

Final report



Tourism product development in Uganda

A strategic stance



Philip English
Wilber Manyisa Ahebwa

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Introduction

Generally, tourism remains the largest industry in the world and one of the most promising in terms of future growth potential (English and Ahebwa, 2018). It is one of the fundamental pillars driving Uganda's economy. According to the MTWA Annual Tourism Performance Report FY 2017-2018, the tourism sector generated USD 1.453 billion as foreign exchange. Government of Uganda acknowledges the sector's importance as manifested in the strategic interventions being undertaken to develop the tourism sector. National Development Plan II prioritizes tourism as one of the six key growth drivers with the greatest multiplier effect, along with Agriculture, Minerals, Oil and Gas, Infrastructure and Human Capital Development. Through these priority sectors, the government of Uganda intends to fulfill the objective of increasing sustainable production, productivity and value addition.

One area where value addition can be achieved using tourism is through product development and improvement on the destination's product range. This would contribute to strategic outcomes such as increases in length of stay, expenditure, investment and eventually employment and earning opportunities for the population. This paper is a follow-up to one we wrote last year (English and Ahebwa, 2018), entitled: How Can Tourism become a Driver of Economic Growth in Uganda? In consultation with the Ministry of Tourism, Wildlife and Antiquities (MTWA) and Uganda Tourism Board (UTB), it was agreed that further analysis on product development would be helpful to guide sector development. We were asked to provide guidance on the tourism products which should be prioritized by the authorities, keeping in mind the relative profitability of different options for the country as a whole, and the market opportunities. Given the brief duration of the assignment, this paper provides some strategic guidance but does not go into a detailed assessment of each potential product. Our previous paper (English and Ahebwa, 2019) made a couple of points worth re-emphasizing:

- 1) International leisure tourism has the greatest potential to serve as an engine of growth given the huge size of the market. The current market share of 20% should be expanded;
- 2) International conference tourism is also worth pursuing;
- 3) Domestic tourism can be important for the industry, but its net contribution to the economy as a whole will be limited;
- 4) Within international leisure tourism, gorilla trekking is the anchor for the sector, followed by other wildlife viewing, and there is lots to do to improve this product;
- 5) Adventure tourism, including whitewater rafting and mountain climbing, has good potential for growth;
- 6) The quality of all tourism products must be improved with better training of staff;
- 7) Government's first priority in marketing tourism should be branding and selling the country as a whole;
- 8) Government and the private sector need to build a cooperative relationship, whereby the public sector can leverage the initiatives of private entrepreneurs, and ensure that its policies and investments are informed by private sector experience.

In keeping with the final point above, we spent much of our time interviewing key private actors in the sector. We were impressed with their commitment to tourism in Uganda and the range of initiatives they have undertaken or are planning. The private sector could facilitate the dialogue with government by strengthening its efforts to organize itself and present a clearer set of requests. This paper makes a contribution in this direction.

Domestic tourism

There is much talk in Uganda about the need to promote domestic tourism. Among other things, it has been emphasized that most developed countries have a large domestic tourism industry which may sometimes exceed their international tourism activity. However, these countries have a much higher standard of living and hence much greater purchasing power. Furthermore, the spending which domestic tourists do make will often be offset by lower spending elsewhere in the economy. It is only if they opt for a domestic vacation instead of one in a foreign country that we can really speak of a net increase in domestic value-added.

Now it is true that domestic tourists can be useful for the industry, as opposed to the country, if they generate additional demand in the low season, thereby improving the financial profitability of hotels, for example. In addition, it is probably important for at least some Ugandans to derive personal enjoyment from the wildlife and other environmental assets of the country, in order to build the domestic constituency for their preservation. There is always the risk that tourism may be misinterpreted as primarily of benefit to foreigners, in spite of the many jobs it creates. So some moderate budget may be usefully devoted to marketing Uganda domestically. But from an economic standpoint, the priority to be given to international tourism should be clear.

