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How should the government participate in the development of Uganda's tourism sector to harness its full potential, apart from providing infrastructure?



- In brief:**
- Global Travel & Tourism (T&T) industry is growing at a rapid pace and has accounted for fifth of all new jobs created in the world over the past 5 years.
 - Compared to past decades, Uganda has recently shown progress in terms of tourism growth and development. Realising the potential of the tourism sector to contribute to national socioeconomic development, the Government of Uganda has identified T&T as a priority sector in the forthcoming National Development Plan III and the Vision 2040.
 - This brief provides key recommendation on how the Government of Uganda can further develop the tourism sector apart from providing infrastructure. This work is a result of the IGC-Ugandan Ministry of Finance 3rd Economic Growth Forum that took place in Kampala Uganda in August 2019.
 - Due to the lack of marketing promotion, a large impediment for tourism growth is the current low level of consumer awareness especially among key target markets like Europe, Australia and China. The authors find that 60% of foreign visitors have heard of the country's attractions through word-of-mouth only.
 - Other key recommendations include investments in human capital formation and training, regulation and hotel grading, air access and openness, and monitoring and evaluation.

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Background

Global trends

Travel & Tourism (T&T) contributed US\$8.8 trillion to the global economy in 2018, equating to 10.4% of global GDP (WTTC, 2019). The sector grew by 3.9% in that year, faster than the global economy's growth of 3.2% and by 2030 tourists' arrivals will reach 1.8 billion worldwide. T & T represented 10% of all employment and accounted for one in five of all net new jobs created across the world over the past five years. It is noteworthy that Asia-Pacific was the strongest-growing region in terms of T&T GDP in 2018, followed by Africa. In terms of outbound tourism, European travellers stood at 48% of the total followed by Asia-Pacific (25%), the Americas (17%), the Middle East (3%), and Africa with 3%. It is interesting to note that China outbound tourism reach 120 million in 2018 and is expected reach 200 million in 2020. Latest statistics shows that the biggest spenders among emerging markets remain China and Russia (UNWTO 2018).

Therefore, with continuous rise in consumer spending power, policymakers especially in emerging markets, should work on capturing this ever growing demand to further the goal of inclusive growth. In this brief, we look at the trends in T&T sector in Uganda, highlighting ways that the government can further develop it aside from providing conventional measures like investment in infrastructure.

Uganda's tourism

Compared to past decades, Uganda has recently shown progress in terms of tourism growth and development. The advancement of the tourism sector has been facilitated by the potential and exceptional attractions to be found in all parts of the country, which attract millions of travellers. Similarly, the exclusivity of Uganda's tourism is fortified by its un-spoilt wilderness and natural life. The pivotal role that this sector can play in the Ugandan economy is evident in the data. Analysis done by the World Bank show that \$1 of expenditure by a foreign tourist generates, on average \$2.5 of GDP across the tourism supply chain in Uganda (World Bank 2013). Moreover, the direct contribution to employment has been steadily growing over time and is expected to reach 300,000 jobs in 2020 (WTTC 2019).

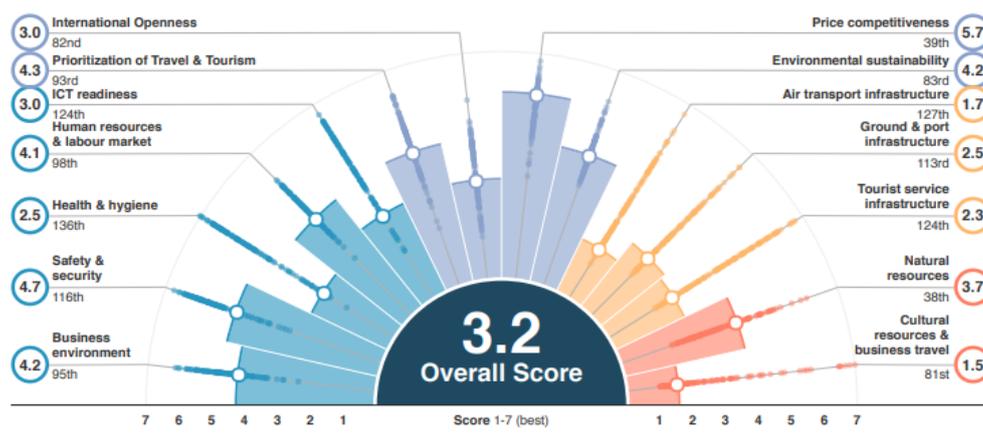
Realising the potential of the tourism sector to contribute to national socioeconomic development, the Government of Uganda has identified T&T as a priority sector in the forthcoming National Development Plan III and the Vision 2040. In fact, The Tourism Development Master Plan recognises Uganda's exceptional range of natural and cultural tourism assets and has attempted to set the road map to fully harness the sector's potential.

