

Integrated Value Chain Analysis of the Tourism Sector in Kenya

**Prepared for
The World Bank**

**Prepared by
Global Development Solutions, LLC™**



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Global Development Solutions, LLC
11921 Freedom Drive
Suite 550
Reston, VA. 20190
Tel. +1 703 904-4373
Fax. +1 703 991-4056
E-mail: mail@GDS-LLC.com

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1.0 Summary of Findings

The following report provides a comprehensive review of the tourism sector in Kenya using an Integrated Value Chain Analysis™ methodology (IVCA). Given the magnitude of the challenges facing the sector, this report should be viewed as merely the first step towards understanding the challenges, and helping to define actions that need to be undertaken to ensure sustainable growth of the tourism sector in Kenya. The analysis revolves around three major tourism products, namely, business and conference tourism, wildlife tourism, and coastal tourism.

The report is organized into four sections. Section 1 provides a summary of findings which include sections on barriers to competitiveness; sector profile; profile of European tourists; profile of U.S. tourists; and key market challenges and opportunities.

Section 2 provides a review of the institutional and regulatory support structure associated with the tourism sector in Kenya. This section is broken down into five major sub-sections that address issues related to the following: institutional support structure and the lack of coordination and shared mandate; overlapping and competing legal and regulatory framework; regulatory and institutional conflicts within the wildlife tourism sub-sector; contract models used to lease land and the ad hoc approach to conservation and wildlife management; and regulatory and institutional conflicts within the coastal tourism sub-sector.

Section 3 provides an in-depth review of major tourism product offerings in Kenya. This section is divided into four sub-sections covering the following: product profile for business and conference tourism, wildlife safari, and coastal tourism; an integrated value chain analysis covering 10 different products within business and conference tourism, wildlife safari, and coastal tourism; comparison of tourism products and their benefits to local communities in Kenya; and benchmarking Kenya’s tourism products with selected countries in Africa.

The final section, Section 4, provides concluding remarks and recommendations for action.

1.1 Barriers to Competitiveness

The matrix below provides a summary of key findings that impede the competitiveness of the tourism sector in Kenya.

Key Issues, Tourism in Kenya

Issues	Public	Private
Market		
• Poor road conditions	X	
• Weak destination marketing	X	X
• Lack of premium lodging and conference facilities	X	X
• Limited number of high quality restaurants		X
• Lack of local economic benefit	X	X
• Weak link to local economy	X	X
• Abusive business practices employed by some “All-Inclusive” tour operators	X	X
• Need to place more emphasis on attracting local tourists		X

Governance	<ul style="list-style-type: none"> • Crime, corruption and political instability • High taxes and other public sector charges • Unreliable communications infrastructure • High cost of electricity • Overlapping and competing legal and regulatory framework • Regulatory and institutional conflict within the wildlife tourism sub-sector 	X X X X X X	X
Institutional	<ul style="list-style-type: none"> • Poor land use planning • Absence of a coordinated conservation program • Overdevelopment and over crowding • Lack of community involvement • Destruction of water catchment areas • Lack of coordination amongst stakeholders in the sector 	X X X X X X	X X X X X X
Human Resource	<ul style="list-style-type: none"> • Harassment from beach operators • Weak hospitality service and training capacity • 	X X	X X
<i>Global Development Solutions, LLC</i>			

1.2 Sector Profile

Kenya is home to over 359 different species of animals that reside in 29 National Parks (including 4 Marine Parks), 27 Game Reserves (including 5 Marine Reserves), 4 Wildlife Sanctuaries, and 13 wildlife conservancies covering over 47,674 km². In addition, Kenya boasts 536 km of pristine coast line. These tourism assets and over 40 ethnic groups, including the Masai culture and heritage, help form the essential core of Kenya's tourism sector which generated over Ksh 56.2 billion (approximately \$760 million) in tourism receipts, and created over 498,000 formal and informal jobs in 2006, making it the third largest contributor (9.2%) to the country's GDP.

Kenya's Parks and Reserves						
	Park	Reserve	Area (km²)	Establishment	Distance from Nairobi (km)	KWS
Central Kenya Highlands & Great Rift Valley						
	X		117	1946	7	X
	X		68	1984	90	X
	X		52	1983	90	X
	X		188	1968	157	X
		X	197	1970	260	
		X	1510	1974	275	
	X		767	1950	180	X
	X		175	1949	175	X
	X		20			X
		X	68		180	X
Western Kenya						
		X	169	1968	470	X
		X	66	1986		
	X		3	1974		X
		X	240	1985	418	X
	X		120	1966		X
	X		4.2	1986		X
Northern Kenya						
	X		870	1968	870	
		X	606	1979		X
	X		1,787	1989		X
		X				
		X				
	X		104	1985	343	
		X		1948		X
				1991		
		X	131		343	
			1,500			X
		X	1,806			X
		X				
		X				
		X	1,570			X
	X		5			X
	X					
	X			1989		X
Southern Kenya						
	X		11,747	1948	333	X
		X	1,833	1979		X
	X		9,065	1948	240	X
				1983		X
	X		392	1948	135	X

	Park	Reserve	Area (km ²)	Establishment	Distance from Nairobi (km)	KWS
Kenya Coast						
Mombasa National Park and Reserve						X
Shimba Hills National Reserve				1968		X
Kistie Marine National Park						X
Mpunguti Marine National Park and Reserve						X
Diani/Chale Marine National Park and Reserve						
Malindi Marine Park and Reserve						X
Watamu Marine Park and Reserve						X
Kiunga Marine Park and Reserve						X
Dodori National Reserve						
Boni National Reserve						
Tana River Primate Reserve				1976		X
Arabuko Sokoke Forest Reserve		X	6	1968		X
Arewale National Reserve						

KWS: Kenya Wildlife Service

Compiled by Global Development Solutions, LLC

With over 1.8 million arrivals (954,335 via air and sea, and 885,980 cross border travelers), in the past five years Kenya has enjoyed a steady increase in tourism traffic. Holiday makers constitute well over 77% of the overall tourism traffic, followed by business travelers (20.9%) and conference participants (2.1%). In 2006, Kenya hosted over 165,148 business travelers, up 124% since 2003, representing the highest growth segment among the three major categories of arrivals into the country. Nonetheless, with an average earning of Ksh 58,889 (\$795) per tourist, holiday makers represent the most important segment for the tourism sector in Kenya.

While tourism arrival figures continue to show an upward trend, the total number of tourist arrivals and tourism receipts for Kenya fall far short of some of its regional competitors such as South Africa. Kenya has done relatively well against neighboring Tanzania where arrivals are one-third of Kenya's, whereas tourism receipts are over 37% higher in Tanzania (refer to the table below).

Benchmarking Receipts per Tourist with Competing Countries in Africa (2005)

	Arrivals		Receipts		Receipts/Tourist
South Africa	7,518,000	\$	7,327,000,000	\$	974.59
Morocco	5,843,000	\$	4,617,000,000	\$	790.18
Tunisia	6,378,000	\$	2,063,000,000	\$	323.46
Tanzania	566,000	\$	796,000,000	\$	1,406.36
Kenya	1,670,429	\$	579,000,000	\$	346.62
Algeria	1,234,000	\$	178,000,000	\$	144.25
Zimbabwe	1,559,000	\$	99,000,000	\$	63.50

Compiled by Global Development Solutions, LLC

Profiles of visitors to Kenya suggest that the country is most popular amongst the 26 – 35 year old age bracket (30.2% of all visitors), followed by the 36 – 45 year old age bracket (22.1% of all visitors). These tourists represent middle income career professionals with income ranging between \$20,000 - \$60,000 per annum (\$20,000 - \$40,000: 26.6%; \$41,000 - \$60,000: 23.9%). It is worth noting, however, that over 16.3% of the tourists coming to Kenya have income over \$81,000, which suggests that Kenya's tourism products cater to a wide range of income and interest groups.

With respect to nationality of the tourists, British travelers rank first in Kenyan arrivals (18.0% of total arrivals), followed by the Americans (9.1%) and Germans (8.7%).

International Air Arrivals into Kenya (2006)

Country of Origin	Arrivals	% of Total	Country of Origin	Arrivals	% of Total
United Kingdom	171,409	18.0%	Canada	20,796	2.2%
USA	86,528	9.1%	Belgium	16,865	1.8%
Germany	83,394	8.7%	China	14,778	1.5%
Italy	81,904	8.6%	Japan	14,655	1.5%
France	50,281	5.3%	Spain	14,396	1.5%
India	33,078	3.5%	Australia	13,388	1.4%
Netherlands	31,031	3.3%	Austria	11,579	1.2%
South Africa	28,988	3.0%	Ethiopia	10,648	1.1%
Uganda	25,157	2.6%	Sweden	10,328	1.1%
Switzerland	23,515	2.5%	Sub-total	639,213	67.0%
Tanzania	23,928	2.5%	Others	197,689	20.7%
<i>Kenya Tourism Board</i>			Total	954,335	100.0%

While the highest percentage of international tourists arrive from the UK, German tourists have the longest bed night stays in Kenya (689,900), with nearly 88% of the bed night stays occupied in coastal hotels. A similarly high percentage of coastal bed night stays are also found for UK (61.7%) and Italian (88.5%) tourists coming to Kenya, which reflects the interest and preference of European tourists towards coastal tourism (refer to the tables below).

Top 10 Hotel Bed Night Stay According to Tourist's Country of Origin (2005)

Country of Origin	Nairobi	Coast	Lodge	Others	Total
Kenya	253,800	399,300	39,900	436,600	1,129,600
Germany	24,000	606,400	54,100	5,400	689,900
UK	95,800	387,800	118,900	25,900	628,400
Italy	12,100	312,700	26,300	2,100	353,200
USA	95,800	24,700	65,100	21,200	206,800
France	27,100	102,300	49,600	4,400	183,400
Switzerland	10,900	137,300	14,300	17,000	179,500
South Africa	39,800	8,500	1,900	900	51,100
Tanzania	32,600	8,100	500	3,000	44,200
India	27,700	4,100	9,200	3,700	44,700

Economic Survey, 2006

Percentage Distribution of Top 10 Hotel Bed Night Stay According to Tourist's Country of Origin (2005)

Country of Origin	Nairobi	Coast	Lodge	Others	Total
Kenya	22.5%	35.3%	3.5%	38.7%	100%
Germany	3.5%	87.9%	7.8%	0.8%	100%
UK	15.2%	61.7%	18.9%	4.1%	100%
Italy	3.4%	88.5%	7.4%	0.6%	100%
USA	46.3%	11.9%	31.5%	10.3%	100%
France	14.8%	55.8%	27.0%	2.4%	100%
Switzerland	6.1%	76.5%	8.0%	9.5%	100%
South Africa	77.9%	16.6%	3.7%	1.8%	100%
Tanzania	73.8%	18.3%	1.1%	6.8%	100%
India	62.0%	9.2%	20.6%	8.3%	100%

Compiled by Global Development Solutions, LLC based on Economic Survey, 2006

By contrast, however, American tourists tend to have high bed night stays in Nairobi (46.3%) and lodges (31.5%), reflecting the number of conference/business travelers coming to Kenya and tourist preference for wildlife safaris.

With nearly an 85% occupancy rate,¹ it is estimated that the tourism sector catered to over 4.4 million bed night stays in 2005. Of this, more than 52% of the bed nights were occupied in coastal hotels. While Kenya is well known for its wildlife tourism, which is a magnet for attracting tourists to the country, these figures suggest that coastal tourism can not be underestimated as an important element for promoting tourism in Kenya (refer to the table below).

Total Number of Bed Night Stays by Tourists/Visitors in Kenya

	Nairobi	Coast	Lodge	Other	Total
No. of Bed Nights	1,051,300	2,340,900	532,900	551,400	4,476,500
% of Total	23.5%	52.3%	11.9%	12.3%	100%

Compiled by Global Development Solutions, LLC based on the Economic Survey, 2006

While the focus of the value chain analysis is on foreign visitors coming to Kenya, it should be noted that Kenyan tourists dominate the number of bed night stays (1.1 million), with over one-third (35.3%) of the bed night stays taking place in coastal hotels. This is an important characteristic to note as so many of the coastal hotels currently cater largely to foreign tourists with a two-tier pricing structure that offer lower package prices to foreign rather than local tourists (further discussions on this point can be found in the value chain analysis section of the report).

Over 35.1% of tourists coming to Kenya are repeat visitors, an important characteristic in an increasingly competitive sector. Given the relatively high repeat client base, tourists making their own travel arrangements represent over 45% of tourist arrivals, which further suggests that Kenya enjoys a certain level of name recognition as a tourism destination.

More than 74% of the tourists arrive in Kenya on scheduled flights, and the remainder on charter flights, which generally cater to the coastal tourists. While tourists coming to Kenya

¹ Occupancy rate reflects 2006 figures. Occupancy rate in 2005 was approximately 62.3%.

continue to rely heavily on travel agents (59.9%) to make their travel arrangements, the Internet has become an important tool for both travel agents and tourists, transforming the landscape of the tourism industry and the way travelers make travel choices. The impact of the Internet on the Kenyan tourism sector is reflected in the fact that nearly 21% of tourists coming to Kenya make their own travel arrangements through the Internet.

To accommodate tourists, Kenya offers over 174 different hotels and lodges of various classifications throughout the country, with a capacity of 11.1 million bed nights and 5.6 million room nights of accommodation facilities (refer to the table below). In 2006, the average length of stay increased to approximately 2 weeks per tourist with most spending less than 5 days in a city hotel and the remainder of the time in lodges and camps.

Hotels, Lodges and Room Nights Available in Kenya (2006)

	Number	Beds	Rooms	Bednights	Room nights
Town hotels					
Five star	8	3,116	1,558	1,137,340	568,670
Four star	1	168	84	61,320	30,660
Three star	13	2,636	1318	962,140	481,070
Two star	15	1,390	695	507,350	253,675
One star	29	2,324	1162	848,260	424,130
<i>Subtotal</i>	<i>66</i>	<i>9,634</i>	<i>4,817</i>	<i>3,516,410</i>	<i>1,758,205</i>
Vacational hotels					
Five star	3	1,470	735	536,550	268,275
Four star	9	3,370	1685	1,230,050	615,025
Three star	17	5,118	2559	1,868,070	934,035
Two star	35	6,508	3254	2,375,420	1,187,710
One star	2	448	224	163,520	81,760
<i>Subtotal</i>	<i>66</i>	<i>16,914</i>	<i>8,457</i>	<i>6,173,610</i>	<i>3,086,805</i>
Lodges					
Five star	6	898	449	327,770	163,885
Four star	8	856	428	312,440	156,220
Three star	11	1,096	548	400,040	200,020
Two star	17	1,242	621	453,330	226,665
One star	0	0	0	0	0
<i>Subtotal</i>	<i>42</i>	<i>4,092</i>	<i>2,046</i>	<i>1,493,580</i>	<i>746,790</i>
TOTAL	174	30,640	15,320	11,183,600	5,591,800

Kenya Tourism Board

According to the Kenya Tourism Board, 235 enterprises and individuals are registered as tour operators in Kenya. The following table provides a profile of Kenya's tourism sector.

Tourism Sector Profile for Kenya

1.0 Economic Indicators						
	2003	2004	2005	2006		
1.1 Tourism receipts (Ksh billion)	25.5	42.3	48.9	56.2		
1.2 Arrivals pattern						
1.2.1 Air & Sea	547,314	668,134	832,229	954,335		
1.2.2 Cross border	598,786	690,000	838,200	885,980		
1.2.3 Total arrivals	1,146,129	1,358,171	1,670,475	1,840,335		
1.3 Arrivals by purpose						
1.3.1 Holiday	337,448 (79.7%)	429,867 (79.4%)	592,542 (83.5%)	607,953 (77.0%)		
1.3.2 Business	73,786 (17.4%)	100,089 (18.5%)	104,332 (14.7%)	165,148 (20.9%)		
1.3.3 Conference	12,362 (2.9%)	11,490 (2.1%)	12,634 (1.8%)	16,663 (2.1%)		
1.4 Average earnings per tourist (excl. cross border arrivals – Ksh)	46,591	63,311	58,758	58,889		
1.5 Average occupancy rate (%)	33.6	52.3	62.3	85.0		
1.6 Contribution to GDP (2006)	9.2%					
1.7 Employment impact (2006)	Formal jobs: 138,000			Informal jobs: 360,00		
2.0 Profile of Visitors						
2.1 Gender	Male: 58%			Female: 42%		
2.2 Age distribution (%)	<25	26 – 35	36 – 45	46 – 55	56 – 65	>65
	11.3%	30.2%	22.1%	19.2%	11.5%	5.7%
2.3 Income distribution (%)	<\$20,000	\$20,000 - \$40,000	\$41,000 - \$60,000	\$61,000 - \$80,000	>\$81,000	
	18.4%	26.6%	23.9%	14.8%	16.3%	
2.4 Country of residence	UK: 18.0%		South Africa: 3.0%		France: 5.3%	
	USA: 9.1%		Australia: 1.4%		Italy: 8.6%	
	Germany: 8.7%		Holland: 3.3%		Belgium: 1.8%	
2.5 Frequency of visit	First time: 64.9%			Repeat: 35.1%		
2.6 Type of travel arrangements	Tour package: 54.1%		Independent: 45.3%		Other: 0.6%	
2.7 Type of flight	Scheduled flight: 74.3%			Charter: 25.7%		
2.8 Travel arrangements	Travel agent: 59.9%	Internet: 20.9%	Direct airline: 7.6%	Tour Opert: 7%	Other: 3.4%	
3.0 Tourism Facilities						
3.1 Hotels (registered - 2005)	Nairobi: 39(30.2%)		Coastal: 53 (41.1%)		Other: 37 (28.7%)	
3.2 Hotels (registered – 2006)	Town: 66 (37.9%)		Vacation: 66(37.9%)		Lodge: 42 (24.1%)	
	Beds		Rooms		Bed nights	
Town Hotels	9,634		4,817		3,516,410	
Vacation Hotels	16,914		8,457		6,173,610	
Lodges	4,092		2,046		1,493,580	
Total	30,640		15,320		11,183,680	
3.3 Tour operators (registered)	235					
4.0 Tourism Assets						
4.1 National Level	Parks: 29	Reserves: 27	Wildlife Sanctuaries: 4		Total coverage: 47,674 km ²	
4.2 Protected Areas	46 (8% of national land area)					
4.3 Community sanctuaries	17 (300,000 ha)					
4.4 Wildlife conservancies	13					
4.5 Coast line	536 km					
4.6 Number of species	359 (endemic species: 21; threatened species: 51)					

Global Development Solutions, LLC

1.3 Profile of European Tourists

Europe maintains the leading position as the most important region generating outbound tourists. For this reason, this section of the text will focus on the trends and tourist behaviors of seven European countries; Germany, and UK (other countries including Belgium, France, Spain, Italy and the Netherlands are profiled in the Annex). Most of the data is from 2003 and is derived from the World Tourism Organization as interpreted by the Centre for the Promotion of Imports from developing countries (CBI)².

The total number of EU arrivals in developing countries in 2003 was 39.4 million. This represents an increase of 10.7% as compared to 2002. The largest number of those arrivals came from Germany (9.3 million), the United Kingdom (6.7 million), France (5.6 million) and Italy (4.4 million). In general, Belgians, Germans, French, Spanish and British people particularly like to travel to developing country destinations in Africa, while the Dutch prefer traveling to East Asia and the Pacific. Italians prefer the Middle East. The table below indicates the arrivals in destination regions for European tourists in 2003.

Of the ten new members of the EU, the Czech Republic, Hungary and Poland accounted for most of the arrivals in developing countries (58.5%). The total number of arrivals from the new EU members was 3.5 million in 2003, which was the same as in 2002.

Outbound Travel to Developing Countries by EU Members, 2003 (x 1,000)

	Africa	America (1)	East Asia / Pacific	Europe	Middle East	South Asia	Total	% '02-'03
EU25	8,472	5,736	4,737	14,929	3,762	1,782	39,418	-0.1
Germany	1,373	1,005	967	4,920	823	240	9,327	-4.0
UK	1,474	1,298	1,381	1,170	573	814	6,710	-2.5
France	2,675	912	697	704	468	192	5,648	-2.5
Italy	853	735	254	1,445	850	217	4,353	4.7
Netherlands	311	313	376	1,123	170	84	2,377	2.5
Austria	155	74	117	1,108	120	41	1,616	1.1
Spain	427	726	106	120	129	50	1,558	8.2
Belgium	316	148	137	383	110	30	1,123	2.5
Slovenia	1	3	1	990	9	1	1,004	7.0
Sweden	133	79	346	260	89	30	938	-0.1
Czech Rep.	102	4	2	752	3	3	866	1.8
Poland	81	13	11	364	127	10	605	-17.2
Denmark	78	51	171	198	70	23	592	-2.5
Portugal	185	303	46	21	20	12	589	15.7
Hungary	79	6	2	424	61	3	575	18.3
Greece	28	19	11	429	48	7	541	23.8
Finland	47	15	91	70	30	11	264	-17.0
Ireland	104	24	16	89	17	12	262	-1.6
Slovakia	24	2	0.1	214	1	2	243	-2.8
Cyprus	3	1	0.2	106	27	0.4	137	2.2
Luxembourg	8	2	1	8	4	0.4	23	-4.2
Lithuania	1	1	1	19	0	0.2	22	1.0
Malta	15	0.2	0.1	0.3	2	0.2	18	38.4
Estonia	0.3	0.4	0.5	5	9	0.1	16	60.0
Latvia	0.2	0.3	4	7	0.2	0.2	11	-8.4

Source: World Tourism Organization (2005) Note (1): Caribbean, Central & South America (USA & Canada excluded)

² The CBI conducted several studies concerning Europe's outbound tourism with results targeted towards tour operators. The data in this section is a summary of those studies.

