

Final report



International
Growth Centre

How can tourism become a driver of economic growth in Uganda?



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November 2018

When citing this paper, please
use the title and the following
reference number:

S-43437-UGA-1

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How can Tourism become a Driver of Economic Growth in Uganda?

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Prepared for the 2018 Economic Growth Forum and National Budget Conference

November 2018

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Introduction

Tourism is generally considered to be the largest industry in the world. It is the third largest export sector and one of the most promising in terms of future growth potential. As people's income and education rises, demand for travel will steadily increase both domestically and internationally. Indeed, past performance confirms this positive outlook, notably for international tourism which is of particular interest for African countries such as Uganda. International arrivals have risen every year since 2010 and at an average rate of 7% per year. Arrivals in Africa were even stronger, rising by 9% per year since 2010, making it the best performing region in the world.

Tourism also promises relatively robust prices with little fluctuation compared to the commodities on which most African countries depend. In fact, prices are likely to rise over time as the supply of tourism destinations rises more slowly than demand, and in most cases remains fixed. The number of iconic tourist attractions (Eiffel Tower, Venice, Taj Mahal) is virtually fixed, as is for all practical purposes, the number of African game parks.

There are several other factors in favour of tourism. It is relatively labour-intensive, offering a range of low and high-skilled jobs. Furthermore, these jobs are often in less-developed and rural areas of the country, whereas most other modern sector jobs tend to congregate in the major cities. And critically important, many African countries have an absolute advantage in tourism, notably in the areas of safaris and African culture and historical heritage.

Domestic tourism plays an important role in most developed countries and is increasingly important in developing countries. Among other things, it may serve to smooth out the seasonality of the tourism industry. However, as a source of economic growth in Africa, international tourism deserves priority attention. Given the almost limitless size of the world tourism market (over 1.3 billion persons), international tourism offers the potential for growth rates far in excess of what can be achieved by domestic tourism. The average expenditure per tourist is inevitably higher as well. Equally important, spending by foreign tourists – after accounting for imported inputs – represents a net addition to national GDP. Spending by domestic tourists will usually be offset in whole or in part by reduced spending elsewhere in the economy. Our focus in the rest of this paper is therefore on international tourism.

The purpose of this paper is to identify ways in which the government can stimulate tourism as one driver of higher growth in Uganda. In the next section of this paper, we begin by examining why this sector sometimes lacks the support of policymakers in practice. We then summarize the current status of tourism in Uganda. Next, the paper turns to a discussion of options for government involvement. Given the competing demands for the scarce resources in the national budget, it is critical that a sense of priorities be provided. We argue that the highest priority is management of the wildlife resource, including its relationship with neighbouring communities. We then go on to highlight three other priorities: tourism roads, human resources and marketing. This is followed by a brief overview of other issues which will need attention over the medium

term. We conclude with some ideas on how to improve implementation of the government's strategy.

A sector sometimes neglected

While the case for tourism may seem obvious, it is necessary to recognize why it may not always earn the attention it deserves. In some extreme cases, such as Senegal under President Abdoulaye Wade or Tanzania under President Julius Nyerere, there can be outright rejection at the highest level.

First of all, there tends to be a bias among policymakers in favour of industry and, in particular, manufacturing.¹ This is partly due to the example of East Asia where manufactured exports drove their structural transformation with impressive results. However, the path followed by Africa is likely to be different for a variety of reasons. The most important one is a rather straightforward matter of comparative advantage. Africa is better endowed with natural resources – both mineral and land – than Asia, so its development will inevitably draw more heavily on these assets. These resources also push up wages and the exchange rate, making it difficult to compete with the remaining low-income Asian countries in labour-intensive manufactures.² The many land-locked countries of Africa are particularly disadvantaged when it comes to promoting manufactured exports given the high cost of importing inputs and exporting the finished product. Manufacturing is also becoming increasingly mechanized. Service exports, such as tourism or back-office support, are less prone to mechanization and less dependent on access to the ocean. Thus it has been convincingly argued that African industrialization will be characterized by a more diversified formula than in Asia, with a significant role played by agro-processing and services.³

There are also practical reasons which tourism has sometimes been overlooked. For one, it is difficult to measure. As a service, the product is not tangible, and it is provided by a wide range of actors spread across the country and cutting across sectors. Service providers are generally serving a variety of customers – international tourists, domestic tourists, but also ordinary residents (e.g. restaurants, taxis). Therefore, statistics bureaus will report every small agricultural or manufacturing export that passes through the port or border crossing, but fail to acknowledge tourism receipts. Regular annual spending surveys of tourists leaving the country are needed, but they are expensive and not always reliable. But things not measured are not usually appreciated, and it becomes very difficult to inform and evaluate policy.

The dispersed nature of the industry also makes it difficult for policymakers to understand and dialogue with the sector players. Local actors range from guides and handicraft artisans to hotel owners, while some key players are based overseas, such as tour operators and airlines. Each

¹ This has also been true of influential leaders in the donor community such as the World Bank which closed its tourism unit in 1978 and did not rediscover the importance of tourism until the early 2000s.

² Mineral revenues enable governments to raise government salaries which in turn put pressure on private sector wage rates. They also result in a stronger exchange rate. Abundant land enables more people to remain in agriculture and obliges firms to pay a higher wage in order to attract them off the farm.

³ Newfarmer, Page and Tarp, ed. *Industries without Smokestacks*, Oxford University Press, 2018.

group will have its own concerns and sometimes competing interests. Some operate in the informal sector. Rarely is there one voice to speak for the industry as a whole.

