



# **Impact Assessment of COVID-19 Pandemic on the Tourism and Hospitality Industry in the EAC and Post Recovery Strategy for the Sector**

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## **Context**

Tourism is one of the largest foreign exchange earners and fastest-growing sectors in the East African Community (EAC). According to the EAC Secretariat, tourist arrivals in the EAC region increased from 3.5 million persons in 2006 to about 7 million in 2019. Tourism contributed to the Gross Domestic Product (GDP) of the EAC Partner States by an average of 9.5% in 2019. It contributed an average of 17.2% to EAC total exports and 7.1% to employment. However, the upward trajectory in tourism in the region was devastatingly affected by the onset of COVID-19 pandemic in March 2020.

# The Problem

The East Africa Business Council (EABC) commissioned a study titled: Impact Assessment of COVID-19 Pandemic on the Tourism and Hospitality Industry in the EAC and Post Recovery Strategy for the Sector. The study aimed at assessing the impact of COVID-19 on the tourism and hospitality industry, and to generate policy options that the EAC Partner States should adopt to protect sector players from COVID-19 disruptions and future pandemics. The main activities of the study included: assessment of the impact of COVID-19 pandemic on the tourism and hospitality industry in the EAC; analysis of the current fiscal incentives for the sector; assessment of the non-tariff barriers that the sector has faced during this period of the pandemic; and proposing recommendations for the tourism sector in the EAC arising from the assessment.

To achieve the objectives, a qualitative method through interviews with key industry informants drawn from the East African Community (EAC) Secretariat and apex tourism organizations including East African Tourism Platform (EATP), Kenya Tourism Federation (KTF), Kenya National Convention Bureau (KNCB), Rwanda Chamber of Tourism (RCoT), Uganda Tourism Association (UTA), Tourism Confederation of Tanzania (TCT), Kenya Association of Women in Tourism (KAWT), and Tour Operators Society of Kenya (TOSK) was deployed. Online questionnaire was administered to all key subsectors of the tourism and hospitality industry aimed at determining how the sector was impacted at micro-level. A trend analysis of key tourism indicators from statistical reports from Partner States and other sources was also done.

According to the online survey of tourism businesses from across the region, the respondents indicated that they lost between 25% and 100% of their projected revenue during the COVID-19 period. The respondents indicated that business undertook various operational changes including; reducing staff by more than 50%, maintaining staff at partial pay, with others reducing staff up to 50% while maintaining them on partial pay. Others reduced staff by up to 50% and reduced working hours by 50%, while others closed down their business. According to key informants, businesses turned to borrowing to fund their running expenditures such as rent and utilities due to reduced operational capital.

The study established that the government protocols, though meant to curb the spread of the pandemic, they generally introduced non-tariff barriers which brought unplanned expenditures on the tourism and hospitality businesses leading to the increased capital expenses required to ensure stipulated standards and regulations are adhered to. Mandatory PCR (COVID-19) testing for travellers to Kenya, Rwanda and Uganda, and mandatory quarantine contributed to avoidance of these destinations

altogether hence reduction in the number of visitors. The survey shows that the non-tariff barriers imposed, control of movements (lockdowns), and reduced operating hours (curfews) affected the businesses severely and catastrophically at 52.0% and 40%, respectively.

## **Implication for policy makers**

The key policy interventions recommended are categorized under seven broad themes, with specific intervention proposed under these broad areas are as outlined hereunder.

### **1. Sustainable financial and fiscal incentives**

- Devise affordable loan schemes to support tourism business;
- Provide or extend moratorium on loans until sector recovers;
- Sustain tax and statutory reductions until sector recovers;
- Establishment of special fund specific to subsectors such as MICE;
- Establishment of government subsidies for exhibitions organizers;
- The governments to have a recovery kitty in case of another crisis; and
- Temporary (midterm) reduction of park fees, visa fees and other consumer-related costs to encourage travel.

### **2. Public health/medical/protocols**

- Review of National Health Insurance Funds and Insurance Policies to cater for COVID-19 related cases and future crisis;
- Enhance access to testing and medication, compensation of sick pay, and strengthening the social safety net to support vulnerable people;
- Roll out a regional-wide vaccination drive to reassure tourist markets;
- Harmonization of health and hygiene procedures (response to pandemics and public health issues) at the regional level; and
- Open business tourism but under strict guidelines specific to the MICE subsector.

### **3. Policy and regulatory frameworks**

- Review tourism regulatory framework to accommodate new trends including working from home and use of digital platforms;
- Harmonization of tourism policies, laws and standards in the region; and
- Categorize business events, also known as MICE, in the context of trade, economic development, social, and investment policies rather than tourism policy.

#### **4. Human capital development**

- Capacity-building for tourism service providers on leveraging digital technologies for product development and marketing; and
- Enhance professional standards for tour service providers, including tour operators and tour guides.

#### **5. Tourism product development and marketing: Build back better**

- Build in sustainability into the recovery process - sustainable environmental, social, and financial practices;
  - Diversify the domestic and regional tourism products;
  - Undertake aggressive domestic and regional tourism campaigns;
  - Address travel cost issues in the region by pursuing single air space policy;
  - Ease movement of tourists into and within the region;
  - Tourism industry should be classified as an essential service since it supports other sectors of the economy;
  - Diversify sources of wildlife conservation revenue;
  - Enhance uptake of digital technologies in tourism marketing and promotion; and
  - Develop regional and national digital platform for promoting tourism.
6. Gender and affirmative action
- Inclusive stakeholder (Government, Community Based Tourism Organisations [CBTOs], Women, Youth and Persons living With Disability Associations [PWD], Non-Governmental Organisations [NGOs]) and strategic partner engagement on areas of priorities for the recovery process;
  - Financial incentives and mitigation measures should prioritize people then place, with deliberate measures being put in place to support the women, youth, and SMEs; and
  - Undertake a skills need assessment for women in tourism based on the new industry trends emerging as part of the impact of the pandemic and other related data.

#### **7. Crisis management mechanism**

- Creation of emergency think tanks to deal with future pandemics and effects on the economy;
- Development of expertise and empowerment of staff in the sector on handling pandemics;
- Develop sector risk and crisis management plan;
- Establishment of a harmonized regional tourism crisis management mechanism; and
- Educate the masses more on the pandemic.



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