It is noteworthy that the country is already among the top 20 countries in terms of T&T GDP Growth according to the WTTC 2019. It is interesting to note that WTTC 2019 also identified numerous key government decisions taken to harness tourism growth and pertain to: visa relaxation, improved connectivity and infrastructure, rebound from security threats, Human Capital development, prioritisation of the sector, tourism marketing, and product development.

Travel and tourism competitive index 2017 – UN World Economic Forum

The figure below summarises the Ugandan T&T Competitiveness Index (UNWEF, 2017) and key performance indicators: Enabling Environment, T&T Policy and Enabling conditions, Infrastructure, and Natural and Cultural Resources. This provides an interesting assessment on the difference dimensions that are related to a destinations performance.

Figure 1: Uganda's T&T performance overview



Past performance

Travel & Tourism Competitiveness Edition	2015	2017	2019
Rank	114 / 141	106 / 136	112 / 140
Score	3.1	3.2	3.2

Source: UNWTF(2017).

Table 1: Comparative ranking T&T Competitiveness Index, 2019

T & T Competitiveness Index (Rank)*			
	2015	2017	2019
Kenya	78	80	82
Mauritius	56	55	54
S Africa	48	53	61
Tanzania	93	91	95
Uganda	114	106	112
Rwanda		96	107

Source: UNWTF(2017). *Countries rank out of 140 countries (UNWTF, 2019)

The key highlights of the latest T&T performance Uganda chapter (2019) reveal that the country is at the 112th rank and lags behind its key competitors in the region, namely South Africa (61th), Kenya (83th), and Tanzania (95th). Key inefficiencies are in elements such as: effectiveness of marketing & branding (77th), T&T expenditure (98th), and human resources (98th). Nonetheless, the country has seen considerable improvements in other dimensions such as visa requirements (11th), known species (17th), World Heritage natural sites (32th), attractiveness of Natural assets (34th), and natural resources (44th).

Policy recommendations

How should Government participate in the tourism sector to harness its full potential? While adequate investment in tourism related infrastructure is a key element for the success of Uganda's tourism development, this brief focuses on five other key areas of public investment: marketing promotion, human capital formation and training, regulation and hotel grading, air access and openness, and monitoring and evaluation.

1. Marketing promotion and branding

Currently, one of the most pressing issues requiring authorities' attention is the promotion and branding of Uganda as an attractive destination.

Tourism promotion

The level of awareness of Uganda in international tourist markets is still very limited. Until recently, little was being done to promote Uganda's touristic attractions internationally, despite the country rating as one the world's top ten destinations by industry giants such as Lonely Planet and National Geographic Traveller. A preliminary study conducted in early August 2019 on non-resident foreigners found that awareness of Uganda as a tourist destination was found to be on the low side and that 6 out of every 10 prospective visitors heard about Uganda and its attractions by **word-of-mouth**. When informed about Uganda's main attractions, the reported likelihood to visit the country increased substantially. These results clearly show that the main barrier with respect to the development of the tourism industry in Uganda is the current low levels of awareness, especially among key target markets like Europe, Australia, and China.

In comparison to competing countries, the budget allocated for tourism promotion in Uganda is relatively low. (Table 2 presents comparative figures for the share of government budget designated to Tourism Promotion out its total budget.).

