

Final report

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Reviving the  
industry through the  
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Wilber Manyisa Ahebwa  
Philip English

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# COVID-19 and Uganda's Tourism Sector: Reviving the Industry through the National Budget

**Wilber Manyisa Ahebwa<sup>1</sup> and Philip English<sup>2</sup>**

1. Associate Professor, Department of Forestry, Biodiversity and Tourism, Makerere University and Consultant International Growth Center
2. Principal Investigator, International Growth Center

## ***Introduction***

This paper begins by reiterating the considerable importance of tourism for the world economy and for Uganda in particular. It then summarizes the devastating impact of COVID-19 on tourism in 2020 and the discouraging prospects for a quick recovery. However, it also emphasizes the likelihood of an eventual full rebound given the underlying strength of demand. Next, the paper argues that the tourism sector in Uganda has been much harder hit than any other sector. It then points out that the most lucrative segment of this sector – international leisure tourism – will be the slowest to recover. Consequently, the up-country lodges and hotels, tour operators, and guides which depend primarily on this business deserve the highest priority in government's efforts to sustain the economy. The paper then explores the various ways in which government resources could be used to ensure that this critical source of livelihoods and foreign exchange survives and comes back stronger than ever.

## ***The importance of tourism***

The travel and tourism industry is one of the biggest industries in the world. Given its many disparate parts, and the lack of reliable data, it is impossible to give a satisfactory estimate of its total size. The World Tourism and Travel Council (WTTC) invests the most resources into measuring the industry and they offer a figure of US\$8.9 trillion as its total value added, representing 10.3% of global GDP. This includes both domestic and international tourism, for business and leisure. They further suggest that 71% of spending is for domestic tourism, leaving 29% for international. Looked at another way, they estimate that 79% is for leisure tourism and only 21% for business. Presumably visiting family and friends is included under leisure, while conferences and meetings are under business.

This means that, by WTTC calculations, international tourism contributes about US\$2.6 trillion to the global economy. This is different from the estimate provided by the UN World Tourism Organization (UNWTO) which is only US\$1.5 trillion in receipts, and consequently rather less in value-added. Part of the discrepancy probably lies in the inclusion of multiplier effects by the WTTC.<sup>1</sup>

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<sup>1</sup> Analysis of some of their country-level statistics in Africa suggests that their assumptions are often overly generous.

Tourism represents a vital part of many economies in Africa, and one which has a promising future. The Tourism Satellite Account developed by the UN Economic Commission for Africa (UNECA) for Uganda in 2017 provides a solid base for understanding the economic value of tourism in that country. It estimated that total spending by international tourists amounted to US\$1.6 billion. The estimate for leisure tourists was US\$670 million, which is still 68% more than the largest merchandise export, coffee.

## **The impact of COVID-19**

The WTTC and the UNWTO are in broad agreement over the devastating effect of COVID-19 on the tourism sector. In June, the WTTC was forecasting a fall in international tourist arrivals between 41% and 73% for 2020.<sup>2</sup> By August, it appeared to be leaning towards the worst-case scenario, after observing the return of some travel restrictions in the European market.<sup>3</sup> In November, they estimated a drop of 73% in international tourist arrivals for Africa for 2020.<sup>4</sup>

According to the UNWTO, international tourist arrivals fell by 81% in July and 79% in August, 2020 compared to 2019.<sup>5</sup> In late October, they estimated a fall in international arrivals of roughly 70% for 2020, with the rebound only starting in the third quarter of 2021. They estimate it will take between 2½ and 4 years to return to 2019 levels.<sup>6</sup>

The International Air Transport Association (IATA) reported a 99% drop in international air travel in May. There was a slight improvement in the following months, but this trend stopped with the second wave of infections. Travel within Europe actually fell from August to October. In October, international travel globally remained 88% below the level of one year ago.<sup>7</sup> Business confidence had returned to pre-COVID levels but consumer confidence was still down. At the end of November, forward bookings in the EU for the peak Christmas period were 80% below last year's level.<sup>8</sup> IATA estimates that air travel revenues, as measured by revenue passenger-kilometers (RPKs), will fall by 66% in 2020 and not recover to pre-COVID levels until 2024. As with other observers, they expect domestic travel to pick up first. For international travel, visiting family and friends is likely to rebound before business or leisure tourism.