The WTO predicts a total number of 164 million long haul tourist arrivals from Europe in 2020. This is a yearly increase of 6.1% from 1995. Most popular destinations will be the Americas, followed by East Asia Pacific, the Middle East, Africa and South Asia. Note that currently Africa draws more tourists as a region than does the Middle East. The long term prediction is that this will change by 2020. Concerning regions of origination in Europe, Western Europe and Northern Europe are expected to be the most significant. The table below summarizes the expected arrivals by region for EU long haul tourists in 2020.

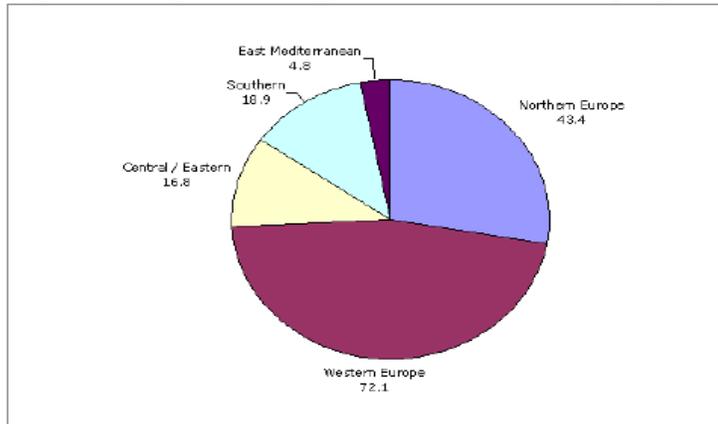
Expected Long Haul Destinations for EU Members by Region, 2020 (x 1,000)

	Forecasts 1995	2000	2010	2020	% 1995-2020
Total long haul	37,212	50,369	92,829	164,380	6.1
Africa	6,644	7,982	12,694	19,621	4.4
<i>Of which</i>					
North	3,660	4,211	6,060	8,888	3.6
West	662	800	1,113	1,545	3.4
Central	94	94	120	146	1.8
East	1,402	1,637	2,729	4,226	4.5
Southern	826	1,239	2,671	4,816	7.3
Americas	15,901	21,306	38,282	65,500	5.8
<i>Of which</i>					
North	11,584	14,836	25,116	40,422	5.1
Caribbean	2,131	3,031	6,016	11,161	6.8
Central	399	538	1,080	2,015	6.7
South	1,787	2,901	6,070	11,903	7.9
East Asia/Pacific	9,416	13,309	25,419	47,623	6.7
<i>Of which</i>					
North-East	3,924	5,496	10,776	20,880	6.9
South-East	4,268	6,077	11,399	20,829	6.5
Australasia	1,021	1,446	2,714	4,973	6.5
Mela/Micro/Polynesia	203	290	530	941	6.3
Middle East	3,375	5,134	11,044	21,726	7.7
South Asia	1,877	2,638	5,390	9,909	6.9

Source: World Tourism Organization (2003)

The figure below shows graphical representation of the origin of long haul tourism expected by 2020 broken down by sub regions of Europe. The dominant contributor will be Western Europe with approximately 72 million outbound long haul tourists. Interestingly, however, Eastern Mediterranean travelers are the most long haul oriented in Europe with an expected 40% of the tourists from this region to be traveling long haul in 2020.

Region of Origin for Long Haul Travel to Developing Countries in 2020



Source: World Tourism Organization (2003)

1.3.1 Individual Country Profiles

GERMANY³: Germany is the largest outbound market in all of Europe with Germans having spent €58 billion for international travel in 2004 and expected to have increased that by another €1 billion in 2005. In 2003, Germans took 9.3 million trips to developing countries. For Germans, travel is a high priority, something which is not to be given up. With six weeks of annual leave, the Germans have the luxury of time for traveling. Safe long-haul within close proximity is important for mainstream Germans.

Increasing interest in rest and relaxation impacts the travel preferences of Germans by increasing demand for voyaging while leading to declining interest in adventure holidays. Yet demand for all types of holidays is high since the client base is large and diverse. Important target markets include young urban professionals, youth, DINKs (Double Income No Kids – married couples with two incomes and no children) as well as affluent seniors. The 45+ age group is becoming increasingly important as well. Single, well-educated, well-paid males age 30 – 49 comprise a significant segment.

Packages are predicted to be the most common mode of booking for long haul journeys. Extremely important to Germans is information. Destinations are thoroughly researched thus available and detailed information is essential. Germans want information regarding the region, sites of interest, events and also appreciate suggested itineraries. The Internet is a significant source of information and Germans, mostly those under the age of 40, as well engage in online booking. Ninety percent of discounted air travel is booked online. Package holidays are not as commonly booked online but sales of such are increasing as well. Online travel sales doubled from 2004 to 2005 (from €3.5MM to an expected €6.5 MM – €7.0 MM).

Some common motivations for German long haul travelers are:

- Seeing other countries and cultures;
- Adventure/exploring;
- Being away from daily life;

³ Information in this section is derived from CBI EU Market Tourism – Country Profile Germany, January 2006

- Variety; and
- Meeting local inhabitants.

The general profile of a typical German tourist:

- Willing to spend freely if the product is deemed worth it – particularly true of western Germans who are more affluent and less price sensitive than their fellow countrymen from the east;
- Has good command of English language but still appreciates literature in German, particularly for the older travelers (a growing segment) and those from the east;
- Loves to shop;
- Easily frustrated if service is perceived as bad or quality insufficient;
- Prefer clean and safe hotels and a good variety of well seasoned food;
- Seeks unique and memorable vacations and enjoys new experiences; and
- Very conscientiously aware of environmental issues.

With information being of high importance in Germany, it is best for incoming tour operators to advertise with the German outbound operators. The major travel associations are the Association of Small and Medium-sized Travel Companies (www.asr-berlin.de) and the DRV, the German Tour Operators and Travel Agents Association (www.driv.de). A further useful site is an online press agency for German tourism journalists (www.reisepresse.de). This can be used to distribute press releases and information to German journalists.

A final note about German tourists is that they are protected by law from misinformation and/or misrepresentation of travel packages. Holidays must be exactly as represented in the brochures or the client may take legal action against the tour operator. Therefore, information for the German market must be detailed and, very importantly, absolutely true. Germans do not accept unpleasant surprises while on holiday.

UNITED KINGDOM⁴: This is the second largest EU market for outbound tourism. Ten percent of the outbound destinations, 6.7 million, in 2003 were to developing nations. Travel expenditures are expected to rise annually at 3% to €16.7 billion expected to be spent in 2006. Contributing factors to growth are an increase in the over 50 age group willing to engage in long haul travel combined with the decrease costs related to air fares.

Brits generally receive four weeks of vacation per year. Most will holiday in the period between mid July and the end of August. Off season holidays occur in the first two weeks of October and in March or April, depending on school vacation. The trend is towards two vacations per year. In addition to the typical summer holiday, sun holidays during Christmas/New Year are on the rise. Attraction to warm, sunny places is still the leading factor in determining destination for Brits. Two other factors of importance are experiencing another culture and seeking adventure. The quest for adventure is replacing some demand for sun holidays. Because of this, the niche market is growing.

⁴ Information in this section is derived from CBI EU Market Tourism – Country Profile United Kingdom, January 2006

A growing market is seen with companies in certain industries that are increasingly organizing group tours (incentive travel). This is a lucrative market since many of the larger companies are looking to provide excellent amenities for these trips. In addition, the locations chosen are often not in the mainstream with many companies looking for exotic destinations that offer something new. This bodes well for niche market customized packages. Incentive travel is seen as a growing market throughout most of the EU.

In contrast to Germans, Brits spend almost no time researching their destinations, and for 25% of travelers the decision process for determining destination takes a maximum of two hours. Bookings, however, are made far in advance with January being the most important month for summer bookings. Younger people are starting a trend of looking for last minute deals. In seeking discounted travel, the Internet is a powerful tool for Brits. Collectively they are the most prolific online bookers of travel in the EU with 51% using online travel agencies for booking.

The general profile of a typical British tourist:

- Has a growing interest in the environment along with an increasing interest in cultural and sustainable tourism (opts for Asia to satisfy the niche);
- Places price as the determining factor when choosing a destination (particularly mass market tourists);
- Traditional reliance on travel agents is giving way to more independent organizing of holidays without using travel agents (particularly true for long haul travelers);
- Still prefers sun holidays and will purchase a package holiday for rest and relaxation in the sun (Morocco and Tunisia are good options due to close proximity and year round warm, sunny weather yet Tunisia experienced a sharp decline from 2002 to 2003 in perhaps a showing that sun holidays are losing ground to adventure and variety);
- Opts to select individual elements from various tour operators in order to customize the holiday rather than purchasing all-inclusive trips;
- Prefers hotels; and
- Is strongly price sensitive and for this reason is looking outside the EU for travel since the pound has been weak against the euro for some time.

Two interesting Web sites for the UK travel market that are that of the Association of Independent Tour Operators (www.aito.co.uk) and the Association of Brit Travel Agents (www.abtanet.com). The AITO site is of particular interest to niche market tourism.

1.3.2 Inbound Tourism Traffic into Africa from EU Countries

The following table tabulated summary of pertinent travel statistics for the seven EU countries discussed in the section above. It is evident from this table that Turkey is a tremendously popular destination for Europeans. Only Italy and Spain did not have Turkey ranked in their top three developing country tourist destinations. Many factors influence the popularity of Turkey such as the high number of Turkish-born EU residents/citizens, Turkey's close proximity to the EU, low prices, relative safety, and exotic culture combined with favorable weather. North Africa is also a popular destination for EU travels for many of the same reasons that Turkey is popular.

Country Travel Statistics, 2003							
	Germany	UK	France	Italy	Netherlands	Spain	Belgium
Population (millions)	82.4	60.4	60.7	58.1	16.4	40.3	10.4
GDP per capita (Euros)	27,260	29,300	27,950	23,850	30,210	22,400	28,840
Weeks of vacation	6	4	5	3 to 4	4.5 (23 days)	up to 4	4 to 5
Outbound trips (x 1,000)	84,545	67,000	31,667	22,600	30,000	16,667	13,300
Trips to developing countries (x 1,000)	9,300	6,700	5,700	4,400	2,400	1,500	1,100
% outbound trips to developing countries	11%	10%	18%	19%	8%	9%	8%
Total # trips to Africa (x 1,000)	1,373	1,474	2,675	853	311	427	316
Top Three Developing Country Destinations: (Number of Arrivals by Thousand)							
Turkey	1 (3,231)	1 (935)	3 (444)		1 (922)		1 (300)
Croatia	2 (1,552)			1 (1,206)	2 (179)		
Egypt	3 (693)			2 (796)	3 (132)		3 (90)
Morocco			1 (916)			1 (231)	
Tunisia			2 (834)	3 (380)			2 (133)
Thailand		2 (545)					
South Africa		3 (456)					
Dominican Rep.						2 (203)	
Cuba						3 (128)	
Other African Destinations in the Top Ten:							
Tunisia	4 (488)	7 (223)			10 (44)	6 (78)	
South Africa	7 (257)				5 (121)		8 (43)
Kenya	10 (180)	10 (177)					
Egypt		5 (357)	5 (311)			5 (102)	
Morocco				9 (100)	9 (66)		
Mauritius			9 (200)				
Senegal			10 (181)				

Source: Compiled by Global Development Solutions, LLCTM based on data from CBI

Also summarized from the data above, tables on the following two pages compare the profiles of tourists from the different countries.

Comparative Profiles of Tourists from EU Countries			
	Germany	UK	France
Safety	important		
Language	good English	limited to English	not good English
Reasons for holiday	increase in rest/relaxation; decrease in adventure (but still major factor)	sun/beach holidays (decreasing); adventure (increasing);	spa holidays (N. Africa); total experience; culture and history; seaside (beach/sun) holidays
Interests	experiencing other countries/cultures; unique and memorable experiences	experiencing other cultures	nature, arts & cultural aspects; history; personal interaction with locals
Interesting travel segments	young urban professionals, youth, DINKs, affluent seniors	incentive travel growing	under age 30, Parisians, business people, DINKs and gays
Additional behaviors	likes to shop; individual travelers look for exciting experiences and are willing to try new activities		Seeks complete experience: variety, experience, culture, nature, adventure; alternative/uncommon activities; personalized treatment
Accommodations	clean/safe hotels; good variety of well-seasoned food	hotels and self-catering	mid-priced - country houses, bed & breakfasts; feel comfortable/at home
Environmental awareness	extremely high	increasing interest	increasingly interested in sustainable tourism
Use of Internet		most prolific in EU	Strong, second to Brits
Importance of information	extremely high	low	
Booking habits	trend towards last minute, budget travel and individually composed and keenly priced package tours will continue due to the increase of budget consciousness among consumers	far in advance	trend towards choosing destination at last moment (esp. younger travelers looking for discounts)
Peak travel period		mid July - end August	August
Growing trends	traditional packages giving way to more flexible holidays based on individual combinations of different modules such as flights, hotels and rental cars	going outside EU due to weak pound vs. euro; 50+ age group traveling more; niche market tourism - adventure, cruise market growing; overall growth in niche tourism	
Type of travel product	packages expected to be most common mode for long haul	long haul increasingly books independently but have tradition of using travel agents	options from different operators as opposed to all-inclusive

Comparative Profiles of Tourists from EU Countries			
	Netherlands	Spain	Italy
Safety			important
Language	good English	not good English	not good English
Reasons for holiday		cultural holidays; seaside holidays/relaxation; adventure tourism	sun/beach holidays
Interests	explore surroundings; high interest in how locals live; healthy lifestyle - outdoor activities and sports	good climate; culture; health & well-being; activities/adventures (rafting/hiking); sightseeing; theme & lifestyle products	history; politics; local way of life
Interesting travel segments	young professionals; families; empty nesters; seniors; strong singles market (approx 2.5MM singles over 18)	DINKs (age 25-44, about 1.3 million people), seeking culture, university students (age 18-26, about 440,000 people), incentive travel	most recent growth in middle income, well educated people and by DINKs; 55+ age group; incentive travel growing
Additional behaviors	seeks memorable and rewarding experiences	highest use of credits cards in Europe; likes spectator sports; cinema; visiting local markets (shopping); pubs; excursions; culture, cuisine; prefers late dinners/going out at night to talk, drink, eat and be part of a crowd	food very important - spends much restaurants; shopping, relaxing, nightlife, spectator sports
Accommodations	good quality, clean accommodation	accessibility and good hotel infrastructure	extremely clean hotels and/or bed & breakfast
Environmental awareness	extremely high - green tourism growing		interested in green tourism
Use of Internet			
Importance of information	extremely high		Growing
Booking habits	price sensitivity driving trend to book later in looking for bargains	late bookers; looking for value products	notoriously late
Peak travel period		July and August	August
Growing trends		to do 'something different' on holiday; rural tourism; companies organizing group trips (incentive travel); taking holiday in May, June, September and October	group incentive travel has increased considerably
Type of travel product	all-inclusive for sun holidays; passion for independent travel leads to growing niche tourism with customized modules	estimated 31% take package tours; family packages - 52% travel abroad with families (32% couples and only 6% travel alone)	some book all-inclusive to exotic destinations very late for discounts; book cheap flight via Internet and purchase tour operators ground package

Source: Compiled by Global Development Solutions, LLC based on data from CBI

The following table presents a summary of the African destinations for the seven countries reported above. Kenya is highlighted in red. A ranking of preferred destinations indicates that Kenya is seen as a major destination for EU tourists at the time.

African Inbound Tourism from Most Significant EU Countries (2003)									
	France	UK	Germany	Italy	Spain	Belgium	Netherlands	Total	Rank
Tunisia	833,989	223,189	488,481	379,773	78,223	132,596	44,490	2,180,741	1
Morocco	916,147	134,059	129,391	100,001	231,156	80,062	66,486	1,657,302	2
South Africa	127,760	456,468	257,018	49,818	25,597	42,735	120,933	1,080,329	3
Kenya	55,057	177,339	180,156	61,428	11,667	7,424	20,518	513,589	4
Mauritius	200,229	91,210	53,970	39,774	9,081	10,170	4,403	408,837	5
Senegal	181,470	3,063	7,985	9,279	12,680			214,477	6
Nigeria	50,149	31,310	48,915	53,166	16,886	5,537	4,349	210,312	7
Algeria	106,042	4,549	7,049	10,571	8,600	3,801	1,525	142,137	8
Tanzania	22,103	43,656	19,222	24,675	9,565	6,497	15,272	140,990	9
Zimbabwe	12,504	58,354	25,902	18,682	3,891			119,333	10
Namibia	9,364	19,291	58,036	8,809	4,448	4,197	11,778	115,923	11
Cape Verde	12,847	1,140	18,095	54,278	7,679	9,702		103,741	12
Seychelles	25,990	18,765	15,903	17,778	2,062	1,392	978	82,868	13
Zambia	4,050	64,970	5,627	3,025				77,672	14
Burkina Faso	47,663	2,475	4,683	3,215		4,984	2,734	65,754	15
Lesotho		39,470	25,991					65,461	16
Gambia	653	40,872	4,253	200		1,707	7,262	54,947	17
Mali	22,539	1,460	2,412	3,476	2,637			32,524	18
Botswana	2,730	14,445	6,584	2,168	2,097		4,181	32,205	19
Uganda	3,022	17,176	3,519	1,924		1,748	2,474	29,863	20
Ethiopia	5,482	8,978	5,719	6,348		1,370	3,044	29,571	21
Togo	14,154	655	830	570				16,209	22
Guinea	10,654	605	879	736	370	1,067	512	14,823	23
Swaziland		13,702						13,702	24
Chad	7,897	270	405	166		164	34	8,936	25
Mozambique		5,798						5,798	26
Dem.R.Cong	2,012		384	475		2,337		5,208	27
Eritrea	461	1,106	1,252	2,334				5,153	28
Total	2,674,968	1,474,375	1,372,661	852,669	426,639	317,490	310,973		

Compiled by Global Development Solutions, LLC based on data from World Tourism Organization

As the value chain analysis shows, working with an appropriate tour operator is important. The table below provides a comparative summary of large vs. small tour operators, although the EU travel industry is dominated by few large operators.

Comparison of Large vs. Small Tour Operators

Large tour operators	Specialized tour operators
<ul style="list-style-type: none"> * High volumes, low margins * Make developing country destinations increasingly more available to more customers. * Aim marketing strategies to destinations where they currently operate. * Continue to sell mainly on price. Makes loyalty to incoming tour operators very low. * Customers are highly price-sensitive and low spending * Sell via travel agents that they prefer to own * Offer mostly relatively standardised and basic products, with little interest in destination specific products. This is, however, changing somewhat. * High negotiating and buying power * Are mostly in full control over their demand and supply structures due to vertical integration. Destinations have little influence. 	<ul style="list-style-type: none"> * Small volumes * Aim at less common destinations for an increasing number of tourists that demand high quality and custom made holidays * Have distinguished themselves from the large tour operators by specialising in niche products * Serve consumers that are less price-sensitive and that are willing to spend more, as they are interested in special destinations and its products. * Profit from emerging direct sales channels (Internet) and use independent agents. * Offer more complex products and are therefore more dependent on local suppliers. * Generally pay higher prices to local suppliers due to lower volumes they purchase. * Direct selling to public * Know how to contract niches * Clients know where to find them

Source: Pro Poor Tourism (2003)

1.4 Profile of U.S. Tourists

According to a National Geographic survey, approximately 154 million adult Americans travel 50 miles or more one way. The demographic profile of these travelers is as follows:

- 65% are city-dwellers living in urban area;
- 43% are baby-boomers between the age of 35 and 54;
- 30% are Generation X and Y (age 18 – 34);
- 27% fall under the mature category (>55 years old);
- 45% have a college education;
- Average annual income is approximately \$62,720;
- 68% work full or part time;
- 17% are retired; and
- 40% have children under the age of 18.

The survey also revealed that these travelers have a number of distinct preferences when it comes to traveling. Specifically,

- 71% indicated that it is important that their visits to a destination does not damage the environment;
- 61% cited that their travel experience is better when the destination preserves its natural, historic, and cultural sites and attraction;
- 58% support controlling access to National Parks and public lands so that they can be preserved and protected;

- 53% cite that their travel experience is better when they have learned as much as possible about the destination's customs, geography and culture.

In this context, there is an increasing trend towards 'geo-tourism' where travelers concerned about the environment and natural habit. This group of travelers account for about 55.1 million American travelers.

1.5 Key Market Challenges and Opportunities

As a hub for East Africa, Kenya is able to attract a broad range of visitors from around the world as well as from within the region. In general, Kenya's tourism sector can be divided into three broad categories: business and conference, safari, and coastal tourism. The country must manage both positive and negative market drivers. Some market drivers are country wide, while others are specific to the sub-sector. The following matrix provides a summary of these drivers.

