Vision and Long-term Development Strategy for Kenya's Tourism Industry

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Abstract

This paper reviews tourism performance in Kenya in relation to the policy framework, focusing specifically on the absence of a shared vision and a long-term development strategy. Tourism is Kenya's third largest foreign exchange earner after tea and horticulture, and a major employer, accounting for 9% of the total wage employment in 1993. It contributes about 11% of the gross domestic product (GDP). After impressive growth in the 1960s–1980s, the sector experienced an unprecedented decline in the 1990s, particularly 1995–1998 when annual tourist arrivals and receipts dropped by 1.5% and 19.5%, respectively.

Promotion of mass tourism in 1965–1994 led to substantial increases in tourist numbers but drastic falls in per capita tourist expenditure, length of stay, hotel occupancy, hotel room rates, and service quality. This tourism segment cannot be relied upon as a sustainable source of revenue as carrying-capacity limits of many tourism resources appear to have been exceeded. The capacity of the country to offer luxury tourism, the current target, has been largely compromised by the effects of years of promoting mass tourism. Specifically, the capacity has been affected by overcrowding at tourist sites, overdevelopment of tourist facilities, general insecurity in the country, poor infrastructure, and environmental degradation.

This poor situation in tourism is attributable to i) the fact that there was inadequate reflection, consultation and planning when the policy to focus on the mass market was formulated, and ii) the absence of a shared tourism vision and a long-term development strategy. Kenya still does not have a shared vision for tourism generated through wide consultation and open dialogue among stakeholders in the industry, and the framework for tourism is incomplete in the sense that industry actors and activities are not adequately coordinated. Consequently, the policies developed for the sector have been ad hoc, unimplementable and without consistency, continuity, or a long-term focus. The tourism vision for the country could be built around pro-poor and sustainable development, based on the tourism products in which the country has comparative advantage.

To attract the luxury cadre of tourists, Kenya needs to develop an appropriate vision and long-term strategy and start rebuilding its capacity

to deliver high-quality products. In the short and medium term it is advisable for the country to continue relying on a blend of high- and low-volume markets as it raises the quality of tourist assets and service. A simultaneous but gradual increase in prices would restrict tourist numbers and enable the resources to recover. Once resources have recovered sufficiently and facilities and services have been improved, prices could be raised to a level sufficient to turn the country or designated parts of it into a high-value tourist market.

High-value tours to game parks or wildlife safaris complemented by quality coastal beach holidays remain Kenya's primary tourist products. But Kenya's natural environment, cultural diversity and the people themselves have the potential to give the country distinctiveness.

The long-term tourism development strategy could be based on the following elements:

- *Integration of tourism planning into overall national planning*
- *Pursuance of sustainability*
- *Improvement of competitiveness*
- *Regional cooperation and collaboration*
- *Development of an institutional framework for stakeholder dialogue and partnerships*
- *Conservation of natural resources*
- *Appropriate and effective marketing and promotion*
- *Effective public sector support*
- *Capacity development and research*
- *Development of a dynamic technology strategy*
- *Deliberate strategies to maximize net social gains from tourism*

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Acknowledgments

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Abbreviations

GATS	General Agreement on Trade in Services
KICC	Kenyatta International Conference Centre
KTB	Kenya Tourist Board
MSME	micro, small and medium enterprises
MTP	maximum tourism population
MTTI	Ministry of Tourism and Information
NIT	negative input turnaround
SSA	sub-Saharan Africa
STD	sustainable tourism development
TTC	Tourism and Transport Consult International
WTM	World Travel Market
WTO	World Tourism Organization
WTTC	World Travel and Tourism Council

1 Introduction

Tourism was the most remarkable economic and social phenomenon of the 20th century and it is expected to maintain that status in the 21st century (WTO 2000). Global tourist numbers grew at an annual rate of 7% between 1950 and 1999, from 25 million to 664 million, and tourism activity spread out geographically from Europe to Asia, North Africa, Latin America and the Caribbean. In 1950, only 15 countries received all the international tourist arrivals, but this grew to 70 countries and territories by 1999, with the share of the top 15 falling from 100% to less than two-thirds. In 1999, worldwide tourism receipts were estimated at US$ 455 billion in current prices, and international fare receipts stood at US$ 93 billion.

The actual value of the tourism industry was much higher than this, however. In 1996, for instance, the World Travel and Tourism Council (WTTC) estimated the total economic value of goods and services attributable to tourism at US$ 3.6 trillion or 10.6% of the gross global product.

The economic importance of tourism is further demonstrated by the fact that it is one of the five top export sectors for 83% of all countries and the main source of foreign exchange for at least 38% of them. International tourism and fare receipts account for about 8% of the world's total export (goods and services) earnings, and for more than 10% (235 million) of world employment (WTO 2000). Tourism has great potential in poverty alleviation, considering that it is significant and/or growing in 11 out of the 12 countries in which 80% of the world's poor (those living on less than US$ 1 per day) live (Christie and Crompton 2001).

The WTTC forecasts that tourism and travel in sub-Saharan Africa (SSA), one of the poorest regions in the world, will grow at over 5% (in real terms) between 2001 and 2010 compared with 3% for the rest of the world. In SSA, employment in tourism and travel is also expected to grow fairly rapidly, at

3.4% annually, to account for nearly 7.5% of the region's total employment. Africa's tourism has been growing faster than global tourism. Over the 1985–1999 period, for example, tourism in Africa grew at 7.5% annually compared with 5.2% globally. Africa's share of world tourism is still very low, however, standing at only 4% in 1999.

Growth in tourism has been spurred by a number of factors, including i) social factors that boost demand (growth in wealth and improvement in politics)[1], ii) technological development such as the jet plane that have made transport cheaper and more efficient, iii) development of hotel chains with consistent standards around the world, and iv) advances in information technology that have transformed marketing of tourism.

However, international tourism still faces numerous challenges, such as, i) control of air space by individual countries, ii) overcrowded airports, ii) inadequate comfort in aircraft, iii) cumbersome customs and passport procedures, iv) vulnerability of the industry to external shocks such as economic recession, the performance of the US economy, oil prices, and political and other conflicts, v) fierce competition for tourists, vi) environmental and sociocultural threats, vii) failure to link tourism to the local economy, which could result in opposition to the activity, and viii) upward pressure on the cost of living for the locals through increases in property value.

The role of tourism as a development tool, particularly in developing countries, has been cast into doubt by such problems as the industry's foreign domination and dependency, socioeconomic and spatial polarization of the activity, environmental degradation, and cultural alienation or erosion of

[1] The income elasticity of demand for tourism in all developed countries is estimated to be greater than 1, but sometimes it is greater than 2 (English 1986).

social control and identity of host communities (Brohman 1996).

The extent of these problems and the performance of the tourism industry in a given country are influenced to a large extent by the quality of the country's policies and their implementation. Policy quality, in turn, is largely determined by the presence or absence of a vision and comprehensive long-term strategy for the industry. Such a framework is important even for a sector dominated by private investment, like tourism, to guide the operations of private interests for the overall benefit of the country.

In Kenya, tourism enjoyed remarkable growth—particularly in the 1960s and 1980s—until the 1990s, spurred by some of the factors that stimulated the growth of global tourism. By 1987, it had become the country's leading export sector. In the 1990s, however, the sector started experiencing problems related to the perception of the country as a mass tourist market and the associated rapid decline in per capita tourist expenditure, among others. Annual tourism receipts declined by an unprecedented rate of -19.5% between 1995 and 1998. Other performance indicators like length of stay, hotel occupancy and hotel room rates also plummeted. There was no indication whatsoever that the country had expected or planned for this, indicating that the country's policy and planning framework was weak.

This paper investigates the impact that the lack of a shared tourism vision and a long-term strategy has had on Kenya's tourism, argues for them, and proposes some of their potential elements. Given their importance in the broad strategy framework, policies on the net impact of tourism and foreign participation are also discussed.

The remainder of the paper is organized as follows: Section 2 presents a brief discussion of important conceptual issues, laying the foundation for subsequent analysis. Section 3 discusses tourism performance in the country and the pertinent factors. In section 4 the issue of tourism vision and long-term development strategy in Kenya is analysed. The last section presents the conclusions.

2 Tourism: Some Conceptual Issues

Because of the cross-sectoral and multifaceted nature of tourism, data relating to the sector are usually not complete. For instance, it is difficult to differentiate the products sold to tourists and those sold to residents. Efforts geared towards addressing this problem are under way, however. In particular, a satellite accounting system to capture all activities that constitute tourism is being experimented with around the world.

In this section, we discuss some important concepts of tourism, including its definition and scope, the nature of the tourism product and the economic impact of tourism, and present a simple model of sustainable tourism development.

2.1 Definition and scope

An internationally agreed upon definition of tourism has been elusive for a long time. Recently, however, the United Nations and World Tourism Organization (WTO) adopted the following definition of tourism: "… the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes" (UNCTAD/DITC 1999). Tourism, like entertainment, sells an experience, "… a way for people to enjoy their free time".[2] The travel industry is often

[2] *The Economist*, January 10, 1998.

treated as part of tourism because of its role in facilitating the movement of tourists.

From a broad perspective, there are two types of tourism: mass tourism and 'alternative' tourism. High-volume or mass tourism emphasizes "… large corporations, unfettered free markets, high-density development, short-term profits, and the like" (Weaver 1999: 797) and is therefore widely perceived as unsustainable in the long term. However, the increasing environmental and social awareness of tourists is gradually forcing mass tourism to adopt sustainable practice.