Gorilla trekking

There is no doubt in the minds of tourism specialists in Uganda, whether in the public or private sectors, that gorilla trekking remains their number one product. It is the one which most obviously distinguishes Uganda from its main competitors, Kenya and Tanzania. Indeed, it provides Uganda with an iconic tourism asset, whereas many developing countries struggle to sell essentially the same sun, sand and sea experience. And with few tourists willing to venture into Congo and permits being sold more expensively in Rwanda, Uganda enjoys an enviable position.

One might be tempted simply to sit back and exploit this situation without further investment, possibly even increasing the fee during the high season as demand begins to exceed supply. More farsighted would be a policy of ensuring that this experience is world-class, while using it as an anchor for extended visits to other parts of the country. As we emphasized in our previous paper, road access remains problematic. It is reassuring to note that funding has been allocated to improve the roads into Bwindi Impenetrable Forest National Park, as we recommended last year. More can be allocated this financial year to cover all road accesses to Bwindi and Mgahinga and work should be fast tracked.

It also emerged that the process of securing trekking permits should be improved by providing an on-line process as in Rwanda, but bought through Ugandan tour operators. Now that permits are becoming fully booked in the high season, tour operators are spending a lot of time matching the availability of permits and hotels with that of their clients. This could also improve transparency.

There may be room to increase the number of gorilla groups which are habituated for tourism, though this should be carefully assessed in collaboration with researchers. Any pressure to relax the rules governing gorilla trekking should be avoided, in terms of the number of tourists per visit (8), the number of visits per day (1), and the number of hours per visit (1).

There may be an economic justification for increasing the fee during the high season, though not to the extent of Rwanda, given the greater expense involved in reaching the gorilla trekking area in Uganda. The old policy of applying a lower rate during the off season should be reinstated to encourage a better spread of visits throughout the year. And it would make sense to give a preference to tourists booking a full 7-14 day trip to Uganda when allocating high season permits, if a simple, transparent mechanism could be designed. It would be a shame to have such tourists squeezed out by someone flying in for 2-3 days from Nairobi as part of a Kenyan circuit.

Wildlife safaris

The many challenges posed by wildlife tourism development were discussed in our previous paper (English and Ahebwa, 2018). It is encouraging to see that work is proceeding on the construction of a bridge across the Nile River in Murchison Falls National Park, as proposed in that paper. We recognize, however, that the development of oil extraction in the park may be the driving force behind this investment, and we remain concerned about the potential incompatibility of oil drilling and wildlife tourism. But, as they say, that train has left the station. We can only reiterate the importance of proceeding slowly and with the utmost attention to environmental protection and safeguarding the needs of the tourism industry. Tourism is, after all, a sustainable activity which will keep on generating income and employment if well managed. Oil production is not.

It is with great surprise and consternation that we now learn of a proposal to build a dam at Murchison Falls. Murchison Falls has been described by tour operators and other tourism stakeholders as one of the top three iconic tourist attractions in Uganda. One tour operator expounded at length about how it could be better developed by constructing a glass bridge and a high end facility on top of the falls to increase stay and expenditure at the falls. Building a dam at this location would run counter to the authorities desire to develop its tourism product. It would instead be product destruction. The normally disparate private sector is united on this point.

Another point worth repeating from our previous paper is the dire situation of Queen Elizabeth National Park. Tourists are complaining that they do not see any wildlife after making the long trek to what used to be the premier national park in the country. Invasive species are part of the problem, but so is poaching. Given the close proximity of communities around and even within the park, anti-poaching and management of human-wildlife conflict are especially important. This must be a top priority for the government in general, and the Uganda Wildlife Authority in particular, as it is not something that the private sector can tackle.

Before the authorities invest too many resources in new product development, they will need to make sure that their existing product is further developed. This is all the more true because the private sector is showing a willingness to invest significant resources of their own in the construction and operation of nine new hotels in the main national parks. The best way to generate higher incomes and employment through tourism in the short run is to ensure that these hotels are successful. That will depend first and foremost on a positive wildlife safari experience.