Then there are arguments which are partly ideological in nature, though not without some legitimate foundations. The apparent dependence on foreign investors, tour operators, airlines, skilled labor and imported inputs can lead some observers to believe that little remains in the country except a few low-paid jobs. Certainly, it is important to maximize the domestic content of the industry. But most modern sector activities in low-income African countries are going to have a significant import content for a while, and all exports rely heavily on foreign transport companies. Country studies typically find that at least two-thirds of all tourists' spending on goods and services received in a country stays in the country, and as its economy diversifies, that percentage steadily grows.⁴ Domestic suppliers learn to meet the quality standards of large hotels; skilled labour learns the tricks of the trade and gradually replaces expensive foreign managers. Only the smallest island states will inevitably have a higher dependence on imports.

The optics can also be off-putting. The sight of apparently rich foreigners served by poor local workers can smack of neo-colonialism, especially when it is overlaid on racial differences. This has led to some backlash in the Caribbean, at least among intellectuals. However, if one asks the workers themselves, they are more likely to be appreciative of the opportunity. The working conditions are often better than those in the field or factory. There is nonetheless a role for educating tourists to encourage a mutually rewarding experience.

Tourism can also lead to a clash of cultures, and the promotion of negative behavior. The dress code of tourists may run counter to local traditions. Music and dance may be devalued in an effort to earn tourist dollars. Visits by busloads to tourists to remove villages may encourage begging. Fun-seeking beach tourists have been accused of encouraging alcoholism and prostitution. Here too there is a role for educating tourists. But it also suggests that some destinations may have a limited absorptive capacity in the short run which requires slower growth in tourism arrivals while tensions are managed and communities adapt. Ideally, tourism may serve as an instrument to preserve and promote traditional culture.

There are also issues related to the displacement of people, rising land values (though this is also an opportunity) and land grabbing, drug abuse, and the negative impact of wildlife on neighbouring communities near national parks. But these can be overcome through proper planning and management.

Tourism in Uganda today

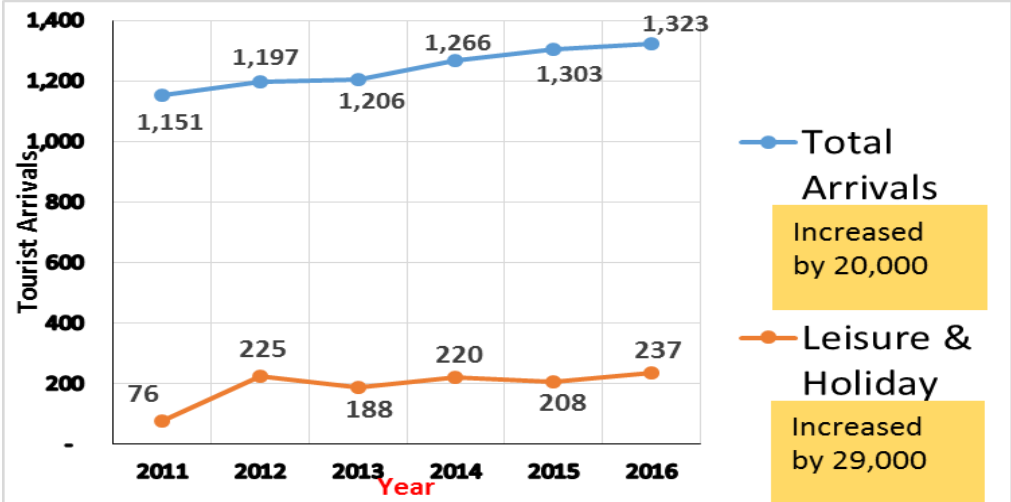
Uganda has many tourism assets which are already attracting significant numbers of tourists and investors. The most notable is the presence of mountain gorillas in the southwest corner of the country, which only Rwanda and Democratic Republic of Congo have as well. This represents an important competitive advantage over Kenya, Tanzania and southern Africa. In addition, Uganda

⁴ Philip English, North-South Tourism: The Great Escape?, North South Institute, Ottawa, 1986.

can offer a variety of national parks which are better than the few in Rwanda or DRC. Thus, Uganda has been able to market tours of one or two weeks which combine gorillas and other game. Sometimes tourists stay even longer, especially if they are attracted by Uganda’s impressive variety of bird species (estimated at 1073). The source of the Nile at Jinja is another attraction, combined with adventure tourism (whitewater rafting, bungee jumping, etc.). The spectacular Rwenzori Mountains offer multiple-day trekking alternative, though few have availed themselves of this opportunity to date. Beautiful lakes, rich cultural and historical heritage and night life round out the picture.

Official statistics record tourist flows of 1.4 million in 2017 and a steady growth from 1.15 million in 2011 (see Figure 1). However, this is somewhat misleading as it captures much more than the leisure and holiday tourists which one normally associates with the tourism industry. The number of leisure tourists was only 237,000 in 2016, with little change since 2012.⁵ On the other hand, 2017 appears to have been something of a breakthrough, as leisure tourists rose by 18.5% to 281,000.

Figure 1: International tourist arrivals 2011-2016



Source: Wilber Ahebwa, Value Chain Analysis of Uganda’s Tourism Sector, 2017, p. 18.