None of these international agencies offer recent predictions for tourism in sub-Saharan Africa, but it seems clear that it will be one of the last segments to recover. First, it depends overwhelmingly on international tourists. Second, most of these tourists need to take long-haul flights, often requiring connections. And third, the destination countries are among the poorest

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<sup>2</sup><https://wtcc.org/News-Article/More-than-197m-Travel-Tourism-jobs-will-be-lost-due-to-prolonged-travel-restrictions>

<sup>3</sup> <https://wtcc.org/News-Article/WTTC-says-UK-is-heading-to-worst-case%20scenario>

<sup>4</sup> file:///Users/philipenglish/Downloads/Africa\_Recovery\_Scenarios\_Nov\_2020%20(1).pdf

<sup>5</sup> <https://www.unwto.org/news/international-tourism-down-70-as-travel-restrictions-impact-all-regions>

<sup>6</sup> <https://www.unwto.org/news/international-tourist-numbers-down-65-in-first-half-of-2020-unwto-reports>

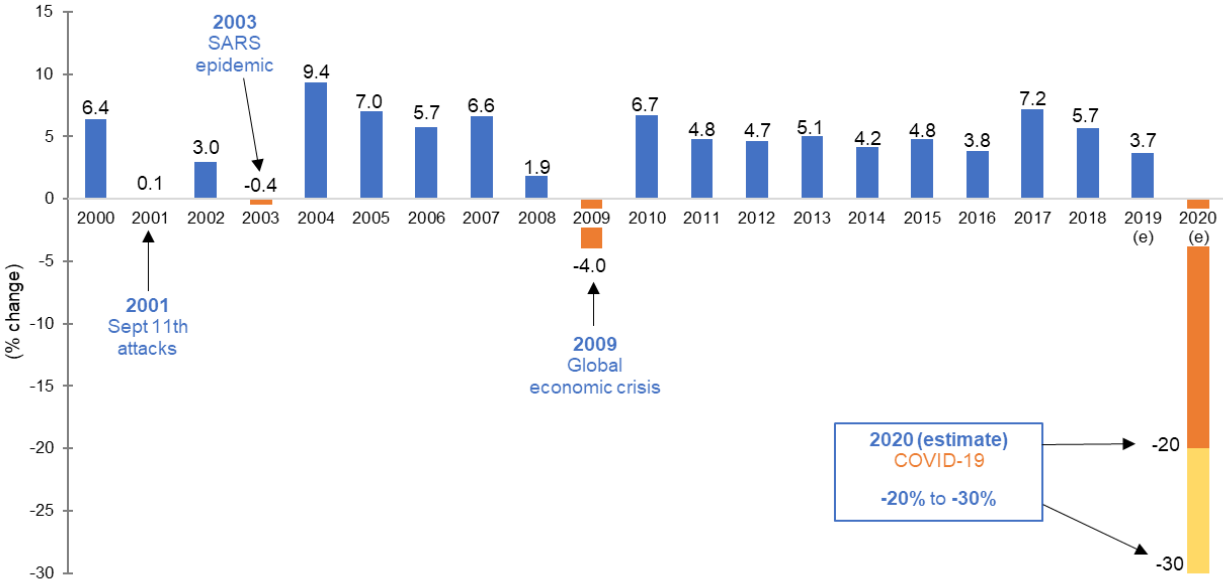
<sup>7</sup><https://www.iata.org/en/iata-repository/publications/economic-reports/air-passenger-monthly-analysis---october-2020/>

<sup>8</sup> <https://www.iata.org/en/iata-repository/publications/economic-reports/most-air-travel-markets-remain-weak/>

in the world, raising concerns in the mind of consumers – whether justified or not – about the quality of medical care. Fortunately, the number of cases of COVID-19 in sub-Saharan Africa remains low compared to most other parts of the world. However, this will be of little comfort as long as the numbers continue to rise and there is no vaccine readily available.

