's share of global arrivals. In both the short-run and the long-run, government effectiveness has the strongest effect. This means that international tourists are very much concerned with the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Bureaucracy and red-tapeism breed inefficiency and corruption in public and civil service, and these are likely to deter all categories of tourists especially business tourists. The result is not surprising given that in Africa, a significant number of tourists come for business purposes.

Table 11: Short and long-run estimates (Africa's international tourists' arrivals)

	GE	PV	VA	CP	GOV
SRE	0.135	0.080	0.085	-0.086	0.103
LRE	0.372	0.220	0.234	-0.243	0.283

LRE = Long run effect; SRE = Short run effect

Table 12: Short and Long run estimates (Africa's share of global arrivals)

	GE	PV	VA	CP	GOV
SRE	0.149	0.090	0.088	-0.087	0.120
LRE	0.387	0.234	0.230	-0.233	0.312

LRE = Long-run effect; SRE = Short-run effect

Effects of good governance on international tourism in Africa: A simulation analysis

Simulation exercises were carried out to find the effects on international tourists' arrivals and also on Africa's share of global arrivals of an upgrade in governance scores to the average scores of countries whose scores are below average. Tables 13 and 14 report the dynamic model, whereas Table 15 and 16 report the simulation results in both the short-run and the long-run. If all countries in Africa are able to at least attain the average score of 36.66 percentile on the governance index, it will have a positive impact on international tourists' arrivals in both the short and the long-run. In the short-run, international tourists' arrivals and Africa's share in global arrivals will increase by about 125.2% and about 96.7%, respectively. In the long-run, the effects will be approximately 125.1% and 95.8%, respectively.

If African countries whose scores on government effectiveness fall below the average score of 31.28 percentile make some efforts to at least attain the average score, it will result in 10.6% increase in international tourists' arrivals in the short-run and 14% in the long-run. The share of Africa in global arrivals will also increase by 2% in the short-run and 3.6% in the long-run. If the countries are able to attain at least

the average score of 34.97 percentile on political stability and absence of violence/terrorism, it will result in 27.5% increase in international tourists' arrivals in the short-run and 30.5% in the long-run. The share of Africa in global arrivals will also increase by 28.9% in the short-run and 30.3% in the long-run. Lastly, if the countries are able to attain at least the average score of 33.02 percentile on voice and accountability, international tourists' arrivals will increase by about 88.2% in the short-run and about 91.3% in the long-run. Africa's share of global arrivals will increase by 60.2% in the short-run and by 62.2% in the long-run. These results show that if African countries make some conscious efforts at improving governance, it will be very beneficial to the continent as far as international tourism is concerned.

Table 13: Effects of an improvement in governance on international tourists' arrivals: Dynamic model

Dependent variable: LTA (Africa's international tourists' arrivals)

	(1)	(2)	(3)	(4)
LTA_1	.644# (.045)	.644# (.045)	.642# (.045)	.636# (.045)
LGDPpc	-.055 (.075)	-.067 (.075)	-.054 (.075)	-.079 (.076)
LYrow	.438# (.064)	.429# (.062)	.419# (.063)	.458# (.065)
GE	.151# (.085)			
PV		.102** (.053)		
VA			.160* (.083)	
GOV				.232# (.101)
Const.	-9.00# (1.35)	-8.60# (1.29)	-8.37# (1.29)	-9.41# (1.37)
N	697	697	697	697
Wald chi2	2713.41 (0.000)	2724.86 (0.000)	2730.83 (0.000)	2744.24 (0.000)

significant at 1%; ** significant at 5%; * significant at 10%

GDPPc = level of development of the destination country; Yrow = incomes of the originating countries; GE = government effectiveness; PV = political stability and absence of violence/terrorism; VA = voice and accountability; GOV = governance index = weighted average of CC, GE, PV, RQ, RL and VA.