What explains this marked difference between total tourists and leisure tourists and why is it important? The total number represents all arrivals by non-residents no matter what the purpose of their travel. This includes substantial numbers of business persons (22% of the total in 2016), and persons visiting family or friends (38%). The category of “business” is a broad one which includes those coming for conferences, research and missions of development assistance. The remaining 22% includes students coming to study in Uganda, others coming for medical treatment or for religious reasons, and persons in transit requiring an overnight stay.⁶ Thus leisure and holiday tourists only constituted 18% of the total in 2016, rising to 20% in 2017.

⁵ The much lower number in 2011 represents a temporary dip, as the number of leisure tourists was 140,00 as far back as 2007.

⁶ Uganda Bureau of Statistics, 2017 Statistical Abstract, p. 86.

This distinction is important because it is primarily leisure and holiday tourism which one can try to develop through good policies and investments. Most of the other categories are determined by exogenous factors – business opportunities, presence of family ties – and are likely to increase only slowly. The one exception is conference tourism, commonly referred to as MICE – meetings, incentives, conferences and exhibitions. This too can be promoted as a special form of tourism, as is the intention in Uganda. But to date this has been included in business tourism so no separate data exists.

Focusing on the total number of tourists can be misleading in a several ways. As shown in Figure 1, it gives the impression of a steadily growing sector, when in fact there was virtually no progress in leisure tourism for the five years from 2012 to 2016. Second, comparisons with Kenya and Tanzania suggest that tourism is comparable in Uganda since the total number of tourist arrivals is almost the same. However, leisure tourists constitute about 75% of the total arrivals in these two neighbouring countries, compared to 20% in Uganda. Third, setting national targets according to the total number of tourists may be unwise given that such a large share of the tourist flows are not susceptible to government action. For this reason, the target of 4 million tourists by 2020 would appear unrealistic. It would be better to set a target for leisure tourists.

In fact, the number of leisure tourists is itself a rather crude measure of performance. Better would be the number of leisure tourist-nights, since an increase in the average length of stay could have the same effect as an increase in numbers. However, the total level of spending by leisure tourists would be even better since ultimately it is the amount of money spent in the country which is of most interest. Time series data is not available for either of these measures.

Fortunately, a spending survey has been recently conducted as part of a new exercise to establish a Tourism Satellite Account (TSA).⁷ This found that the average length of stay for leisure tourists was 7.5 days, and the average spending per day was about US\$400. This is good news in that it confirms that tourists are not simply coming to see the gorillas – as often happens in the case of Rwanda. It also suggests that there is ample room to expand the industry by increasing the length of stay of existing tourists. However, it does reveal that the average stay is considerably less than the two weeks often cited in literature on tourism in Uganda. In reality, some tourists are probably coming only for the gorillas, as part of a regional package, while many others are staying for 10 days or more.

This data also permits an estimate of the total value of export earnings from tourism, and overall contribution to GDP. Total spending by international tourists amounts to US\$1.6 billion, while that from leisure tourists is US\$670 million. Even this more modest sum establishes tourism as the largest export in Uganda, well ahead of coffee which averages about US\$400 depending on the year. The total contribution of tourism to GDP is represented by its value-added, taking into account the value added locally through inputs to the tourism industry. The TSA exercise

⁷ UNECA, “Uganda’s Tourism Satellite Accounts: Estimating Tourism’s Direct Economic Value Addition to the National Economy”, 2018.

estimated the total including domestic tourism at 3.7% of GDP in 2016. International tourism's share would be 2.9%, and international leisure tourism's, 1.2%. These too are less than the figures often cited in the literature, but they are nonetheless significant.⁸ After all, the entire manufacturing sector in Uganda only accounts for 10% of GDP. A separate calculation in the TSA exercise estimated total employment in the tourism sector at 178,000.

Going forward, it will be important to continue regular spending surveys in order to measure progress in the sector and evaluate the effectiveness of tourism policy. Unfortunately, it is currently impossible to know what share of total tourist arrivals constitutes leisure tourism as the usual entry declaration form has been dropped. This information can be obtained through the visa application process but only for tourists who require a visa.

In summary, international leisure tourism is still small but already a significant contributor to foreign exchange, employment and GDP. The density of tourists per km² in the game parks is one-tenth that of Kenya or South Africa. While low density is undoubtedly one of the attractions of Uganda's national parks, there is clearly plenty of room to grow. And investors are well aware of this potential. Twelve new lodges are currently under development in the parks, which will almost double the number already operating inside the parks (14). Another 15 proposals are being evaluated.⁹ This does not include the many lodges located just outside the parks. The challenge now is for the public sector to accompany the private sector to ensure success for all concerned.

The Top Priority: Wildlife Management

Uganda's rich and diverse wildlife is undoubtedly its biggest attraction for leisure tourists. There are others, and efforts to encourage a wider range of activities make sense, but it is important to recognize the critical role that wildlife plays in bringing tourists to the country in the first place. In fact, one could be tempted to go farther and say that it is the mountain gorillas that put Uganda on the tourist map. This is what separates Uganda from the classic wildlife destinations such as Kenya, Tanzania and Botswana. It also generates over half of the revenues earned by the government through the national parks system. Uganda is doing a good job of protecting this resource through controlled access. Now the challenge is to keep tourists in the country longer by offering a quality experience with a variety of safari experiences in other parks, supplemented by other offerings such as cultural and adventure tourism products.