Table 2: Tourism promotion budget in the total government budget

<u>Share of Tourism Promotion budget in the Total Government Budget (%)</u>				
<u>Year</u>	<u>Kenya</u>	<u>S Africa</u>	<u>Mauritius</u>	<u>Uganda</u>
2015	0.20	0.08	0.50	
2016	0.16	0.08	0.43	
2017	0.40	0.08	0.40	
2018	0.40	0.08		0.05
2019		0.08		0.06

Source: Data provided by the Policy Research and Planning Division, Ministry of Tourism, Wildlife & Antiquities for Uganda and others countries' respective Accountant General/Treasury Annual Reports or equivalent.

Evidence shows that an increase in tourism promotion budget can be effective in attracting tourism. Research in Mauritius shows that 1% increase in tourism promotion budget led to 0.2-0.3% increase in tourism arrivals (Seetanah et al 2015, and Seetanah et al 2019).

Moreover, larger cooperation among major stakeholders is required. Stakeholders like the Uganda

Wildlife Education Center, Uganda Wildlife Authority (UWA), Uganda Tourism Board (UTB), and the Civil Aviation Authority among others should work together to promote worldwide awareness about Uganda's tourism products. Moreover, joint marketing and promotion of Uganda's tourism with private sectors such as hoteliers, local communities, and tour operators is highly encouraged. Devoting more resources to the marketing and promotion of tourism is needed, particularly on the international front where per capita income is the greatest.

Familiarisation (FAM) trips (mainly through tour operators) are also very helpful in increasing awareness and promotion. Those recipients often become vectors of destination promotion themselves. Appropriate incentives are required for the organisation of such trips since it involves a cost and more importantly, this should be a matter of concern and collaboration of all stakeholders of the Ugandan Tourism sector.

Additionally, there is a relatively weak statistical and research base. The UTB has limited capacity to undertake research on its own for use when making marketing decisions and it is important to have reliable and credible statistics for effective decision-making at all levels. It is important to fully understand the provenance and behaviour of tourists that visit Uganda. More research is needed to learn about potential tourists' perceptions, attitudes, holiday requirements, etc. Collaboration with universities and other research centres is vital in this quest and government (and associated institutions like the UTB) should privilege such avenues as soon as possible. The establishment of a Tourism Observatory would be valuable as well.

A more pro-active use of the Internet (with high quality videos) to promote Uganda is required and it remains a cost effective solution for marketing. The existing website should be upgraded and linked to other industry sites and platforms.

Improved overseas representation is also needed. Although Uganda has begun to hire overseas agents in key source markets to provide a permanent presence and benefit from country-specific knowledge, yet more presence is required in other important tourism origin countries. However, close monitoring and evaluating of the performance and effectiveness of such initiatives is required and clear KPI targets and reports should be set.

Tourism branding

The Uganda tourism brand remains relatively weak and is barely recognised outside its borders. The low level of funds available for marketing implies that there is poor marketing and communication of the brand promise. Therefore, UTB and other stakeholders need to support the converting of the 'Uganda - Pearl of Africa' slogan into a fully-fledged tourism brand for the country and more funds should be allocated to this respect. Uganda should tap on the superior tourism sites and heritage such as their gorillas (as they hold 50% of the World's gorilla population), breath-taking national parks, and the source of the river Nile to architect its brand promotion. In addition, the country could more judiciously use its accolades such as the best destination in 2012 by Lonely Planet, best birding place (Bwindi Impenetrable Forest National Park) in Africa by the World Birding Authority, and the Virungas identified as one of the top 20 places to visit in the world by National Geographic. As such authorities should ease and encourage the collaboration with the TV giants for special reportage. It is noteworthy that Nat Geo (2016) reporting on Uganda's gorillas was broadcasted to over 10 million people. Finally, celebrities have also been a good source for brand awareness given the huge potential for international publicity (free) around their visits.

2. Human capital formation and training

Human Resource Development is a fundamental part of the enabling environment for tourism. Indeed, investments in human capital aim at increasing the labour productivity and improving the quality of customer service. Research has shown that the quality and competitiveness tourism offers directly depends on human capital investments (Folarin, Oladipupo, Ajogbeje, and Adeniyi, 2017; Metilelu, 2016; Tatarusanu, Onea, and Zait, 2016). Becker (1996) even observed that a company should invest equally in human capital development as it invests in equipment and production.