Alternative tourism, on the other hand, is locally controlled, small-scale, and associated with consumption of more local goods and greater local participation. Alternative tourism is associated and at times considered synonymous with ecotourism and sustainable tourism, as it is viewed as being largely sustainable. The WTO defines sustainable tourism as "… meeting of the needs of present tourists and host regions, while protecting and enhancing opportunities for the future" (WTO 1998: 8). Even alternative tourism could become unsustainable, however, when "… penetration into host society is too intrusive, or when the local elite monopolizes the destination's tourism industry" (Weaver 1999: 797).

There is ongoing debate on whether or not tourism is an industry. Smith (1994) reviews this debate and presents a convincing case why tourism should be considered as an industry. He shows that tourism has a generic product and a production process, the prerequisites for an activity to be considered an industry. Consequently, we consider tourism as an industry as well as an economic sector: "…the constellation of businesses, public agencies, and non-profit organizations that create products to facilitate travel and activity for people away from their home environment" (Smith 1994: 592–593).

2.2 The tourism product and production process

What constitutes a tourism product is also an issue of enormous debate. While it is not the intention of this paper to plunge into the debate, it is worthwhile to note that the tourism product is a complex human experience with a number of elements, whose whole is, however, "… more than the sum of its parts" (Smith 1994: 588). Smith (1994) identifies five elements of the tourism product: i) the physical plant (the natural and built asset), that is, a site, a natural resource, a hotel, a resource like a waterfall or wildlife, a cruise ship, good weather, or others; ii) the service, that is, the performance of tasks required to satisfy the needs of the tourists; iii) hospitality, that is, the expression of welcome by the local residents that adds 'something extra' to the service; iv) the degree of freedom of choice for the tourist; and v) the involvement of the tourist in the production process.

In tourism the consumer is an integral part of the production process, since the final product, the experience, cannot be had without the consumer travelling to the point of production and converting the intermediate outputs (the services) into experiences (Smith 1994). The freedom of choice and involvement of the tourist transform the intermediate outputs into the final output.

In more concrete terms, the tourism product or experience consists of:

- The principal assets offered to tourists (sun, sea, sand, wildlife, mountains, rivers, lakes and other nature and scenic assets; monuments, old cities, local customs, song, dance, art, handicrafts, museums, and other cultural assets)
- Transport to and from the destination
- Hotels and other accommodation

- Restaurants and other types of food services
- Tour services that link the different components of a trip and other distribution agencies
- Banking, telecommunications, and other important services
- Physical security of the tourist
- Access to appropriate health services
- Attitudes and behaviour of officials at the destination such as the police, and the customs, immigration, embassy and other officials who handle tourists, and general hospitality by all people at the destination
- Other tangible and intangible items such as pre-trip information in the tourists' home country, good interpretative material on the tourism assets, and innovative and creative composition of the tourist package

The bottom line is that success in tourism depends upon the value added to the basic resource endowment, that is, how the resources are managed and packaged. This, in turn, is determined by the utilization of science, technology, information and innovation in developing the tourism product, and by establishing partnerships of the public and private sectors (Christie and Crompton 2001).

2.3 Economic impact of tourism

The benefits often associated with tourism include foreign exchange earnings, contribution to the gross national product (GNP), tax revenue, employment of local labour, stimulation of demand for local products,[3] and development of remote areas

[3] It was estimated, for example, that farmers and fishermen in Kenya received about 9% of the total hotel receipts over the period 1966–1969 (English 1986).

and entrepreneurial skills (Mings 1978; English 1986). Beginning in the 1970s, however, tourism benefits, particularly in developing countries, have come under increasing scrutiny because of i) the substantial social and environmental costs accompanying the activity, ii) the leakage of tourism revenue, iii) the lack of strong linkages to the local economy, iv) the seasonality of employment, v) the reduced access to resources (labour, land, game, and other natural resources) by the local people without adequate compensation, vi) the increase in property and food prices associated with tourist demands, vii) the costs related to seasonality, such as low return on investment, and viii) the vulnerability of the industry to international market changes and domestic unrest.

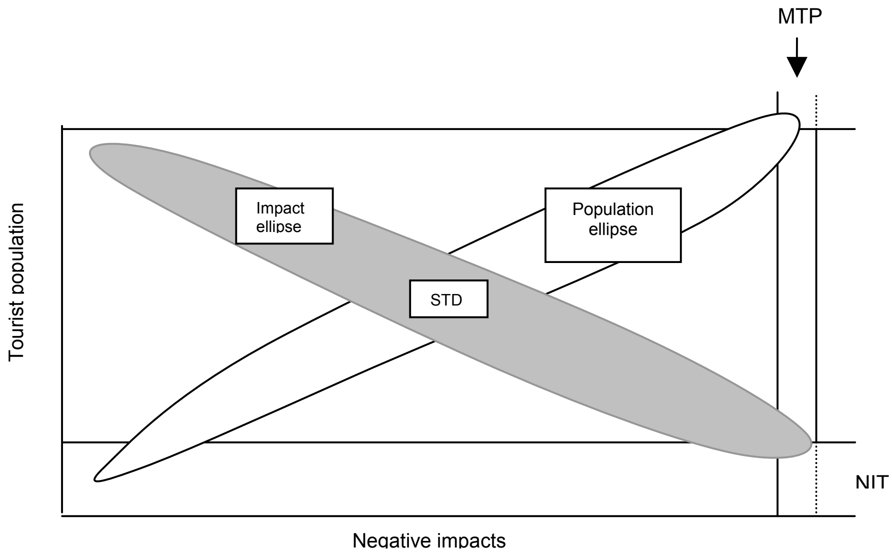
Consequently, a growing body of tourism literature seeks to estimate the real (or net) impacts of tourism at specific destinations rather than just tourism revenues. In spite of this, there are no internationally accepted standards for measuring the economic impact of tourism although satellite accounts are a notable effort towards the development of uniform accounting measures.

2.4 A simple model of sustainable tourism development

The concept of sustainable tourism development is a reflection of the fact that there is no 'zero-impact' tourism. As tourism activity expands (through an increase in tourist population) social, cultural and environmental costs (such as crime, prostitution, cultural dislocation, pollution, and biodiversity loss) increase, particularly once the carrying capacity[4] of the

[4] Mathieson and Wall (1992: 2), quoted in Lawrence (1994), define the carrying capacity of a destination as the maximum number of people who can use a site without causing an unacceptable decline in the experience gained from it.

destination is exceeded (Figure 1). If growth continues beyond the carrying capacity (or the maximum tourist population threshold, MTP), the destination is perceived as overcrowded and as having negative social and environmental impacts, initiating a decline in its visitation rate. The decline continues until another threshold level (the negative impact turnaround, NIT) is reached, at which point environmental and social damages begin to repair (Figure 1).[5]



Source: Lawrence (1994).

Figure 1. Model of sustainable tourism development (STD)

[5] As shown in the figure, recovery comes after a lag, since time is required for environmental regeneration and for sociocultural changes to take place. The commercial response of the tourist industry to the decline may lengthen the lag. The industry usually responds to the decline by competing for available tourist expenditure through heavy discounts, especially when there is overcapacity. This attracts a cheaper class of tourists, leads to quality deterioration, and delays recovery.

With sustainable tourism development, tourist numbers or tourism activity is not allowed to reach the threshold level (MTP) beyond which arrivals begin to decline. This is shown as STD (Figure 1), the region where tourist population and impact ellipses[6] meet. It should be noted, however, that the turning points and the carrying capacity are not static, as they can be varied by investment in direct and supporting infrastructure.

Measurement difficulties (especially for carrying capacity and social-environmental impacts) reduce the utility of this model as a practical tourism-management tool. Nevertheless, the model is useful to policy-makers and tourism managers in delineating tourism policy trade-offs. In fact, simple carrying-capacity indicators developed by stakeholders are practical tools for maintaining the balance between development and conservation, for benchmarking change and its causes, as early-warning systems, and for indicating thresholds beyond which further planning is required (Christie and Crompton 2001).

2.5 Tourism development and market choices

Tourism development choices are largely dependent on the natural attractions available and the maturity of the sector. A country with diverse natural attractions and a young, growing tourism sector has the luxury of choice. It can choose a development path based on low-volume but high-value (alternative tourism) trade or one based on high-volume but low-value tourist (mass) trade, or both. Conducting research on the expected relative impacts increases the probability that the choice made will be the best. If the vision for tourism were to enhance pro-poor development, for instance, the alternative that portends the largest contribution to this would be chosen.

[6] The relationships between the tourist population and negative impacts are shown as ellipses because of their non-linear and uncertain nature.

Alternative tourism is superior, as it hinges on the exploitation of unique natural resources such as wildlife, scenery, and wilderness. It also involves nature study and has less adverse impact on the environment and local cultures. In addition, it yields higher per capita tourism revenue by attracting rich tourists. However, the top, all-inclusive hotels required to support this market are perceived to lack adequate linkages to local communities. A combination of mass and luxury market segments would be the best. Evidence is emerging, in fact, that there is "… a mutual dependency or symbiosis, if not synthesis, between mass tourism and ecotourism" (Weaver 1999: 812). The combination requires very careful management to acquire and maintain positive images for the two segments, however. Often, one of the images edges out the other.