Key Market Drivers for Kenya's Tourism Sector		
	Positive	Negative
Country Image	<ul style="list-style-type: none"> • Premier wildlife parks • Beautiful coast line • Competitively priced packages • Easy air transport access • Rich cultural heritage 	<ul style="list-style-type: none"> • Political instability • Crime • Poor road conditions • Poor air quality • Corruption • Poor land use planning • Weak destination marketing • High taxes • Absence of a coordinated conservation program
Business and Conference	<ul style="list-style-type: none"> • English speaking • Hub for East Africa • Readily available sightseeing opportunities 	<ul style="list-style-type: none"> • Lack of premium conference facilities • Limited number of high quality restaurants • Unreliable communications infrastructure • High cost of electricity
Safari	<ul style="list-style-type: none"> • Host to the largest herds of grazing mammals • Host to one of the largest avian species in the world • One of the most productive natural ecosystems in the world • Wildebeest migration in the Mara-Serengeti ecosystem • Rich Masai cultural heritage 	<ul style="list-style-type: none"> • Poor infrastructure • Overdevelopment and over crowding • Lack of community involvement and benefit • Destruction of water catchment areas • Lack of coordination amongst stakeholders in the sector
Coastal	<ul style="list-style-type: none"> • Top 5 game fishing destinations in the world • Easily accessible beaches • Direct flights from Europe 	<ul style="list-style-type: none"> • Harassment from beach operators • Lack of local economic benefit • Weak link to the local economy
Global Development Solutions, LLC		

1.5.1 Business and Conference Travel

Conference tourism is the fastest growing sub-sector within the tourism sector. While Africa accounts for only 2.5% of the total business and conference tourism around the world, Kenya is ranked fourth in Africa after South Africa, Egypt and Morocco. In 2005, the International Congress and Convention Association (ICCA) estimated that 5,315 large scale conferences took place around the world. Europe continues to dominate the market share with over 58% of all conferences taking place there, followed by Asia (18%), and North America (10.5%). Africa accounts for only 2.5% of the total conference tourism market share, of which Kenya accounted for 6.3% (refer to the table below).

Market Share for Conference Tourism (2005)	
	Market Share
Europe	58.0%
Asia	18.0%
North America (US and Canada)	10.5%
South America	7.0%
Australia	4.0%
Africa	2.5%
Conference Tourism Market Share within Africa	
South Africa	43.8%
Egypt	11.7%
Morocco	8.6%
Kenya	6.3%
Others	29.6%
ICCA	

This is an improvement from 2004 when Kenya was fifth. This is attributed in part to the rehabilitation of the Kenyatta International Conference Centre which has played a crucial role in this business as the Conference Centre has hosted and continues to host many international meetings. Mombasa, with its good weather and many hotels, is an ideal conference venue, but it continues to lack world class conference facilities and support services, particularly to handle thousands of delegates at any one time.

In the business and conference tourism sub-sector, availability of premium conference facilities (including translation services, high quality stationary supplies, catering, etc), good security and safety, all play a crucial role in attracting and increasing the number of travelers coming to Africa, including Kenya. It should be noted that Nairobi is not only a hub for airlines, but also serves as a center for major media outlets operating in East Africa. As a consequence, incidences of crime, terrorist attacks, corruption and other ‘negative’ image building events are readily captured and aired around the globe. In this context, Kenya often suffers from more ‘negative’ media attention than its neighboring countries where similar if not worse events may be taking place at higher frequency. Such event as the most recent bomb blast in downtown Nairobi clearly has a negative impact on business and conference travel.

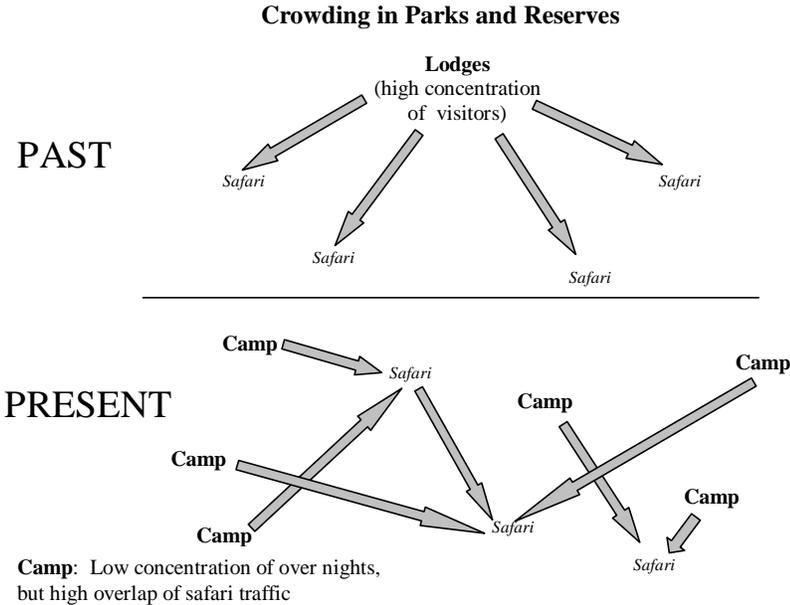
At least within the region, Dubai is considered a model case for its aggressive development and marketing of the conference tourism business. Coordinated effort across government ministries and the private sector seen in Dubai has been difficult to replicate in Kenya. Even

in the absence of such coordinated effort, Kenya is expected to continue attracting more major international conferences, but the pace of growth is not anticipated to mirror the overall market growth in this sub-sector worldwide.

1.5.2 Wildlife Safari

Wildlife safari is considered the crown jewel of Kenyan tourism, in particular the Masai Mara, which alone accounts for 25% of the total wildlife population in Kenya. Given its reputation as one of the premier wildlife areas in the world, the Mara faces a number of challenges including the following.

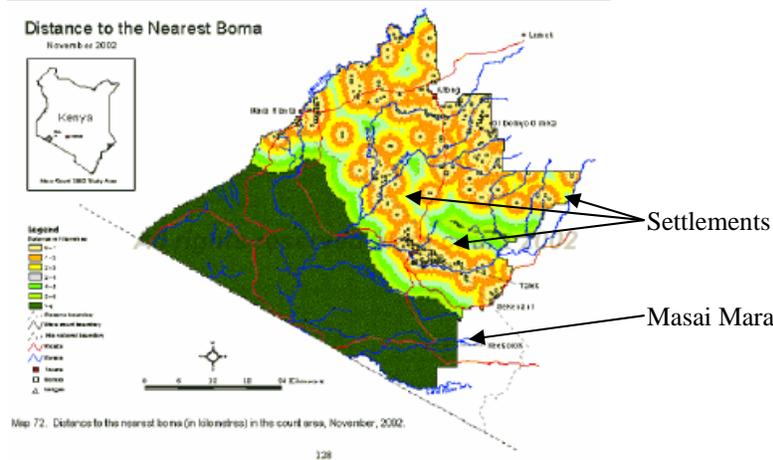
- **Overcrowding:** Nearly 290,000 tourists visit the Masai Mara each year – during the peak season more than 8,000 tourists may be in the Reserve at one time. The market trend away from large lodges to the use of small exclusive tent camps has further heightened the sense of overcrowding as the number of individualized game drives have increased.



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- **Overdevelopment:** As the number of permanent camps and lodges increase (now numbering 72) particularly along the outer perimeter of the Reserve, an increasing number of settlements are beginning to develop, bringing with them non-migratory wildlife, and increased cultivation of maize and wheat. According to The Mara Count, the Reserve and its surrounding area now have over 373 bomas (settlements), 2,000 huts, 10 schools, 4 football pitches, 13 airstrips, and 69 shops.
- **Inadequate land use planning:** The Masai Mara National Reserve (1,510 km²) is under the management of the Kenya Wildlife Service (KWS), and the surrounding 4,566 km² belongs to the Masai and is managed by the Narok and Trans-Mara County Council, which does not fall under the jurisdiction of the Ministry of Tourism and Wildlife. As a consequence, effective and coordinated land use planning has been virtually non-existent.

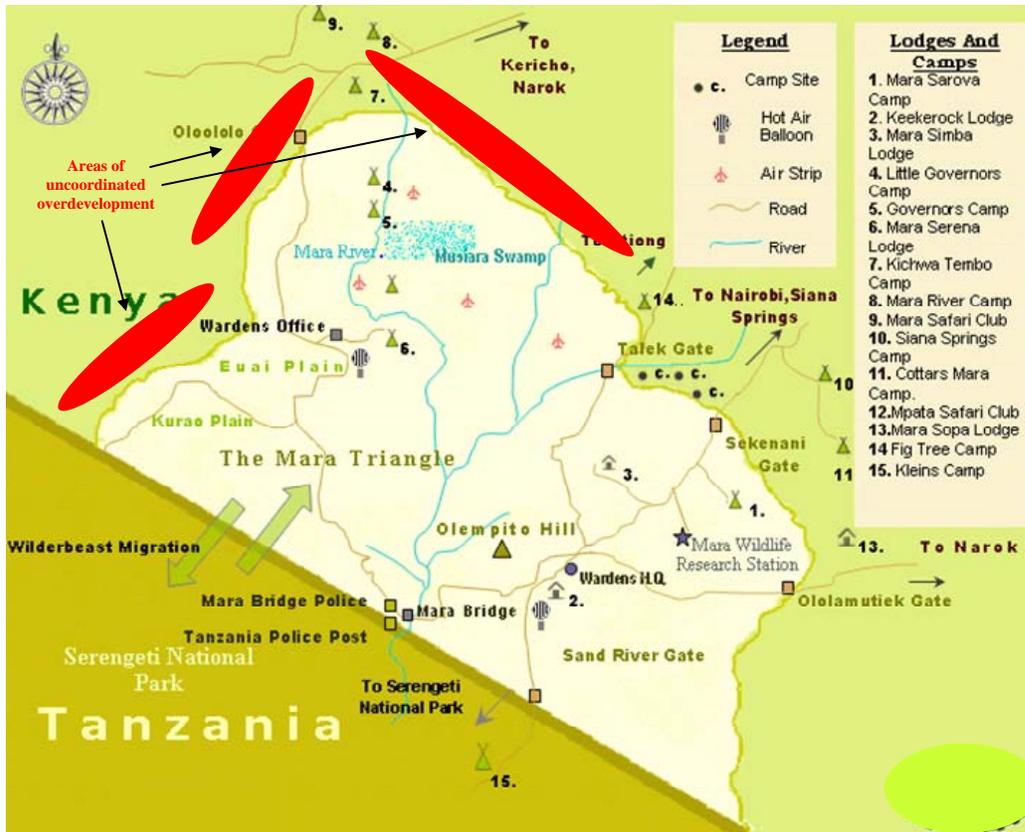
- **Increasing human population:** The Masai Mara was home to 14.7 inhabitants/km² in 2002, up from 0.8 inhabitants/km² in 1950. The increase in human population is also contributing to an increase in non-migratory wildlife in the Mara, particularly cattle, sheep, goats and donkeys. It is estimated that some 250,000 non-migratory wildlife graze in the reserve and surrounding area. The map below sheds some light on the increasing number of settlements along the perimeter of the Reserve as indicated by the orange-brown areas



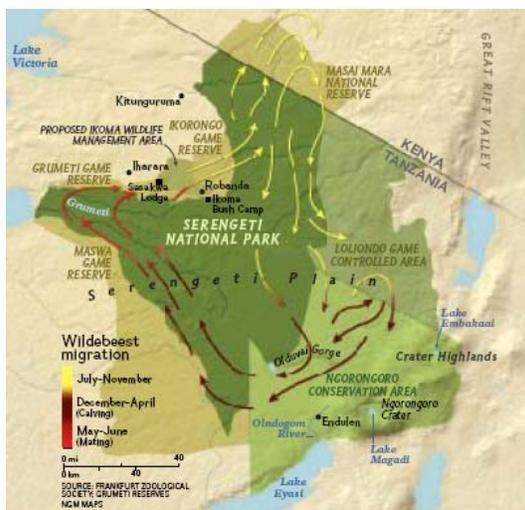
- **Increasing area under cultivation:** In the Narok District, it is estimated that land is being turned over to maize and wheat cultivation at a rate of 18% per year, which now accounts for over 15,000 ha of land in the District. With a per capita income of less than \$300, in the absence of direct benefits from tourism (which currently brings in an estimated \$5.50/ha), the Masai must rely on other forms of income such as cattle raising, which yields the equivalent to \$0.75/ha, and agriculture which can bring as much as \$218.75/ha.⁵ Given the economic opportunities that agriculture promises, it is no wonder that increasing number of Masai are converting their land to agriculture. At the same time, however, to protect their crop, fences are being erected to prevent wildlife from damaging their crops.

As the map below indicates, along the outer perimeter of the Reserve, a growing number of settlements, fencing, competing grazing animals, and maize and wheat cultivation is taking place, which is threatening the migration pattern of several million animals that come across the Serengeti into and outside of the Reserve (refer to the wildebeest migration map below).

⁵ PV Byrne, C Stanbo and JG Grootenhuus, "The Economics of Living with Wildlife in Kenya", in *Wildlife Economics: Case Studies from Ghana, Kenya, Namibia and Zimbabwe*, Aftes Working Paper no 19, Jan Bojö (ed.), World Bank, Washington DC, February 1996.



Between 1977 and 1994, Kenya lost over 44% of its wildlife, 53% outside the protected area, 30% inside the protected area and 73% inside the Narok District. Similarly, more recent research by Ojwang, et al. (2006), also points to a continued decline in wildlife population in Kenya.⁶ Fencing, increasing number of settlements, and competing grazing animals in the Mara paint a troubling picture for the future of wildlife tourism in Kenya.



⁶ Ojwang, G.O., Waragute, P., Njiro, L. (2006). Trends and Spatial Distribution of Large Herbivores in Kajiado District (1978 – 2000) DRSRS, Technical Report No. 161.

Taking into account that the Masai Mara accounts for 75% of the wildlife in all nationally protected areas, it is of high importance that measured consideration be given to the development of areas in and around the Reserve. Equally, if not of greater importance to the sustainability of wildlife and wildlife based tourism in Kenya, is the need for public-private partnerships to introduce coordinated conservation efforts around the greater-Mara area. Specifically, although 35% of Kenya's wildlife is found in nationally protected areas,⁷ 40% of the wildlife is found in privately protected areas.⁸ Thus, in the absence of an integrated conservation effort that includes private and community conservation initiatives within a larger public sector conservation effort, the future of the wildlife population and one of the core drivers of Kenya's tourism sector will be under severe threat.

1.5.3 Coastal Tourism

As mentioned earlier, coastal tourism dominates the bed night stay over all other forms of tourism activities in Kenya. In this context, while wildlife safaris are an important element of the overall Kenyan tourism package, so too are the coastal assets.

In recent years, Kenya has focused on high-density, mass-market beach tourism targeted towards European clients. In this context, coastal tourism in Kenya has developed without much consideration regarding the carrying capacity and environmental impact on the coastal ecosystem. As the map below suggests, the high concentration of tourism infrastructure along the coastal waterfront is taking a toll on the long-term sustainability of the coastal ecosystem.

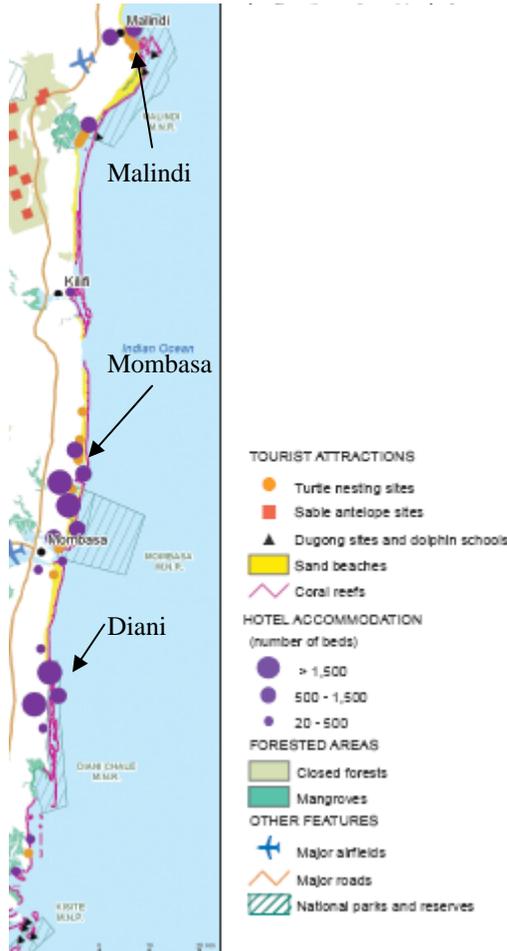
Threats to Kenya's Coastal Assets

Fragmentation and Deforestation of Coastal Forests: Soil erosion and sedimentation of coastal water resources point to the reduction of forest cover. Charcoal production and logging continues to be the principle cause of the current condition.

⁷ KWS's jurisdiction covers only 4.9% of the total land mass in Kenya.

⁸ The remaining 25% of the wildlife is scattered across the rest of the country, primarily in north and northeastern Kenya.

Developments Along Kenya's Coastal Assets



Kenya's Coastal Assets

Coastal Forests: Isolated blocks of forests comprised of 83,800 ha.

Floodplain Wetlands and Estuaries: River Tana/Athi (850 km) and River Sabaki/Galana (650 km) provide permanent flow of water through Kenya's coast.

Mangrove Forest Ecosystem: Mangroves cover 53,000 ha along Kenya's coast. Eight species of mangroves found along the coast, particularly those in Lamu, represent the second largest mangrove stands in East Africa.

Sea grass and Seaweed: At least 12 species of sea grass are found along the Kenyan coast.

Coral Reef Ecosystem: An estimated 50,000 ha of coral reefs can be found along Kenya's coast, which are now protected under two Marine National Reserves and two Marine National Parks.

Coastal Fisheries Resources: There are approximately 5,000 fishermen along Kenya's coast, of which 4,000 are artisanal, and the remaining 1,000 are classified as industrial marine fishermen. The northern coast is considered by many to be the best game fishing in the world.

Destruction of Floodplains Wetlands and Estuaries: Poor land use practice in the catchments combined with deforestation is contributing to the heavy sedimentation taking place in the floodplains and estuaries. For example, the Tana River deposits 3 million tons of sediments each year, resulting in a slow smothering of floodplain, estuarine and deltaic environments and resources.

Deforestation of Mangroves: Increased sedimentation in coastal waters point to the erosion of the ecosystem, particularly the declining availability of mangroves to clean the river water entering the coastal ecosystem.

Erosion of Coral Reefs: El Nino conditions during 1997 – 1998 caused 40% – 90% losses of coral cover. In addition, over fishing and the use of destructive fishing methods has led to the loss of *Balistapus undulatus*, a key predator responsible for controlling the proliferation of sea urchins and reef erosion. In 2002, an unidentified disease caused mortality of three coral genera in Kenya.

Coastal Fishery Resources: The absence of reliable long-term catch statistics and detailed scientific information on coastal fisheries makes evaluation and planning of the fisheries'

resources and the ecosystem a challenge. But increased use of smaller than legally allowed mesh size of fishing nets - in addition to the degradation of the coastal ecosystem - is a recognized threat to the fish population which in turn jeopardizes the livelihoods of coastal communities.

Increasing Pollution Load in Coastal Ecosystems: Sedimentation, and severe siltation, further aggravated by untreated municipal sewage and industrial effluents resulting from expansion of tourism facilities along the coastal area, is putting a health risk on coastal communities as well as tourists, and undermining the sustainability of coastal tourism in the long-term.

2.0 Institutional Support Structure and the Supply Chain

2.1 Institutional Support Structure: Lack of Coordination and Shared Mandate

The Government issued its National Tourism Policy in 2005 to ensure that tourism continues to be a major vehicle for employment creation, poverty reduction, and income generation for the country, and at the same time improve conservation efforts and community development. While the Policy document outlines an ambitious plan for the development of the tourism sector in Kenya, it also recognizes the need to harmonize tourism, wildlife and land-use policies that help balance tourism development with conservation and community development objectives.

To achieve these policy objectives, the tourism sector is supported by a wide range of public, private and civil society organizations. Generally, the Kenya Wildlife Service (KWS), Kenya Tourism Board (KTB), and National Environmental Management Authority (NEMA) are considered the leading public sector institutions spearheading initiatives to support the development of the tourism sector. In addition to these organizations, the Narok County Council and the Trans-Mara County Council play a critical role in the development of the greater Masai Mara area.

It should be noted that while KWS and KTB fall under the jurisdiction of the Ministry of Tourism and Wildlife, NEMA is under the jurisdiction of the Ministry of Environment and Natural Resources, and the County Councils under the Ministry of Local Governments. In this context, harmonizing policies and mandates across three ministries, and more importantly agreeing on and implementing existing policies, continue to be a challenge for the tourism sector.

On the private sector side, the Kenya Association of Tour Operators (KATO), Kenya Association of Hoteliers and Caterers (KAHC), and Eco-Tourism Society of Kenya (ESOK) generally take the lead in representing the interest of the private sector. There are numerous other associations and organizations representing niche interest groups in the private sector. In this context, the Kenya Tourism Federation (KTF) was formed as an umbrella organization to help represent the broader interest of the sector both vis-à-vis the Government and to the foreign community.

Among private sector associations and organizations, some differences exist between coastal operators and those focused on wildlife tourism. Specifically, as wildlife tourism is seen as the flagship tourism product for Kenya, coastal operators often feel sidelined and lack a voice in the broader promotion of Kenya as a tourism destination. With this noted, however, a concerted effort continues to be made by coastal tour operators to coordinate activities within the sector, particularly at the regional and sub-regional levels.

As the table below indicates, the number of institutions engaged in the tourism sector is vast (at least 15 public sector institutions and 11 private sector organizations) and in most instances no clear channel of communication or an institutional coordination mechanism exists.