With regards to Uganda's tourism sector, monitoring and addressing the skill gap in human capital would be a key first measure. For that, a continuous Training Needs Analysis (TNA) would be essential. For instance, the government in Mauritius has set up the Human Resources Development Council with a role to provide a forum for constant dialogue and consensus building among stakeholders on all matters relating to human resource development including TNA. Moreover, there is an Industry Training Advisory Committee for specific fields (including tourism) at the level of the Mauritius Qualification Authority, which comprises of practitioners, academics, and government officials working together for the benefit of the sector.

With respect to lower skill levels, there are problems in Uganda related to the weaknesses of key training institutions, particularly the Hotel and Tourism Training Institute (HTTI). Hotels, bars, and restaurants are the highest spending category across all types of tourism in Uganda (World Bank 2013) and, therefore, special attention must be given to this subsector. The quality of both instructors and equipment at the HTTI needs severe upgrading. Instructors should benefit from a more continuous training to remain up-to-date with all international standards and practices. Ideally, the HTTI should have an operating hotel attached to it, but until then, the institution should facilitate collaborations with some commercial hotels whereby students are sent for mandatory practicum on an agreed basis (as is the case in many other countries including Mauritius). In the short term, government can invest in a hotel type restaurant (together with its amenities) attached to the HTTI. This was shown to be valuable for the Mauritian Hotel School, with students, in addition to their placement/practicum in hotels, having the opportunity to practice at the institute. Such a restaurant can even be opened to the public or used to host events (MICE), allowing students to encounter real case interactions as well to generate some funds.

Interviews with members of the private sector and other few stakeholders seem to suggest the recruitment of a recognised international tourism training company to manage the HTTI, at least in the initial years after the revamp. Most crucially, such a school must benefit from active participation by the local private sector to ensure that the training meets their needs. This is where the existence of a formal Training Advisory Committee coordinated by the relevant public body and comprising practitioners and academia becomes important.

Encouraging (with appropriate incentives) the establishment of few renowned international Tourism training institutes to set up across the country will also complement training in the sector as well as bring in and transfer international best practices. As such, big hotel chains active in the country should also be encouraged to set up their own Hotel Academies.

Tourist Guide training is yet another crucial element requiring continuous training. The Guides' knowledge and personality are very important in creating an enjoyable and unforgettable experience, given the long time spent with the client. There is a general consensus in Uganda that their skills need upgrading and that standards have to be established. Interestingly, the Mauritian authorities also recognised this need for its tourist guide and have very recently initiated a mass training leading to a

certificate in Tour guiding.¹ Similar capacity building exercises are also about to start for taxi drivers, especially those dealing with hotels and tourist. It is noteworthy that there are interesting sources of finance from donors which are specifically relevant for such training at the national level.

3. Regulations and hotel grading

Security norms, safety, and quality assurance are crucial in tourism development. Licensing, standards, guidelines, code of practice settings, regulation, and supervision of tourist enterprises remain critical. One particular aspect which requires attention is the official grading of hotels. Grading is meant to uphold the quality image of the destination and reinforce tourism confidence and satisfaction by ensuring value for money. It also aids in marketing, as guests will be given the right information about the establishment thereby reducing disappointments. Some kind of standardisation is required to ensure consistent and comparable service quality, and grading also instils tourists' trust. A reliable system which grades and certifies a hotel's quality, including its facilities and services as meeting a certain international level is a prerequisite for any destination aiming at developing its tourism to the next level. It is noteworthy that research from Seetanah et al (2014) in Mauritius confirmed the importance of sound regulatory framework for tourism trust. Tefera and Govender (2015) also show that customer loyalty is associated with the hotel grading in their research.

In South Africa, the Tourism Grading Council of South Africa (TGCSA) and in Mauritius the Tourism Authority, through its Star Rating Committee, are dedicated institutions responsible for the grading of registered hotels. Under the Mauritian system, the hotels are assessed based on 600 criteria grouped under 27 sections like guest reviews, social media monitoring services, and mystery shopping. Only hotels that score a minimum of 80% under each section are awarded a star rating by the Star Rating Committee, which consist of industry professionals from the public and private sector as well as academia. Uganda should consider and adapt a similar model.