Once the choice is made, infrastructure development, services, security provision, and policies must be tailored to the needs of the chosen market segment(s). Mauritius, for instance, has preserved its exclusive luxury image through the determination of the government and the private tourist industry to keep off unscheduled airline charters (Christie and Crompton 2001). The luxury market, moreover, requires top hotels with reputable international standards.

A mature market has tougher challenges because its freedom of choice is limited by the fact that the destination has already acquired an image and some of its attractions may have been damaged by overexploitation and mismanagement. In such a market there are three strategies to achieve tourism revenue growth, none of which is easy. First, the country can increase the volume of hotel occupancy through increasing either the number of visitors or the length of their stay. Second, it can increase unit prices or average expenditure by tourists. Third, it can strive to improve retention of foreign exchange in the domestic economy.

The scope for increasing revenue from the luxury market is limited, as tourist numbers cannot be increased beyond a certain level without damaging the product and reducing its appeal (Figure 1), and because price maneuverability is limited by competition. In addition, the high-income market comprises only a small segment of world tourism (Christie and Crompton 2001). Even for the high-volume market, carrying-capacity limits control the number of tourists that can be accommodated. Retention of tourism revenue within the domestic economy is difficult but could be achieved through prudent economic management and deliberate, well-articulated policies.

3 Tourism Performance in Kenya

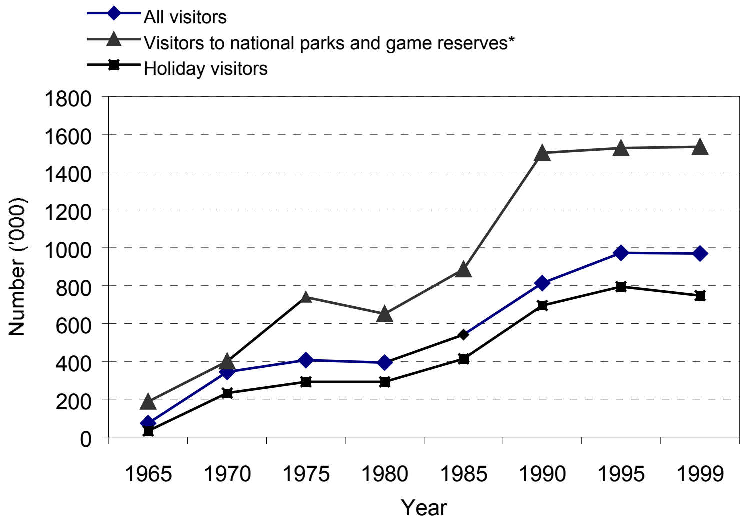
Tourism is an important sector of the Kenyan economy. In 1996, for example, the sector contributed 9.2% of GNP,[7] 18% of the country's total export earnings, 11.2% of government revenue, 138,000 jobs in the modern sector and 360,000 others in the informal sector, and investment worth 31,000 additional jobs (TTC 1998). The sector is now largely owned and driven by private enterprises, following substantial public sector divestiture in the 1990s. The role of the public sector in tourism is increasingly shifting to regulatory and facilitatory functions.

3.1 Tourist numbers

Tourism in Kenya has experienced remarkable growth since independence, although the pace has varied over time (see figures 2–6). Visitor numbers increased at an average annual rate of 7.6% between 1965 and 1998, to reach 894,300. Holiday

[7] The sector contributed 11% of GDP between 1988 and 1994 (GoK 1995c). However, the WTO estimated the contribution of tourism to GNP in 1996 at only 5.1% (Christie and Crompton 2001). This wide variation of the estimates underscores the need to be cautious when using Kenyan tourism data, which are poorly collected.

visitors increased faster over the same period, at 9.4% per annum. The number of visitors to the country increased by 36.2% every year between 1965 and 1970, slowed down to 1.4% during 1970–1980 and then increased to 7.5% between 1980 and 1990. The rapid growth in the 1960s and 1980s saw tourism surpass the country's traditional foreign exchange earners, coffee and tea, to lead in foreign exchange earnings in 1987. Growth slumped again to only 1.2% per year between 1990 and 1998, and tea overtook tourism in foreign exchange earnings. Horticulture has also now overtaken tourism.



Note: *Here, the number of visitors to national parks and game reserves is higher than the total of all visitors because it includes local visitors.

Figure 2. Tourist arrivals in Kenya, 1965–1999

Despite its erratic growth in the 1990s, tourism recorded its all-time peak performance in 1994 when it earned the country K£ 1405 million, or 34%[8] of total export earnings, and accounted

[8] These data are taken from official statistics, which do not consider leakage and other costs. For 1996, official statistics show that tourism accounted for 21.7% of the country's total export receipts, as opposed to the 18% reported

for 9% of the total wage employment. The worst period for the sector was 1995–1998 when it experienced negative growth (Figure 3 and Table 1).

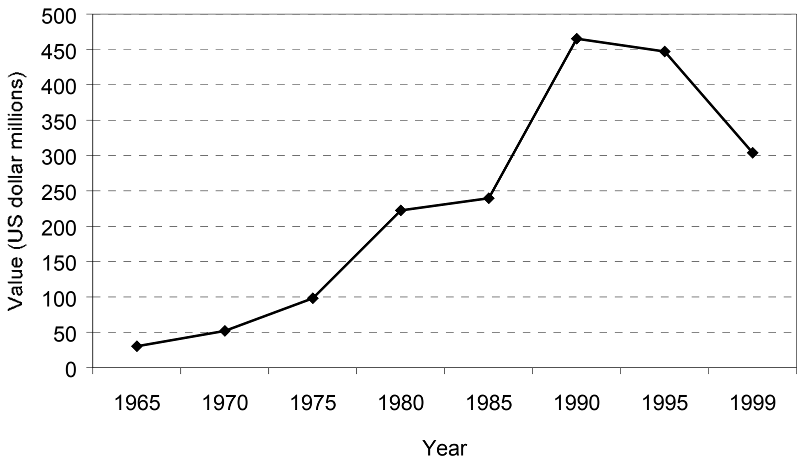


Figure 3. Tourism receipts for Kenya, 1965–1999

The poor performance in the second half of the 1990s saw the country's market share of tourists in the continent fall from 4.4% in 1995 to 3.5% in 1999. There was some recovery in 1999 when visitor arrivals increased by 10% to reach 943,000. This continued in the year 2000 when the sector's output grew by 2.4%, the only economic sector in the country, besides transport services, to register positive growth that year. The industry received a major boost in November 2000 when Kenya's tourism stand beat over 5000 other exhibitors to take the first position in the World Travel Market (WTM) held in London.

by a more rigorous economic impact study (TTC 1998). However, that study also did to take into consideration environmental and social costs.

Table 1. Kenya's tourism performance relative to selected competitor destinations in Africa

Country	International tourist arrivals ('000)			Market share in Africa (%)		Growth rate (%)		Average annual growth rate (%)
	1990	1995	1999	1995	1999*	1998/97	1999/98	1998/95
Kenya	814	896	943	4.4	3.5	-5.5	10	-1.5
Tanzania	153	285	–	1.4	–	29.7	–	16.4
Mauritius	292	422	578	2.1	2.2	4.1	3.6	9.8
Seychelles	104	121	125	0.6	0.5	-1.5	-2.3	1.9
Zimbabwe	605	1,539	2,328	7.6	8.7	39.8	11.4	10.7
Botswana	543	644	–	3.2	–	0.8	–	4.7
South Africa	1029	4488	6253	22.3	23.3	4.3	6	9.5

Country	International tourism receipts (US$ million)			Market share in Africa (%)		Growth rate (%)		Average annual growth rate (%)
	1990	1995	1999	1995	1998	1998/97	1999/98	1998/95
Kenya	443	447	256	5.5	2.4	-35.5	9.9	-19.5
Tanzania	65	259	733	3.2	5.8	45.4	28.6	30.1
Mauritius	244	430	545	5.3	5.1	3.7	8.3	5.4
Seychelles	126	98	–	1.2	1.1	-9	–	4.2
Zimbabwe	60	154	145	1.9	1.8	-23	-18.1	4.7
Botswana	117	162	–	2	1.8	28.7	–	2.6
South Africa	992	2125	–	26.3	27.8	-1.1	–	8.8

*The figures for 1999 are provisional.

Source: Compiled from WTO (2000).

