Country Update

Tourism services: State of Play & Opportunities for EAC services’ providers

Provided by

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Introduction

Tourism has experienced continued growth and diversification to become one of the largest and fastest growing economic sectors in the world over the past six decades. According to the United Nations World Tourism Organization’s long-term forecast report, *Towards Tourism 2030*, international tourist arrivals worldwide are expected to increase by 3.3 per cent per year to reach 1.8 billion by 2030.

The stakeholders were sampled from the below mentioned institutions:

- Ministry of Industry, Trade and Cooperatives (MITC)- Government of Kenya
- State Department of Tourism- Government of Kenya
- Kenya Institute for Public Policy Research and Analysis- Government parastatal
- Hotels and Restaurants (Serena hotels, Hilton hotels Nairobi)
- Jumia Travels
- Skyward Express
- Jambo Jet

Current state of tourism services in Kenya

In Kenya, the tourism industry is one of the most important socio-economic sectors and a leading component in international trade. The sector contributes 10 per cent to the Gross Domestic Product (GDP) and employs about 11 per cent of the total workforce in the country. It is also worth noting the tourism sector’s ability to stimulate demand for local products and services through its forward and backward linkages with other sectors of the economy. These include hospitality (hotels and restaurants); transportation (road, sea, airline, and other passenger transportation services) and booking services (travel agents and tour operators). The sector’s multiplier effect is critical in driving the governments’ Big Four
Additionally, the sector has the potential to contribute directly and indirectly to the achievement of the United Nations World Tourism Outcomes 2030 Sustainable Development Goals (SDG’s).¹

**Recent statistics**

In 2017, tourism sector recorded improvements despite a prolonged electioneering period and negative travel advisories issued by some countries. The travel and tourism industry directly contributed 3.7 per cent of the GDP in 2017. Total contribution stood at 9.7 per cent of GDP in the same year, and is forecasted to rise by 5.5 per cent in 2018. Tourism earnings increased by 20.3 per cent from KSh 99.7 billion in 2016 to KSh 119.9 billion in 2017. The number of international visitor arrivals increased by 8.1 per cent in 2017. The number of hotel bed-nights occupancy increased by 11.3 per cent from 6,448,000.5 in 2016 to 7,174,000.2 in 2017.²

**Rules/ programs implemented to enhance services’ tourism**

All of the government representatives interviewed for the CUN were not aware of the specific WTO and/ or UNFCCC rules that enhance services’ tourism in Kenya. However, they believed that the Government recognizes the threats posed by climate change on tourism and has taken action to address them. In this regard, the government developed the National Climate Change Response Strategy in 2010 and the National Climate Change Action Plan (NCCAP 2013-2017) in 2012. The National Adaptation Plan (NAP) marks yet another landmark in efforts to address the sector’s vulnerability and resilience to climate change.

The Government is fully committed to addressing climate change domestically, as well as demonstrating leadership in the global fight against climate change. Kenya submitted an ambitious Intended Nationally Determined Contribution (INDC) to the United Nations Framework Convention on Climate Change (UNFCCC).

“In the last decade, several programs have been implemented with an aim of improving the tourism sector. All these programs are in line with WTO rules/ programs”. Bramah Kaleve, Ministry of Trade

First, the government developed the Tourism Act, 2011 which provides for the development, management, marketing and regulation of sustainable tourism and related activities including services and connected purposes. The Act among other things provides for a national tourism strategy, subsidiary legislation, guidelines, rules and regulations; guidelines and measures for sustainable tourism; criteria for standardization and classification; hospitality and tourism curriculum for training industry professionals; code of practice for the tourism sector; tourism research; fiscal/tax incentives and disincentives; as well as prohibition and offences relating to pollution.

Secondly, the enforcement of an East African Tourism visa for Kenya, Rwanda and Uganda was an imperative policy direction. The single tourist visa allows multiple entries among the three countries for US$ 100.

Thirdly, in February 2015, the Ministry of Tourism and Wildlife announced the commencement of the implementation of the

¹ The Big Four Agenda aims at accelerating economic growth focuses on manufacturing, food security and nutrition, and providing

² Ministry of Tourism and wildlife: State Department of Tourism
East African Classification System in fulfilment of the EAC Partner States’ aspirations to harmonise the quality standards of tourism facilities in the region. The aim is to encourage the constant improvement on quality product offerings and enhancement of promotional and marketing activities of the region as a single market destination, of which tourism, accommodation and catering facilities play a significant role.

Lastly, in June 2018, Cabinet Secretary of the Ministry of Tourism and Wildlife, together with key players in the industry came up with The National Tourism Blueprint, 2030. The blueprint encourages new innovative approaches in the management of the tourism sector in Kenya to achieve Vision 2030.

Challenges facing the Sector

Actors in the tourism value chain face various challenges when providing services to tourists. These include high tax rates and poor tax administration. These prohibitive taxation rates impact negatively on the profitability of the industry.

Macroeconomic instability in the county also affects the tourism sector adversely. For example, changes in interest rate and inflation. High inflation results to rising tourism prices due to the reduced purchasing power of money. This leads to general decrease in the demand of tourism.

Tours and travel require an integrated infrastructure development in order to thrive. In Kenya, especially in rural areas, the road network is poor making some places in inaccessible. At the same time, most areas are not connected to electricity and the communication network is equally poor.