The custodian of the national parks is the Uganda Wildlife Authority. If the quality of the parks is to be further enhanced, it will depend on the UWA. By all accounts, it has done a fairly good job, though further improvements are needed. However, we are convinced that merging it with the ministry responsible for tourism and wildlife would be a step backward. The UWA would lose some of its best staff, and control over its budget, as well as its critical capacity to react quickly to emergencies, including animal-human conflicts. The authorities should drop the proposal for this merger unless a more thorough assessment provides solid grounds to justify it.

Bird-watching

Uganda is blessed with an extraordinary diversity of birds (over 1000 species), so this is certainly an asset to be exploited. And bird watchers tend to visit for longer durations, given the long list of species to be found, and the amount of time needed to find them. Bird-watching is perhaps less demanding in terms of wildlife management as poaching and human-wildlife conflicts are not a major problem. On the other hand, bird guiding is probably more demanding, so the need for training may be greater. Bird watchers may not want as luxurious accommodation as safari tourists, given that their travel budget must be stretched over a longer visit. Bird watching may generate less spending per day, but perhaps just as much per visitor. Unfortunately, reliable data is lacking.

Bird-watching is a fast growing component of international tourism, so Uganda has done well to attract an international conference of tour operators specialized in this area in November 2019. The Uganda Tourism Board will want to do everything it can to ensure its success. But bird-watching will remain a small part of wildlife tourism. It is not a question of one or the other. Both bird-watching and wildlife safaris can be profitable for the industry and the country if properly managed. Both should be promoted in government marketing efforts, while the

private sector can adjust their products according to the strength of demand and their respective competencies.

Chimpanzee trekking

This is an underdeveloped product which needs more attention. We are told that there are only 50 forests in Africa which offer the potential for chimpanzee trekking, and 20 of them are in Uganda. Moreover, many of them are easily accessible from Kampala, as opposed, for example, to Tanzania where they tend to be a long way from the main tourism sites. By some accounts, chimpanzee trekking can be as rewarding as gorilla trekking.

Many of the locations with chimpanzees are in national forests rather than national parks. Thus, it is necessary for the National Forest Authority to commit to developing this product, including the habituation of chimpanzees for human interaction. Fortunately, the new management of the NFA recognizes this potential and the opportunity it offers to strengthen their financial base and thereby improve their capacity to protect the forests. The NFA should become a more active partner in the tourism industry in Uganda.

Unfortunately, the main locale currently developed for chimpanzee trekking is in need of a course correction. Kibale Forest National Park is being over-exploited for tourism purposes, and tourists are now complaining about the quality of the experience and raising questions about the impact on the chimps. At least one tour operator has even stopped programming visits to Kibale. It appears that the careful management of gorilla trekking is not being replicated for chimpanzees. The authorities need to urgently revisit their policies and monitoring practices in Kibale.

The classic wildlife circuit

While no data exists on the relative importance of the many different tourism products, it is probably safe to say that the single most common one is a Western circuit which includes Murchison Falls National Park, Queen Elizabeth National Park, Kibale Forest National Park, and Bwindi Impenetrable Forest National Park, or a variation of this which concentrates on the last three in the southwest. Other stops are added depending on the amount of time the tourists wish to spend. This circuit is certainly the product which the authorities should be prioritizing. It keeps the tourist in the country much longer than a simple visit to the gorillas, and it spreads out the impact of their spending geographically. It also takes advantage of Uganda's relatively small size compared to Kenya or Tanzania, enabling the tourist to sample a variety of sites and experiences with less travel or expense.

There are several things which could be done to make this circuit more attractive. Perhaps the most important one is further road improvement (tourism roads). Notwithstanding the country's relative compactness and the past investments in road infrastructure, the quality of road travel remains taxing for the tourist. Indeed, one stretch of the road south from Masindi to Fort Portal is so bad that some tour operators drop the Murchison Falls component of their

circuit. This is worrisome as Murchison Falls National Park has become a significantly better product than Queen Elizabeth NP.