As the following graph of the UNWTO dramatically underlines, even with the minimum 20% decline in international tourism, predicted back in March, there is no comparable experience in recent history. The global economic crisis of 2008-9 resulted in a decline of only 4% in tourism receipts, and the SARS epidemic of 2003 merely led to stagnation. The more recent projections for 2020 are literally off-the-chart.

**Figure 1:** International Tourist Arrivals 2000-2019 and March Projections for 2020



Source: UNWTO (e) Estimate

**Source:** UNWTO, Impact Assessment of the Covid-19 Outbreak on International Tourism, March 24, 2020.

**The potential for recovery**

The factors determining the speed of recovery in international tourist travel lie both on the demand and the supply sides. Keen to restart the tourism industry, the Government of Uganda has re-opened international borders, but has maintained strict observance to Standard Operating Procedures (SOPs) as a condition to allow foreigners to come in, given the importance of transmission by international travelers in launching the pandemic in the first place. The SOPs are believed to shield the country from particular risks posed for a tourism sector based on gorilla trekking. Gorillas are especially susceptible to the diseases of humans, given the similarity of their physiognomy. If one gorilla were to be infected, this could have a devastating effect on their group and potentially others as well. In any event, the return of visitors will be very slow given demand side limitations.

The demand-side factors will be difficult to overcome. Tourists may be unwilling to travel overseas until a vaccine is widely available. While a small number of front-line workers and senior citizens started to receive injections in December, 2020, it is likely to take another 8-12 months before everyone in Uganda's key markets will have access. While production is being ramped up, supplies will have to be rationed and it is unlikely that tourists will be high on the list of priorities. As any vaccine will not provide 100% protection, some tourists will be too risk-averse to travel and others will hesitate to go to destinations where they perceive the public health system and the medical services to be weak. Uganda did well in the early stages of the pandemic, but unfortunately the situation has deteriorated. Furthermore, the numbers are even worse in Kenya, while Tanzania is not being transparent in the provision of information on COVID-19. This will discourage tourism to East Africa in general.

A complicating factor for long-haul destinations such as Uganda is their reliance on air transport. Typically, airlines cannot operate profitably unless they are at least 70% full. Therefore, even a partial recovery in demand may be insufficient to warrant the re-opening of air travel. Proposals to leave the middle seat vacant in airplanes are being rejected by the industry as unworkable. The alternative is higher airfares for half-full airplanes, but this will make the trip too expensive for many tourists. Similarly, it will not make business sense for some hotels to open until they can be assured of a minimum number of clients to justify the extra expense.

On top of these considerations, many potential tourists have lost their jobs or suffered a serious decline in their incomes or savings. Long-distance vacations are going to be even more of a luxury in the short term. While this may be somewhat mitigated by the share of retired persons among leisure tourists travelling to Uganda, but many others will have seen their savings diminished. However, safari tourism is an expensive proposition which primarily attracts the well-to-do. These people will have been less affected by the pandemic, which has proven cruelly inequitable in its impact. After seniors in long-term care facilities, it is low-income people who have been hit the hardest. They tend to be less able to continue working remotely, and so are either forced to stop working or continue in high-risk environments. So perhaps low-cost, beach tourism will be more affected than high-end safaris.