Table 14: Effects of an improvement in governance on Africa's share of global arrivals: Dynamic model

Dependent variable: LTA (Africa's share of global arrivals)

	(1)	(2)	(3)	(4)
LTA_1	.621 [#] (.046)	.620 [#] (.046)	.622 [#] (.046)	.614 [#] (.046)
LGDPpc	-.053 (.076)	-.067 (.075)	-.049 (.076)	-.076 (.076)
LYrow	.272 [#] (.049)	.275 [#] (.048)	.255 [#] (.048)	.293 [#] (.050)
GE	.152 [*] (.085)			
PV		.116 ^{**} (.053)		
VA			.141 [*] (.084)	
GOV				.236 [#] (.100)
Const.	-11.31 [#] s(1.56)	-11.29 [#] (1.52)	-10.80 [#] (1.52)	-11.90 [#] (1.59)
N	697	697	697	697
Wald chi2	939.45 (0.000)	945.03 (0.000)	941.41 (0.000)	951.18 (0.000)

significant at 1%; ** significant at 5%; * significant at 10%

GDPpc = level of development of the destination country; Yrow = incomes of the originating countries; GE = government effectiveness; PV = political stability and absence of violence/terrorism; VA = voice and accountability; GOV = governance index = weighted average of CC, GE, PV, RQ, RL and VA.

Table 15: Effects of an improvement in governance on international tourists' arrivals in Africa: Simulation results

	Average Scores	Number of Scores below average		Short run		Long run	
				Coefficient	%age Change	Coefficient	%age Change
GOV	36.66	382	Baseline	0.103	125.2%	0.283	125.1%
			≥ Average score	0.232		0.637	
GE	31.28	414	Baseline	0.135	10.6%	0.372	14.0%
			≥ Average score	0.151		0.424	
PV	34.97	402	Baseline	0.080	27.5%	0.220	30.5%
			≥ Average score	0.102		0.287	
VA	33.02	419	Baseline	0.085	88.2%	0.234	91.3%
			≥ Average score	0.160		0.447	

Source: Author's estimates

Table 16: Effects of an improvement in governance on Africa's share of global arrivals: Simulation results

				Short run		Long run	
	Average Scores	Number of Scores below average		Coefficient	%age Change	Coefficient	%age Change
GOV	36.66	382	Baseline	0.120	96.7%	0.312	95.8%
			≥ Average score	0.236		0.611	
GE	31.28	414	Baseline	0.149	2.0%	0.387	3.6%
			≥ Average score	0.152		0.401	
PV	34.97	402	Baseline	0.090	28.9%	0.234	30.3%
			≥ Average score	0.116		0.305	
VA	33.02	419	Baseline	0.088	60.2%	0.230	62.2%
			≥ Average score	0.141		0.373	

Source: Author's estimates

7. Conclusions and policy implications

It has been noted that political stability, good governance, and an enabling business environment provide the foundation for tourism growth. Promotion of good governance in Africa, it is believed, has the potential to enhance the image and attractiveness of the continent to international tourists, and thereby increasing international tourists' arrivals and Africa's share in global arrivals. However, the issue of good governance and its effect on the demand for tourism in Africa has not been very much explored. This study, therefore, investigates the effect of governance institutions on international tourists' arrivals in Africa. Annual data ranging from 1996 to 2014 on a panel of 41 destination countries in Africa has been used for the analysis. Two estimation techniques, a fixed-effects panel estimator with contemporaneous effects only and a dynamic generalized method of moments estimator, are utilized to test the effect of various measures of good governance on international tourists' arrivals and Africa's share in global arrivals.

The results indicate that consistent with earlier studies, increases in incomes of the originating countries (rest of the world) boost international tourism in Africa. The level of development in the destination countries has a contemporaneous effect on international tourists' arrivals in Africa. However, the effect is not significant in the dynamic model. Furthermore, the word-of-mouth effects have been positive since the coefficient of the lagged dependent variable is positive. This signifies an informal advertisement for Africa which is positive. This means that the experiences tourists get and the kind of treatment tourists receive in Africa significantly affect inflow of tourists in a positive way. It encourages more tourists into the continent.