Uganda's wildlife resource was decimated during the dark times of Idi Amin and Milton Obote. Careful stewardship has helped rebuild the animal population, and the resource is now in good shape in places like Murchison Falls and Kidepo Valley. However, Uganda is a relatively small country geographically and much of it is densely populated. Thus, pressure from a fast-growing

⁸ The TSA estimates do not include the multiplier effect, but one needs to be careful when arguing for such effects. While spending by those earning wages or profits in tourism will have additional benefits, one needs to keep in mind that most of these people would have been earning some income from alternative activities in the absence of tourism. Thus, the multiplier should only be applied to the additional income earned due to tourism.

⁹ If all these projects come to fruition, the total bed capacity would increase from 590 to 1355.

human population inevitably puts pressure on the wildlife resource, either directly through poaching or killing outside park boundaries, or indirectly through habitat destruction. Invasive species of vegetation are further complicating the situation, notably in Queen Elizabeth National Park, where inedible grasses and shrubs are pushing animals beyond the protection of park boundaries. Managing the tension, and reducing the conflict between animals and humans, therefore becomes a top priority. While strong enforcement has a role to play, so do problem animal control measures (digging trenches, electric fencing, etc.). And it means compensating for the inevitable losses which sometimes occur. Ultimately, local communities around parks must share in the benefits of tourism and therefore support the preservation of wildlife.

The government has adopted a sound policy of allocating 20% of the revenues generated by national park entrance fees. However, this depends on the submission of appropriate project proposals by the communities concerned, and some years the authorities have been unable to disburse all the funds available.¹⁰ Another challenge is to ensure that these funds benefit the broader community and are not captured by local elites, since the funds actually go to the local government. It would also be essential to ensure that the full 20% of entrance fees earmarked for communities is actually disbursed to them.

Equitable treatment across the parks presents other problems. Bwindi Impenetrable National Forest, where much of the gorilla trekking takes place, generates relatively modest entrance fees due to the carefully controlled access, while there is no formal policy to share the much more lucrative gorilla trekking fees. The communities feel this is unfair and the Uganda Wildlife Authority has agreed to allocate US\$10 of each US\$600 fee to them. On the other hand, many parks generate very few resources due to the limited number of visitors. UWA has been drawing some funds from the more popular parks to support these smaller and less frequented ones. It would be wise to establish formal policies for both these practices.

Communities can and do benefit from direct involvement with lodges in or near the parks. The Clouds lodge in Bwindi is an exceptional case, where the local community actually owns the lodge though it is managed by private lease holders. Given the high-end nature of the lodge, the resources transferred to the community are very significant, in addition to the staff, food and furnishings which can be sourced locally. Many other lodges also generate modest benefits for the surrounding communities. However, communities often need support to enable them to meet the needs of such lodges, and private hoteliers are not always in a position to invest in the technical assistance necessary. A 2012 study comparing the experience of Murchison Falls National Park with that of Kenya found very few linkages with local communities at MFNP.¹¹ Government support, possibly channeled through NGOs, may be required.

¹⁰ Between 2007 and 2011, less than 9% was effectively allocated. W.M. Ahebwa and C. Katongore, Draft Uganda Tourism Sector Issues Paper, prepared for the National Planning Authority, Dec. 2014, p. 17.

¹¹ Michelle Christian, "Economic and Social up(down)grading in tourism global production networks: findings from Kenya and Uganda", Capturing the Gains Working Paper 11, Duke University, Sept. 2012.

Then there is the matter of compensation for losses due to wildlife destruction of crops, and attacks on livestock or humans. This would appear to be the very minimum of support that communities should expect, but there has been no policy in place up to 2018. At the time of writing, a bill was before Parliament which included requirements for compensation. There are concerns about the practicality of this proposed policy, in view of the experience in Kenya, but surely a solution needs to be found.¹² One suggestion which merits attention is the creation of community-managed funds jointly supported by the community and the government, supplemented by a community worker responsible for verifying damages and recommending compensation.¹³ Compensation should be supplemented by efforts to reduce the incidence of such conflicts. Electric fencing has been used in some countries to keep animals inside the parks, and UWA is starting to invest in such fences. However, where there are significant elephant populations one will have to expect frequent breakages. Growing chilis is another option. UWA will need to experiment with various approaches, drawing on experience elsewhere.

Government must also be aware of the risk of negative social, cultural and environmental impacts on local communities. For example, according to anecdotal evidence the higher incidence of HIV/AIDS infection in Bigodi, Kamwegye district and in Buhoma, Kanungu District has been attributed to the influx of tourism drivers, guides and tourist security personnel. Village visits by tourists can create cultural clashes and promote begging. However, safari tourism is probably less damaging than beach tourism, with its emphasis on alcohol and sex. And it serves as a force for protecting the environment, at least in terms of game parks. Ideally, it can also support the revival of traditional dance and music.

The current institutional framework has facilitated some important progress in managing wildlife and the interaction with humans. The Uganda Wildlife Authority has enjoyed substantial financial resources thanks to park entry and gorilla trekking fees. But it has also benefited from a degree of autonomy which provided flexibility to react quickly and adopt new procedures. There are numerous examples of how it has responded in a timely fashion to address human-wildlife conflicts and introduced new policies. There is a general consensus that UWA is doing a good job. Some observers fear that merging it with the Ministry could seriously undermine its effectiveness and jeopardize the wildlife resources which underpin the whole sector. While there is undoubtedly duplication of some functions between UWA, UTB, UWEC and the Ministry, it would be important to conduct a study of the options for rationalization before committing to one particular solution.