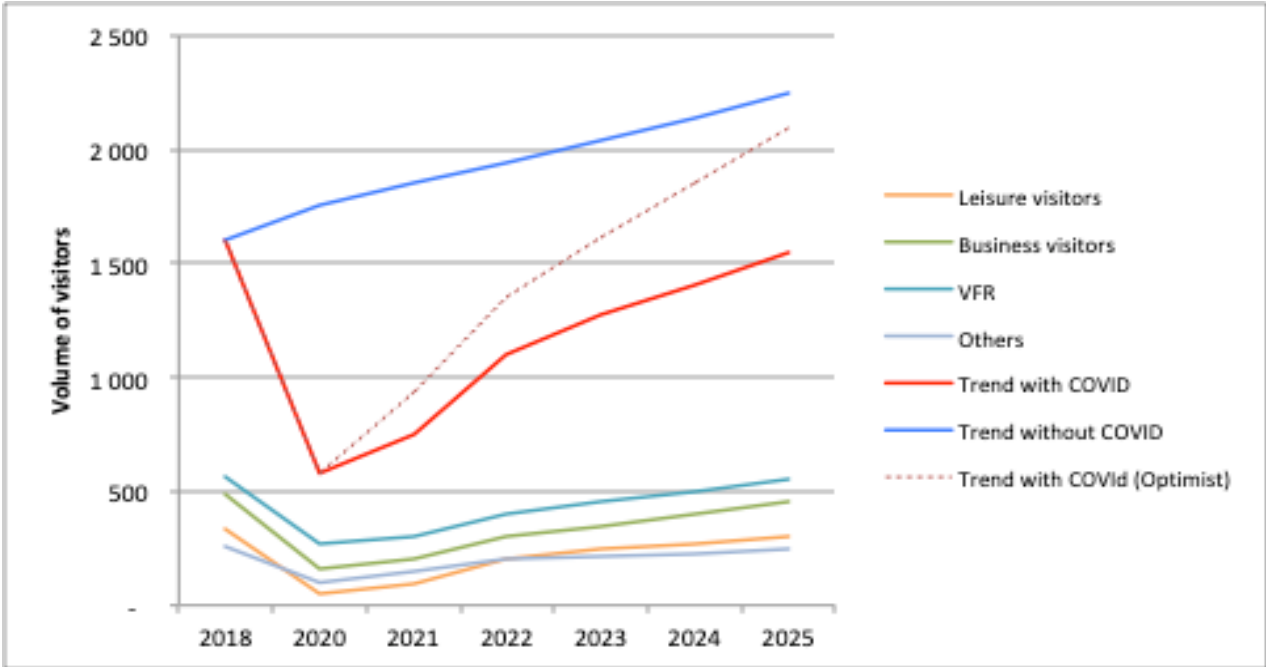
The good news is that travel has become a virtual necessity for more and more people as their incomes and education have risen, along with an aging population with the time and good health to pursue their dreams. International tourism has recorded steady growth over the years, one which few other industries can match. Past setbacks have been very temporary. The SARS epidemic of 2003 was followed by the strongest growth of any year in the past 20 – 9.4% in 2004 (see Figure 1 above). Countries with a heavy reliance on Chinese tourists suffered most, but then had a stronger recovery. Malaysia experienced a major drop of 17% in Chinese tourist receipts in 2003, but this was more than compensated by a 39% rise the following year. Similarly, the more severe impact of the 2008-9 financial crisis on tourism was fully offset in 2010, when tourist arrivals grew by 6.7%.

It bears repeating that the current crisis is unprecedented. Furthermore, there is every likelihood that it will be followed by waves of recurring outbreaks, of varying magnitude depending on how

different countries have managed the re-opening. Some observers speculate that there will be a permanent change in consumer preferences, including a shift towards domestic tourism. However, there are at least two impulses that seem destined to propel international tourism in the future: the desire for adventure and new experiences, and the need to escape northern winters, at least temporarily. The rebound is going to be slower than anything seen in the past, but there is no reason to believe that tourism will suffer a long-term decline in its fortunes.

The UNWTO has made forecasts of the rebound in international tourism in total and by category (see Figure 2). Their most likely scenario indicates that it will take 5 years to recover to 2019 levels. An optimistic scenario cuts this time in half. However, given the failure of many countries to control the first wave, and the appearance of a second wave in others, this scenario seems unlikely.