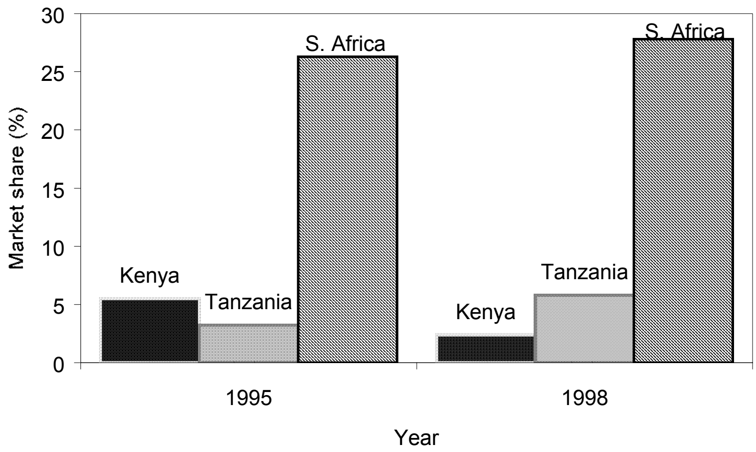


Figure 4. Market share of Africa's tourism receipts for selected countries, 1995 and 1998

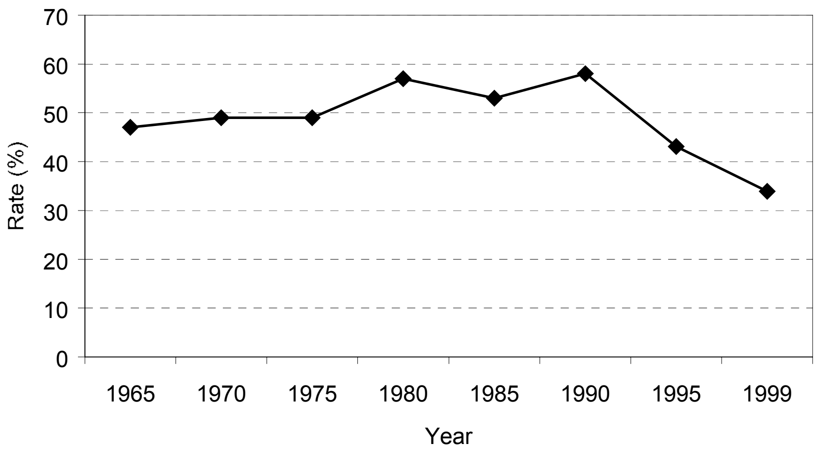


Figure 5. Hotel occupancy rates in Kenya, 1965–1999

3.2 Tourism receipts and other performance indicators

Performance of tourism receipts has been quite different from that of tourist numbers (figures 2 and 3). In the 1970s receipts grew rapidly when tourist numbers were experiencing slow or negative growth. For instance, while annual tourist arrivals declined by about 1.5% between 1972 and 1982, tourism receipts (in dollars) grew by 6.2%. In the 1990s, however, receipts deteriorated faster than numbers. Thus, while the numbers increased at the average annual rate of 3.7% between 1985 and 1998, receipts grew at only 1.4%. Furthermore, the unprecedented decline during 1995–1998 was more dramatic for tourism receipts, at -19.5% per year, than for tourist numbers, at -1.5% (Table 1). This trend is partly attributable to the decline in the average length of stay (Figure 6), and indicates that Kenya had transformed from an up-market to a mass tourist destination.

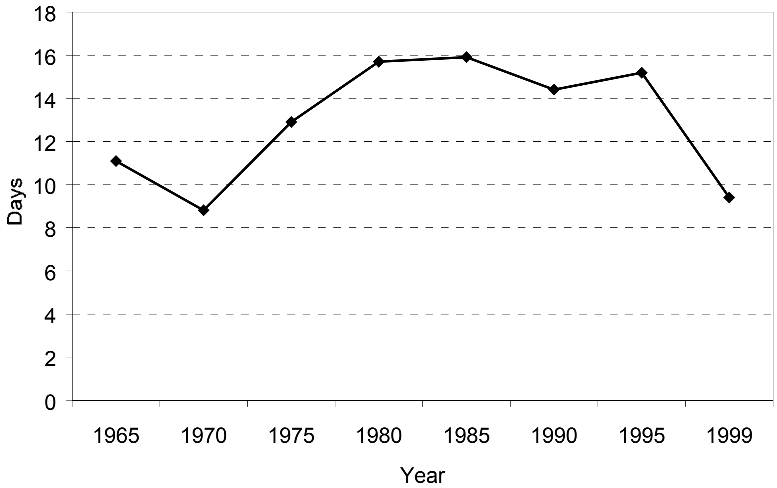


Figure 6. Tourist average length of stay for Kenya, 1965–1999

The poor performance in the 1990s, coupled with the slower growth in receipts relative to visitor numbers, saw the country lose its share of Africa's tourism receipts much faster than its share of tourist arrivals. The share of receipts fell by 56.4% from 5.5% in 1995 to 2.4% in 1998 compared with a 20.5% for arrivals (Table 1 and Figure 4). Over the same period Tanzania's share of continental tourism receipts increased by

81%, and South Africa's by 5.7%. Mauritius and Seychelles more or less maintained their share. It is apparent that Kenya is no longer as attractive to the relatively rich or high-spending tourists as it used to be.

Besides the decline in visitor numbers and tourism receipts, deterioration occurred in other spheres of the industry, as manifested by the following statistics (see figures 5 and 6):

- The average length of stay dropped from 15.9 days in 1985 to only 9.4 days in 1999
- Per capita (international) tourist expenditure declined from US$ 544 in 1990 to only US$ 271.5 in 1999[9]
- Hotel occupancy rate fell from the average of 58% in 1990 to 33.9% in 1999, but rose to 39.3% in 2000
- The number of visitors to museums, snake parks and historical sites dropped from 0.9 million in 1990 to 0.57 million in 1999, but improved slightly to 0.59 million in 2000
- The occupancy rate of Kenyatta International Conference Centre dropped from 74.8% in 1980 to 10.7% in 1999
- Tourism activity is overconcentrated at the coast and in Nairobi, with these two accounting for over 80% of total bed-nights since the 1970s
- There is over-reliance on Europe (principally the UK and Germany) for international tourists, with that continent accounting for about 72% of the total bed-nights in 1994 and 54.1% in 1998

[9] Calculated from Table 1.

3.3 Factors responsible for the performance

The remarkable growth that has characterized Kenya's tourism sector for most of the time since the 1960s is attributed to i) the country's rich natural resources, ii) customer awareness of the country, iii) familiarity of overseas tour operators with the country, iv) good air transport to Europe, v) development of package tours in the 1960s, vi) better developed tourist infrastructure compared with most safari competitors, vii) hospitality of Kenyans, viii) favourable weather most of the year, ix) good medical and rescue services, x) a minimal language barrier, xi) stable socio-political environment for most of the period, xii) foreign exchange reforms, and xiii) growth in world economy. The variety of attractions, especially the closeness of the country's beaches to wildlife areas, permits combination of beach and safari holidays (Rajotte 1987). This increases the retention of tourism revenue in the country.[10]

The first decline in the sector occurred in the 1970s, particularly after 1972. This involved tourist numbers only and was more than compensated for by the strong growth in tourism revenue. The decline was largely attributable to economic recession in developed countries (1972–1974) and the global oil shocks of 1973 and 1979 (Dieke 1991). In addition, the main source of Kenya's tourists (the United Kingdom) suffered a recession between 1978 and 1983, leading to a 25% fall in number of visitors from that country over that period.

Political instability in mid-1970s and early 1980s also contributed to the decline. This was related to the closure of the Kenya–Tanzania border in February 1977, which affected regional tourism. The attempted military coup in August 1982

[10] The low tourist arrivals' base in the 1960s, when the industry was still young, however, partly explains the high growth rate in the 1960s.

worsened the situation. Following the coup, Kenya was rated the worst destination with respect to 'personal security' out of the 20 countries profiled (Dieke 1991). The border with Uganda also experienced armed conflicts at that time. These instabilities curtailed the regional East African circuit that was popular with American tourists.

The second decline started in the 1990s. Firstly, in 1991 and 1992 tourist growth declined due to i) political tensions associated with the elections of 1992, ii) high travel costs caused by sharp increases in oil prices, iii) insecurity manifested in a high incidence of attacks on tourists, and iv) adverse publicity associated with insecurity and the explosion of the HIV/AIDS pandemic in East Africa (Ikiara et al. 1994).

Secondly, the tremendous decline in 1995–1998 was caused by i) deficient infrastructure maintenance; ii) insecurity, particularly relating to the 1997 general elections and the terrorist bombs that rocked Nairobi and Dar es Salaam in August 1998; iii) the negative image of the country associated with corruption and bureaucratic inefficiency, poor and inadequate marketing and promotion; iv) poor quality of service as a result of the aging tourist facilities; v) entry impediments in the form of discriminatory visa requirements and a noncompetitive air passenger service charge; vi) a negative health image (associated with high incidences of malaria and other tropical diseases, HIV/AIDS and low hygiene standards); vii) environmental degradation; viii) deterioration of the quality of tourism products due to the focus on mass tourism; ix) poor taxi and public transport services; x) harassment of tourists by beach boys; and xi) poor implementation of policies meant to deal with some of these problems (GoK 1995a; TTC 1999).

The seasonal nature of tourism, which is influenced by demand and weather changes, has been and continues to be an important factor in tourism performance. It results in considerable underutilization of productive capacity, particularly high unemployment during the low season. The low season in the country's tourism falls between April and June, when heavy rains seriously affect the industry at the coast.