Another new threat to wildlife is the imminent exploitation of oil reserves along the rift valley in western Uganda. The first developments are planned inside and just south of Murchison Falls National Park. In fact, the ten proposed wells inside the park will be located in one of the best game-viewing areas of the park and indeed the entire country. Environmental impact assessments have been done and UWA is doing its best to minimize the damage. However, this

¹² The compensation bill in Kenya has become so large that the authorities have been unable, or unwilling, to honour their commitments. The potential for abuse is clearly a complicating factor.

¹³ USAID is supporting work along these lines.

raises serious concerns about the potential negative impact on tourism. The sight of large oil-drilling machines and pipeline-laying machines will impinge on the tourist's experience and animal behavior with implications that are hard to predict. Once the wells are dug and the pipelines laid underground, it may be possible to restore the environment to an acceptable state, providing there are no spills. One hopes that a careful cost-benefit analysis has been done to justify the negative impact on tourism and that a rapid response capacity will be put in place in the event of an oil spill.

Priority actions

To summarize, these would appear to be the top priorities for protecting the wildlife resource, including by ensuring community support:

- Further strengthen the prevention of poaching
- Combat invasive weeds in Queen Elizabeth National Park
- Examine the feasibility of electric fences and other means to restrict animal movement
- Review the process of allocating 20% of park fees to surrounding communities to ensure the funds are fully, fairly and effectively allocated
- Clarify the policy of allocating a small share of gorilla trekking fees to local communities, as well as to other parks with low visitor numbers
- Strengthen programs to promote linkages between the tourism sector and local villages
- Avoid merging the UWA with the Ministry of Tourism until analysis has been conducted and consultations held on the potential implications
- Examine all options to minimize the impact of oil drilling and production in MFNP.

Second-order priorities

There is broad agreement on three other areas which deserve immediate attention in order to improve the tourism product and attract more visitors: access, human resources, and marketing.

Access

Uganda's roads have suffered from many years of neglect in the 1970s and 1980s, and even into the 1990s. The Government has done much to address the problem in recent years and this is readily acknowledged by the tourism industry. Work continues on road access to MFNP and the northern sector of Bwindi INP. However, there is still more work to be done. A top priority is clearly the southern sector access road to Bwindi, given the role that gorilla trekking plays as the anchor to the entire tourism sector. Uganda also has to be cognizant of the fact that road access to gorilla trekking in its major competitor, Rwanda, is substantially easier due to the much shorter distance from the international airport. Furthermore, Bwindi roads are sometimes completely blocked as a result of landslides during the rainy seasons, disrupting tourist movement for two to four days.

The next priority would seem to be the bridge across the Nile River in Murchison Falls NP. The current ferry service constitutes a major impediment to smooth access to the park. Most tourists

arrive from the south, and there are more lodges currently located on the south bank. Yet, the main game viewing area is on the north side of the river. Tourists arriving from Kampala and heading to a lodge on the north side may have to wait up to 2 hours before they can cross the river. Tourists staying on the south side have to line up for the first ferry of the day at 7:00 a.m. and may not get on the first crossing if there are more than 6 cars waiting. This makes for a late start for game drives. However, the worst scenario is when the ferry breaks down, as there is no back-up. There are two options to address this situation. The first is to purchase and operate a second ferry and then ensure more frequent crossings. The second is to build a bridge. Apparently, the latter option is planned and, if so, it should be expedited.

There is often mention of the need for better air strips and airline service. This is probably true for Kidepo Valley NP which is a long way from Kampala and not on the main tourism circuit. It may also be valid for Bwindi INP. However, the latter case needs to be carefully considered. Air access encourages tourists to plan shorter visits which focus exclusively on gorillas, rather than a 7 to 10 day circuit including Murchison Falls NP and Queen Elizabeth NP. This could encourage tourists going to Kenya or Tanzania to add on a quick visit to Uganda uniquely for gorilla trekking. If gorilla trekking permits are being sold out anyway, or will be in the near future, one may not want to encourage such add-ons, but rather promote longer safaris by road which include several other game parks. On the other hand, a fly-in option may appeal to business travelers who are already in Kampala and only have one night to spare. The pros and cons need to be assessed.

The case for a proposed international airport in Western Uganda is even less clear. It seems unlikely that many international carriers would be attracted to this alternative. It must be remembered that leisure tourists represent a small share of the total number of arrivals, and hence a small proportion of the passengers in any one international flight. Leisure tourists remain only one-quarter of all international visitors arriving by air. When one includes Ugandan air travelers, leisure tourists represent only about 15% of all arrivals. The other travelers – business persons, those visiting family or friends, Ugandans returning from business or vacation – are unlikely to want to arrive in Western Uganda. It would seem that for the foreseeable future, tourism will continue to depend on commercial flights into Entebbe.

Human resource development

The quality of personnel available to work in the tourism sector is generally considered to be low. It is often pointed out that the country depends heavily on managers from outside, including Kenyans. At lower skill levels, there are also problems given the weakness of available training institutions. Hoteliers claim that the training really starts when an employee begins to work for them. The quality of both instructors and equipment at the Hotel and Tourism Training Institute (HTTI) in Jinja is in need of upgrading. The World Bank is financing the construction of a new facility which will help. However, it is unclear how much improvement will occur in the actual training. The private sector is calling for the recruitment of a recognized international tourism training company to manage the HTTI for at least five years. They also point out that such a school

should have an operating hotel attached to it. Most crucially, such a school must benefit from active participation by the local private sector to ensure that the training meets their needs.¹⁴

In the meantime, the authorities should be careful not to block the hiring of foreign personnel which may be critical not only for the functioning of hotels but also for training local staff. This may be a particular issue in the case of foreign chefs who are unlikely to have advanced degrees, but have practical experience that cannot be found in Uganda. Instead, the government should work with the private sector to explore ways to facilitate the process of technology transfer to nationals.