Lake Bunyonyi is an attractive addition to this circuit which seems to be under-exploited. As a beautiful, bilharzia-free lake without crocodiles or hippos, it is a rare gem in Africa which can offer swimming and other water sports. These can serve as a nice contrast after wildlife safaris, and partially compensate for the lack of seaside beaches which attract many tourists to Kenya. Numerous small hotels are already located on the lake, but tourists sometimes complain about the lack of activities and road access from Kabale.

There are a couple of other interventions which could also be envisaged. One is the addition of modern rest stops along the route. This is particularly important for female tourists. Where possible, the private sector should be encouraged to upgrade their facilities, though one would hope that the prospect of regular visits by tourists would be sufficient incentive. Along some sections, however, it may be necessary to build new facilities. These could then be managed by the local authorities, or rented out or sold to the private sector. Another idea would be additional monuments marking the crossing of the equator and enhancing the equator experience.

The source of the Nile

One of Uganda's iconic attractions is the source of the Nile. In the nineteenth century, explorers went to great lengths to identify the source of the Nile, at great cost and with considerable controversy. Now it is an easy day trip from Kampala. The site is dramatic, as Lake Victoria plunges over waterfalls and rapids to begin the long journey to the Mediterranean. It has become a moderately successful hub for adventure tourism, based on whitewater rafting, bungee jumping, and zip lining.

Unfortunately, the site is largely undeveloped. The colourful history of the search for the source of the Nile could support a small museum, but there is not so much as an information center. Nor is there a café or restaurant. The authorities would do well to invest in some modest facilities and to encourage a private entrepreneur to accompany them. Among other things, this could serve as an interesting excursion for business persons and conference attendees, thereby encouraging them to extend their visit. Development and implementation of a general master plan for the entire source of the Nile hinterland into a world class destination is appropriate. The master plan would specify areas for public and private sector investment.

Mountain climbing

The Rwenzori Mountains present another tourism opportunity unique to Uganda. These snow-covered peaks on the border with DRC offer a very different experience from the better-known Mount Kilimanjaro hike. Kilimanjaro offers a gradual ascent which is accessible to most tourists with a reasonable degree of fitness. Much of it is above the tree line in rocky, rather barren

terrain. The Rwenzoris are clad in rainforest for much of the climb, and the craggy peaks make for arguably more dramatic scenery. But this also means the technical difficulty is much higher.

These mountains will never be competitive with Kilimanjaro in terms of the number of tourists making it to the summit. The required climbing skills are simply too great. But they offer a spectacular experience for true mountain climbers, as witnessed by the event proposed this November which will bring together over 80 climbers from around the world. Many more tourists can be attracted to 1-3 day hikes in the lower altitudes.

One private company has been investing in simple huts along one route, as well as guide training to ensure a safe climb to the top. Two other routes (Central Circuit and Bukurungu Trail) are maintained by a community-based private organization and by the UWA. All three should be encouraged to develop their product and services. However, it will be important to ensure that guides are well-trained and certified, especially if they are taking tourists to the summits, in order to minimize the risk of accidents which could harm the reputation of the Rwenzoris. There is need to put in place proper safety and rescue mechanisms to assure climbers of safety.

There has been some talk of building a cable car to enable more tourists to enjoy these mountains. However, this would be a very costly venture and it is not obvious that it could generate enough revenue to justify the expense. A careful cost-benefit analysis will be necessary. This analysis should make a comparison with the alternative of further promotion of hiking, which has the advantage of much lower investment and maintenance costs – and possibly higher employment generation.