**Figure 2:** Forecast Evolution of International Tourism: 2020-25.

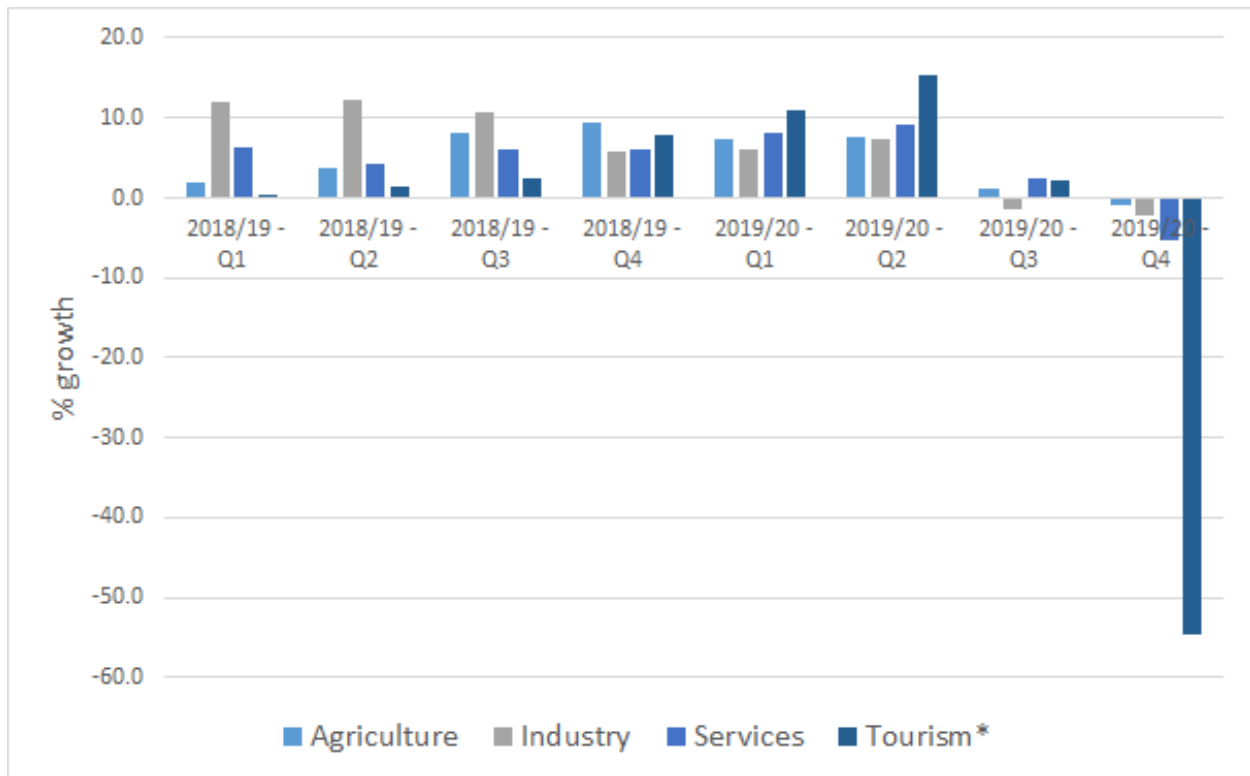


Source: UNWTO.

**The impact of COVID-19 on tourism in Uganda**

COVID-19 has been a disaster for the tourism industry in Uganda. The closure of its international borders was a necessary and important measure to control the disease, but it had the immediate effect of closing down most of the industry. Consequently, it is safe to say that it is the hardest hit sector in the Ugandan economy. The only other one to face a similar collapse is cross-border trade.

**Figure 3:** Change in Sectoral GDP by Quarter: 2018-2020



**Source:** Uganda Bureau of Statistics (2020).

Figure 3 compares the change in output by quarter for tourism with three broad sector categories. In the second quarter of fiscal year 2019/20, that is, March to June 2020, tourism suffered a huge decline while other sectors suffered only moderate drops.

The same conclusion is reached when the level of other exports is compared to that of tourism revenues. Both smallholder and commercial agriculture appear to have done surprisingly well if one judges by their export performance. Indeed, coffee did better in the first three months of the pandemic than in the same period a year before, and three of the next four agricultural exports (cocoa, maize and sugar) also showed improvements. Manufactures had a more mixed performance but not notably worse than in the preceding period and certainly nothing compared to tourism.