Thus, the main challenges facing Kenya's tourism industry include (Ikiara 2001):

- Insecurity and political uncertainty (including regional unrest)[11]
- External factors such as global the economic recession (and particularly the economic performance of the United Kingdom and Germany, on which Kenya's tourism depends to a large extent) and the high cost of travel due to oil price increases
- Weak institutional, planning, regulatory, governance, and policy-implementation frameworks, including lack of a dynamic and consultative policy-making and implementation framework, poor coordination of public and private sector tourism activities, poor macroeconomic management resulting in economic instability, negative investment climate, weak planning and lack of controls, bureaucratic visa procedures, corruption, and poor statistical data
- Non-sustainable tourism development resulting from violation of carrying-capacity limits of coastal and safari resources, poaching, encroachment on wildlife dispersal areas, and physical decline of the environment, as exemplified by excision of forest reserves
- Perception of the country as a mass tourist destination
- Poor physical infrastructure and services, including poor road and rail transport services, frequent electricity

[11] This suggests that the ongoing recovery in tourism is likely to experience setbacks from political uncertainty certain to precede the third multiparty elections in 2002.

disruption, water shortage, inadequate health facilities, and insufficient air routes or airline link capacity

- Inadequate enhancement of tourist products, including lack of facilities on Mount Kenya and other attractions, inadequate interpretation and explanation of tourist products, and inadequate supply of tourist information locally
- Cutthroat competition both locally and internationally and its adverse effect on prices and quality of facilities and services
- Inadequate and inappropriate marketing and image-making efforts, including lack of a public-relations strategy, reliance on only two products (beach and safari holidays), poor coordination of public and private sector efforts, and failure to recognize maintenance of industry fundamentals—such as service quality, security, competitiveness and hospitality—as the key marketing strategy
- Harassment of tourists by beach boys, and poor treatment of tourists by government officials such as customs and police officers
- Domination of tour operations and other tourism activities by foreign enterprises, and the associated consequences
- Inadequate spatial distribution of tourism (with activity concentrated at the coast and in Nairobi) leading to inequitable distribution of tourism benefits and costs
- Failure to involve local communities in sharing tourism benefits
- Threat from tropical diseases such as malaria, and the HIV/AIDS pandemic

Policy inadequacy underlies most of these problems, underscoring the significance of policy as a determinant of tourism performance.

4 Vision and Long-term Strategy for Tourism

This section assesses how the absence of a shared vision and a long-term strategy for tourism has affected the performance of the sector, and identifies potential elements of such a vision and a strategy. Given their importance in this respect, policies on maximization of net tourism benefits and foreign participation in the sector also are analysed.

Several criteria may be used in evaluating and analysing tourism policies:

- Their conceptual quality, that is, how well they conceptualize and address the sector's development challenges, or how well they steer the industry along the ideal development path of sustainable tourism
- The quality of their targeted objectives and how well they tackle key challenges such as leakage of tourism revenue, poverty alleviation, environmental degradation, social and cultural disruption, and sectoral growth impediments
- Tourism performance in terms of tourist numbers, per capita tourist expenditure, infrastructure development, poverty reduction, and so on
- Their consistency with national development policy, that is, their integration into overall economic, social and physical planning policies given tourism's complex and cross-sectoral nature (Christie and Crompton 2001)

- Their implementability in terms of resource requirements, specificity, and timing

4.1 Does Kenya have a vision and a long-term strategy for tourism?

Kenya's policies since independence lack a guiding philosophy or vision and a broad comprehensive strategy for the tourism sector. We are aware, though, that a comprehensive tourism master plan was developed in 1995 and adopted by the cabinet in November 1998. Its implementation, however, appears to be proceeding in an inconsistent manner. Moreover, the master plan does not deal with the issue of the vision, although it indicates that the Government of Kenya expects the tourism sector to create wage employment in the rural areas and to contribute to regional development. This could serve as a vision so long as it is shared by the industry's stakeholders.

Besides the master plan, other attempts at formulating a guiding tourism philosophy include the National Tourism Conference of 1998, which endorsed a mission statement and several policies, and the constitution of the Kenya Tourist Board (KTB), which has a marketing strategy for 1999–2002 based on the 1995 master plan. Nevertheless, these efforts fall short of the expectations of the industry, because i) formulation of a shared vision requires wide and frequent consultation, ii) implementation of the above recommendations has been lethargic, and iii) instead of concentrating on just the marketing strategy, the focus should be broadened to include development of the industry and competitiveness.

Kenya's overall goals for tourism since independence have been to expand tourist numbers and expenditure. At independence the sector was small and elitist. But soon after, the "… policy to exploit fully tourism's possibilities, real or imagined, became an obsession to successive Kenya governments" (Dieke 1991: 277). Policy focus has oscillated around a blend of mass and luxury tourists (at independence), mass tourism (1965–1994), luxury tourism (1994–2000), and a blend of the two (from the year 2000). This wavering in focus is a manifestation of a weak decision-making process, lack of policy commitment and firmness, and lack of a guiding vision. It also shows that the policy decisions were made without adequate reflection and analysis of trade-offs and without consultation with stakeholders.

If fostering growth in tourist numbers and targeting different classes of tourists were what Kenya considered as a vision or a long-term strategy for the industry, this would have been myopic. Ideally, the objective of tourism policies should be to ensure that tourism is an effective and sustainable economic development tool whose positive externalities (such as poverty alleviation and wide spatial distribution of benefits) are maximized, and negative externalities (such as environmental degradation and cultural erosion) are minimized (Christie and Crompton 2001). This broad objective should then guide in setting tourist arrival targets and identifying target groups.

The vision should articulate the desired nature of the industry, while the comprehensive strategy should chart out a long-term course—with specific performance milestones along the way—through which the desired goal is to be attained. Specific or individual policies on supplying the right products for targeted markets, supplying value-for-money experiences, effective marketing, developing stakeholder partnerships, fostering an enabling business environment, improving infrastructure, and nurturing and protecting tourism assets, then become simply incremental building blocks or steps for reaching the goals. This framework permits promulgation of policies whose scope is matched with resource availability, thereby improving policy consistency, continuity, predictability and implementation. The strategy, milestones and specific policies need in-built mechanisms to allow dynamism in the realization of the desired state.

Frequent analysis of the sector's strengths, weaknesses, opportunities, threats, market trends and forecasts, and product–market matching should guide the defined policies. For example, since WTO (2000) data show that East Asia, the Pacific and Europe are the fastest growing sources of tourists, Kenya's tourism strategy should have explicit policies to tap these markets once it is ascertained that the characteristics of the tourists available there are consistent with the country's vision and long-term strategy.

The vision and long-term development strategies themselves must be based on an objective evaluation of the sector's strengths, growth potentials and emerging opportunities and the development role that the sector is required to play.

Without a vision and a comprehensive long-term strategy, tourism policies are likely to be ad hoc and without continuity or consistency, which has adverse performance implications. This has been the case with tourism policy in Kenya since independence and has caused the destruction of the quality of the natural and built resources, infrastructure, and services, and reduced the ability of the country to attract the high-value tourists that it currently targets. A vision and a long-term strategy would have settled on the most appropriate market segment for the country, and the necessary physical infrastructure and economic services would then have been set up or policies to secure them designed. They would also have yielded non-ambiguous, long-term objectives chosen after due analysis of trade-offs. In addition, a shared vision and a long-term strategy are in essence negotiated outcomes. Individual players with their diverse interests and objectives negotiate and settle on a compromise position, which is more easily managed by the government. That a vision and a long-term development strategy are urgently required for Kenya's tourism industry, therefore, cannot be overemphasized.

A shared vision and a long-term development strategy alone will of course not ensure policy implementation. However, by creating widespread knowledge and understanding of the plans for the sector, the vision and strategy would assist stakeholders to demand policy implementation from the government. If the stakeholders share the vision and strategy, moreover, there will be greater willingness among them to do their part in policy implementation.

Proposals for a vision

A vision that is not shared by industry stakeholders is unlikely to be useful. Kenya does not have a vision for tourism that is shared by stakeholders, and the existing institutional framework is incomplete and unsuitable for formulating such a vision because it is poorly coordinated. A shared vision requires wide consultation during its development, because open dialogue among stakeholders (the government, the private sector, civil society and the local community) to reach consensual decisions and to develop partnerships is a prerequisite for sustainable tourism (Christie and Crompton 2001).

Many of Kenya's economic sectors lack consultation and open dialogue, yet these are invaluable, as a recent case in the country's tourism sector demonstrates. The Kenya Tourist Board (KTB), the agency constituted by prominent public and private sector tourism stakeholders to deal with marketing and promotion of tourism, spearheaded a close public-private sector effort to prepare for the World Tourism Market (WTM) held in London in November 2000. The outcome was unprecedented: Kenya's stand took first position, demonstrating the huge potential that could be exploited through commitment, good management, innovation, open dialogue, wide consultation, and public-private sector partnerships.

Many countries have used consultative forums with strong political support to develop common tourism visions and strategies (Christie and Crompton 2001). This not only helps to define the actions required from each actor but also, if transformed into an open and continuous channel of communication among the actors, increases understanding and builds inter-actor confidence and trust.

Broad objectives that could be considered in the development of the vision for Kenyan tourism include:

- Maximization of tourism's contribution to national social and economic development
- Pro-poor tourism development
- Minimization of the negative externalities of tourism, including minimizing conflict between conservation and commercial exploitation of natural resources
- Sustainable tourism development

Kenya's development policy objectives since independence have included poverty alleviation and increased employment. Therefore, pro-poor tourism development would be an appealing vision for the sector,[12] as it could easily accommodate the two objectives. If this (or what is reported in the tourism master plan of 1995) were adopted as the vision, measures that maximized the contribution of tourism to poverty alleviation (or rural employment and regional development) would constitute the long-term development strategy and its specific policies, regardless of the potential efficiency costs. The measures would include the type of tourism products promoted, the nature and location of infrastructure, the level of

[12] Note, however, that even choosing a particular tourism product, like wildlife or any of the other targets, could constitute a vision. For example, the vision for Nova Scotia's (a province in Canada) Tourism Partnership Council is to "realize Nova Scotia's tourism potential as a world-class four-season destination for the benefit of all Nova Scotians" (Nova Scotia Department of Tourism and Culture, 2000/2001 Business Plan).

involvement of local communities and foreign investors, and the size of the tourism outfits encouraged.