Institutions, Organizations, and Associations Relevant to the Tourism Sector in Kenya		
Institution	Mandate	Administrative Oversight
Public Sector Institutions		
National Environment Management Authority (NEMA)	Exercise general supervision and coordination over all matters relating to the environment, and to be the principal instrument of the Government in the implementation of all environmental policies	Ministry of Environment and Natural Resources
National Environmental Council (NEC)	Determine policies and priorities to protect the environment, and promote co-operation among public departments, local authorities, private sector, Non-Governmental Organizations and such other organizations engaged in environmental protection programs	Ministry of Environment and Natural Resources
Ewaso Nyiro South Development Authority (ENWDA) ⁹	Facilitate and support socioeconomic development programs to alleviate poverty and enhance wealth creation through sustainable resources mobilization and utilization	Ministry of Regional Development Authorities
Coast Development Authority (CDA)	Coordinate, promote development and conserve coastal areas of Kenya	Ministry of Regional Development Authorities
Kenya Tourism Development Corporation (KTDC)	Secure the investigation, formulation and implementation of projects for developing the tourist industry of Kenya	Ministry of Tourism and Wildlife
Kenya Wildlife Service (KWS)	Wildlife conservation and management	Ministry of Tourism and Wildlife
Bomas of Kenya (BoK)	Promote cultural tourism	Ministry of Tourism and Wildlife
Kenya Tourism Board (KTB)	Tourism marketing and promotion	Ministry of Tourism and Wildlife
Kenya Utalii College (KUC)	Human resources development for the hospitality industry	Ministry of Tourism and Wildlife
Hotels and Restaurants Authority (KRA)	Make provision for the licensing of hotels, hotel managers, and restaurants; for the regulation of hotels and restaurants; for the imposition of a levy for training persons to be employed in hotels and restaurants	Ministry of Tourism and Wildlife
Kenya Investment Authority (KIA)	Promote and facilitate investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives and for related purposes	Ministry of Trade and Industry
Kenya Maritime Authority (KMA)	Regulate, coordinate and oversee maritime affairs	Ministry of Transport
Kenya Port Authority (KPA)	Maintain, operate, improve and regulate all scheduled sea ports situated along Kenya's coast.	Ministry of Transport
Kenya Airport Authority (KAA)	Maintain, operate, improve and regulate all scheduled flights situated within Kenya	Ministry of Transport
Kenya Civil Aviation Authority (KCAA)	Licensing and regulation of civil aviation	Ministry of Transport
Associations and Civil Society Organizations		
Kenya Association of Tour Operators	Leading tourism trade association representing tour operators	Independent private, membership association

⁹ The Authority covers an area of 47,000 km² consisting of entire Narok, Kajiado and Transmara Districts and parts of Nakuru and Nyandarua Districts.

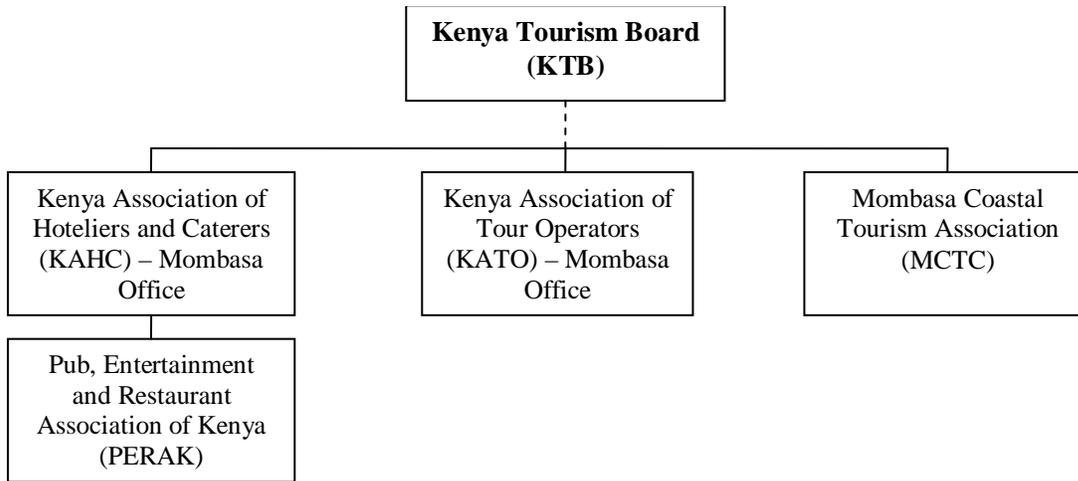
(KATO)		
Kenya Association of Travel Agents (KATA)	National organization comprised of mainly IATA agents operating in Kenya	Universal Federation of Travel Agents' Association (UFTAA)
Eco-Tourism Society of Kenya (ESOK)	Promote ecotourism and sustainable tourism practices in Kenya	Civil society organization representing individuals, community based organizations (CBOs) and corporate organizations
Kenya Association of Housekeepers and Caterers (KAHC)	Umbrella organization bringing together hotels, lodges, restaurants, membership clubs and prominent airline caterers to render services in the hospitality industry	Membership association representing registered hotel, lodge, restaurant, caterer or establishment carrying out the business of hotel keeping or catering
Pub, Entertainment and Restaurant Association of Kenya (PERAK)	Promote pubs, entertainment and restaurants in Kenya while abiding by a strict code of conduct to help regulate the industry	Membership association.
Mombasa Coastal Tourism Association (MCTA)	Promoting, fostering and maintaining tourist traffic within the coastal region and Kenya in general	Membership association consisting of all business involved in the tourism sector, primarily in the Kenya coast
Kenya Tourism Federation (KTF)	Umbrella organization for all tourism organizations	Membership organization
Masai Mara Management Association (MMMA)	Promote local conservation efforts	Membership association of hoteliers in Masai Mara
Dupoto Wildlife and Forestry Association	Promotion and conservation of forested lands	Community-based association
Siana Conservation Association	Promote tourism and conservation in Siana	Community based association consisting of members of Siana Group Ranch
Trans-Mara Guides Association	Provide training and promote the delivery of quality guide service	Community based tour guides association
<i>Compiled by Global Development Solutions, LLC</i>		

In addition to these public and private organizations, there are an unspecified number of NGOs operating in the tourism sector, mostly in the absence of a comprehensive coordination mechanism, particularly as there are no guidelines governing the engagement of NGOs in the tourism sector.

In such a chaotic environment, coordination between public and private sector organizations continues to be a challenge. For example in the northern coast, the regional office of the Kenya Association of Hoteliers and Caterers (KAHC), Kenya Association of Tour Operators (KATO) and the Mombasa Coastal Tourism Association (MCTA) – a regional tourism association – meet on a regular basis to discuss and coordinate activities relevant to coastal tourism. Their most important public sector counterpart, the Kenya Tourism Board (KTB), which is mandated to promote tourism in Kenya, does not attend the regular meetings. In fact, KTB does not have a regional office in Mombasa.¹⁰

¹⁰ KTB has a desk at the Mombasa airport where its sole purpose is to collect passenger data.

**Absence of Institutional Linkage Between Public and Private Organizations
Representing the Coastal Tourism Sector**



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One of the biggest challenges facing coastal tourism today revolves around ‘beach operators’ – crafts merchants (but also including illegal drug dealers, prostitutes, tour operators, other service providers, and beggars); specifically, the harassment of tourists on the beach. In fact, during the preparation of this report, the consultant also faced episodes of harassment first hand. Within 5 minutes of walking on to the beach at Mombasa, the consultant was approached by at least 5 different people offering drugs, prostitutes, handicrafts, tours, and a range of other illegal offerings.

Harassment of tourists along the beach is widely recognized as a major problem for coastal tourism. Since the oversight of ‘beach operators’ is under the jurisdiction of KWS, rangers have been posted to help monitor the activities of ‘beach operators’. Similarly, the Ministry of Tourism and Wildlife also engages the Tourism Police Unit (PTU) to police the shoreline. But because of the lack of coordination and weak enforcement capability, even within the same ministry, beach harassment continues to be a major stumbling block for expanding opportunities in the beach tourism sub-sector.

It should be noted that KTB is tasked with the responsibility of promoting coastal tourism. In this context, problems facing coastal operators are generally reported to the KTB. At the same time, however, KWS, which is tasked with the responsibility of patrolling the coastal area, does not have a representative from the KTB on its board.

2.2 Overlapping and Competing Legal and Regulatory Framework

Part of the reason for the lack of coordination and shared mandates among public and private sector institutions and organizations representing the tourism sector is a function of the overlapping and competing legal and regulatory framework. Currently there are at least 18 different ministries or departments with jurisdiction over 44 Acts that provide ministries

with legislative reach on the tourism sector (refer to the table below). With this noted, however, there are at least six laws most relevant to the tourism sector. These include:

- Coastal Development Authorities Act (Ministry of Regional Development Authorities);
- Tourism Industry Licensing Act (Ministry of Tourism and Wildlife);
- Hotels and Restaurants Act (Ministry of Tourism and Wildlife);
- Wildlife Conservation Act (Ministry of Tourism and Wildlife); and
- Environmental Management and Coordination Act (Ministry of Environment and Natural Resources).

Laws Relevant to the Tourism Sector in Kenya		
Laws and Regulations	Mandate	Administrative Oversight
Continental Shelf Act (CAP 312)	Vest rights in the Government in respect of the natural resources of the continental shelf	Attorney General
Government Land Act (CAP 280)	Regulating the leasing and other disposal of Government lands, and for other purposes	Commissioner of Lands
Hotel Accommodation Tax Act (CAP 478)	Impose a tax in respect to the hire and occupation of accommodation in hotels and similar establishments	Controller
Air Passenger Tax Act (CAP 475)	Imposition of passenger tax on airline flights	Customs and Excise
Forests Act (CAP 7)	Provide for the establishment, development and sustainable management, including conservation and rational utilization of forest resources for the socio-economic development of the country	Kenya Forestry Service (Ministry of Environment and Natural Resources)
Investment Promotion Act (CAP 6)	Promote and facilitate investment by assisting investors in obtaining the licenses necessary to invest and by providing other assistance and incentives for related purposes	Kenya Investment Authority
Marine Insurance Act (CAP 390)	Provision in relation to marine insurance	Kenya Port Authority
Value Added Tax Act (CAP 476)	Impose a tax to be known as value added tax on goods delivered in, or imported into, Kenya; and on certain services supplied in Kenya	Kenya Revenue Authority
Environmental Management and Coordination Act (CAP 8)	Establishment of an appropriate legal and institutional framework for the management of the environment and for matters connected to the protection of the environment (creates NEMA and the National Environmental Council)	Ministry of Environment and Natural Resources
Insurance (Motor vehicle third party risks) Act (CAP 405)	Make provision against third party risks arising out of the use of motor vehicles	Ministry of Finance
Privatization Act (CAP 2)	Provide for the privatization of public assets and operations, including state corporations, by requiring the formulation and implementation of a privatization program by a Privatization Commission to be established by this Act	Ministry of Finance
Public Fees Act (CAP 424)	Provide for the levying of fees for licenses, permits and other matters arising in public offices	Ministry of Finance
Regulation of Wages and Conditions of Employment Act (CAP 229)	Provide for the establishment of Wages Advisory Boards and Wages Councils for the regulation of remuneration and conditions of employment	Ministry of Labor and Human Resources Development

Land (Group Representatives) Act (CAP 287)	The incorporation of representatives of groups who have been recorded as owners of land under the Land Adjudication Act	Ministry of Lands
Land Adjudication Act (CAP 284)	Ascertainment and recording of rights and interests in Trust land	Ministry of Lands
Land Consolidation Act (CAP 283)	Ascertainment of rights and interests in, and for the consolidation of, land in the special areas; for the registration of title to, and of transactions and devolutions affecting, such land and other land in the special areas	Ministry of Lands
Land Titles Act (CAP 282)	Provision for the removal of doubts that have arisen in regard to titles to land and to establish a Land Registration Court	Ministry of Lands
Protected Areas Act (CAP 204)	Prevent the entry of unauthorized persons into areas which have been declared to be protected areas	Ministry of Lands
Registered Land Act (CAP 300)	Make further and better provision for the registration of title to land, and for the regulation of dealings in land so registered	Ministry of Lands
Registration of Titles Act (CAP 281)	Provide for the transfer of land by registration of titles	Ministry of Lands
Trusts of Land Act (CAP 290)	Relating to trusts of land	Ministry of Lands
Local Government Act (CAP 265)	Provide for the establishment of authorities for local government; to define their functions	Ministry of Local Government
Physical Planning Act (CAP 6)	Provide for the preparation and implementation of physical development plans	Ministry of Planning and National Development
Coastal Development Authority Act (CAP 449)	Plan and co-ordinate the implementation of development projects in whole of the Coast Province and the exclusive economic zone and for connected purposes	Ministry of Regional Development Authorities
Kenya Road Boards (CAP 7)	Oversee the road network in Kenya and thereby coordinate its development, rehabilitation and maintenance and to be the principal adviser to the Government on all matters related to road networks	Ministry of Roads and Public Works
Public Roads and Roads Access Act (CAP 399)	Provide roads of public travel and access to public roads	Ministry of Roads and Public Works
Road Maintenance Levy Fund (CAP 9)	Provide for the imposition of a road maintenance levy on petroleum fuels and for the establishment and administration of a Road Maintenance Levy Fund	Ministry of Roads and Public Works
Tourism Industry Licensing Act (Ch 381)	Issue licenses and regulate licensed tourist enterprises	Ministry of Tourism and Wildlife
The Wildlife Conservation and Management Act (CAP 376)	Consolidate and amend the law relating to the protection, conservation and management of wildlife in Kenya	Ministry of Tourism and Wildlife
Fisheries Act (CAP 378)	Provide for the development, management, exploitation, utilization and conservation of fisheries	Ministry of Tourism and Wildlife
Hotels and Restaurants Act (CAP 494)	Make provision for the licensing of hotels, hotel managers, and restaurants; for the regulation of hotels and restaurants; for the imposition of a levy for training persons to be employed in hotels and restaurants	Ministry of Tourism and Wildlife
Kenya Tourist	Establishment of the Kenya Tourist Development	Ministry of Tourism

Development Authority Act (CAP 382)	Corporation	and Wildlife
Tourist Industry Licensing Act (CAP 381)	Make provision for regulating the tourist industry with a view to promoting its well-being and development	Ministry of Tourism and Wildlife
Foreign Investments Protection Act (CAP 518)	Give protection to certain approved foreign investments	Ministry of Trade and Industry
Landlord and Tenant (shops, hotels, and catering establishments (CAP 301)	Make provision with respect to certain premises for the protection of tenants of such premises from eviction or from exploitation	Ministry of Trade and Industry
Civil Aviation Act (CAP 394)	Licensing and regulation of civil aviation	Ministry of Transport
Kenya Airport Authorities Act (CAP 395)	Construct, operate and maintain aerodromes and other related facilities	Ministry of Transport
Kenya Maritime Authorities Act (CAP 5)	Establishment of the Kenya Maritime Authority as a body with responsibility to monitor, regulate and coordinate activities in the maritime industry, and for all other matters connected	Ministry of Transport
Kenya Port Authorities Act (CAP 391)	Establishment of an Authority to be known as die Kenya Ports Authority, for the transfer to the Authority of the undertakings, within Kenya	Ministry of Transport
Maritime Zone Act (CAP 371)	Consolidate the law relating to the territorial waters and the continental shelf of Kenya; to provide for the establishment and delimitation of the exclusive economic zone of Kenya; to provide for the exploration and exploitation and conservation and management of the resources of the maritime zones	Ministry of Transport
Transport Licensing Act (CAP 404)	Provide for the coordination and control of means of and facilities for transport	Ministry of Transport
Entertainment Tax Act (CAP 479)	Imposition and recovery of a tax in respect to entertainment	Treasury
Water Act (CAP 8)	Provide for the management, conservation, use and control of water resources and for the acquisition and regulation of rights to use water; to provide for the regulation and management of water supply and sewerage services; to repeal the Water Act (Cap. 372) and certain provisions of the Local Government Act	Water Management Resource Authority (Ministry of Water and Irrigation)
<i>Compiled by Global Development Solutions, LLC. Refer to http://www.kenyalaw.org/kenyalaw/klr_home/ for the complete laws of Kenya.</i>		

The legislative history of the tourism sector, particularly in the wildlife tourism sub-sector, suggests that despite the abundance of plans and strategies, what is missing is a consensus-driven shared vision that would accommodate a wide range of interests and concerns such as tourism development, conservation, and community development as well as a vision that enables the benefits from tourism to be enjoyed across communities. Equally important is the ability to coordinate all of the various institutions and organizations engaged in the tourism sector towards a common goal.

2.3 Regulatory and Institutional Conflicts within the Wildlife Tourism Sub-Sector

The inability to implement existing regulations and plans is at the core of the challenge facing the tourism sector in Kenya. In the Masai Mara for example, in 1983 a management plan for the Masai Mara National Reserve was prepared on behalf of the Narok County Council. To date, virtually none of the recommendations have been implemented. Similarly, a Natural Resource Management Plan (2001 – 2005) was prepared with assistance from the African Conservation Center. None of the recommendations from this plan to date have been implemented. The management plan prepared by Ewaso Nyiro South Development Authority (ENSDA),¹¹ which focuses on the development of Masai Mara, has yet to be recognized by NEMA.

The challenge facing the wildlife tourism sector revolves mostly around the absence of a comprehensive land use plan, and a regulatory and enforcement infrastructure that mandates equitable distribution of and economic benefits to the local community. While KWS is generally recognized as having the leadership role in wildlife conservation efforts, as mentioned earlier, areas under its jurisdiction is only a fraction of the total wildlife habitat in Kenya.

In this context, an organization like NEMA, which has a much broader mandate, is better suited to bring together stakeholders across the entire spectrum of interests. Yet it too faces a host of challenges such as a weak management structure. Taking into account that the Ministry of Tourism and Wildlife and all of its various parastatal organizations and departments are supposed to take the lead in tourism development and wildlife conservation, it is difficult to imagine that, given the existing regulatory and institutional framework, the Ministry would pass on its leadership role to an organization like NEMA whose reporting line is to the Ministry of Environment and Natural Resources.

Similarly, even if NEMA in partnership with KWS took a shared leadership role to improve the development of wildlife tourism, the likelihood that these two institutions would adopt an already existing plan prepared by ENSDA (whose reporting line is to the Ministry of Regional Development Authorities) is limited, if not unlikely.

In addition to these challenge, harmonization of regulations is essential for implementing a nationwide conservation effort. Specifically, under current law, land ownership falls into four categories, State, County Council, individual and group (refer to the table below). Each form of land ownership is governed by different laws where in some case the State has no overriding power to enforce conservation efforts. While it was the intent of the Government to harmonize land ownership regulations under the Registered Land Act, efforts to consolidate existing regulations have made little headway. Taking into account that large portions of land and wildlife fall under private ownership, the absence of regulatory harmonization will undermine the implementation of a successful comprehensive conservation effort.

¹¹ Under the jurisdiction of the Ministry of Regional Development Authorities.

Need for Harmonizing Land Ownership Regulations		
Ownership Categories	Governing Law	Overriding Power of the State to Enforce Conservation
State	Government Lands Act	Full power
County Council	Trust Lands Act	Full, but by the County Council rather than by the State or KWS
Individual	Registered Land Act Transfer of Property Act	None
Group	Group Representatives Act	Partial
<i>Global Development Solutions, LLC</i>		

Given the mosaic of laws and regulations, and the different institutions mandated to carry out often conflicting objectives, what is needed is a revamping of the existing laws and regulations and its corresponding institutions into a much more streamlined institutional framework and guidelines. Such a framework and its ensuing guidelines could be followed through and overseen by an APEX body representing key stakeholders in the sector.

Similarly, taking more time to develop yet another strategic plan is clearly unnecessary, and perhaps more importantly, the ecosystem can no longer wait for another strategic plan to be formulated before more permanent and irreversible damage takes place.

2.4 Contract Models Used to Lease Land: An Ad Hoc Approach to Conservation and Wildlife Manage

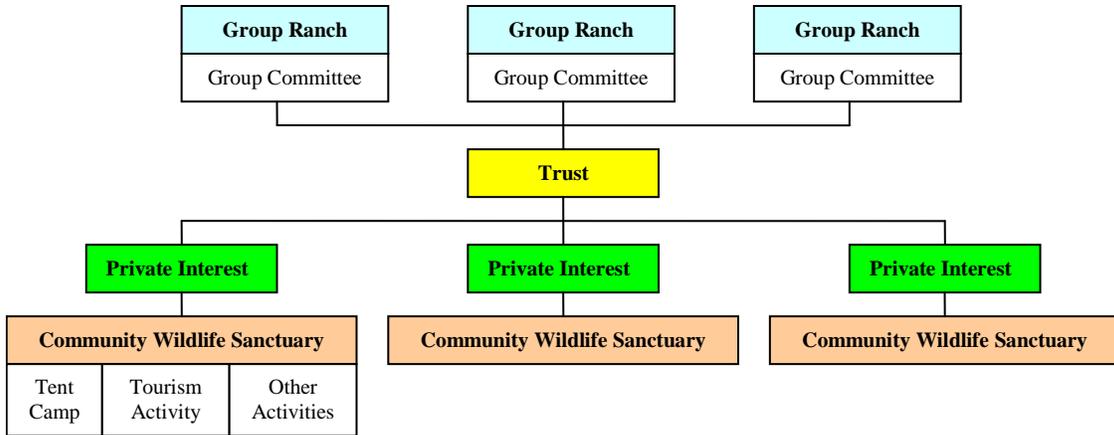
In the absence of guidelines and regulations that define contractual relationships between the State, private individuals (including corporate entities), local communities and landowners, conservation and wildlife management is left to the terms of a contract negotiated by the lessee, and the lessee’s outlook toward conservation and wildlife management. Furthermore, due to the absence of valuation tools to define the economic value of land, benefits to landowners is ad hoc and susceptible to corruption and exploitation by both the leaser and the lessee.