**Table 1:** Export Performance under COVID-19 (US\$ mil.)

	Monthly average	
	March-July 2019	March-July 2020
<b>Smallholder agriculture</b>		
Coffee	34.9	43.1
Cocoa	6.4	7.5
Maize	4.6	6.2
Cotton	6.4	1.6
Beans	2.6	1.9
<b>Commercial agriculture</b>		
Sugar	7.4	7.9
Tea	6.9	6.3
Tobacco	3.6	2.5
Flowers	5.2	4.7
<b>Fish</b>	14.5	9.5
<b>Mining</b>		
Gold	142.0	126.2
Base metals and products	8.8	8.7
<b>Manufactures</b>		
Cement	4.6	5.8
Plastic products	3.0	2.1
Beer	1.7	1.8
Soap	1.4	1.6
<b>Tourism</b>		
Holiday tourism	70*	0

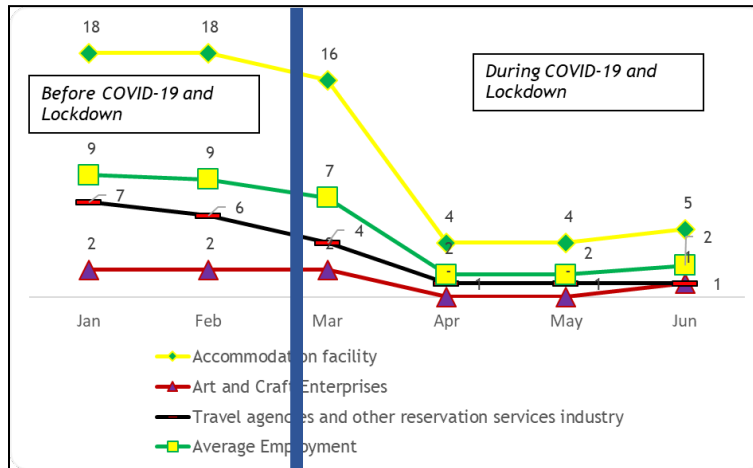
\*This is a rough calculation based on the annual 2017 estimate, adjusted for growth to 2019, and divided by 12.

**Source:** Bank of Uganda, Composition of Exports: Values and Volume, [www.bou.or.ug](http://www.bou.or.ug).

By June 2020, most (91.8%) of the tourism entities had downsized their workforce due to the financial hit caused by the COVID-19 pandemic (MTWA, 2020). The average number of workers employed in the tourism industry dropped from 9 workers in January to only 2 workers per establishment by June 2020, a 74.4% loss in Jobs in the tourism sector (Figure 4). By December, 2020, the persistent financial constraints related to COVID-19 have forced many tourism entities to lay off all workers, due to the inability to pay them.



**Figure 4: Average Employment by Tourism Entity**



Source: MTWA, 2020.

The recovery of tourism in Uganda will not be even, and it is important to keep the different types of tourism in mind when tracking the rebound. The most lucrative form of tourism on a per capita basis is international leisure tourism (Table 2), yet it is likely to be the slowest to recover. Visiting family and friends generates somewhat more spending in total, but much less of this goes to the tourism sector value chain actors such as hotels, restaurants, tour operators, guides and handicraft sellers. Business travelers are a smaller yet significant group, though their spending will be largely concentrated in Kampala. Tourist arrival data is inflated by transit and other travelers for which little or no spending data is available. As arrivals start to pick up, it will be important to distinguish between the different categories and track the number of leisure tourists in order to assess the prospects for the leisure tourism industry. And as the authorities try to identify priorities for support within the tourism sector, up-country businesses catering to leisure tourists will need special attention.

**Table 2: Arrivals and Expenditure by Tourism Category: 2017.**

Type of traveler	Arrivals	Average expenditure (UgShs)	Total expenditure (UgShs billion)
Leisure	211,200	11,400,00	2,409
Visiting friends/family	527,723	5,050,000	2,669
Business	225,960	2,800,000	632
Transit	92,158	320,000	30
Other	265,481		
Total	1,322,523		5,739

Source: UNECA, Uganda Tourism Satellite Accounts, draft 2018.