Safety and security of both the hosts and visitors are pre-requisites to a growth of sustainable tourism sector. Hotels and restaurants in Kenya are highly vulnerable to insecurity especially through imminent terror attacks. Due to insecurity, some parts of Kenya are still red zones for international travellers. This situation has been escalated by negative media highlights and travel advisories.

Additionally, Kenya’s tourist arrivals follow a pattern of highly seasonal resorts leading to reduced visitations in some areas during off season. Seasonality has also resulted in massive job losses during low seasons and high recruitment during high seasons. This trend has had adverse effects on the job security of Kenyan employees in this sector.

Lately, the tourism sector is faced with stiff competition from existing regional and international destinations. Tanzania, Uganda and South Africa are the key competitors for the tourism product in the African Sub Sahara. Competition has also been driven by the high price attached to the Kenya products especially the game parks and reserves, newly introduced taxes on the tourism industry and the high cost of doing business.

Travel agencies currently suffer from the low margins they get and the threat hanging over the commissions they get from selling tickets on behalf of the airlines.

Impact of climate change on the tourism sector

The tourism sector is a highly climate-sensitive sector because climate change affects a wide range of the environmental resources that are critical attractions for tourists, such as wildlife diversity, biodiversity, and water levels. Some of the impacts of climate change on tourism are:

- Early 2018, the main highway to the Masai Mara National Reserve, one of the most popular tourism destinations in Kenya, was closed for three days due to flooding and earth movement damage. Around the same period, Mombasa, a major tourist destination city, experienced flooding.
• Coastal inundation and erosion damage coastal infrastructure and ecosystems, which impacts negatively on tourist establishments situated close to the coast.

• Gradual changes in temperature and precipitation prompting species to migrate to more favourable habitats can negatively impact certain locations for wildlife-based tourism.

• Effects of changing environmental conditions such as infectious disease, wildfires, and insect or water borne pests (jellyfish, algae blooms) caused by climate change can deter tourists.

• Reduction in Mara River flows has negatively impacted the migration of wildebeests through the Mara River from the Serengeti National Park in Tanzania to Kenya’s Maasai Mara reserve.

• The Kenya Wildlife Service (KWS) studies report that droughts are pushing lions closer to waterholes adjacent to human settlements, fuelling human-wildlife conflict.

• Increases in average annual temperature are likely to severely compromise or eliminate certain ecologically sensitive tourist destinations, such as the snow caps of Mount Kenya, sensitive marine ecosystems, and coastal rainforests. Bleaching of Kenya’s coral reefs has also been observed.

Opportunities to enhance tourism services/ way forward

Security and political stability

Over the past decade, Kenya has been characterized by a sequence of post-electoral violence leading to deaths and loss of property. This coupled with frequent terrorist attacks impacted negatively on the country’s tourism sector which experienced dwindling numbers of tourist arrivals. However, with the current political stability and sound counter-terrorism measures in place, the sector is gradually improving. Investment by the private sector into the industry has improved, evidenced by the significant increase in the number of international chain hotels setting foot in the country and growing number of local family investments in alternative forms of tourist accommodation facilities (Tourism Regulatory Authority).

Improved infrastructure

Kenya is currently making significant infrastructural investments particularly in its transport systems denoted by increased budgetary allocations for construction of roads, standard gauge railway (SGR) and port facilities. These initiatives will boost the tourism by opening up destinations which were previously inaccessible. The recent acquisition of last point of departure status by Jomo Kenyatta International Airport (JKIA) further places Kenya as a premier tourist destination.

Domestic tourism

The government has recently embarked on strategies to promote domestic tourism in the country with the aim of mitigating the challenge of seasonality in the sector. To this end, concerted efforts, for example, the #TembeaKenya campaign spearheaded by the Kenya Tourism Board (KTB) have so far yielded positive outcomes by keeping the industry alive even during international off-peak periods. Additionally, such government initiatives are strengthened by Kenya’s growing middle class which has increased demand for leisure, accommodation and travel services. This has created numerous opportunities for the industry due to the increase in demand for.

The slump in domestic tourism was also partly addressed by the Constitution of Kenya, 2010 which devolved some government functions to the county level. With counties now fully
operational, the hospitality industry has greatly benefited due to increased demand for conferencing and accommodation facilities which were previously concentrated around major cities and towns.

**Convention tourism**

In an effort to deal with competition from regional and continental competition, Kenya has adopted strategies to market itself as a preferred tourist destination. Singling out convention tourism, for instance, various high-profile international conferences and forums have been held in Kenya over the recent past. These include United Nations Conference for Trade and Development (UNCTAD), the Tokyo International Conference on African Development (TICAD-VI), Africa, Caribbean, and the Pacific Parliamentary Assemblies meeting, as well as the African Green Revolution Forum (AGRF).

**Technological advancements**

Previously, marketing of the country’s tourism sector was mostly done through exhibitions and expos in targeted countries. Even though this strategy is effective in attracting tourists to the country, its costs and logistical requirements are quite prohibitive. Over the recent years however, the unprecedented rise in the use of technology, social media and e-commerce platforms has had significant impact on how consumers interact with hospitality providers and purchase holiday packages. Improved technology has increased the ease of doing business and also reduced the cost of doing business.
1 Interview with Nahashion Mwongera, Tourism Division, KIPPRA

2 Interview with Racheal Thiong’o, Sales Account manager, Hilton, Nairobi

3 Interview with Cyros Onyiego: Country manager, Skyward Express

4 Interview with Rosemary Mugambi: Regional Sales and Marketing Director, Serena Hotels EA

CUTS International, Geneva

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