Also, the results of the study show strong evidence that good governance matters as far as international tourists' arrivals and Africa's share of global arrivals are concerned. Governance institutions in Africa have effects on international tourists' arrivals and Africa's share of global arrivals. The existence of good institutions has a positive impact on both the number of international tourists' arrivals and the share of Africa in global arrivals. This implies that bad institutions are deterrent to international tourists' arrivals in Africa. Authorities in Africa should, therefore, continue to make more conscious efforts to strengthen governance institutions to function efficiently if Africa were to remain very attractive and competitive as far as international tourism is concerned.

Contemporaneously, rule of law has the strongest effect. This is followed by government effectiveness, political stability and absence of violence/terrorism, control

of corruption and voice and accountability in that order. Government effectiveness, however, exerts the greatest impact on international tourists' arrivals and Africa's share of global tourism in both the short-run and long-run. This means that international tourists are very much concerned with the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Bureaucracy and red-tapeism breed inefficiency and corruption in public and civil service and these are likely to deter all categories of tourists, especially business tourists. The result is not surprising given that in Africa, a significant number of tourists come for business purposes.

The simulation results indicate that if all countries in Africa are able to at least attain the average score of 36.66 percentile on the governance index, it will have a very significant positive impact on international tourists' arrivals and Africa's share of global tourism in both the short and the long-run. The African Union and various sub-regional blocs in Africa should step up their effort at ensuring that member countries pass relevant legislations to promote good governance and also adhere to good governance practices. Policy actions need to be geared towards improving government effectiveness, promoting political stability and accountability, and deepening civil liberties and political rights. All these will go a long way to maintain and enhance relative competitiveness enjoyed by individual destinations in Africa and also help maximize gains from international tourism.

Notes

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Annex

Annex A: Key to scores, PR and CL ratings, status

Table A1		Table A2	
Political Rights (PR)		Civil Liberties (CL)	
Total scores	PR Rating	Total scores	CL Rating
36-40	1	53-60	1
30-35	2	44-52	2
24-29	3	35-43	3
18-23	4	26-34	4
12-17	5	17-25	5
6-11	6	8-16	6
0-5 *	7	0-7	7

Table A3

Combined average of the PR and CL ratings	Country status
1.0 to 2.5	Free
3.0 to 5.0	Partly Free
5.5 to 7.0	Not Free

Source: Freedom House

Annex B: Correlation matrix

	lta	lgdppc	lyrow	cc	ge	pv	rq
lta	1.0000						
lgdppc	0.4646	1.0000					
lyrow	0.2264	0.1183	1.0000				
cc	0.3552	0.5650	-0.0403	1.0000			
ge	0.5902	0.6408	-0.0298	0.8092	1.0000		
pv	0.1100	0.5194	-0.0139	0.6915	0.6382	1.0000	
rq	0.5431	0.5036	0.0104	0.7129	0.8519	0.5860	1.0000
rl	0.4673	0.5476	-0.0019	0.8466	0.8964	0.7651	0.8267
va	0.2064	0.4391	0.0327	0.6668	0.7244	0.7342	0.7098
f	-0.0854	-0.3223	-0.0654	-0.5791	-0.5993	-0.6722	-0.6186
gov	0.4015	0.5967	-0.0159	0.8952	0.8996	0.8422	0.8454
	rl	va	f	gov			
rl	1.0000						
va	0.7616	1.0000					
f	-0.6566	-0.9431	1.0000				
gov	0.9454	0.8392	-0.7423	1.0000			

Annex C: Countries included in the analysis

North Africa	Southern Africa	Central Africa	West Africa	East Africa
Algeria	Botswana	Angola	Benin	Burundi
Egypt	Lesotho	Central Africa Republic	Burkina Faso	Comoros
Morocco	Namibia	Congo DR	Cape Verde	Djibouti
Sudan	South Africa	Congo	Gambia	Eritrea
Tunisia	Swaziland	Sao Tome Prin.	Ghana	Ethiopia
			Guinea	Kenya
			Mali	Madagascar
			Niger	Malawi
			Nigeria	Mauritius
			Senegal	Seychelles
			Sierra Leone	Tanzania
			Togo	Uganda
				Zambia
				Zimbabwe



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