Tour guides are arguably the single most important actor to ensure the success of a safari holiday. Tourists will often hire a driver who accompanies them for ten days or more and also serves as a guide in the parks. His or her knowledge and personality are critical in making the experience enjoyable, given the long time spent with the client. There is a general consensus that their skills need upgrading. It is unfortunate that they have resisted an effort to establish standards which would provide an incentive to seek more training.

Marketing

Uganda has a lot of work to do in order to raise its profile as an alternative safari destination. While Kenya and Tanzania have long been famous for their wildlife, Uganda has been better known for its troubled past. Idi Amin's reign ended over 35 years ago, but the memory lingers. More recently, the terror instilled by the Lord's Resistance Army served to renew the image of a violence-prone country. Having neighbours like South Sudan and DR Congo further aggravate the problem. Yet today the country is arguably more peaceful than neighbouring Kenya.

Private sector players say that they have to spend half of their time selling the country before they can sell their own product. This is a job for the government, and one which it has struggled to do so far. The responsibility has fallen primarily on the Uganda Tourism Board, which admits that mistakes have been made. A focus on attending international trade fairs proved expensive but with few results. They have now begun to hire overseas agents in key source markets to provide a permanent presence and benefit from country-specific knowledge. Two of the three targeted markets produced significant jumps in arrivals in 2017. The plan is to expand into three more emerging markets in 2019. This approach would appear to be promising, provided that the performance of these agents is monitored and adjustments made where necessary. Tourism websites also need urgent attention given the growing power of the internet in reaching potential clients. And when a presence at trade fairs is deemed necessary, the Ugandan private sector must always be represented.

One important challenge in any marketing is branding. Uganda has traditionally been known as the "Pearl of Africa" but more recently it has been suggested to move to "Gifted by Nature". Both are now being used, which is not ideal. A decision needs to be made and adhered to.

¹⁴ A comprehensive hotel census is also required in order to determine the actual human resource needs.

Another issue concerns the handling of negative publicity. The outbreak of Ebola in West Africa had a surprising effect on tourism throughout Africa. Violence in Kenya, for example during elections, can also have a negative spillover effect in Uganda. Uganda is not immune to its own negative press from time to time. A crisis management strategy and institutional mechanism is needed to provide better information to potential tourists on the conditions prevailing in Uganda. This would involve overseas marketing agents and Uganda's Ambassadors and High Commissioners, among others.

One of the criticisms of the UTB has been that it has not given sufficient attention to domestic tourism, in spite of the priority assigned to it by the ministry. This may be a bit unfair. As explained in the introduction to this paper, domestic tourism does not offer the same potential to act as a driver of national economic growth. The potential market is smaller, the average level of spending is lower, and most importantly, most of this spending does not represent a net addition to aggregate demand. Domestic tourism can be important for sustaining the industry during the off-peak season. However, as far as marketing is concerned, foreigners have a far greater need for information on Uganda's attractions than do Ugandan nationals. The private sector should be able to look after the promotion of its offerings to residents. The main role of a government-sponsored body such as UTB is to market the country, which should not be necessary for Ugandans.

The appropriate institutional arrangement has now been called into question. The government has recently announced that both the UWA and the UTB will be merged into the tourism ministry. It is true that UTB has underperformed and that there is need for rationalization across these three main institutions. But, as with the UWA, it would seem advisable to study the costs and benefits of the proposed merger before moving ahead. The UTB reflects the practice in the majority of countries whereby marketing is driven by a separate agency outside the ministry and with a strong presence by the private sector on its governing body.¹⁵ As the UTB has just replaced some of its key managers in late 2018, it may be best to wait awhile to see if things improve, while also conducting a study of the various alternatives.

A second set of priority actions

This brief review of three other priority areas suggests the following actions:

- Improve the road for southern access to Bwindi INP
- Build a bridge across the Nile at Murchison Falls NP
- Improve the airstrip at Kidepo Valley NP

¹⁵ A UNWTO report on Budgets of National Tourism Organizations 2008-2009 found that 70% of countries surveyed had a separate organization outside the ministry responsible for marketing and other functions. In developing countries, these tend to report directly to the tourism ministry, while in developed countries they tend to be more autonomous. Reported in World Bank, "Cabo Verde: Establishing a Tourism Ministry, Board or Institute? Selecting an Institutional Arrangement to Promote Tourism Growth in Cabo Verde", 2014.

- Study the pros and cons of improving the airstrip at Bwindi INP
- Review the case for contracting an international company to manage the Hotel and Tourism Training Institute for at least five years
- Revise the curriculum at the HTTI in consultation with the private sector
- Tailor-made training for actors across the entire tourism value chain
- Expand the use of overseas agents to market Uganda, within a strong monitoring and evaluation framework
- Decide on and implement a brand for Ugandan tourism
- Adopt a crisis management strategy
- Fast track reforms at UTB

Other issues

There are, of course, many other issues which soon arise in discussions of tourism in Uganda. Given the limited resources available to the government, we have tried to give a clear sense of priorities. However, it is necessary to touch upon a range of other matters in order to provide a complete picture of the challenges and opportunities facing the sector. This may also help explain why we have selected the above priorities.