In many instance, the ability to lease land is a function of the lessee’s contacts with the local community and individual landowners, and the lessee’s ability to negotiate a contract. In this context, the process of leasing land continues to be opaque and exclusionary. Similarly, conservation and wildlife management, particularly on land involving lease to private parties, often lacks coherence and continuity with a much broader national conservation mandate.

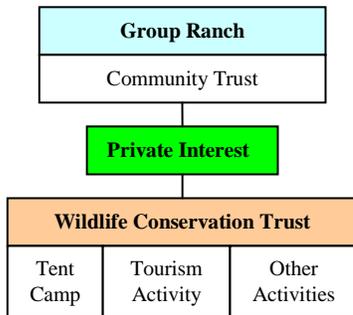
Currently, there are at least 5 types of contracting models used to lease land: multi-community contract model, single-community contract model, private ranch model, individual/family clan contract model, and county council contract model (refer to the diagram below).

**Contract Models Used to Lease Land:
An Ad Hoc Approach to Conservation and Wildlife Manage in Kenya**

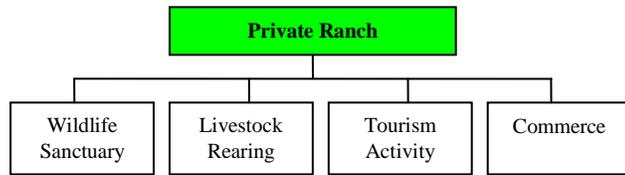
Multi-Community Contract Model



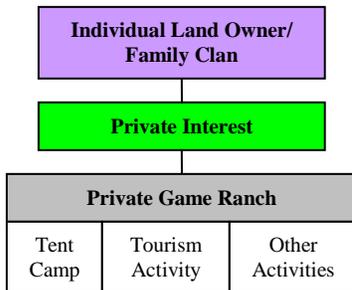
Single-Community Contract Model



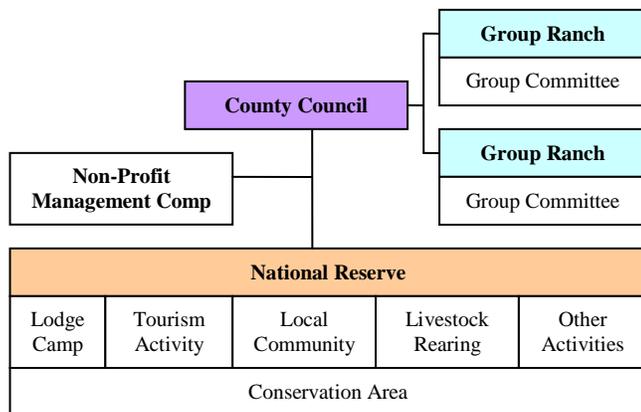
Private Ranch Model



Individual/Family Clan Contract Model



County Council Contract Model



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In the absence of a recognized guideline, benefits from leases vary contract-to-contract. Although the amount of benefits may vary, benefits to landowners generally include:

- Lease payment;
- Entry fee or per guest night fee;
- Direct and indirect employment;
- Training;
- Community projects; and
- Purchases of goods from local producers.

As an increasing number of landowners convert their land to private ownership, there is pressing need for the Government to partner with local communities and the private sector to define a transparent process for leasing land guided by a model contract that embodies the conservation and wildlife management objectives of the country, as well as to ensure equitable economic benefits for landowners.

2.5 Regulatory and Institutional Conflicts within Coastal Tourism Sub-Sector

For coastal tourism, many of the unresolved issues also revolve around conflicting legal and institutional mandates and interests. The three major issues facing coastal tourism include:

- harassments of tourists by beach operators;
- beach erosion; and
- degradation of marine life (including mangrove stands).

KWS is, in principal, responsible for the resolution of these issues, but the lack of capacity, absence of coordination as a result of a lack of shared mandate and operational guideline, and sometimes conflicting regulatory and institutional responsibilities within shared mandates, all contribute to the inability of these issues to be resolved by any single ministry or agency.

Key Issues and the Regulatory and Institutional Conflicts Faced by Coastal Tourism Sub-Sector		
Key Issues	Lead Institution	Other Ministries or agencies with similar or conflicting mandates
Tourist harassment by beach operators	KWS (Ministry of Tourism and Wildlife)	TPU (Ministry of Tourism and Wildlife) Mombasa County Council (Ministry of Local Governments) KTB (Ministry of Tourism and Wildlife)
Beach erosion	KWS (Ministry of Tourism and Wildlife)	Coastal Development Authority (Ministry of Regional Development Authorities) NEMA (Ministry of Environment and Natural Resources)
Degradation of marine life	KWS (Ministry of Tourism and Wildlife)	CDA: (Ministry of Regional Authorities) NEMA (Ministry of Environment and Natural Resources) KFS (Ministry of Environment and Natural Resources) Fisheries Department (Ministry of Livestock and Fisheries Development)
KWS: Kenya Wildlife Service KTB: Kenya Tourism Board TPU: Tourism Police Unit NEMA: National Environment Management Authority CDA: Coastal Development Authority KFS: Kenya Forestry Service		
<i>Global Development Solutions, LLC</i>		

While coastal tourism in Kenya is marketed as beautiful “Sun, Sand and Surf”, persistent tourist harassment by beach operators has virtually eliminated the “Sand and Surf” element of the tourism experience. This is taking a toll on opportunities to attract repeat clients, and more importantly, for the coastal tourism sub-sector in Kenya to move towards a higher value premium beach tourism niche market.

Similarly, pristine beaches and diverse marine life are the key assets that form the foundation of Kenya’s coastal tourism sub-sector. Yet, conflicting regulatory and institutional mandates, and the absence of a shared vision and action is quickly eroding the competitive and comparative advantage that Kenya has enjoyed until now.

3.0 Integrated Value Chain Analysis

The integrated value chain analysis (IVCA) will be conducted for the three categories of tourism, namely business/conference tourism, wildlife safari tourism, and coastal tourism. Within each of these categories there are a number of sub-categories or niche products sold to tourists. While it is not possible to analyze all of the niche products, the IVCA will highlight a few of the most popular niche products. It should also be noted that this section of the report will also analyze a wildlife safari/coastal tourism combination package.

The objectives of the IVCA are as follows:

- Determine the distribution of tourism dollars across the entire value chain according to market segment and product;
- Shed light on whether different types of tourism products benefit the local economy differently;
- Impact of taxes, tariffs, levies and other public sector charges on the retention of wealth within the tourism sector;
- Identify where technical, administrative or financial improvements are required to enhance the competitiveness of the tourism sector.

Based on this analysis, it is anticipated that a number of key issues will surface which require intervention and priority by both the private and public sectors to help improve the competitiveness of the tourism sector in Kenya.

3.1 Product Profile

3.1.1 Business and Conference Tourism

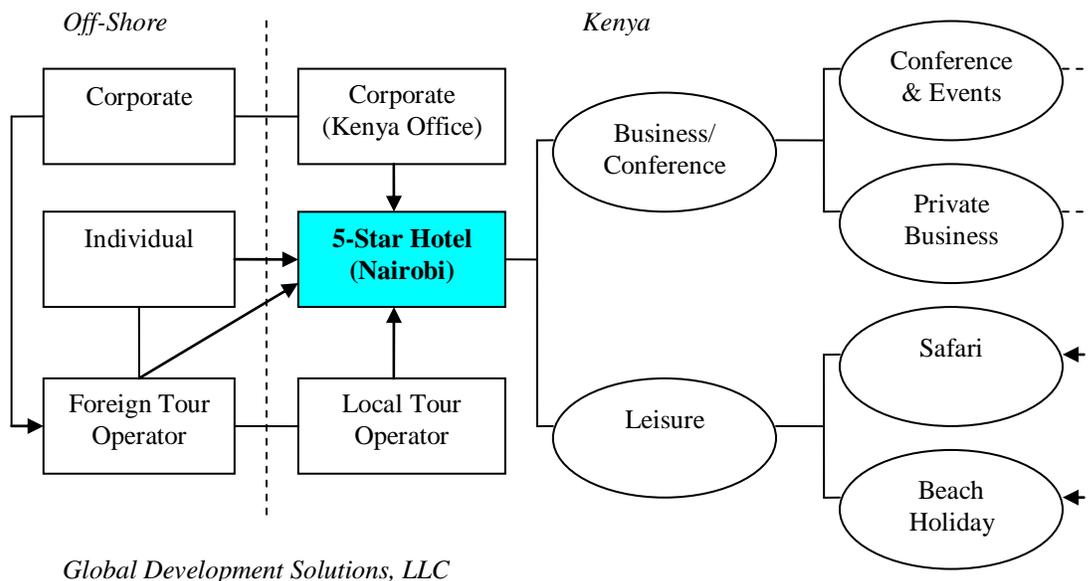
It is estimated that Kenya was host to approximately 165,148 business travelers and 16,663 conference attendees in 2006. Combined, these visitors accounted for approximately 22% of the total number of tourist arrivals in Kenya. As mentioned earlier, business and conference tourism is the fastest growing niche market in the tourism sector.

In Nairobi, there are eight 5-Star hotels with a combined capacity of 1.14 million bed nights. Key characteristics of the business and conference sub-sector and the visitors coming to Kenya are provided in the table below.

Basic Characteristics of Business/Conference Visitors in Nairobi	
Number of 5-Star hotels in Nairobi	8
Number of 4-Star hotels in Nairobi	1
Total number of travelers	
Business	165,148
Conference	16,663
Average stay	
Conference/events	4 – 5 nights
Businessmen	>10 days
Average bed night price (incl. breakfast and taxes)	\$165 - \$266
Company retreat	45 – 50%
Individual business	50 – 65%
Repeat business	50%
Source of reservation	
Local corporate office	65%
Tour operator	25%
Direct	10%
<i>Global Development Solutions, LLC</i>	

Bookings for 5-Star hotels are made through three primary channels: corporate branch offices in Kenya; direct booking by the visitor; and through local or foreign tour agents servicing both individual and corporate clients. In this particular case, the hotel receives over 65% of its bookings directly from corporate branch offices in Kenya (refer to the diagram below).

Booking and Visitor Activities Map for a 5-Star Hotel in Nairobi



Business and conference visitors, particularly first time visitors, generally have very limited amount of free time outside of their business or conference activities. In this context, many first time visitors tend to take weekend excursions, purchasing a fly-in weekend safari

package from either the hotel or through a local travel agent.¹² Most first- time business/conference travelers tend to go to the Masai Mara.

3.1.2 Wildlife Safari

Kenya offers a wide range of wildlife safari packages ranging from ‘do-it-yourself’ camp safari to luxury camp and lodge wildlife safari. In the 1970s, Kenya dominated the market share of wildlife safari tourism in Africa where the average stay was approximately 21 days per visit. But by 2005, it is estimated that Kenya attracted only 8% of the total revenue from wildlife safari with an average stay of 12 days per visit.

Even then, according to the Ministry of Tourism and Wildlife, approximately 39.5% of all tourists coming to Kenya visited parks and game reserves.¹³ In 2005, it was estimated that over 2.1 million tourists visited parks and game reserves in Kenya (refer to the table below). Over 41.7% (887,600) of these visitors visited Lake Nakuru (16.2%), Masai Mara (13.4%) and the animal orphanage (12.1%).

Number of Visitors to Parks and Game Reserves

Parks/Reserves	No. of Visitors	% of Total
Lake Nakuru	344,600	16.2%
Masai Mara	285,200	13.4%
Animal Orphanage	257,800	12.1%
Tsavo East	180,100	8.4%
Nairobi Safari Walk	127,500	6.0%
Amboseli	126,200	5.9%
Tsavo West	105,700	5.0%
Haller's Park	100,800	4.7%
Nairobi National Park	99,900	4.7%
Impala Sanctuary (Kisumu)	87,900	4.1%
Lake Bogoria	65,700	3.1%
Kistie/Mpunguti	59,200	2.8%
Aberdare	48,300	2.3%
Mount Kenya	39,500	1.9%
Mombasa Marine	36,200	1.7%
Hell's Gate	35,600	1.7%
Malindi Marine	32,800	1.5%
Watamu Marine	32,400	1.5%
Others	22,500	1.1%
Shimba Hills	17,300	0.8%
Mt. Longonot	11,500	0.5%
Meru	8,900	0.4%
Samburu	7,300	0.3%
Total	2,132,900	100%

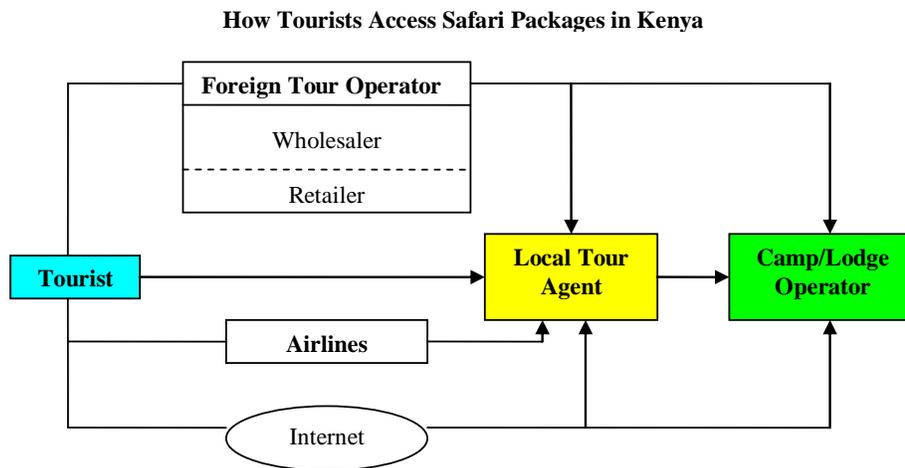
Based on Economic Survey, 2006

¹² No reliable and consistent data on the percentage of first-time business/conference attendees taking weekend safari package was available, but local operators of 5-star hotels estimate that substantial number do take advantage of weekend excursions while in Nairobi.

¹³ Tourism Satellite Account for Kenya, Phase II Report: Inbound and Outbound Tourism Expenditure Survey, Ministry of Tourism and Wildlife, April 2005.

Generally, wildlife safari packages are one to two weeks in duration, where tourists move to different parks and reserves two or three times during their tour. The market trend is moving away from stays at large lodges and towards more exclusive camp safari. The price range for camp safari is wide, starting from over \$2,000 for a one week safari to as much as \$25,000 - \$50,000 for a two week multi-destination safari package (Kenya and one or two other neighboring countries). Taking into account that camps are located in remote areas, safari packages are full-board, with some including airport pick-up and drop-off.

Foreign tourists going on a wildlife safari access their tour package through at least four 'windows': through a foreign (tourist's home country) tour operator; directly through a local (Kenyan) tour agent; through airlines that offer airfare/hotel packages; and through the Internet – both for first timer and repeat visitors (refer to the diagram below).



Global Development Solutions, LLC

As mentioned earlier, the Internet is having a profound impact on the way tourism packages are accessed. The use of the Internet is most likely going to be the greatest threat to foreign tour operators who are increasingly being by-passed as a source of information and market access. This is the market situation in the sector as a whole and is becoming increasingly the case in Kenya.

In Kenya, there are at least three distinct safari packages within the premium and mid-range price categories, namely:

- Safari package which concentrates only on visits to parks and reserves within Kenya;
- Multi-destination safari package which offers visits to parks and reserves within Kenya, combined with a safari in Tanzania,¹⁴ Uganda, Botswana or other neighboring countries; and
- Safari-beach package which offers tourist an opportunity to enjoy both a safari at one or more parks and reserves and several days at a coastal beach hotel to enjoy the sun and surf.

¹⁴ Local tour operators estimate that over 65% of Tanzania tourist bookings go through Nairobi.

Variations of these packages are available, but according to industry sources, these three packages represent a bulk (80%) of the wildlife safari package sold in Kenya.

3.1.3 Coastal Tourism

As mentioned in an earlier section, coastal tourism in Kenya constitutes the highest bed night stays within the tourism sector. Coastal tourism is favored by European tourists, particularly the Germans (30.5% of total bed night stays), British (19.5%), and the Italians (15.7%).¹⁵ Also note that Kenyan tourists constitute 20.1% of the overall coastal tourism traffic.

Coastal tourism has always been popular among European tourists. However, the Mombasa bombing in 2002 and the launching a surface-to-air missile on an Israeli airliner the same year changed the entire landscape of the sub-sector, along with the dynamics between Kenyan and foreign tour operators. The Ministry of Tourism estimated that coastal tourism was losing in excess of \$1 - \$1.5 million per day during the period following these devastating events.

In an effort to lure tourists back to the coastal region, and also for Kenyan hoteliers, and operators to simply cover their costs, prices of coastal tour packages were dramatically reduced. It is during this period that the nature of coastal tourism in Kenya shifted towards a mass-market, mass tourism destination. In an effort to recover tourism traffic in the coastal area, Kenya-based tour operators negotiated cut-rate prices with foreign tour operators, offering full-board and all-inclusive packages that barely covered costs.

With respect to the volume of tourist arrivals, coastal tourism has since recovered from the temporary crisis. With the recovery came yet another crisis. With virtually no revenue and no investment capital available for months following the bombing and missile attack, many coastal operators are now recovering from paying off debts or at best have little to no investment capital to rehabilitate existing facilities. At the same time, during the long downturn in the coastal tourism market, foreign tour operators and European tourists became accustomed to paying rock bottom prices for a coastal tour package to Kenya. As a result, coastal tour operators now find themselves in an inevitable situation where, in order to increase the package price and to move out of the mass-tourism market, operators need to upgrade existing facilities to rival premium standards offered by their Asian competitors. At the same time, operators have limited access to investment capital to upgrade facilities.

As a consequence, coastal tourism in Kenya continues to be at the mercy of foreign tour operators who leverage their market power over local operators by squeezing prices and thus sending many coastal operators into a perpetual downward spiral.

Given these market conditions, a number of tour operators are offering all-inclusive tour packages as a way of managing what little revenue they collect from coastal tourism. In this

¹⁵ The percentage distribution of bed night stays is based on the top 10 tourism arrivals in Kenya and does not represent the entire spectrum of tourist arrivals.

context, the impact of all-inclusive tour packages on the local economy continues to be hotly debated among tour operators in Kenya.

In general, coastal tourism hotel can be broadly categorized into three areas depending on the level of services offered, namely:

- Full and half-board;
- All-inclusive; and
- Bed and breakfast.

Safaris, diving, sport fishing and visits to other destinations and activities are added onto the three categories within a tour package but are generally paid for separately by the tourist.

While scheduled flights into Mombasa are available, tourists from Europe coming to the coast during peak season generally arrive on charter flights, as a part of a mass market tourism package.

3.2 Integrated Value Chain Analysis (IVCA)

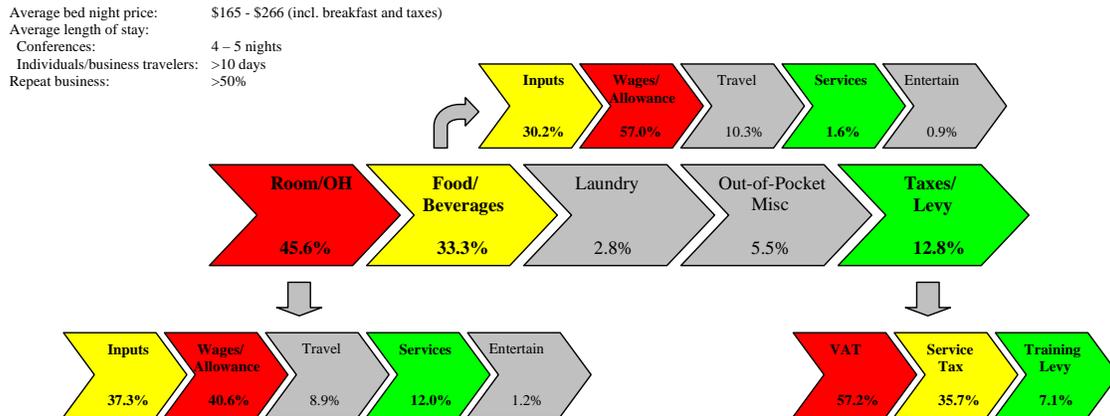
3.2.1 Integrated Value Chain Analysis for Business and Conference Visitor

Hotel operators, particularly in the 5-Star category, point to the fact that the tourism market has slowly shifted away from accommodating airline crews where airlines would reserve blocks of rooms for the entire year at a substantially discounted price to a focus on business and conference tourism. In this context, the value chain analysis focuses on a 5-Star hotel in Nairobi which now caters primarily to business and conference, and leisure tourists.

The price per night for the 5-Star hotel selected for this analysis ranges from \$165 - \$266. The room rate is determined by the volume of business that a particular company or organization brings to the hotel. The hotel has four price categories for prospective clients. Each price category differs in price by 15% depending on the volume of business that a company or organization is able to bring. For this analysis, the cost per bed night was \$180, including breakfast and taxes.

During the peak season the hotel operates at 100% capacity. Even during the low season, the occupancy rate is still higher than 85%. Such high occupancy rates are a reflection of the high demand and shortage of premium accommodations in Nairobi.