4. Air access and openness

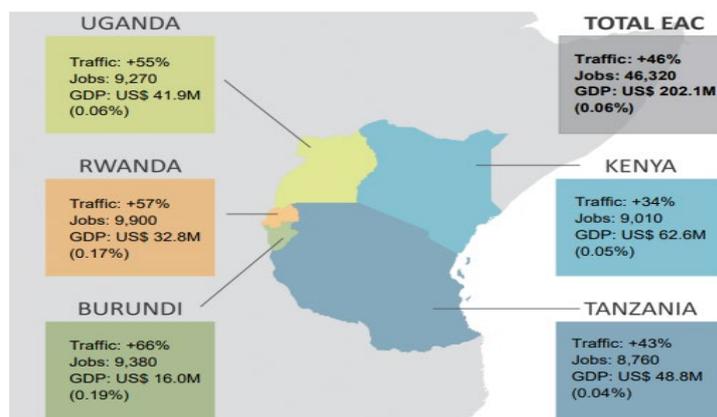
A substantial body of research (Myburgh et al, 2006; Abate, 2013; Ismaila et al. 2014) has repeatedly validated that liberalisation has led to increased traffic volumes, greater connectivity and choice, and lower fares. Furthermore, the benefits of air service liberalisation extend well beyond the aviation industry and passengers – it contributes to greater trade and tourism, inward investment, productivity growth, increased employment, and economic development. Air access liberalisation is recognised to be one of the main ingredients for successful tourism development for Mauritius and South Africa among others. In a recent study, Seetanah et al (2019) observed that air access liberalisation may have had more impact than marketing promotion for the case of Mauritius.

Furthermore, quantitative analysis, based on data from East Africa, provides robust and compelling evidence that liberalisation leads to 9% lower average fares and a 41% increase in frequencies, which in turn stimulates passenger demand (Intervistas, 2016²). Figure 2 below summarises the potential gain of air access liberalisation for Uganda and the EAC region in regarding traffic, employment, and the economy.

¹ See: <http://www.tourismauthority.mu/download/74.jpg>.

² <https://www.tralac.org/images/docs/12689/costs-and-benefits-of-open-skies-in-the-eac-key-findings-eabc-intervistas-consulting-earf-september-2016.pdf>

Figure 2: Potential gains for the EAC from air liberalisation



Source: Intervistas, 2016.

While Uganda just re-launched its national airline and appears reluctant to agree to some form of “open skies” policies in the region, government should reconsider the case taking into account the potential of regional air access liberalisation benefits to the country. On the other hand, it is thought that the authorities should have no doubt to increase air access to more remote tourist origin countries. The importance of the presence of major foreign airlines is obvious from both an air access (and its benefits) and destination marketing viewpoint (as these airlines are often engaged in destination marketing of their own), and such airlines bring more trust in the recipient countries by their mere presence. One should not forget that Uganda is essentially a major wild life destination, but not with many tourists from outside of Africa (while Tanzania and Kenya have a decent number of people travelling from Europe and increasingly from the East). Increased air access and major airlines will surely help penetrate the major high spending markets while also helping further diversifying the existing tourism markets.

5. Monitoring and evaluation

To enable an effective use of evidence based policymaking in the tourism sector, a monitoring and evaluation mechanism must be in place. This mechanism can be used to guide the spending of government and evaluate the effectiveness of policy interventions and should be part of an overall national tourism strategy. Box 1 lists 5 key reasons to evaluate tourism policies

Five key reasons to evaluate tourism

- Help policy makers better assess the impacts of their tourism policies and programmes against their objectives to learn from past successes and failures and to inform decision makers;
- Allow a better cross-government understanding of the efficiency of the “whole-of government” approach in tourism at national, regional, and local levels;
- Provide evidence of return on investment in tourism, cost effectiveness across a portfolio of policies and programmes;
- Stimulate debate among tourism stakeholders (entrepreneurs, residents, tourists, investors, local authorities, etc.);
- Improve the design and implementation of programmes, and how they should adapt to changing conditions and what could be done better in the future.