Product development

There are many good ideas for developing additional tourist attractions in Uganda. Certainly, private initiatives should be encouraged. However, it is also true that Uganda's dominant tourism asset is its wildlife and there is much to do to maintain and improve on it. Scarce government resources should probably be devoted to the wildlife-community nexus discussed above. Any initiative to expand the product range should rely heavily on private sector proposals and funds. A matching grant scheme could perhaps be envisaged in order to help private entrepreneurs at the planning stage, conducting market studies and developing bankable projects.

Private initiatives have already succeeded in making Jinja a hub of adventure tourism, with white-water rafting, bungee jumping, and zip-lining. This should be encouraged. However, it will also be critical to ensure that safety standards are respected. Any accident could do serious damage to Uganda's image. Government's main role here may be to conduct regular inspections, bringing in specialists who can identify potential risks.

Adventure tourism could be further enhanced by developing hiking and climbing in the Rwenzori Mountains. The success of Mount Kilimanjaro as a hiking destination suggests that there is much room for expanding this type of activity in Uganda. But once again, the private sector should take the lead. The proposal for a cable car would need careful evaluation to ensure its viability, and close attention to safety considerations.

MICE (Meetings, Conferences, Incentives, Exhibitions)

One product worth pursuing is the conference market. This represents a different market from leisure tourism, and one which Uganda has only begun to tap. Unfortunately, there is at present no data on its current importance as such travelers are lumped in with business travelers. However, a 2012 survey found that 10.5% of tourists came for meetings or conferences.¹⁶

There is a proposal to build a new conference center which would be much larger than existing ones. This could be an important asset in scaling up MICE tourism. But it would also present new challenges to ensure that it is sufficiently utilized throughout the year in order to justify the large initial investment. The choice of location needs to be carefully thought through since it will be important to have significant high-quality hotel capacity nearby. A bureau dedicated to attracting and organizing large events will be critical for success. Agreement has just been reached on the establishment of such a bureau but there is some disagreement over the decision to locate it in the Ministry. The Government may wish to review the experience in other countries before taking a final decision.

Taxes

Not surprisingly, the private sector regularly complains about taxes, both the level and the number. It is true that there are a large number of taxes and fees imposed both at the national and local levels. Some simplification is probably warranted in order to reduce the amount of time spent in compliance. But it is also true that the government needs to draw some financial benefits from the sector in order to provide the support expected of it. And it appears that the Uganda Revenue Authority obtains relatively little revenues from tourism at present.

There appears to be a more fundamental problem and that is one of trust and transparency. The sector is inherently difficult to supervise and the authorities are convinced that there is significant tax evasion. There is disagreement over the levels of occupancy in the hotel sector, which makes it impossible to know how profitable the hotels and lodges actually are. There is a need for a more constructive private-public dialogue where the private sector accepts its responsibility to be more transparent, and the authorities explore ways to rationalize tax administration. Ideally, the government should avoid taxes which undermine profitability and rely more on profit taxes. But this assumes that private operators are prepared to report their profitability. A first step would be to conduct a hotel census to identify the exact number and quality of hotels, in order to establish a baseline.

Quality assurance

As an emerging destination, service quality across the entire tourism sector value chain is key. Referrals from friends and relatives influence decision making for prospective tourists. The level of tourist satisfaction determines the extent of referrals as well as the likelihood of repeat visits. However, there is inadequate quality regulation in the sector. Maintenance of standards and quality of service is at the discretion of the owners of the different facilities. This creates service

¹⁶ UTB, "Report on Performance of Uganda MICE Tourism", 2016, p.11.

quality gaps that undermine growth of the sector. UTB has started classifying hotels and lodges, but their capacity is limited. The rest of the value chain actors remain unregulated and service provision is not monitored.

There is currently no coordinated effort to enforce quality standards in the sector. Where an effort is made, such as regulation of tour guides, there are legal suits against UTB and the partner stakeholders. The private sector and the public are not aware of the quality guidelines and standards and are resistant to them. These standards have not been rolled out to local governments, and thus district commercial officers are ignorant about them. Local governments, regional clusters of private sector players and academia, and the tourism ministry and UTB should be more empowered to guide, inspect and regulate the sector.

Luxury vs mass tourism

Finally, there is the question of what kind of international tourism to promote. Since the ultimate objective is to maximize the level of spending in the country, it is often assumed that the focus should be on luxury tourism. However, this assumes that a country has the assets which will attract high-spending tourists, the investors ready to build the accommodation, and the human resources ready to supply the quality of service expected by these clients.

Uganda has some of the necessary assets, notably the gorilla trekking and some of the parks with ample game and modest tourist traffic. In these locations, luxury tourism should be promoted. The emphasis on high-end lodges in the current call for proposals is well-founded, especially since there is probably ample existing inventory of mid-range lodging. On the other hand, Uganda also wants to promote other types of tourism which cannot depend solely on high-spending customers. Adventure tourism tends to appeal to a younger crowd with less disposable income. Birders are notorious for shunning expensive accommodation, though they tend to stay longer in the country. Therefore, Uganda will need a mixture of luxury and modest accommodation in order to achieve high growth rates.

It may seem premature to worry about mass tourism at this point in Uganda. And the strict limits imposed on gorilla trekking will ensure that this remains a selective activity. But given the small size of the game parks, and the imminent expansion in lodging capacity, the tourism experience could soon move closer to that of Masai Mara in Kenya or Ngorongoro Crater in Tanzania. If the tourist experience starts to deteriorate, game lodges may have trouble maintaining their profitability. This in turn can lead to a decline in maintenance, lower standards and a fall in spending by tourists. The government will need to monitor the situation in close consultation with the private sector to determine the absorptive capacity of its parks, always remembering that it is the amount of spending that is important, not the number of tourists.