Mount Elgon presents another opportunity more akin to Mount Kilimanjaro. As a similar, large volcano, its summit is much more accessible. Its wildlife, waterfalls, caldera and caves, combined with uncrowded trails, could be an attractive alternative as Kilimanjaro becomes more and more popular. On the other hand, Kilimanjaro will always have the advantage as the highest mountain in Africa and the resulting name recognition. Mount Elgon may, nonetheless, have important value as part of a second, Eastern tourism circuit, as described below.

A new wildlife and adventure circuit

There is much to do to improve the primary, Western circuit discussed above. This should remain the top priority for the authorities. However, it will soon be time to start thinking about a second circuit in the Eastern part of the country. Kidepo Valley National Park already enjoys a good reputation for its game viewing, as well as the cultural dimension offered by the Karamoja people. But it is so isolated that most tourists fly in and out. With lower population densities in this part of Uganda, there is good potential to develop other game parks. This could begin by converting Pian-Upe Wildlife Reserve into a National Park. Private tour companies are very positive about its potential, while regretting the lack of decent accommodation at present. Giving it national park status would encourage accommodation/hotel investment.

Eventually, one could envisage a circuit which includes the source of the Nile, Mount Elgon, Pian-Upe and Kidepo Valley. The last stretch to Kidepo Valley is long so it will be important to have good roads and rest stops. It would also be a good idea to invest in some improvements in the airstrip in Kidepo Valley for those who still prefer to fly in, or perhaps to fly out after taking the road in.

Cultural tourism

Tour operators agree that, although tourists come to Uganda first and foremost for the wildlife, they also want to have cultural experiences and get to know the people. Unfortunately, possibly the best single cultural attraction, the tomb of the king of Baganda, suffered a devastating fire. Efforts to restore it should proceed as quickly as possible. Meanwhile, the national museum in Kampala has some interesting exhibits and should be able to attract more visitors, but it has been neglected. It could be a welcome attraction for all tourists spending a night in Kampala, including business and conference tourists.

Outside of Kampala, many communities are eager to host tourists for short visits or overnight stays. Hotel operators often work with them to provide entertainment or side-trips. Being physically close to the communities, and in direct contact with their clients as guests, these private entrepreneurs are probably best-suited to take the initiative. But they are not always sensitive to the challenges of working with communities and could benefit from support and guidance. Local governments have a role to play and could be trained to improve their effectiveness. The Uganda Community Tourism Association has done good work in the past and needs financial support to assist in the development of cultural and community tourism.

A new souvenir development project should help communities draw on their culture to participate in the tourism industry. Many of the arts and crafts currently sold to tourists come from neighbouring countries. The project will need to combine fresh artistic ideas with a sound business approach, well informed by potential demand and having a clear marketing strategy.

MICE tourism

Typical business travel is driven by other considerations beyond tourism policy and marketing. Meetings, incentives, conferences and exhibitions (MICE), on the other hand, can be promoted through a combination of good infrastructure and services, and marketing. Kenya has historically been a focal point for such activity, aided by its good airline connections and Nairobi hotels. More recently, Rwanda has successfully entered this line of business, with investment in a world-class conference center and Kigali's reputation for orderliness and security. Its regional airline connections are improving with the operations of RwandAir. Understandably, Uganda wishes to share in this potentially lucrative business. And it is true that conference organizers are always looking for new locations to provide variety for their participants.

At the same time, Uganda faces stiff competition from its neighbours. Its airline connections are not as good as those of Kenya, it does not have comparable facilities to those of Kigali, and

the long trip from the airport in Entebbe to Kampala can be a deterrent. The authorities now envisage a new conference center close to Entebbe on the shores of Lake Victoria. This makes sense in terms of proximity to the airport but could pose challenges given the limited hotel capacity in Entebbe. Daily commutes from Kampala will not be attractive to some clients. Furthermore, a new conference center will be expensive and it is always a challenge to keep a new one sufficiently busy to ensure a return on investment.

One key to successful MICE tourism is a dedicated convention bureau with a business culture and strong links to the private sector. Uganda has recently established such a bureau in consultation with private partners. The decision to move it from the ministry to the Uganda Tourism Board is a good one. UTB will now need to attract experienced personnel to market Uganda as a conference destination and ensure that the many aspects of a successful conference are in good hands.