Value Chain for a Five Star Hotel in Nairobi: Business and Conference Visitors



Global Development Solutions, LLC

As indicated by the value chain analysis, room and overhead charges accounted for 45.6% of the total cost, followed by food/beverage (33.4%) and taxes/levy (12.8%).

Room and Overhead: The management of the hotel takes pride in the quality of both service offered and its staff. This is reflected in the high proportion of expenditure on wage and allowance (housing allowance) – 40.7%. According to the hotel staff, a position in such a hotel is a prized job in Kenya, which is reflected in the very low worker turnover (less than 10%).

The hotel has a policy of sourcing as much of its required inputs from local suppliers as possible, whether through local manufacturers or local distributors of imported products. Few non-perishables that the hotel imports include bed sheets (100% imported from Egypt), toiletry products (repacked imports purchased through a local distributor), and all spare parts for major equipment such as pumps, kitchen and laundry equipment.

According to the management, inputs like bed sheets could potentially be sourced locally, but the quality of the products available through local sources do not meet 5-Star hotel standards. With this said, however, all staff uniforms and most other textile products used by staff or in the rooms are sourced locally. As for spare parts, demand for such parts in Kenya alone is too small to warrant local production.

Locally Sourced Food and Beverages: In the past decade, the quality of food and food services available in Kenya has seen remarkable improvements. As a consequence, hotels and restaurants have increased their reliance on local suppliers for both perishable and non-perishable consumable products. The exceptions are wine, of which 100% is imported, and spirits (approximately 50% is imported).

High Tax Rate: Taxes and levy constitute 12.8% of the total value chain. Of this amount VAT is 57.1% of the total tax bill, followed by service tax (35.7%) and training levy (7.1%).¹⁶

¹⁶ VAT is charged at 16% of revenue, and service tax at 10% and the training levy at 2%.

As the value chain analysis will indicate, taxes, levies and government fees are consistently high and possibly may be undermining private sector re-investment in the tourism sector in Kenya.

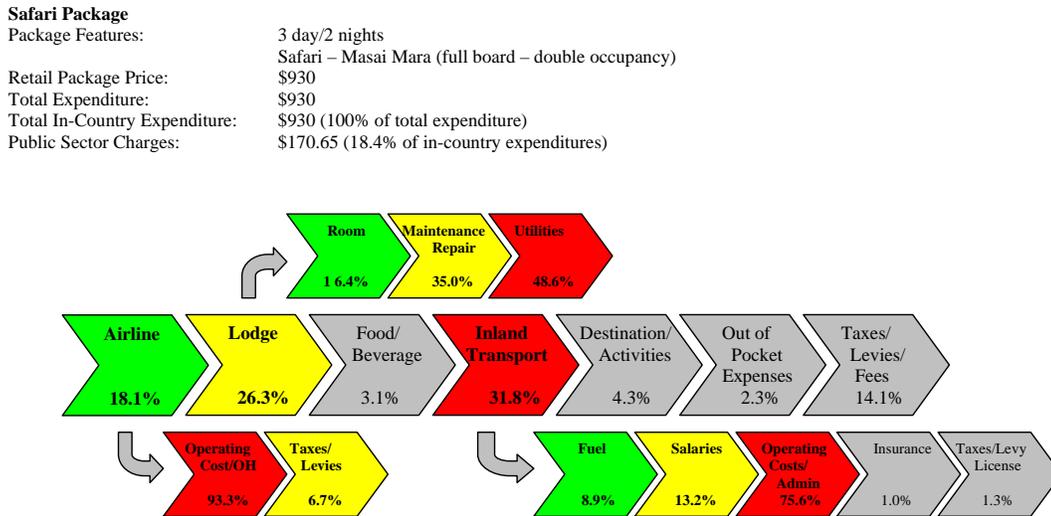
It should be noted that for the duration of a conference, for example, the visitors incurred some out-of-pocket expenditures, mainly for shopping and miscellaneous purchases. With this said, however, at the end of a conference visit, a visitor either goes to the city or takes a weekend excursion outside Nairobi. This analysis tracks a visitor who goes on a weekend excursion to the Masai Mara following a week long conference.

3.2.2 Weekend Excursions

According to the management of the hotel, approximately 35% of first time visitors who come to Kenya for business or conference take a weekend excursion, primarily to the Masai Mara.¹⁷ Given the limited time available for this category of travelers, the excursion is usually for the weekend only (3 day/2 nights – double occupancy, full-board package, including local airfare).

The example used for this value chain analysis is a safari package at a 5-Star lodge in Masai Mara. The total value of the weekend package is \$930 (refer to the diagram below). Taking into account that the tourist made arrangements directly with the hotel, almost 100% of the expenditure associated with this weekend package is absorbed by the local economy.¹⁸

Value Chain for Weekend Safari Package for Business and Conference Visitors: Kenya



Global Development Solutions, LLC

¹⁷ No reliable data was kept by the hotel on the number of business and conference guests who take weekend excursions to either the coast or on a safari. In this context, 35% figure is an approximation based on the frequency of guests making direct bookings for excursions through the hotel, which suggests that the figure may be higher as guests frequently make bookings outside the hotel through local travel agents.

¹⁸ It should be noted that some beverages like spirits and wine, and spare parts for vehicles and equipment needed to operate the lodge is imported or purchased through a local import agent.

The highest cost for such an excursion is inland transport (31.8%) followed by lodging (26.3%) and local airfare (18.1%).

High Cost of Maintaining Vehicles: As evident from the VCA diagram above, operating and administrative costs (75.6%) associated with operating vehicles in the Mara dominates the cost of inland transport. This high cost reflects the poor road conditions within and around the Mara, and the resulting damage and constant maintenance required for the upkeep of the vehicles. The cost of maintenance and spare parts is estimated to be between Ksh 40,000 – 50,000 per month/vehicle. All spare parts are imported or purchased through a local import agent, and must be trucked in to the lodge site, which further adds to the cost of vehicle operation.

Cost of transport, excluding maintenance, ranges from \$0.42 - \$0.51/km,¹⁹ but taking into account that guests at 5-Star lodges expect new and reliable equipment, and given the poor road conditions, the vehicle replacement schedule is extremely short. For example, land cruisers and land rovers are the most popular vehicles used by tour operators. One tour operator pointed to the fact that he must replace his vehicle every 18 months and does not drive the vehicle over 50,000 miles.

High Cost of Electricity Generation: The second highest cost for a weekend excursion is lodge (26.3%). Within lodging, however, the cost of utilities constitutes 48.6% of the overall lodging costs. Specifically, as electricity must be generated at the lodge site, cost of fuel associated with operating a generator accounted for 98.3% of the total utility cost.

While many smaller exclusive camps have adopted the use of 12V solar panels to generate electricity for its facilities, large lodges continue to rely on diesel powered generators. In this context, as a part of a medium-and-long term conservation measure, lodge operators will need to consider alternative energy sources to help reduce their reliance on fossil fuels and related emissions.

High Cost of Aircraft Maintenance: Among the scheduled flights servicing the Masai Mara, there are at least three types of aircraft most commonly used to shuttle tourists within and outside of the Mara. These include: Dash 7 & 6; Twin Otters; and Cessna Grand Caravan 208. All 5 airstrips located within the Mara Triangle are murrum airstrips (non-tarmac mud). As a result, during the dry season, substantial amount of dust, stone and garbage become a source of numerous operational problems for local aircraft operators.

Interviews with local airline operator suggest that the cost of operating a Cessna Grand Caravan 208 (12 seater) in the Mara is approximately \$434/hour. The operating cost for the same aircraft in Serengeti cost approximately \$450/hour. While the overall cost of operating an aircraft in the Mara is 3.5% less than in Serengeti, the cost of maintenance of the same aircraft in the Mara is 48% higher than in the Serengeti. The higher maintenance cost is a clear example of the relative neglect and the absence of investments in the airstrips (refer to the table below). For example, one operator cited that due to the poor condition of the airstrip, 2 - 3 tire changes per aircraft is required each month at a cost of Ksh 45,000/tire.

¹⁹ Fuel costs are approximately Ksh 35,000/month/vehicle during the high season and Ksh25,000/month/vehicle during the low season.

Benchmarking the Cost of Operating a Cessna Grand Caravan 208

Costs	Masai Mara	Serengeti
Insurance	6.9%	7.1%
Crew	7.1%	8.9%
Maintenance	26.5%	17.9%
Fuel	28.1%	28.6%
OH	17.3%	19.6%
Pilot training	14.1%	17.9%
Total	100.0%	100.0%

Global Development Solutions, LLC

To access these airstrips, airline operators are required to pay a ‘commuted tax’ (landing fee) to the Narok County Council (NCC). Fees are charged per landing where a per landing charge of \$50 is assessed for the Dash 7 (50 seater), and all other smaller planes are assessed \$30/landing. These fees are to be applied against maintenance and repair of the airstrip, but many operators complain that the NCC has done little to maintain the airstrips.

As an example, there are approximately 13 aircraft landings/day at the Olekiombo Airport in the Mara. Based on the commuted tax mentioned earlier, an estimated total landing fee collected by the NCC would equal approximately \$13,580/month/landing strip (\$162,690/year/landing strip). Given the current fees collected by the NCC, there is very little evidence to suggest that a commensurate level of re-investment in the airstrip is being made by the NCC.

Estimation of Total Commuted Tax Collected by the Narok County Council at Olekiombo Airport

Aircrafts	Landings/day	Landing fee/landing	Total landing fee/day	Total landing fee/month
Dash 7	2	\$ 50	\$ 100	\$ 2,800
Twin Otter	2	\$ 35	\$ 70	\$ 1,960
Caravan	4	\$ 35	\$ 140	\$ 3,920
Coast operator	4	\$ 35	\$ 140	\$ 3,920
Non-schedule	1	\$ 35	\$ 35	\$ 980
Total	13	\$	485	\$ 13,580

Global Development Solutions, LLC

According to local sources, the cost of rebuilding the existing airstrips, including a new surface and drainage system, would be approximately Ksh 10 – 12 million (approximately \$143,000) per airstrip, which is less than the estimated annual commuting tax collected by the NCC for each of the airstrips.

The Importance of Promoting Weekend Excursions

It should be noted that for a 5-day conference in Nairobi, the average daily expenditure of a business/conference traveler is approximately \$180, which is equivalent to \$900/week. At the same time, however, the same visitor will expend over \$930 for a weekend excursion over a 3-day period. In this context, promoting such excursions is an important aspect of revenue generation associated with business/conference tourism. With this said, however, the value chain analysis suggests that over 73% (\$679) of the total expenditure for such an

excursion is applied towards maintenance, repair, utilities and other operating costs of service providers across the value chain. As a consequence, only a portion of the remaining 27% is available to be applied against direct benefits to the local community. These figures suggest that the high proportion of expenditure on maintenance, repair, utilities and other operating costs reflects the relative poor condition of the tourism support infrastructure in the Masai Mara and the urgent need for investments in physical infrastructure.

3.2.3 Integrated Value Chain Analysis for Wildlife Safari

The integrated value chain analysis for wildlife safari will focus on three different types of packages, namely premium safari package in a private conservancy; premium multi-destination safari package (Kenya and Tanzania); and mid-class safari-beach package. The objective of this analysis will be to see how and whether tourism expenditures differ along the value chain depending on the type of package selected, and to identify key constraints that hinder the competitiveness of the wildlife safari tourism sub-sector in Kenya.

3.2.3.1 Premium Wildlife Safari (Private Conservancy)

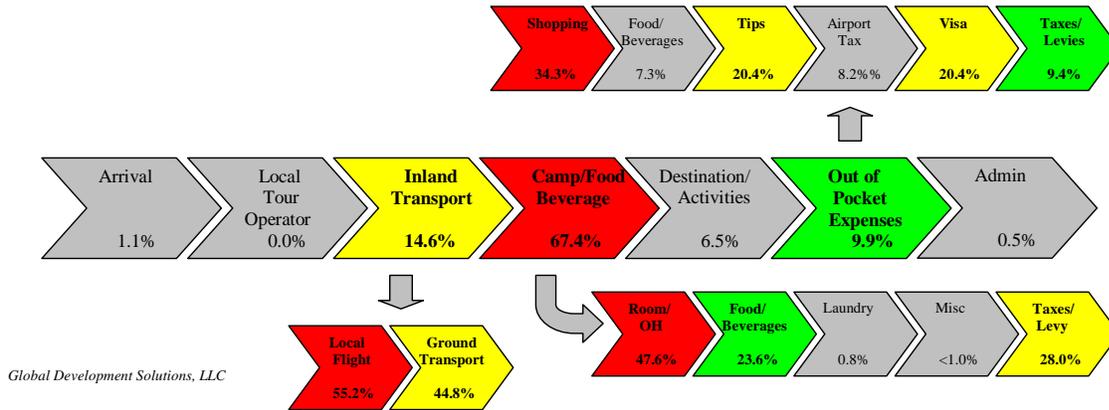
Growing number of luxury tent camps have begun to appear throughout Kenya, and as a part of a conservation effort, private conservancies are being formed, which represents a partnership between a private individual or a company, and landowners (both with private and group ranches owners). The integrated value chain analysis profiles a seven-day, 6-night tent camp safari which combines a 4-day stay at a private conservancy in the Masai Mara, and a 3-day trip to Amboseli, also in a luxury tent camp.

In this particular case, the package does not include airfare from the tourist's home country to Nairobi. But the tourist is met at the airport and the price of the package includes a one-night stay in Nairobi on the day of arrival. The retail price of the safari package is \$2,230, but when other out-of-pocket expenses are included, the total tourist expenditure was approximately \$2,475 (refer to the diagram below).

Value Chain for Safari Package: Private Conservancy in Kenya (excluding overseas airfare)

Safari Package (Private Conservancy)

Package Features: 7 day/6 nights
Safari: Kenya (luxury tent accommodations)
Safari Package Price: \$2,230.00
Total Expenditure: \$2,475.00
Total In-Country Expenditure: \$2,475.00 (100% of total expenditure)
Public Sector Charges: \$1,263.03 (51.2% of in-country expenditures)



The value chain analysis suggests that for this type of safari package, the largest expenditure is camp/food and beverage (67.4%), followed by inland transport (14.6%) and out-of-pocket expenses (9.9%).

High Cost of Operating a Remote Tent Camp: The breakdown of camp, food and beverage costs for the three locations (Nairobi, Amboseli, and Masai Mara) suggests that 58.8% of the total camp, food and beverage costs were incur in Masai Mara. A breakdown of the Masai Mara camp also suggests that the cost of running a tent camp is well over 44% of the value added, followed by taxes and levies (28%) and food (13.7%) and beverage (10.8%) – refer to the table below.

Distribution of Operational Expenses in the Masai Mara Camp

Expenditure	% of Total
Beverage	10.8%
Food	13.7%
Household items	1.8%
Laundry	0.8%
Miscellaneous	0.0%
Room/OH	44.8%
Taxes	
VAT	16.0%
Service tax	10.0%
Training levy	2.0%
Total	100.0%

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An important factor contributing to the high overhead cost for operating a tent camp in Masai Mara is related to costs associated with community development and contributions made to the local community. In this type of a private conservancy, direct financial benefit to the local community comes in at least three forms:

- **Land rent:** the operator pays a monthly rent of Ksh 500,000 to the village from which the landowners come. This is equal to approximately \$85,714/year;
- **Bed-night fee:** the operator pays the village a bed night fee of Ksh 500/visitor/night. Currently the camp is host to about 1,000 guests each year. With a standard 4-day/3-night camp stay, bed night fees paid to the local community is approximately \$28,571 per year; and
- **Local community employment creation:** the camp employs 40 full-time and 40 part-time employees from the local community. Currently, there are 80 homesteads in the private conservancy from which one individual per homestead is hired at the camp. Full-time employees receive a monthly wage of \$100.

These payments are made directly to the village from which the land is being rented, or to individual employees working at the tent camp. While financial benefits to the local community is an important aspect of the private conservancy model, equally important are the regular and consistent payments made to the local community which provide a predictable stream of income for the Masai.

In return for these benefits, landowners have agreed not to cultivate their land and to allow the ecosystem, including graze lands, to return to its natural state, thus allowing increasing numbers of wildlife to return to the area. From a conservation perspective, a visit to the camp site clearly shows the difference in the quality of the natural habitat inside the private conservancy.

The private conservancy business model profiled in this value chain analysis clearly provides financial benefits to the local Masai community. At the same time, however, given the complete absence of basic guidelines and criteria for how such business transactions should be undertaken, an increasing number of so-called private conservancies are beginning to crop up where corruption and exploitation of local communities is undermining the initiatives of others who share a long-term vision of conservation and community development in and around national parks and game reserves. For example, field research found one so-called private conservancy which was established along side another major private conservancy, which gave nothing back to the community and had no conservation program. The owner established a tent camp to take advantage of the neighboring conservancy and the wildlife that it was attracting, and the objective of establishing a conservancy was purely to seek financial gains.

In this context, for now the development of private conservation areas is purely a function of the ability of a private individual or corporation to negotiate a contract with local village leaders and landowners.

Yet another important consideration regarding the private conservancy is the exclusionary nature of the business model. Specifically, the contract between the village and landowners stipulates that the conservation area will only be used by camp guests. While the dramatic

reduction in vehicle traffic has substantially reduced the degradation of the wildlife habitat, and has made positive contributions towards bringing wildlife back to the conservation area, some argue that the underlying principal that wildlife is a public good is undermined when guests to the tent camp (only 1,000 tourists) are allowed to take advantage of the wildlife in the conservation area.

The challenge of weighing the pros and cons of private conservancies has been hotly debated within the tourism sector in Kenya. But in the absence of consensus around a comprehensive guideline and criteria for how such business models should or could be undertaken, corruption and exploitation will not only contribute to further disillusionment and dislocation of the Masai community, but also accelerate the depletion of wildlife in the parks and game reserves.

High Cost of Inland Transport: As discussed earlier, poor road conditions and airstrips contribute to the high cost of maintenance and repair. In this context, a clearer program of investments in infrastructure by the NCC, Trans-Mara County Council, as well as by KWS is essential for maintaining the competitiveness of the wildlife safari sub-sector in Kenya.

Out-of-Pocket Expenses: As indicated by the value chain, shopping, principally for gift items and souvenirs accounted for 34.3% of the out-of-pocket expenses. The relatively high expenditure for shopping is partly due to the fact that the camp operator has worked directly with the local villagers to establish a shop to which visitors to the camp are taken. Similarly, visitors to the camp are also taken to cultural bomas where a traditional Masai house and lifestyle, as well as song and dance routines, are presented. Here again, the camp operator has negotiated with local villages to conduct the exhibition for visiting tourists. In addition to the direct payment received from the camp operator, as indicated by the value chain analysis, tips account for 20.4% of the out-of-pocket expenditure and go directly to the Masai village or employees of the camp.

High Public Sector Taxes, Levies and Fees: What is not readily evident from the consolidated value chain diagram above, but is striking in the detailed data breakdown, is the amount of public sector taxes, levies and fees which this type of operation must face. Specifically, the total expenditure for this tent camp safari, including out-of-pocket expense, was approximately \$2,475. Of this total amount, \$1,267.03 (51.2% of total expenditures) was paid out in the form of public sector taxes, levies and fees (refer to the table below).

Public Sector Taxes, Levies and Fees		% of Total
VISA	\$ 50.00	3.9%
Airport tax	\$ 20.00	1.6%
Tax/surcharge (flight)	\$ 38.00	3.0%
Airport charges (KAA)	\$ -	0.0%
Park fee (visitor)	\$ 101.31	8.0%
Park fee (vehicle)	\$ 22.86	1.8%
Corporate Income tax	\$ 429.44	33.9%
VAT	\$ 342.02	27.0%
Service tax	\$ 203.00	16.0%
Training levy	\$ 40.60	3.2%
Fuel levy	\$ 3.84	0.3%
Speed governance	\$ 0.01	0.0%
Driver/guide (PSV)	\$ 0.01	0.0%
Guide license (Ministry of Tourism)	\$ 0.01	0.0%
Pay as you go (Ministry of Finance)	\$ 2.97	0.2%
NSSF/NHIF	\$ 0.65	0.1%
Ministry of Tourism License	\$ 7.05	0.6%
Local Council License	\$ 2.11	0.2%
Local Council - Environmental Charges	\$ 2.97	0.2%
Informal Charges	\$ 0.20	0.0%
Total	\$ 1,267.03	100.0%
% of Total Expenditure	51.2%	
% of Local Expenditure	51.2%	

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As the table above indicates, the largest distribution of public sector charges is accounted for as corporate income tax, VAT and service tax, which make up nearly 71% of the total public sector charges. An analysis of the distribution of these public sector charges according to government ministries reveals that the Ministry of Finance collected 77.1% of the total public sector charges, followed by the Ministry of Tourism and Wildlife (10.4%) and the Ministry of Transport (4.9%).

Distribution of Public Sector Charges		% of Total
Ministry of Tourism (including KWS)	\$ 131.22	10.4%
Ministry of Transportation	\$ 61.85	4.9%
County Council	\$ 5.08	0.4%
Ministry of Finance	\$ 977.42	77.1%
Ministry of Education	\$ 40.60	3.2%
Ministry of Health and Social Welfare	\$ 0.65	0.1%
Customs and Immigration	\$ 50.00	3.9%
Informal Charges	\$ 0.20	0.0%
Airport charges (KAA)	\$ -	0.0%
Total	\$ 1,267.03	100.0%

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This data immediately provokes two concerns. First, in an environment in which a private investor is exploring ways in which to improve the economic benefit to the local community through the formation of a private conservancy, over one-half of tourism dollars are being

swallowed up by public sector charges. As a result, the opportunity for the private operator to invest in the local community and towards conservation efforts is greatly diminished.