Of course, the practical implications of any of the proposed elements of a vision are problematic, as they may involve serious trade-offs. However, such trade-offs can hardly be avoided. They are the 'bullets authorities must bite' to give direction to the tourism industry.

Linking the vision with the long-term development strategy

A vision cannot achieve much without a comprehensive and implementable long-term strategy to secure concerted stakeholder effort towards its realization. The strategy should specify the quickest and most efficient route to realize the vision. Therefore, the process of charting out a long-term development strategy requires an understanding of the sector's strengths and competitiveness, growth potentials, new opportunities, global tourism dynamics, tourism demands, technology dynamics and other aspects of the industry. Comprehensive product–market match analysis, information technology and access to information on international market development, and analysis of global demand trends and the country's relative potential in tourism products should precede the formulation of the long-term strategy. For example, policy-makers should be aware that different categories of visitors (business people, leisure visitors, visiting friends or relatives, ecological tourists, and others) have different demands and consequences. Consequently, planners should decide the type of visitors[13] to be targeted on the basis of the country's comparative advantage in tourism resources

[13] It should be noted, however, that if targeting of different visitor categories leads to differential charges, administrative and compliance costs could rise substantially.

and the vision, and plan how to satisfy the demands of the target groups.

Physical planning ought to be a major element of the long-term tourism development strategy, since it is an essential tool for ensuring that tourism development i) does not take place or adversely impact on sensitive ecological sites, ii) does not alienate land reserved for other purposes such as agriculture and afforestation, iii) is controlled by location and density to prevent violation of physical carrying-capacity limits, and iv) is dispersed throughout the country through infrastructure development by appropriate mechanisms and subsequent recovery of the cost from user charges. In addition, formulation of a long-term development strategy involves making choices.

4.2 Key development choices for Kenya's tourism

In the 1960s, Kenya had the luxury to choose between mass and luxury tourist markets. Initially, the country chose a blend of both markets. This shifted to mass tourism between 1965 and 1994 and then to up-market (or luxury) tourism based on ecotourism and wildlife safari after 1994, going by policy statements in national development plans and other documents. By 2000 the focus had changed again to a blend of both markets. For most of the country's post-independence history, therefore, emphasis has been on mass tourism even though statements in favour of luxury tourism or a blend of the two markets were issued from time to time. Even when there appeared to be seriousness in the shift of focus, supporting infrastructure and other conditions were not developed or maintained in a commensurate manner. In particular, charter services were promoted and the development of tourist facilities allowed without control, reflecting myopic behaviour, failure to consider long-sustainability, and poor planning. Consequently, luxury tourism was gradually edged out by mass tourism through overcrowding, deterioration of service and facility quality, and the ensuing perception of the country as a mass tourism destination. This is evidenced by the gradual fall in per capita tourist expenditure, for example, from US$ 544 in 1990 to US$ 271.50 by 1999.

Fierce competition for tourists and overdevelopment of tourist facilities have created substantial downward pressure on prices. This in turn has progressively edged out luxury tourism through quality deterioration. In Mombasa, for instance, competition for tourists and overdevelopment of hotels have pushed down the price for beach hotel rooms to as low as US$ 5–10 per night compared with rates as high as US$ 1500 for similar beach hotels in Mauritius (Christie and Crompton 2001).[14] Unique attractions (wildlife and wilderness) in the country that suited luxury tourists were destroyed through overcrowding, environmental destruction, and general strain. Moreover, security deteriorated so badly, particularly in the 1990s, that even group (charter) tourists avoided the country. Package tours, which have a higher rate of revenue leakage, dominate in destinations perceived to be risky in terms of health and physical safety (Christie and Crompton 2001).

The consequences of focusing on mass tourism are telling. Group tourism is now dominant in the country. For example, in 1995, 100% of the facilities in Maasailand, where safari tourism is concentrated, and 73% of the facilities at the coast depended on tour groups (GoK 1995b).

The country's market share of tourism revenue has shrunk faster than that of tourist numbers, particularly in the 1990s, while countries like Mauritius that made different development choices have maintained their share. In addition, the length of

[14] This is difficult to believe though, considering data in Table 1, which show that in Mauritius the average tourist spends about US$ 943 for the entire holiday.

stay and hotel occupancy rates declined substantially in the 1990s. For instance, in 1999 the hotel occupancy rate in Kenya was only 33.9% compared with about 72% for Mauritius.

A recent study (TTC 1999) found Kenya's appeal as a tourist destination to be lower than that of several competitors in eastern and southern Africa (Table 2),[15] with the perception of the country as a mass market destination being one of the causal factors. Even though Kenya compares favourably with its competitors in terms of customer awareness, it is regarded poorly in terms of destination appeal, the quality of the safari product, and the overall quality of the tourist experience, in which it scores only 3.89 out of 5, compared with 4.41 for Botswana (Table 2).

Table 2. Relative competitiveness and appeal of Kenya and selected destinations

Parameter rated	Kenya	Tanzania	Zimbabwe	Botswana	S. Africa
Customer awareness of destination	84.5 (4.22)	43.2 (3.29)	64.3 (3.78)	46.4 (3.53)	90.0 (4.36)
Destination appeal	63.6 (3.5)	72.1 (3.79)	70.8 (3.77)	77.5 (4.13)	90.0 (4.30)
Quality of the safari product	77.8 (4.11)	68.9 (3.94)	88.1 (4.25)	100 (4.66)	92.6 (4.43)
Value for money	62.2 (3.67)	36.4 (3.27)	57.1 (3.63)	58.6 (3.57)	70.0 (3.80)
Overall quality of tourist experience	77.3 (3.89)	63.7 (3.62)	83.3 (4.01)	92.9 (4.41)	92.7 (4.20)

Note: Figures in the table show the percentage of tour operators (out of a sample of 46 tour operators in UK, USA and Germany selling east and southern Africa tours) subjectively rating each parameter for each country as 'good or excellent'. Figures in brackets are average scores out of a maximum of 5.

Source: Compiled from various tables in TTC (1999).

[15] This study did not include Mauritius or Seychelles.

The government now appears more intent on attracting up-market tourists.[16] However, the achievement of this is constrained by several factors:

First, the country squandered its opportunity to make appropriate choices and has now acquired the image of a mass tourist destination.

Second, Kenya has damaged its potential for high-value tourism by excessively exploiting scarce natural resources such as the Maasai Mara and the Amboseli wildlife protected areas and by overdeveloping the coastal beaches.

Third, for several years now, Kenya has been unable to deliver an efficient, highly competitive, value-for-money tourist product, yet this is the best way to persuade tour operators and other tourism institutions to sell the country (Christie and Crompton 2001). The country has a lower rating than South Africa in value-for-money perception (Table 2), and its unique advantages continue to be dissipated by, among others, poor infrastructure; uncontrolled, selfish developers; and insecurity.

The Kenya tourist market is now mature, and faces major challenges:

- Customer awareness of the destination is not matched by appeal (Table 2), suggesting that carrying-capacity limits of some tourism resources have been exceeded and that the scope of increasing revenue from the high-volume strategy without enormous investment in direct and supporting infrastructure is seriously limited

[16] For instance, the managing director of the Kenya Tourist Board was quoted in the *Daily Nation* of July 18, 2000 (p. 12) as saying that the government was considering restricting some game parks for the exclusive use of up-market and high-paying tourists.

- Increasing unit prices or average tourist expenditure is limited by competition. Moreover, it is difficult for the country to attract up-market tourists
- The damage that Kenya has inflicted on its high-value natural resources, especially the national parks and game reserves, has reduced its ability to retain tourist earnings. Rich tourists are no longer interested in these resources. Instead they visit specialized, private, foreign-owned ranches outside the national parks that provide luxury services. Given that there is inadequate monitoring of visitors to these facilities, there is substantial leakage of revenue from these reserves

Priority should be given to finding ways to improve the appeal and the overall tourist experience of Kenya. This cannot be achieved by marketing and promotion alone; improvement of the quality, efficiency, and competitiveness of the country as a tourism product is more important. In addition, development of regional tourist circuits involving Tanzanian and Ugandan attractions could increase diversity and therefore improve value-for-money and product quality ratings.

Gradual improvement of tourism products and infrastructure, accompanied by increases in price to control visitor rates, also should receive priority, as should retention of tourism revenue in the domestic economy.

4.3 Policy to control impact of tourism

Net impact of tourism

Even without pushing the analysis to the depth that captures all the costs, case studies around the world show that the net social gains from tourism are significantly less valuable than the net foreign exchange earnings (English 1986). This may be attributed to several factors:[17]

- The substantial social and environmental costs associated with tourism
- Economic leakage, the extent of which is determined by the size and performance of the domestic air transport sector, the degree of foreign control of the tourism business, the dominance of overseas package tourism, and the level of the industry's dependence on imports or the level of economic development and diversification
- Use of public capital with very high opportunity cost for promotion, infrastructure development and maintenance, subsidy provision, tax exemption, and for other support for tourism
- Weak or nonexistent linkages to the local economy
- Control of management-level jobs by foreign nationals while locals occupy seasonal jobs. A study of many transnational hotels in developing countries found that foreign employees accounted for 7% of all positions but 23% of the entire wage bill (English 1986)
- Diversion of labour and land away from peasant farmers without adequate compensation, and reduced access of local hunters and herders to land taken up by game parks. In developing countries, local communities surrounding parks and reserves hardly benefit from tourism, as the parks and reserves take most of the earnings (Western and Henry 1979)

[17] For details, see Cohen (1978), Alderman (1994), Lawrence (1994), and English (1986).