Another recent development is a proposal by a major Ugandan business to build a conference center and hotel at Entebbe. This represents both an opportunity and a threat. This investor is open to the possibility of a partnership with the government, which would seem promising given their experience managing a number of hotels in Kampala. However, if a suitable arrangement cannot be negotiated, and the government proceeds on its own with a competing facility, it may be difficult for either investment to generate an adequate return. In principle, this looks like an ideal opportunity to leverage private sector finances and expertise, but as always it will depend on the details of any agreement. Before investing in a separate convention center, the government would be well-advised to explore the possibility of partnering with this private company.

Human resource development

The quality of human resources may not appear to be a product as such, but every form of tourism depends critically on the quality of the services rendered by employees. There is general agreement in the industry that Uganda needs to invest more in training (across the entire value chain) if it is to compete with other countries in the region. Ugandan employees tend to be courteous and friendly, but tourists demand more. And the more they spend, the more they expect by way of service. As Uganda aspires to attract more high-end tourists, it will need to improve the quality of its human resources. Meanwhile, the up-coming expansion in hotels in the national parks will put pressure on the available supply of trained employees willing to work in rural areas. This will inevitably lead to some 'poaching' from existing hotels, so the problem will affect everyone.

Recent investments in the Hotel and Tourism Training Institute are welcome, but greater involvement from the private sector is needed. The private sector should be more closely associated with the design and teaching of courses to ensure that graduates meet their minimum requirements, and provide internships for on-the-job learning. Ideally, an experienced international training company would be hired to manage the school for at least 5 years and gradually build capacity of Ugandans to run it. Furthermore, other forms of training

are required for a successful tourism industry, especially one based on wildlife. Guides play a critical role, but they do not need to have the high school education demanded by the hotel school. As we pointed out in our previous paper, a driver/guide who spends 7 to 10 days with a client is arguably the single most important factor determining the success of a vacation. Earlier attempts to certify guides should be restarted, and any resistance by guides overcome.

The private sector is prepared to invest in staff training; indeed, they consider it inevitable given the limited quality of formal education received by prospective employees. But they are likely to under-invest, due to the likelihood that employees will leave for competing companies or even set up their own enterprise. Thus, there is a market failure which government should address. The appropriate response is a partnership between the public and private sectors.

Conclusion

Uganda has a wealth of options for the tourist. This should be the first message in the government's efforts to market the country. Having put Uganda on the international tourism market, and underlined the variety of experiences available, the private sector will then be best placed to assess the preferences of their clients and design products accordingly. The government would be well-advised to coordinate closely with the private sector before undertaking any investments in tourism infrastructure or products, and to leverage private initiatives. If the private sector is not willing to invest in a product, the risks to the government going alone will be high. Meanwhile, there are many demands for government intervention – or lack thereof – to support existing products. The top ten can be summarized, roughly in order of priority, as follows:

- 1) Cancel the plans to build a dam at Murchison Falls;
- 2) Drop plans to merge the UWA with the ministry of tourism;
- 3) Maintain and further improve the gorilla trekking product by investing in road access;
- 4) Restore Queen Elizabeth National Park to its former status through better control of poaching and invasive weeds;
- 5) Further improve Murchison Falls National Park by completing the bridge across the Nile and limiting disruption caused by oil drilling;
- 6) Pave the worst sections of the road from Masindi to Fort Portal;
- 7) Reduce the pressure on chimpanzees in Kibale Forest National Park and develop alternative trekking opportunities through the National Forest Authority;
- 8) Promote MICE tourism by exploring the potential for a partnership with the private company prepared to invest in a convention center and hotel in Entebbe;
- 9) Brand and intensify marketing efforts for destination Uganda with an emphasis on the rich range of possibilities
- 10) Strengthen training for human resources at all levels of the value chain;

References

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