Secondly, as the table above indicates, the distribution of public sector charges overwhelmingly favors the Ministry of Finance. This in itself is not a problem as long as the budgetary process is transparent and functions effectively. However, take into account that the Ministry of Tourism and Wildlife, which is mandated to take leadership in the development and conservation of the ecosystem, continues to be grossly under funded.

Public sector charges are a vital and necessary element of a functional and competitive economy. However, the poor condition and low quality of the tourism infrastructure, even with the relatively high public sector charges, suggest that the level of public sector investment in the tourism sector is not commensurate with the level of public sector revenue collected.

3.2.3.2 Premium Multi-Destination Safari Package

As indicated earlier in this report, over 16.3% of the tourists coming to Kenya have income over \$81,000 per year, and a number of tour operators in Kenya cater specifically to the high-end traveler, with a package price starting at \$8,000 (including airfare) going up to as high as \$50,000 per trip.²⁰ It is estimated that 80% or more of the high-end travelers are retired professionals, and their primary source of information about wildlife safari in Kenya is through word-of-mouth from friends and colleagues. Approximately 20% of the client base for this category of tourists is repeat clients.

For the repeat tourist, after the first visit in which all of the time is spent in Kenya, subsequent visits are generally multi-destination tour packages which include a safari in Kenya as well as in Tanzania and other neighboring countries. It is worth noting that in multi-destination tour packages, all of the travel arrangements are handled from the Nairobi office where tours outside Kenya are either subcontracted to a partner operator or the Kenyan tour operator also operates its own facility in neighboring countries.

The premium multi-destination safari packages are favored by American tourists, who tend to plan their trips months in advance and have limited time in which to enjoy their safari. In this context, premium travelers generally insist on high quality service, and need all aspects of the tourism experience to be well choreographed.

The big challenge for tour operators catering to the American market is the volatility of the market. Specifically, since the 1998 U.S. Embassy bombing in Nairobi, the U.S. State Department has consistently issued travel alerts for travel to Kenya. Such alerts generally have a negative impact on tourist perception of the country, particularly on retired-first time travelers to Kenya. As a consequence, tour operators who cater to American tourists tend to diversify their revenue source. For example, the tour operator profiled for this premium multi-destination safari package generates 30% of its income from safari operations in Kenya, and the remaining 70% from servicing clients via Nairobi on tours in Tanzania, Ethiopia and Madagascar.

²⁰ Super premium clients travel on their own chartered flight to Nairobi.

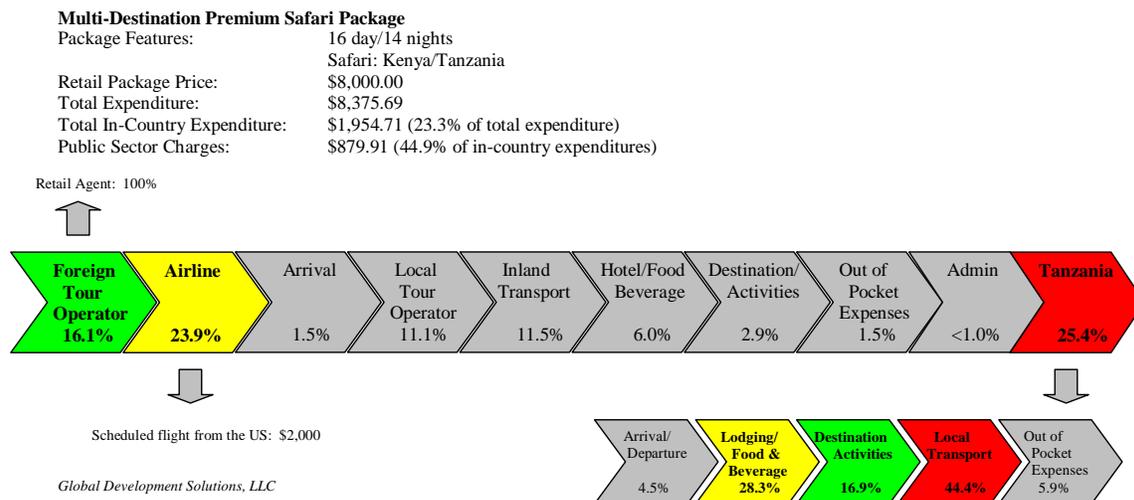
Although Kenya offers an incomparable wildlife habitat and cultural diversity, and the largest collection of bird species in the world, first time travelers to the region are often drawn to Tanzania, which is characterized as:

- Exotic (Zanzibar);
- Exceptional game viewing experience (Serengeti);
- Pristine beaches; and
- Not crowded.

By contrast, Kenya is perceived as almost the exact opposite with overcrowding in the Masai Mara, beaches frocked with beach operators, and high security risk. In this context, most multi-destination packages spend more than 50% of the entire tour outside Kenya.

The premium multi-destination tour package profiled for this analysis is a 16-day/14-night full-board package where 50% of the time is spent in Kenya on a wildlife safari, and the remaining time in Tanzania. The package is valued at \$8,000 (includes airfare from the United States), but with out-of-pocket expenses, the total value of the tourist expenditure was \$8,375.69 (refer to the diagram below).

Value Chain for Multi-Destination Premium Safari Package (Kenya and Tanzania)



Where Do the Tourism Dollars Go?: As the value chain analysis indicates, in a multi-destination safari package, the highest expenditure is actually not in Kenya, but on expenditures for a tour package to Tanzania (25.4%). As the Kenya-based tour operator pointed out, while the time spent on a tour may be split 50:50 between Kenya and Tanzania, as a rule of thumb, the revenue distribution between the two countries is generally 35% in Kenya and 65% in Tanzania. As the integrated value chain analysis indicates, only \$1,954.71 of the total tourist dollars (\$8,375.69) are expended in Kenya. Due to higher operating costs in Tanzania, profits for the tour operator tend to be about the same for both countries.

As mentioned earlier, multi-destination safari packages like the one profiled here are administered from Nairobi so that revenue from the entire tour package is accounted for in

Kenya. At the same time, however, the tour operator in Kenya must then subcontract an operator in Tanzania to handle all of the logistics and accommodations associated with a safari in Tanzania. This means that after the Kenya-based tour operator accounts for a revenue of \$8,000, in this particular case, there is an outflow of funds to a contractor in Tanzania to cover the cost of a safari in Tanzania. This puts into question the official statistics on tourism receipts. Specifically, there is no clear indication to suggest that the official statistics on tourism receipts is deducting the outsourced amount from the original revenue to reflect the ‘true’ value of tourism expenditure in Kenya.

Similarly, multi-destination safari packages generally begin and end in Kenya, which means that official tourist arrival data is accounting for the same tourist coming into Kenya at the beginning of their tour, and again on their return from Tanzania or elsewhere on their return leg via Nairobi. Here again, there is no clear indication to suggest that the official tourist arrival data is accounting for this double counting of tourist arrivals.

High Cost of Airfare: Airfare is generally the most expensive component of an airfare inclusive tour packages. In this context, it is somewhat surprising that the cost of airfare only ranks second to expenditures for a safari in Tanzania. The rising cost of fuel in the past few years has certainly contributed to the increase in airfare. With this said, however, as far as the cost of fuel is concerned, the price of A-1 Jet fuel in Kenya is in par with its regional competitors (refer to the table below).

Benchmarking the Price of A-1 Jet Fuel	
Sample Cities	A-1 Jet Fuel Price (\$/liter)
Cairo	\$0.61
Cape Town	\$0.61
Johannesburg	\$0.63
Nairobi	\$0.63
Tel Aviv	\$0.63
Beijing	\$0.63
Tokyo	\$0.64
Dakar	\$0.66
USA	\$0.74
Lagos	\$0.75
Moscow	\$0.80
<i>Compiled by Global Development Solutions, LLC based on report from the Aviation Fuel Monitoring Committee, Ministry of Air Transport, Nigeria (May, 2007)</i>	

Kenya is also known to have relatively high airport charges. While comparative data on airport charges for large scale commercial airliners were not available, a comparison of light aircraft airport charges across a number of African countries suggests that landing and airport charges in Kenya are somewhat out of line compared to some of its competitors.

Benchmarking Airport Charges in Select African Countries for Light Aircraft (2000)*

Charges (\$)	Kenya	Tanzania	Uganda	S. Africa
Landing fees	\$ 20.00	\$ 3.00	\$ 10.00	8.00
Parking fees/day	\$ 6.00	\$ 3.00	\$ 5.00	\$ 2.50
Navigation fees	\$ 17.00	\$ 5.70	\$ 10.00	\$ 2.15
Passenger tax, local	\$ 3.00	\$ 1.50	\$ 2.00	\$ 3.00
Passenger tax, international	\$ 40.00	\$ 20.00	\$ 20.00	\$ 3.15
Total	\$ 86.00	\$ 33.20	\$ 47.00	\$ 18.80

* Aircrafts under 2,000 kg gross weight

Compiled by Global Development Solutions, LLC

High Cost of Commissions Paid to Foreign Tour Operators: As with the high cost of airfare, commission payments to foreign tour operators, in most cases, are an inevitable feature of the tourism business both in Kenya and elsewhere. In most instances, it is the foreign tour operator that defines the market trend and directs tourism traffic to specific destinations. Commission rates are generally well defined in the tourism sector where wholesaler takes 15% and the retailer 10% from the package price.²¹ While it may be possible for local tour operators in Kenya to shun the use of foreign tour operators, most do not for the fear that a major foreign tour operator may direct business to a competitor or even block business from a local tour operator in Kenya.

To help reduce the commission payment to foreign tour operators, some large Kenya-based tour operators are considering the establishment of their own retail outlet in Europe and the United States so that they too can cash in on the 10% commission. Vertical integration of marketing functions within the tourism value chain may be one way for Kenya-based tour operators to improve their competitiveness and wealth retention. At the same time, however, as more and more travelers rely on the Internet to identify, package and contract tour packages, the supply-demand dynamics between tourists and tour operators along the value chain is likely to experience substantial change in the next few years.

High Public Sector Charges: Somewhat similar to the case in the private conservancy model, the premium multi-destination safari package also faces high public sector charges. The IVCA revealed that of the \$1,954.71, nearly 45% (\$879.91) is paid out in public sector charges. In the case of the premium multi-destination safari package model, the highest charges are corporate income tax (31.85%) followed by park fees (27.3%), and VAT (11.5%). These three charges alone account for nearly 70% of all public sector charges incurred by a tour operator and the tourist. These charges, particularly park fee, highlight a commonly heard complaint about the lack of competitiveness of park fees in Kenya.

²¹ For US tour operators, the commission rate is 30% (20% for wholesalers plus an additional 10% for retailers). In the case of the UK, the commission rate is 20% paid to wholesalers.

Public Sector Taxes and Levies		% of Total
VISA	\$ 78.00	8.9%
Airport tax	\$ 20.00	2.3%
Tax/surcharge (flight)	\$ 38.00	4.3%
KAA charges	\$ 15.31	1.7%
Park fee (visitor)	\$ 240.00	27.3%
Park fee (vehicle)	\$ 6.43	0.7%
Corporate income tax	\$ 279.92	31.8%
VAT	\$ 101.10	11.5%
Service tax	\$ 50.20	5.7%
Training levy	\$ 10.04	1.1%
Fuel levy	\$ 1.92	0.2%
Speed governance	\$ 0.01	0.0%
Driver/guide (PSV)	\$ 0.01	0.0%
Guide license (Ministry of Tourism)	\$ 0.01	0.0%
Pay as you go	\$ 30.00	3.4%
NSSF/NHIF	\$ 6.60	0.8%
Ministry of Tourism License	\$ 1.17	0.1%
Local Council License	\$ 0.35	0.0%
Local Council - Environmental Charges	\$ 0.64	0.1%
Informal Charges	\$ 0.20	0.0%
Total	\$ 879.91	100.0%
% of Total Expenditure	10.5%	
% of Local Expenditure	44.9%	

Global Development Solutions, LLC

The distribution of public sector charges indicates that the Ministry of Finance collects over 52.4% of the overall public sector charges, followed by KWS/County Council (28.1%) and customs and immigration (8.9%).

Distribution of Public Sector Charges		
Ministry of Tourism	\$ 1.18	0.1%
Ministry of Transportation	\$ 75.24	8.6%
KWS/County Council	\$ 247.42	28.1%
Ministry of Finance	\$ 461.22	52.4%
Ministry of Education	\$ 10.04	1.1%
Ministry of Health and Social Welfare	\$ 6.60	0.8%
Customs and Immigration	\$ 78.00	8.9%
Informal Charges	\$ 0.20	0.0%
Total	\$ 879.91	100.0%

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Are Park Fees in Kenya Not Competitive? A common complaint heard from many tourists and tour operators is that park fees in Kenya are not competitive compared to Tanzania and South Africa. As the table below indicates, park fees for non-resident tourist in Kenya are generally lower than those in Tanzania, but substantially higher across the board compared to South Africa. The common argument among public sector officials and some private operators is that park fees should be increased in par with Tanzania.

While this line of reasoning is acceptable, particularly from the perspective of improving revenue flow for public sector agencies, given the current low levels of public sector investments in infrastructure maintenance and development, it is not clearly evident that there will be a positive correlation between increase in park fees and improvements in physical infrastructure within and outside parks and game reserves.

Another interesting note regarding park fees is that both Tanzania and South Africa limited park fees for its residents and citizens to help encourage domestic tourisms. But in the case of Kenya, park fees for residents are 1 to 15 times higher than Tanzania and South Africa.

Integrated Value Chain Analysis of the Tourism Sector in Kenya

Benchmarking Park Fees and Vehicle Charges for Kenya, Tanzania and South Africa

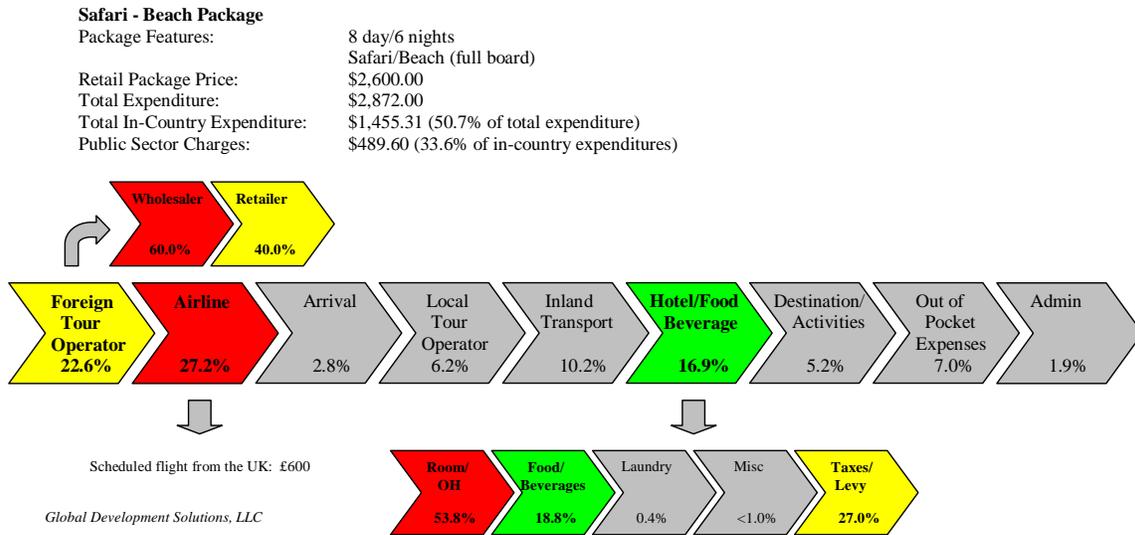
	Kenya			Tanzania		South Africa			
	Citizen	Resident	Non-Resident	Resident	Non-Resident	Citizen	SADC	Non-Resident	
Park Entry Fees									Park Entry Fees
Category A (2)	\$ 2.99	\$ 14.93	\$ 40.00	\$ 1.17	\$ 50.00	\$ 2.75	\$ 5.51	\$ 11.02	Addo Elephant Park
Category B (3)	\$ 1.49	\$ 7.46	\$ 20.00	\$ 1.17	\$ 60.00	\$ 2.07	\$ 4.13	\$ 8.26	Augrabies Falls National Park
Category D (5)	\$ 1.49	\$ 4.48	\$ 10.00			\$ 2.07	\$ 4.13	\$ 8.26	Bontebok National Park
Mount Kenya	\$ 2.99	\$ 7.46	\$ 20.00	\$ 1.17	\$ 35.00	\$ 1.38	\$ 2.75	\$ 4.13	Camdeboo National Park
Masai Mara			\$ 40.00			\$ 2.07	\$ 4.13	\$ 8.26	Golden Gate Highlands National Park
				\$ 0.78	\$ 20.00	\$ 2.07	\$ 4.13	\$ 8.26	Karoo National Park
				\$ 1.17	\$ 40.00	\$ 4.13	\$ 8.26	\$ 16.53	Kgalagadi Transfrontier Park
				\$ 1.17	\$ 80.00	\$ 4.55	\$ 9.09	\$ 18.18	Kruger National Park
					\$ 30.00	\$ 2.07	\$ 4.13	\$ 8.26	Mapungbwe National Park
						\$ 2.07	\$ 4.13	\$ 8.26	Marakele National Park
						\$ 2.07	\$ 4.13	\$ 8.26	Table Mountain National Park
						\$ 7.58	\$ 7.58	\$ 7.58	Cogh
						\$ 3.44	\$ 3.44	\$ 3.44	Boulders
						\$ 1.38	\$ 1.38	\$ 1.38	Silvermine
						\$ 1.38	\$ 1.38	\$ 1.38	Oudekraal
						\$ 2.75	\$ 5.51	\$ 11.02	Tsitsikamma National Park
						\$ 3.44	\$ 4.13	\$ 8.26	West Coast National Park
						\$ 2.07	\$ 4.13	\$ 8.26	Wilderness National Park
Vehicle Charge (daily)									Vehicle Charge (daily)
< 6 seats		\$ 4.48		\$ 7.78	\$ 40.00			\$ 13.77	13 - 42 seater
6 - 12 seats		\$ 11.94		\$ 19.46	\$ 150.00			\$ 34.44	42+ seater
13 - 24 seats		\$ 22.39		\$ 38.91	\$ 200.00				
25 - 44 seats		\$ 44.78		\$ 77.82	\$ 300.00				
> 45 seats		\$ 74.63		\$ 155.64	\$ 155.64				
Delivery vehicle		\$ 7.46		\$ 100.00	\$ 100.00				
Vehicles stationed in the park (annual)									
< 2,000 kg (< 6 seats)		\$ 447.76							
2,000 - 5,000 kg (6 - 12 seats)		\$ 746.27							
> 5,000 kg (> 13 seats)		\$ 1,492.54							
Marine Park Fees									Marine Park Fees
Category C (4)	\$ 1.49	\$ 4.48	\$ 10.00	\$ 10.00		\$ 8.26	\$ 8.26	\$ 8.26	Table Mountain National Park (Cogh)
Boating									Boating
Single entry ree		\$ 4.48		\$ 7.78	\$ 7.78				Power boat (<40hp) - per month
Annual pass (private non-commercial boat)		\$ 74.63		\$ 38.91	\$ 38.91				Power boat (>40hp) - per month
Annual pass (commercial boat stationed in th		\$ 223.88		\$ 10.00	\$ 10.00				Leisure boat private non-commercial
				\$ 50.00	\$ 50.00				Commercial charter boat
				\$ 50.00	\$ 50.00				Game fishing boat
				\$ 500.00	\$ 500.00				Cruise ship
				\$ 20.00	\$ 20.00				Fishing license (7 days)
				\$ 50.00	\$ 50.00				Game fishermen (7 days)
Notes									
(1) Above the age of 16									
(2) Aberdare, Amboseli, Lake Nakuru, Tsavo East & West, Meru, and Nariobi National Park									
(3) Shimba Hills National Reserve, Arabuko Sokoke Forest Reserve, Nderere Island, Tana Primate Reserve, Kakmamega Forest, All other Parks and Reserves									
(4) All marine parks and reserves									
(5) National Safari Walk, Animal Orphanage, Impala Sanctuary									
Exchange rate									
\$/Tsh		1,285							
\$/Ksh		67							
\$/R		7.26							
Compiled by Global Development Solutions, LLC									

3.2.3.3 Mid-Class Safari-Beach Package

The mid-price safari-beach tour package is possibly the most popular tourism product available in the Kenyan market. This type of package exposes the tourist to a number of different parks and game reserves, and at the same time, offers relief from the long dusty game drives with a quiet stay along the coastal area in Mombasa. In many respects, this type of package falls under the mass volume business as the clientele is relatively young (early 20s to mid-30s), with limited disposable income. Many of these packages are purchased by European tourists, particularly from the UK.

The package highlighted for the IVCA profiles an 8 day/6 night safari-beach package purchased by a tourist coming from the UK. The retail price of the package was \$2,600, but with out-of-pocket expenses, the total expenditure was \$2,872 (refer to the diagram below). The package includes airfare to and from the UK, one-night stay in Nairobi on the day of arrival, a visit to three different parks (Aberdare, Amboseli, and Tsavo West), followed by a three-day stay in Mombasa at a coastal resort hotel. Prior to departure, the tourist is treated to a lunch feast at the Carnivore in Nairobi, and finally shuttled back to the Jomo Kenyatta Airport for departure.