- Increase in the cost of living for locals as a result of tourist demands that push up property and food prices[18]
- Adverse consequences of seasonality, including low return on investments and infrastructure and excess capacity during the low tourist season
- Vulnerability of the industry to international market changes and domestic unrest

The lesson from these studies is that policy should aim at maximizing the net social benefits of tourism rather than foreign exchange receipts. In Kenya, policy has neither attempted to maximize the net gains from tourism nor sought to determine the true impact of tourism on the country. Fortunately, the few studies that have tried to assess the economic impact of tourism have found it to be fairly substantial. TTC (1998), for instance, found that in 1996 the country received K£ 1498.7 million (17.3% of total exports) from tourism. Formal and informal employment, government revenue, investment, and regional impact were other benefits cited.

These benefits, however, are exaggerated, as the study did not consider all the costs of tourism, particularly the social and environmental costs. In addition, when estimating the indirect and induced employment impacts of tourism, the study did not consider the opportunity cost of the resources used. The net social gain or loss from tourism for the country is only that income earned by national capital, labour and land above (or below) what would have been earned by the same factors in their next best employment (English 1986).

The import content of Kenya's tourism industry is quite low, ranging from 23 to 27% (English 1986; Christie and Crompton

[18] Diversion of agricultural and fishing labour also can push food prices up through reduced supply.

2001) compared with 35–50%[19] for some small island economies such as the Caribbean Islands. Nevertheless, an import substitution strategy for the sector would yield 98 jobs in the modern sector and K£ 646,000 more in government revenue for every K£ 1 million worth of imports substituted (TTC 1998).

The cost of creating jobs in tourism appears to be high, however. For instance, it was estimated that in the late 1970s the average cost of a hotel job in Kenya was three times that of a job in the manufacturing and repairs sector (Cleverdon 1979 cited in English 1986). In addition, tourism was found to be far inferior to the primary sector in job creation even though hotel jobs were better paid and preferred over those in agriculture. The seasonal nature of tourism jobs reduces the sector's employment benefit further. Case studies show that, on average, 25% of hotel employees are usually laid off during the low season (English 1986).

Clearly then, a long-term tourism development strategy should seek to maximize the net gains from the sector by minimizing leakage of tourism revenue and other costs of tourism.

Policy on foreign participation

Even before independence in 1963, Kenya's tourism policy promoted and supported foreign investment. Wildlife and beach tourism were promoted primarily to serve the recreational needs of the white settlers and occasional visitors from Europe. The colonial settlers (and later a few Asians) owned and managed the tourist enterprises (largely small, family-run hotels and beach cottages) of the time (Migot-Adholla et al. 1982; Dieke 1991). After independence, foreign

[19] The World Bank, however, estimates that 55% of the gross tourism revenues of developing countries leak back to the developed world.

investment in the hotel sector, tour operation, and safari outfitting was encouraged through special tax relieve on hotel construction. In 1964, the Foreign Investments Protection Act was introduced to encourage foreign investment in tourism and other sectors of the economy. Recruitment of foreign personnel in the local tourism industry was also encouraged, as the country lacked adequate numbers of trained personnel (GoK 1965).

These and subsequent incentives led to major foreign participation in almost all tourism subsectors—marketing and promotion, travel and transport, and hotel and hospitality (Dieke 1991; Ikiara et al. 1994; Akama 1999). It was estimated, for instance, that about 80% of all tourists to Kenya in 1993–1994 were attributable to foreign tour operators (Ikiara et al. 1994). Also, about 78% of the major hotels at the coast and about 66% of those in Nairobi and the national parks and reserves have some foreign investment, although less than 20% of them are owned entirely by foreigners (Christie and Crompton 2001).

It was only in the mid-1970s, particularly in the 1974–1978 National Development Plan, that the government attempted to restrict the participation of non-citizens in tourist business. The government set the maximum limit for foreign equity at 49% for lodges located inside national parks and county council game reserves and all non-hotel tourist service establishments, regardless of their location. Majority foreign ownership was allowed for hotels located outside parks and reserves. The policy, in addition, introduced foreign-exchange control into the tourism sector and established facilities for foreign exchange at all major border points and tourist centres.

The 1989–1993 Development Plan introduced another restrictive strategy on foreign capital participation in tourism by controlling the provision of integrated tourism services (hotels, restaurants, travel agencies, curio trade and other tourism-related activities) by tour operators. Even though integration of services is advantageous on efficiency grounds, equity considerations and the dangers of excessive concentration call for some control.

The policies drawn to restrict foreign investment in tourism were neither seriously implemented nor sustained. And the foreign exchange market was liberalized and import restrictions removed in the early 1990s. Today, tour operators have the freedom to offer integrated services, and many foreign tour operators and some airlines hold equity in Kenyan hotels.

The commitments on tourism that Kenya has made, particularly under the General Agreement on Trade in Services (GATS), have fully opened up the sector to foreign investors. The specific services committed are hotels and restaurants, travel agencies, tour operators, and tourist guide services. The country has committed three (cross-border, consumption abroad and commercial presence) out of the four modes of supply defined by GATS. This means that foreign firms can use any of these modes to supply tourism services in Kenya. In addition, the requirement for foreign investors to form partnerships with Kenyan citizens no longer applies. Market access for the movement of natural persons, the fourth GATS mode of supply, is restricted in Kenya except for entry and temporary stay of management and other expert personnel. The country has committed itself to treat these people like its own nationals.

Foreign domination of tourism entails substantial cost. For example, it is estimated that developing countries retain 40–45% of tourism revenue when flight of tourists is provided by foreign airlines, and only 22–25% when both hotel and air transport are provided by foreign firms (Britton 1982). Sinclair (1990), basing his analysis on a 14-night holiday, showed that the Kenyan economy retained 22–88% of the foreign exchange accruing from tourism, depending on the type of holiday, the season and the provider of the flight service. For a charteroperated, 14-night, all-inclusive beach holiday taken in April (low season), Kenya retained only 22% of the total revenue. But if Kenya Airways provided the flight for a holiday of the same length combining beach and safari products and taken in the high season, the country would retain 88% of the revenue (Sinclair 1990). It should be noted, however, that Kenya and other developing countries could benefit from continued investment of foreign agents if the latter were able to generate more traffic than Kenyan agents and if tourists preferred foreign-owned facilities to locally owned ones.

Sinclair (1990) found that the following factors promoted retention of tourism revenue: long holidays, high-season (around December) holidays, provision of air travel for tourists by Kenya Airways, and safari tours[20] or a combination of safari and beach holidays as opposed to purely beach holidays. Air travel can take as much as 50% of the total price of the tour package, depending on the distance travelled (English 1986).

Foreign control of tour organization can be particularly costly. Not only do the tour operators control 15–35% of the total package price but they also can cause the collapse of the tourism industry. In 1973, Neckerman (a big German tour operator) reduced the number of tourists it sent to Tunisia from 60,000 to 12,000 in a year to protest the conflict it had with the Tunisian government (English 1986).

The dilemma facing developing country tourism managers is that the involvement of foreign tour operators can considerably boost demand for their products, but a large portion of the

[20] Kenya's safari holiday is associated with higher tourist expenditures outside the hotels compared with city or coast tourist holidays. A paper on the experience of World Bank's International Finance Corporation (IFC) in tourism (quoted in Christie and Crompton 2001), for instance, shows that tourist expenditure as a percentage of in-hotel tourist expenditure ranges from 113 to 188% for safaris, compared with 50% for city or coast holidays.

associated tourism revenue does not reach their countries (Sinclair 1992). On account of their superior bargaining position, foreign tour operators can negotiate hotel room rates that may be as low as 50% of the rate charged to individual clients (Sinclair 1992). Before 1990, foreign tour operators in Kenya used to stipulate hotel rates in Kenyan currency so that they would always benefit from the perpetual decline in the currency's value (Sinclair 1992).

Links between the tourist sector and the domestic economy—and, therefore, the magnitude of the multiplier effect—do not happen automatically but need explicit enhancement (Christie and Crompton 2001). Kenya, therefore, should adopt a strategic approach to trade liberalization and foreign participation. In broad terms, policies must strike a balance between the control of local resources by internal and external interests, as well as between tourism and other sectors of the economy. Small-scale, widely dispersed, locally owned tourism enterprises should be preferred to concentrated, foreign-owned, mass tourism alternatives, but technology transfer trade-offs must be factored in when choosing the policy to be followed.

The content of contractual relationships between tour operators and hotels should be managed through policy, because these relationships, like foreign ownership of tourist enterprises, can lead to leakage of tourist revenue. The country needs to build its capacity and expertise for negotiating contracts and for other purposes.

Policies to increase retention of tourism revenue in the country are required. These should target increasing i) the use of the local airline, ii) the participation of Kenyan tour operators in holiday provision, iii) the volume of wildlife safari in the country's tourist product, iv) the number of micro, small and medium enterprises (MSME) that attract the tourist dollar away from the big foreign hotels, and v) import substitution. However, careful research is required to estimate the relative revenue implications of these measures before they are adopted as key policies.