## Domestic Tourism

Domestic tourism has helped to soften the blow suffered from the collapse in international tourism in some developed countries. This market segment though not comparable to international tourism was and continues to be promising in cushioning the tourism sector amidst shocks of this nature. Unfortunately, there is little domestic tourism in Uganda and not much prospect of a significant increase any time soon. Dominated by a fraction of Uganda's working class and the foreign residents, the survey that was conducted by MTWA in 2017 confirms the limited potential of domestic tourism in cushioning the sector. Accordingly, the main purpose of travel for domestic tourists is leisure, relaxation and holiday (89.9%) followed by business prospecting (3.9%), religious activities (1.4%), conference and meetings (1.4%) (Table 3). However, due to limited incomes of domestic tourists (Mean=UGX 1,931,958 or USD 537, Table 4), their expenditure multiplier effect along the tourism value chain is low compared to international leisure tourists. For example, only 1.5% used a tour operator vehicle. Their average expenditure in accommodation establishments is only UGX 375,000 or USD 107 (Table 5). Clearly, domestic tourism is not going to sustain the tourism industry in Uganda and many up-country hotels will not sustainably operate until international tourists return.

**Table 3:** Main Purpose of Travel for Domestic Tourists.

	Frequency	Percent
<b>Leisure, recreation, Relaxation, holiday</b>	<b>186</b>	<b>89.</b>
Conferences/Meetings	3	1.4
Business prospecting	8	3.9
Religious/spiritual	3	1.4
activities others	7	3.4
	207	100

Source: MTWA, 2017.

**Table 4:** Average Income by Purpose of Visit of Domestic Tourists (UGX '000s).

	N	Mean	Minimum	Maximum
Leisure, recreation, Relaxation, holiday	176	1846	100	20000
Conferences/Meeting	3	9333	500	24500
Business prospecting	7	892	150	1500
Religious/spiritual activities	1	8000	8000	8000
Others (specify)	6	941	200	2000
Total	193	1931	100	24500

Source: MTWA, 2017.

**Table 5:** Spending on Accommodation by Purpose of Visit (UGX '000s)

	N	Mean	Minimum	Maximum
Leisure, recreation, Relaxation, holiday	123	385	0.1	7400
Conferences/Meeting	1	400	400	400
Business prospecting	8	161	10	455
Religious/spiritual activities	1	2500	2500	2500
Others (specify)	6	103	0	350
<b>Total</b>	<b>139</b>	<b>375</b>	<b>0</b>	<b>7400</b>

Source: MTWA, 2017.

### **‘During’ and Post-COVID 19 Interventions for the tourism sector**

Even with this COVID-19 shock, it is prudent that tourism sector development keep in line with the Third National Tourism Development Plan (NDP III). In NDP III, tourism remains one of the priority sectors for social economic transformation. It sets out 5 program areas for tourism namely: promoting domestic and inbound tourism; increasing the stock and quality of tourism infrastructure; developing, conserving and diversifying tourism products and services; developing a pool of skilled personnel along the tourism value chain and ensuring decent working conditions; and enhancing regulation, coordination and management of the tourism. Working towards these objectives necessitates specific interventions packaged to target two phases of the crisis, i.e., ‘during’ and ‘post’ COVID-19. During COVID-19, interventions should aim at: protection and management of the tourism resource, protection of jobs, sustaining the self-employed and supporting companies' liquidity and operations. Post-COVID interventions should aim at: keeping “destination Uganda” in the limelight to influence post-COVID decisions, addressing capacity gaps across the value chain, infrastructure issues, quality assurance and product development.

### **‘During’ COVID-19 Interventions**

#### ***First-order Priorities***

#### *Crisis response and transformative crisis recovery measures*

The government of Uganda needs to urgently implement a crisis response strategy designed to prevent the tourism sector from collapsing. This should be designed by a crisis management committee with strong private sector participation.<sup>9</sup> The response should include financial relief to the private sector as well as the government and non-government organizations operating in the area of conservation and tourism development. The financial relief should help to meet liquidity needs for basic operations and maintenance. The sector further needs financing to adjust their facilities to the new COVID-19 SOPs. The Euro 6 million obtained from the EU for the tourism sector is a good start, but will probably need to be supplemented to support the small and medium enterprises that could not meet the conditions set to access this fund. Other fiscal

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<sup>9</sup> This is one of the key requests from the private sector. PIRT, Private Sector: Business Response/Proposals to COVID-19.

and monetary measures could include but not be limited to mechanisms to deal with outstanding bank loans,<sup>10</sup> special support schemes for self-employed workers (such as exemptions, delays or reduced social security and tax payments), establishing and operationalizing a tourism investment fund to enable private investors get access to affordable finance. Beyond direct financial support, the sector needs to operate with special subsidies and discounts on key products and services such as electricity.