Implementation

The current tourism strategy in Uganda runs to 2020, so it will soon be time to prepare a new one. Hopefully this paper will be useful in that exercise. But many strategies fail to live up to their ambitions due to problems of implementation. Thus, it is also critical to discuss the keys to successful implementation and the experience in Uganda to date.

Implementation in the case of the tourism sector is especially challenging given the fact that it is driven by the private sector, there are a large number of different actors involved, and the output is not easily measured. It is more complicated than say health or education which are driven by the public sector. It is more complicated than telecommunications or a manufacturing sub-sector where typically a few large companies are the key players. It is arguably more difficult even than agriculture, where the public sector can play an important role and the output is more readily measured. While agriculture is more dependent on the vagaries of the weather, tourism is more vulnerable to external shocks, such as Ebola or terrorist attacks. And wildlife-based tourism is certainly more complicated than beach tourism.

This suggests a number of criteria in laying out a plan for implementation. Most obviously, there needs to be close and continual coordination with the private sector, and greater reliance on the private sector to lead the industry's development. In addition, there needs to be a concerted effort to collect data in order to measure performance. And targets need to be realistic and flexible.

Uganda has many of the necessary elements in place. There are several venues for consultation with the private sector, and they meet regularly. Statistics are being collected, notably with the Tourism Satellite Account (TSA) exercise, and the different agencies involved also meet regularly.¹⁷ The tourism ministry has adopted a set of indicators and targets. And yet, there is a strong sentiment that the system is not working very well.

Part of the problem is that the most important things are not being measured, or at least not properly. The focus is on the total number of foreign arrivals and not those which are entering for leisure or MICE tourism. Leisure tourist arrivals were being captured until recently when the declaration forms were eliminated. These need to be reinstated, or some other mechanism found. MICE tourists have been lumped together with business tourists; these two groups need to be measured separately. The number of leisure tourist-nights is a better proxy than simply arrivals for measuring the sector's performance; this is not measured at all. Even more important is average spending per tourist. The recent TSA exercise has temporarily rectified this knowledge gap, but annual surveys are needed going forward. An independent tourism observatory could help maintain a credible data base and conduct analysis to inform the debate.

The tourism ministry has identified six quantitative performance indicators and set targets for each of them. These include the average spending per tourist and the overall contribution to G.D.P. These are clearly important but have not been reliably measured due to the lack of regular

¹⁷ With the end of UNDP financing, there is a risk that the TSA will not be maintained due to the lack of regular surveys.

spending surveys. The incidence of human-wildlife conflicts is another valuable indicator, though it is not clear how accurate the UWA data is. A fourth indicator, the number of visitors to national parks, is useful but it would be better to distinguish between non-resident and resident visitors. At present this cannot be done as East Africans are grouped together in one category. The number of visitors to museums is interesting but perhaps not of the same importance as the others, and one could think of several others instead.

The sixth indicator, which is actually the first in terms of its profile, is the total number of tourists. As already explained, this aggregates a wide variety of different visitors and does not properly reflect the main objective of any tourism strategy, which is to attract more leisure tourists (and secondarily, MICE tourists). This is especially important in the case of Uganda where leisure tourists represent such a small share of total arrivals. Focusing on the total number gives a misleading impression of the health of the industry. The problem is aggravated by setting a very high target for this indicator – 4 million by 2020. This is unrealistic when one recognizes that the level in 2017 was only 1.4 million, and that 80% of these arrivals are coming for reasons that are independent of tourism policy – business persons, people visiting family or friends, foreign students, persons in transit. It would be better to use targets such as one adopted in the Uganda National Tourism Sector Development Plan 2015/16 – 2019/2020:10% annual increases in international leisure tourists.

Adoption of relevant and realistic targets is critical to implementation because it provides a mechanism for accountability. Otherwise, officials can easily argue that it is not reasonable to blame them for underperformance whereupon the utility of the exercise is greatly diminished.

Accountability is also critical in the context of public-private dialogue. And it is here that the greatest obstacles to successful implementation may lie. It appears that the private sector has become frustrated by the lack of follow-up after the various discussions held with the public sector over the years. Action plans are repeatedly drawn up but when the teams reconvene a year later, little has been done. This is worrisome. Now it is not a question of launching new consultation mechanisms, which are usually greeted with initial enthusiasm, but rather convincing the private sector that things have changed and that the public sector will now behave differently in the future. The private sector will also need to organize itself better in order to engage with the government more effectively, including a strengthened secretariat at the Uganda Tourism Association. But it will be difficult to mobilize private sector support without signs of a more productive dialogue.

If Uganda is to achieve its tourism potential, and thereby create a new engine of growth, the government will need to revise its relationship with the private sector. A carefully prioritized set of actions must be agreed with the private sector and a government mechanism put in place to ensure that it delivers. Given the wide range of public sector actors involved in the tourism sector, this will require leadership at least at the level of the Prime Minister. There will need to be a clear sense that the government is listening to the private sector and is being held accountable for delivering on its promises. However, the results of the current presidential round table initiative seems to be limited by weak consultation with participants and insufficient reporting

back to the private sector. Most problematic, decisions taken are rarely supported by government.

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