One way by which the Kenya government could support local tour operators is to guarantee them against insolvency. This would build tourists' confidence in these institutions and promote the use of their services. The government could also provide grants and other forms of assistance to stimulate MSME activity in tour operations. This would not only increase competitiveness in the industry but also foster entrepreneurship. It is not clear why Kenya did not provide for conditions such as local employment, partnership with locals, and preferential treatment of locally owned travel agencies and tour operators when it made commitments in tourism under GATS. It is doubtful that opening up of such subsectors as tourist guides would benefit the country.

4.4 Elements of a long-term development strategy for tourism

A long-term development strategy for tourism in Kenya should comprise the following elements:[21]

Institutional strengthening and planning

Development of an institutional framework that facilitates continuous open dialogue among stakeholders, cooperation and collaboration, and formation of stakeholder partnerships should be a key element of long-term tourism development. Other important aspects of institutional development and strengthening include:

- Integration of tourism planning into overall national economic, social, environmental, and physical planning policies

[21] Some of these are included in the tourism master plan.

- Development of a framework for research to inform policy on a continuous basis
- Development of mechanisms to evaluate tourism proposals to check whether the activity planned is the most efficient use of resources, to ensure that the associated negative externalities are minimized, to gauge public support and to enforce standards
- Improvement of public support with respect to macroeconomic and sectoral (such as air transport) policies; creation of a good business environment; provision of infrastructure, security and public health; institutional capacity building; legislative and regulatory framework and good physical planning
- Appropriate phasing of investments in tourist facilities and services and in infrastructure and human resource development by an institution composed of stakeholder representatives and that oversees overall industry vision, strategy, development and promotion
- Development of a framework for continuous upgrading of technology (especially information technology) and innovation
- Monitoring and maintenance of industry standards and quality
- Use of incentives to achieve the desired policy objectives
- Collection of user fees and their efficient use in conservation, infrastructure and human resource development, joint marketing and promotion, and other necessary interventions

Sustainable tourism development

Conservation of the cultural and environmental heritage and maintenance of built assets on which tourism is based—

facilitated by the capture of resource rents, and other measures—should be key strategies to achieve sustainable development. Incorporation of environmental, social, cultural, and economic sustainability into product development, pricing and marketing is imperative.

Infrastructure development for tourism

Alternative financing mechanisms for tourism infrastructure (government outlays, multilateral and regional financial institutions, concessioning of services to the private sector through build-operate-transfer schemes, and direct foreign investment) need to be considered and provided for in the long-term tourism development strategy.

Enhancement of competitiveness

While effective and well-funded marketing and promotion are critical for tourism performance, enhancement of the country's competitive position on the international market is the best marketing strategy. Competitiveness could be enhanced through expanding the range and quality of tourism products guided by forecasted demand trends, expansion of the regional and seasonal spread of tourism activities, and improvement of the quality of tourist information and of their availability internationally and locally. Domestic tourism could provide the additional income required to maintain high-quality standards. In addition, niche tourism products like culture, cruise tours, golfing, archaeology, bird watching, and various sports could potentially enhance competitiveness.

Regional cooperation also can enhance competitiveness through development of better product packages and exploitation of economies of scale in training, information gathering, marketing, promotion and resolution of environmental problems. Regional circuits connecting Kenyan and some Tanzanian tourist attractions before the collapse of the East

African Community in 1977 used to be very popular with American tourists. Current efforts[22] to revive such circuits and expand them are laudable. These, however, need to be supported by improving immigration regulations to facilitate the movement of tourists, vehicles and natural persons supplying tourism services.

A policy for tourism and related sectors to prohibit exclusive dealing, enforce import requirements in franchising contracts, and prevent abuse of dominance in air travel is necessary to enhance efficiency and competitiveness.

Other important considerations to enhance competitiveness include:

- Analysis of price-elasticity of different tourist types
- Periodical analysis of the competitors' strategy and pricing in pursuit of value-for-money excellence
- Analysis of the trade-offs between maximization of retention of tourism revenue and competitiveness of the country as a destination

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[22] The East African Tourism Council was formed in April 2001, but it is not operational yet. The objective of the council is to turn East Africa into a single tourist destination. This is, however, being hampered by differential policies. While Kenya and Uganda are targeting the mass tourist market, Tanzania is pursuing the up market tourist segment. Tanzania continues to bar entry into the Serengeti from the Mara in Kenya and access into its parks by Kenyan registered tour vans. Uganda and Tanzania, moreover, are apprehensive that a joint East African tourist package would deny them revenue from airport taxes. Despite this mistrust, however, the Lake Victoria tourist zone has already been identified by the three countries for joint marketing (Tairo, A. "Why Tanzania cannot allow cross-border tourism," *The EastAfrican*, June 11–17, 2001, p. 23)

Human resource development

Human skills and high standards of ethics and conduct are important for efficient tourism management and administration and improvement of service quality. Moreover, expert capacity is required in negotiating contracts and investment terms to ensure that contractual relationships are beneficial to the country. Human resource development and capacity building to facilitate gainful participation of the poor in the industry should therefore be key elements of long-term tourism development.

Maximization of net social benefits

Deliberate efforts to stimulate linkages between the formal tourist sector and local economies (including the informal sector) and development of widely dispersed and locally owned micro, small, and medium tourism enterprises are important strategies of turning tourism into a vehicle for poverty alleviation. Other imperatives in this respect include:

- Strategies to minimize the import content of the tourism industry, such as general economic development, development of efficient air transport services, formulation of appropriate aviation policies, provision of appropriate tourism product choices, rationalization of the degree of foreign participation in the industry, and encouragement of import substitution
- Strategic liberalization with optimal[23] conditionality on such aspects as local employment, partnerships with locals, and preferential treatment of locally owned tourism MSMEs

[23] Optimal because revenue could decline if foreign agents perceived increased risks from bigger local ownership and industry fragmentation.

5 Conclusions

This paper has reviewed the performance of the Kenyan tourism sector, relating it to the policy framework, particularly the absence of a shared vision and a long-term strategy for the sector. It emerges that the country is now largely perceived as a mass tourist destination, reflecting the policy of attracting mass tourists that was pursued between 1965 and 1994. That policy led to uncontrolled tourism development and the removal of restrictions on charter services. This in turn resulted in substantial increases in tourist numbers but drastic declines in per capita tourist expenditure, tourists' length of stay, hotel occupancy, hotel room rates, and service quality. Many hotels at the coast now have huge bank debts and cannot afford to rehabilitate or maintain their aging facilities, and many others have closed down. An overwhelming majority of hotels and other tourist facilities at the coast and safari destinations now rely on and compete for group tourists.

The capacity of the country to offer luxury tourism has been largely compromised by overcrowding, overdevelopment of facilities, competition for tourists, insecurity, poor infrastructure, and environmental degradation. So, even though the government now realizes the superiority of up-market or a blend of up-market and mass tourism, attracting high-value tourism is an arduous task. Worse still, high-volume tourism without serious investment in direct and supporting infrastructure cannot be relied upon as a sustainable source of revenue, as carrying-capacity limits of tourism resources appear to have been exceeded.

This situation is attributable to lack of adequate reflection, consultation, and planning when the country had the freedom to choose the tourist market segment to target; poor policy implementation, and the lack of a vision and a long-term development strategy for the tourism industry. Although a tourism master plan was developed in 1995, a shared vision for the sector and a well-coordinated institutional framework for stakeholder consultation and formation of partnerships are still to be developed. Such a framework would facilitate continuous, open stakeholder dialogue; formulation of a shared vision and long-term strategy; development of stakeholder partnerships; and building of mutual stakeholder trust. The vision could be built around the need to have pro-poor and sustainable tourism development based on the tourist products in which the country has comparative advantage.

Considering the country's natural attractions, its image, demand trends and net social impacts, wildlife viewing or safari (with a high-value trade orientation), complemented by a quality coastal beach holiday, appears to be Kenya's primary tourist product. However, nature, culture, niche tourism products and the people themselves have the potential to give the country the distinctiveness it is perceived to lack.

The potential elements of a long-term tourism development strategy are i) integration of tourism planning into overall national planning, ii) pursuance of sustainability, iii) improvement of competitiveness, iv) regional cooperation and collaboration, v) development of an institutional framework for stakeholder dialogue and partnerships, vi) conservation of natural tourism resources, vii) appropriate and effective marketing and promotion, viii) effective public sector support, ix) capacity development and research, x) development of a dynamic technology strategy, and xi) deliberate strategies to maximize the net social gains from tourism.

To attract the luxury cadre of tourists, persuade them to stay longer and to spend more, and to retain more of their spending in the country, Kenya needs to develop an appropriate vision and a long-term strategy, improve its record of policy implementation and start rebuilding its capacity to deliver high-quality products. In the short and medium term, it is advisable that the country continue relying on a blend of high-volume and low-volume markets as it raises the quality of tourist assets and service. A simultaneous but gradual increase in prices would restrict numbers and enable resources to recover. Once resources have recovered sufficiently and facilities and services have been improved, prices could be raised to a level sufficient to turn the country or designated parts of it into a high-value tourist market.

The strategy calls for:

- Consistent formulation and implementation of requisite specific policies
- Development of appropriate indicators and milestones against which progress in the implementation of the strategy could be evaluated
- Designing of policies and strategies to deal with transitional challenges such as the progressive change in the ratio of mass to up-market tourists, determination of optimal carrying capacities, how to repair the damage already caused and how to finance it, development of criteria for choosing tourism products to reduce overexploitation of some resources and to develop capacity of others, and how to handle resistance to tourism due to loss of employment and other social problems associated with capacity reduction

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