During the same period, it is important to invest in public relations efforts to create awareness of developments in Uganda, with a focus to establish confidence in the destination's safety. These efforts will need to be supported with marketing and promotion, especially using digital channels, to convince visitors to choose Uganda as a preferred destination after the crisis. It is now that the country needs to build and roll out a positive and competitive brand image of "destination Uganda" as well as scaling up its online market presence in key source markets, and destination awareness in domestic, regional and international markets.

There is also a need to establish a Market Intelligence Framework to monitor trends and the status of tourism during and after COVID-19 to inform future decision-making. Information generated through this arrangement will enable government and the private sector to effectively monitor and respond to changing consumer preferences and expenditure patterns

#### *Tourism resources conservation*

There is no doubt that tourism will recover and continue to grow and serve as an important sector of the Ugandan economy. However, the sector's post-COVID recovery and growth will heavily depend on the country's capacity to sustainably manage its resources including natural, cultural and historical heritage resources. It is crucial for the country to maintain efforts to conserve its two most important resources: *Wildlife* and *cultural and heritage resources*.

The Government's priorities within resource conservation should be to: (1) ensure biodiversity and cultural diversity is sustained or enriched; (2) promote the recovery of wildlife populations and restore or reconstruct degraded sites and monuments of cultural significance; (3) control poaching; (4) remove invasive species in parks such as Queen Elizabeth, Lake Mburo, and Kidepo; (5) minimize the negative impact of oil development in Murchison Falls National Park and abandon the project to build a dam; (6) sustain the captive animal welfare programs at Uganda Wildlife Education Centre and Chimpanzee Sanctuary since tourism was their sole income and has since dropped; (7) address human-animal conflict around Protected Areas through setting up barriers and other interventions. Rapid implementation of the new World Bank project, notably its tourism infrastructure and invasive species control components, will be important.<sup>11</sup>

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<sup>10</sup> Two low-cost ideas of the private sector are: i) to increase the statutory period for banks to declare non-performing assets, and ii) to increase the number of times commercial banks are allowed to restructure loans. Ibid.

<sup>11</sup> World Bank, Uganda: Investing in Forests and Protected Areas for Climate-Smart Development Project, April 2020.

## **Post COVID-19 Interventions: Second-Order Priorities**

In preparation for post-COVID recovery, there is need to increase the stock and quality of tourism infrastructure through expansion, upgrading and maintaining of tourism national transport infrastructure and services: Tarmac the road for southern access to Bwindi National Park; Improve access to Lake Mburo, Murchison Falls National Parks, Pian Upe Wildlife Reserve, and Bigo bya Mugenyi; and maintain access to all Protected Areas.

Support product development and diversification through setting up regional museums (Fort Portal, Arua and Napak); profiling and development of cultural and heritage tourism sites; equator development particularly the construction of improved monuments at Kayabwe, Rwemikooma, Lake George and Kikorongo to trigger private sector investments around those areas as well as upgrading the Pian Upe Wildlife Reserve into a national park with necessary infrastructure.

The 'bedrock' of a growing tourism sector and enhancing tourist experience is a better pool of skilled personnel along the tourism value chain, apart from the quality of the natural and built environment and transport infrastructure. In Uganda's tourism development process, human resource development needs to be continuously pursued through training and skill upgrading to improve competence and increase professionalism for enhanced sector performance. The focus should be on developing a pool of skilled personnel along the tourism value chain. The following suggested priorities are in line with emerging realities including the COVID-19 pandemic: building resilience of tourism enterprises in Uganda to adapt to disease realities like Ebola, Marburg, COVID-19, etc. including safety and hygiene handling skills; building skills in crisis response and communication; media training for key players; capacity-building programmes in tourism development and management; capacity-building for local communities to develop and promote local tourism products.

Fast-tracking the completion of the Uganda Hotel and Tourism Training Institute (HTTI) and implementation of tailor-made training for actors across the entire tourism value chain will be crucial in enabling the above interventions.

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