Source: OECD 2012

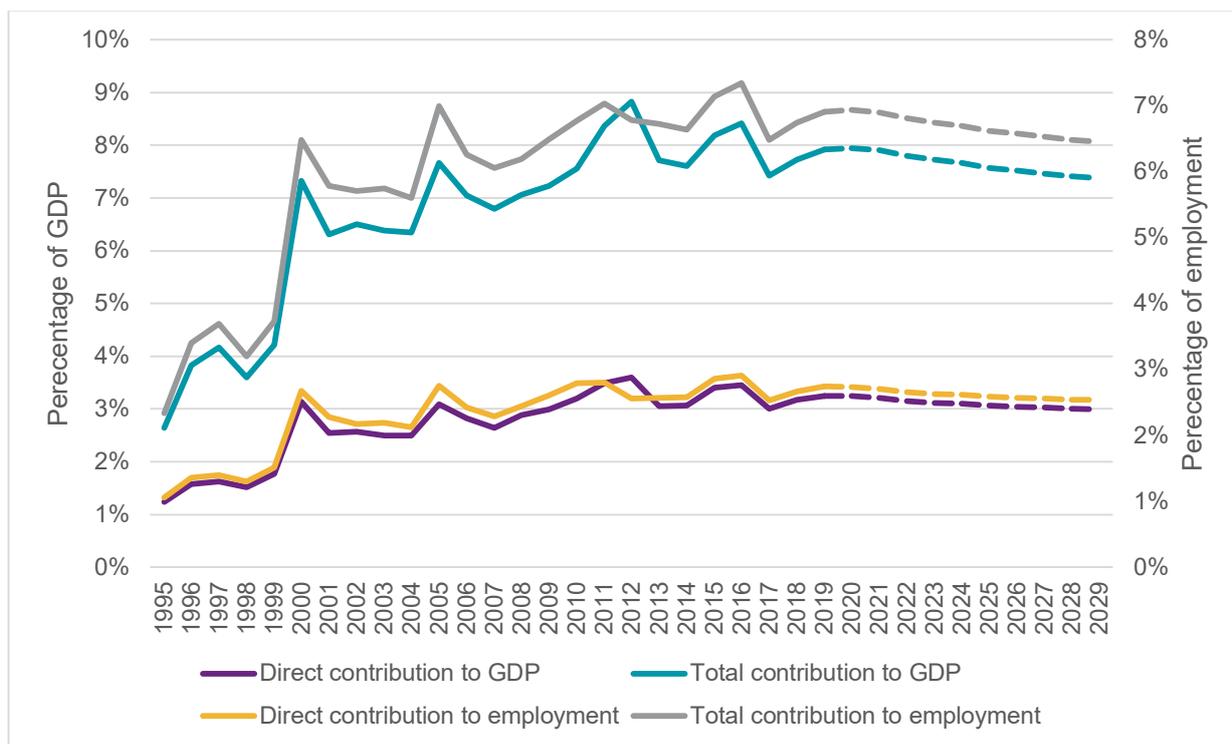
Government spending on tourism must be evaluated regularly. For example, the effects of additional spending on marketing, a key recommendation from this brief, should be taken into consideration.

Evidence generated from the Australian review of the national tourism strategy shows that there is a statistically significant relationship between marketing expenditure and inbound tourism. Using statistics from International Visitor Survey, they estimated that the long-run elasticity of marketing expenditure as being 0.18 and 0.22 for visitor arrivals (UNWTO, 2015)

Evaluation can also reveal more information about the relationship between tourism and the wider economy (e.g. contribution to GDP, employment, skill upgrading etc.). Examples of these evaluations include Input-Output models, Tourism Satellite Account (TSA), Computable general equilibrium models, and return on investment (ROI) analysis. (OECD, 2012). Moreover, special attention must be given to the spill-over effects from the tourism sector to the wider economy

More often than not, policymakers look exclusively at the direct benefits of a certain policy intervention. Investment in tourism can generate upstream and downstream spillover effects on firms across the different value chains. Measuring and promoting these spillover effects is an important task for policymakers. Figure 3 shows that tourism in Uganda contributes to output and employment through direct and in-direct channels.

Figure 3: Tourism contribution to employment and GDP in Uganda



Source: WTTC