Value Chain for Safari - Beach Package: Kenya



High Cost of Airfare: The safari-beach package includes round trip flight from the UK on a scheduled flight. Generally such packages offer discount prices which range from £450 – £600 (\$585 - \$780). During peak season, airfare from Europe on a scheduled flight generally does not come down much lower than the prices indicated here. Generally, there is adequate competition within the airline industry, and with Virgin Atlantic joining the EU – Kenya route, tourists can expect to have an increasing number of price options, but should not anticipate prices going down too much further than what is currently available.

High Commissions Paid to Foreign Tour Operators: Kenya-based tour operators in the mid-class tour package business depend heavily, if not exclusively, on foreign tour operators to book package tours to Kenya. Unlike premium tour package operators, mid-class package operators do not have the option to establish an office in Europe. Here again, as the use of

the Internet expands, options for marketing to the mass tourism market in Europe for Kenya-based tour operators may change. But for now, reliance on foreign tour operators is an essential element in the mid-class mass tourism market.

How Much is Really Being Spent Locally?: Although the value chain diagram above indicates that hotel/food/beverage is the third highest expenditure, taking into account that after deducting the cost of round trip airfare and foreign tour operator commissions, what remains is \$1,455.31 to be spread out over 8 days to cover local transportation (flight and ground transport), lodging, and food/beverages, and profits.

The challenge facing the mid-class mass tourism market, particularly in Kenya, is the operators' complete reliance on foreign tour operators for attracting tourists. As a result, foreign tour operators gain considerable leverage over Kenya-based tour operators when negotiating wholesale package prices, and are often able to push down the prices thus squeezing out of Kenyan-operators what little profit can be had. This in turn has a substantial impact on the ability of local operators to re-invest in their facilities, which dims their hopes of moving up the market into the premium segment of the tourism market.

As the table below indicates, daily operating costs, particularly in the coastal hotel, is very low. Specifically, operators have \$39/day to cover food and beverage, room amenities, overhead costs, and taxes.

Room/Food/Beverage and Overhead Expenditures for a Safari-Beach Package		
Safari Camp	Cost/day (\$)	% of Total
Beverage	\$ 6.16	8.8%
Food	\$ 8.71	12.4%
Household items	\$ 1.46	2.1%
Laundry	\$ 0.71	1.0%
Miscellaneous	\$ 0.01	0.0%
Room/OH	\$ 33.35	47.6%
<i>Subtotal</i>	<i>\$ 50.40</i>	<i>72.0%</i>
VAT	\$ 11.20	16.0%
Service tax	\$ 7.00	10.0%
Training levy	\$ 1.40	2.0%
Total	\$ 70.00	100.0%
Mombasa	Cost/day (\$)	% of Total
Food & Beverage	\$ 4.03	10.3%
Room amenities	\$ 2.35	6.0%
Room/OH	\$ 21.70	55.7%
<i>Subtotal</i>	<i>\$ 28.08</i>	<i>72.0%</i>
VAT	\$ 6.24	16.0%
Service tax	\$ 3.90	10.0%
Training levy	\$ 0.78	2.0%
Total	\$ 39.00	100.0%

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The squeezing effect from the foreign tour operators is inevitable in that the current marketing structure for mass tourism packages is based on a high reliance on foreign tour

operators. As the analysis of the coastal tourism sector will show, the squeezing effect on coastal tourism is even more dramatic than on safari-beach packages.

High Public Sector Charges: As indicated above, the level of local expenditure after deducting the cost of round trip airfare and commission payments to foreign tour operators is limited. But on top of these deductions, operators must deduct yet another 33.6% in public sector charges to pay for taxes, levies and fees (refer to the table below).

Public Sector Taxes and Levies		% of Total
VISA	\$ 50.00	10.2%
Airport tax	\$ 20.00	4.1%
Tax/surcharge (flight)	\$ 38.00	7.8%
Airport charges (KAA)	\$ 15.31	3.1%
Park fee (visitor)	\$ 120.00	24.5%
Park fee (vehicle)	\$ 8.57	1.8%
Corporate Income tax	\$ 53.34	10.9%
VAT	\$ 108.78	22.2%
Service tax	\$ 55.50	11.3%
Training levy	\$ 11.10	2.3%
Fuel levy	\$ 2.14	0.4%
Speed governance	\$ 0.01	0.0%
Driver/guide (PSV)	\$ 0.01	0.0%
Guide license (Ministry of Tourism)	\$ 0.01	0.0%
Pay as you go (Ministry of Finance)	\$ 2.97	0.6%
NSSF/NHIF	\$ 0.65	0.1%
Ministry of Tourism License	\$ 1.76	0.4%
Local Council License	\$ 0.53	0.1%
Local Council - Environmental Charges	\$ 0.74	0.2%
Informal Charges	\$ 0.20	0.0%
Total	\$ 489.60	100.0%
% of Total Expenditure	17.1%	
% of Local Expenditure	33.6%	

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Distribution of Public Sector Charges		
Ministry of Tourism	\$ 1.77	0.4%
Ministry of Transportation	\$ 60.15	12.3%
KWS/County Council	\$ 129.84	26.5%
Ministry of Finance	\$ 220.58	45.1%
Ministry of Education	\$ 11.10	2.3%
Ministry of Health and Social Welfare	\$ 0.65	0.1%
Customs and Immigration	\$ 50.00	10.2%
Informal Charges	\$ 0.20	0.0%
Airport charges (KAA)	\$ 15.31	3.1%
Total	\$ 489.60	100.0%

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It is worth noting that with premium tour packages, corporate tax was the highest public sector charge, but for mid-class mass tour operators, the income level is marginal as reflected in the amount of corporate income tax as a percentage of total local expenditure (10.9%).

For this type of tour package, park fees (24.5%), VAT (22.2%), and service tax (11.3%) constitute 58% of the total public sector charges.

Here again, the challenge for operators is to figure out how they can re-invest in their facilities to move up the product market given the limited earnings they collect from this type of a tourism package.

3.2.3.4 Key Challenges Facing Wildlife Tourism in Kenya

In addition to the issues raised in the IVCA, the wildlife tourism sub-sector faces other challenges that undermine the conservation of national assets and the sustainability of the sector as an engine for growth.

Lack of Incentives to Encourage Wildlife Management: Since the ban on hunting and trading in wildlife, inherent value of and attitudes towards wildlife has changed. Current laws restrict consumptive use of game, even when over-population has become a problem. At the same time, economic benefits to the local community from wildlife tourism have been limited. As a consequence, local communities have little, if any, incentive to integrate wildlife management into their daily life.

Inadequate Legal Framework to Engage Local Communities: While the ban on hunting and trading in wildlife applies to the entire country, KWS, which is tasked with the protection of wildlife, has jurisdiction over only 20% of the national landmass, thus making enforcement of wildlife conservation a dubious task. Similarly, wildlife is recognized as a state asset which does not recognize territorial boundaries. So, property owners draw little to no economic value from the mandate to protect wildlife, while at the same time they are not compensated for destruction of property by wildlife.²² Furthermore, compensation payments are currently under the jurisdiction of the Treasury rather than under KWS, whose mandate it is to ensure compliance to regulations that protect wildlife in Kenya.

Absence of Conservation as an Integral Part of Community Life: For native Kenyans who rely on the environment and wildlife for their livelihood, the notion of conservation and setting aside large tracts of land is often synonymous with expropriation of property. In this context, the notion of conservation is devoid of features that meet the needs of local communities.

Detachment of Communities from Their Lands: Trustland, supervised by local authorities (County Councils) on behalf of local communities, make up over 70% of land in Kenya. But in recent years, Kenya is experiencing an increase in conversion of trustland to individual ownership, where individuals who obtain rights to the land are not necessarily members of the community. At the same time, conversion to individual ownership takes the land outside the jurisdiction of local authorities. This process is contributing to the detachment of communities from their land, which further adds to the complexity of employing a comprehensive community-based conservation effort.

²² Current regulations only provide compensations for injury to persons or loss of life.

Change in Land Ownership Structure and Its Conflict with Wildlife Management:

As land ownership structure changes from trustland to individual ownership, Kenya is seeing a rise in cultivation of agricultural crops such as wheat and maize in wildlife habitat. While local communities need to engage in productive human activities, in the absence of a comprehensive land use plan, conservation imperatives are likely to be undermined by human land use.

Accelerated Degradation of National Assets: As the third highest contributor to GDP, tourism is now being promoted by the Government as a source of economic growth for Kenya. In the absence of a comprehensive land use plan, an integrated wildlife conservation policy, and an institutional and regulatory infrastructure with authority to effectively implement conservation policies across the entire country, economic gain from tourism is likely to accelerate the degradation of national assets, including wildlife, coastal assets, and cultural heritage.

3.2.4 Integrated Value Chain for Coastal Tourism

The integrated value chain analysis for coastal tourism focuses on four types of packages, namely:

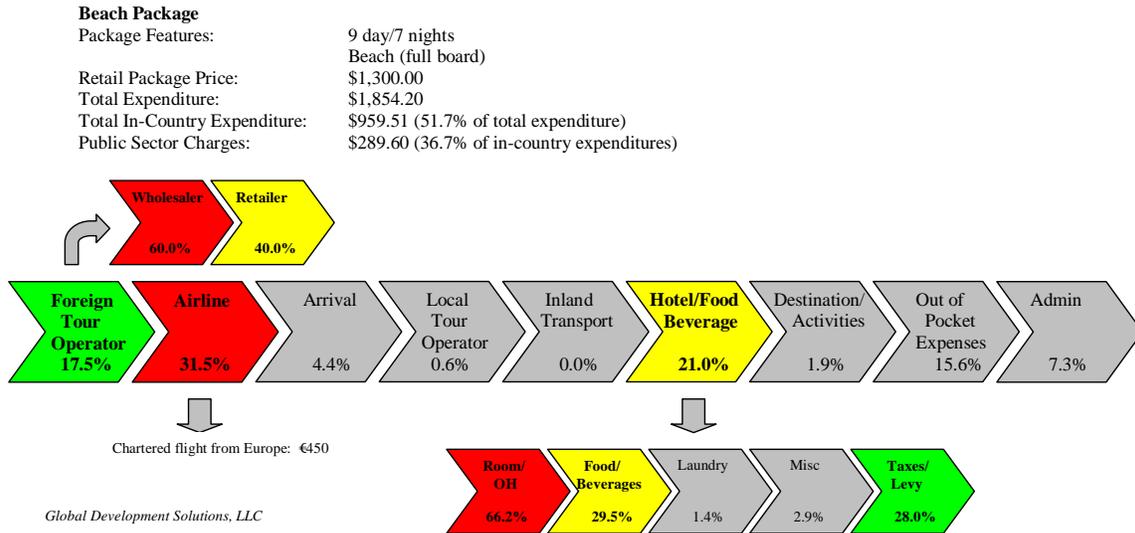
- Full-board beach package;
- All-inclusive beach package;
- Bed and breakfast beach package; and
- Mombasa City bed and breakfast targeted toward local tourists and multiple repeat foreign visitors.

In addition to presenting a comprehensive value chain for these four types of packages, the analysis will also shed light on the hotly debated issue regarding the economic benefits of all-inclusive packages on the local economy.

3.2.4.1 Beach Tourism Package (Full Board)

The tour package selected for the IVCA as a proxy for the beach package with full board is a 9-day/7-night product at a 3-Star hotel on the Mombasa coast. The tourist from Europe paid a retail price of \$1,300 for the package which includes round trip airfare, commission payments to the foreign tour operator, arrival charges, transfer to and from the airport, hotel, food and beverages. When out-of-pocket expenses are accounted for, the total expenditure was \$1,854.20 (refer to the diagram below).

Value Chain for Beach Package (Full-Board): Kenya



High Proportion of Airline Charges: As with most mid-class tour packages, airline charges generally dominate the tourist’s value chain. This package is no exception. It is important to note that because of the low price of the tour package, the airline’s share of value added is somewhat higher when compared to other tour packages.

High Cost of Maintenance and Upkeep: The second highest value addition for this product was the hotel/food and beverage (21.0%). As the diagram indicates, room and overhead charges dominate (66.2%) this category of value addition, which reflects the high cost of maintenance and upkeep of aging facilities. The big challenge for hoteliers is that for this type of package, all costs associated with servicing a guest, including overhead and profits, must be covered for \$55.71/person/bed night.

High Commission Payments to Foreign Tour Operators: As mentioned earlier, mid-class, mass-market, mass tourism packages rely heavily on foreign tour operators to attract adequate volume of tourists to cover costs. In this context, the proportion of commission paid out to foreign tour operators is relatively high. Here again, in the absence of investments to improve the quality of the facilities and the tourism experience, the likelihood for Kenya-based tour operators and hoteliers to graduate from the volume tourism market is limited.

It is worth noting that commission payments to the local tour operator are less than 1% of the total value of the tour package. Interviews with local tour operators pointed to the fact that in an effort to attract more tourists, local tour operators do not take commission on groups larger than 200 guests.²³ In return, however, arrangements are made with hotel managers to encourage guests to take a Mombasa City tour through the local tour operator

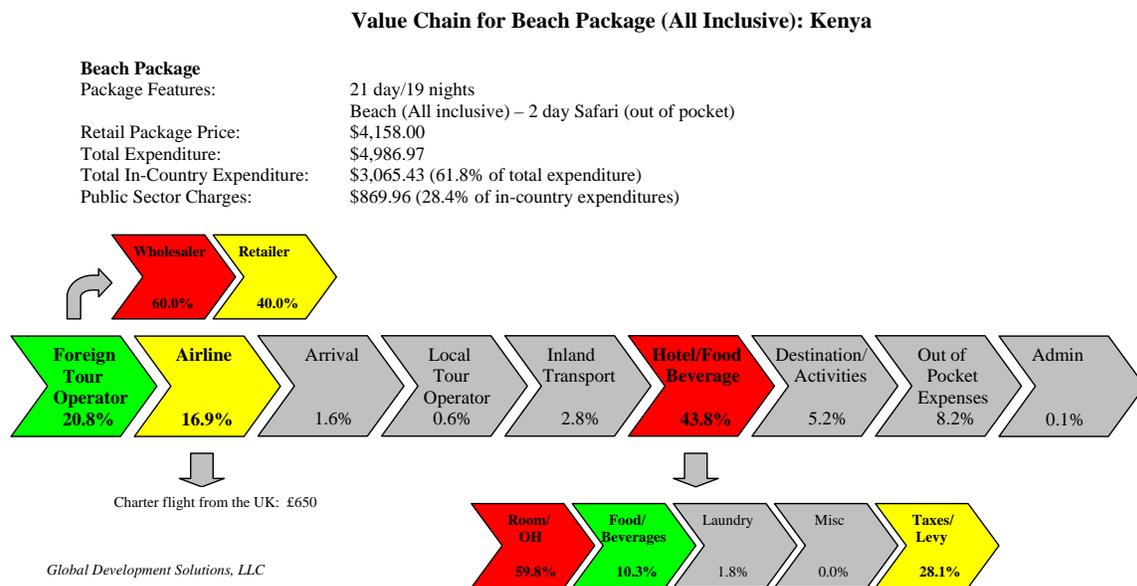
²³ For a 3-Star hotel on Mombasa’s coast to breakeven, it is estimated that a 65% occupancy rate for 7 months out of the year is necessary. In contrast, premium safari tent camps breakeven at 40% occupancy rate.

at a cost of \$35/person. Of this amount, the tour operator takes a 10% commission to help cover the original cost of booking guests at a local hotel.

3.2.4.2 Beach Tourism Package (All-Inclusive)

All-inclusive tour packages have become increasingly popular, especially as a mass-market, mass tourism product. One rationale behind tour operators' promoting all-inclusive tour packages, and one of the reasons why an increasing number of tourists prefer all-inclusive tourism products, is that the cost of the holiday is predictable. This predictability comes from the fact that most essential goods and services are included in a single, pre-paid package price. As a result, with the exception of some discretionary out-of-pocket spending, for the tourist is not concerned with carrying significant amounts of cash to cover additional expenses.

The all-inclusive beach package profiled for this IVCA is a 21-day/19-night holiday package from the UK with a retail price of \$4,158, including round trip airfare and commission payments to the foreign tour operator.



In addition to the beach package, the tourist took a two-day safari excursion, which was an out-of-pocket expense. Including the out-of-pocket expense, the total expenditure by this tourist was \$4,986.97. As indicated by the number of days of this type of package, holiday makers purchasing all-inclusive beach packages tend to stay longer than other categories of travelers.

High Value Added for Hotel/Food and Beverage: As a reflection of the longer duration of stay, hotel/food and beverage constitutes 43.8% of the total value added. Compared to other tourism products, the all-inclusive beach package has the highest expenditure for hotel/food and beverage. As with other beach facilities, room and overhead costs are high

(59.8%). Further breakdown of room and overhead charges indicates that the profit margin constitutes a relatively high proportion, 49.16%, of the total overhead costs. At the same time, however, nearly 65% of this profit is being used to service existing debt.

Breakdown of Room and OH Charges	Total Cost
Profits	\$ 31.40
Overhead	\$ 32.47
Maintenance	\$ 3.90
Electricity	\$ 6.49
Water	\$ 2.60
Salaries	\$ 19.48
Total	\$ 63.87

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As issues related to airfare and commission payments to foreign tour operators are the same as with the other tourism products, further discussion of this issue is not warranted at this point.

Optimizing Tourism Expenditures in an All-Inclusive Tour Package: To help optimize the tourist’s expenditures, hotel managers use a number of strategies to help squeeze a bit more profit out of each tour package. At least three strategies are commonly used:

Placement of snacks throughout the facility: In an all-inclusive resort environment, all food and drinks, including alcoholic beverages, are included in the package. In this context, one way that hotel managers reduce the variable costs associated with consumable items is by stocking the bar with local rather than foreign spirits, as well as placing snacks in numerous locations so that guests fill up on snacks rather than consuming large meals at lunch and dinner. This strategy helps to reduce the cost of food and beverages by 20% - 35%.

Promoting excursions: As indicated in this IVCA, the guest in this profile went on a two-day safari excursion, which is not included in the tour package. The excursion generally includes accommodations and food. As a result, during the period of the excursion, the hotel saves money on the food and beverages that the guest would have otherwise consumed if he/she did not leave the hotel complex.

Offering free transportation to nearby destinations and activities: The hotel offers scheduled shuttle service to nearby destinations and activities, including transport service to the city center. Here again, the strategy is to get the guest out of the hotel complex, thus reducing the amount of food and beverages that a guest would consume on the hotel premises.

In the last two examples, the management’s objective is to encourage guests to go outside of the hotel facilities so that the consumption and cost of food and beverages per guest in the hotel is reduced. While this may be interpreted as a ‘deceptive’ tactic, it can also be interpreted as an opportunity for local communities to capture additional tourism dollars to which it may otherwise not have access. In this context, the IVCA showed that out-of-pocket expense (\$407/person/stay) for this tourism product is the highest compared to all other products analyzed for this study.

Are All All-Inclusive Tour Packages Created Equal? – The Great Debate about the Benefit of the All-Inclusive Tour Package on the Local Economy: The example of the all-inclusive tour package presented above clearly provides benefits, not only to the hotels, but also to local business that benefit from guests spending additional money outside the hotel premises. In this context, the hotly debated issue about the benefits of all-inclusive tour packages on the local economy can, in part, be settled. But the debate is not that simple.

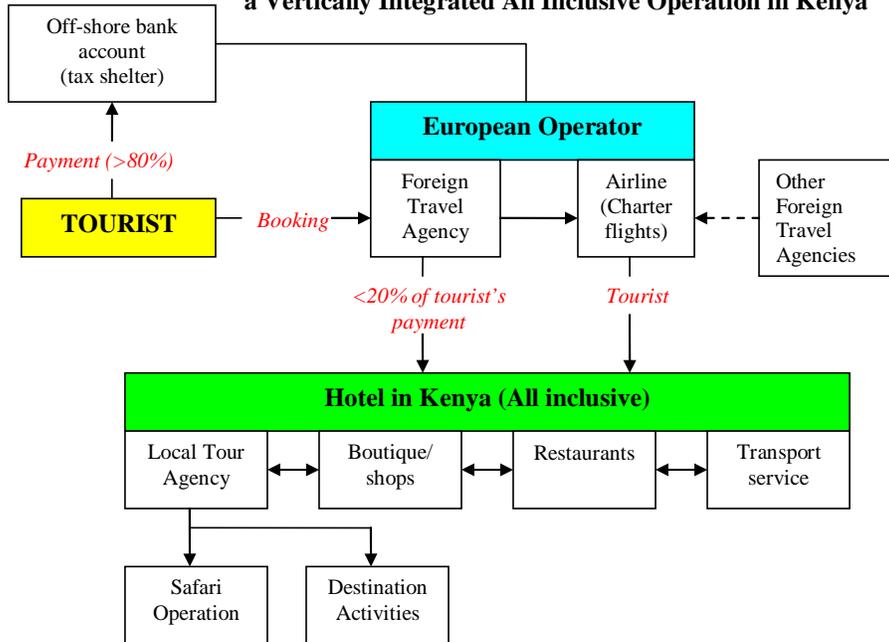
There are a number of operators in Mombasa selling all-inclusive tour packages which are not quiet the same as the one described above. Specifically, at one all-inclusive facility, guests are provided with the bare minimum of services and amenities. For example, while air conditioning is available in the rooms, in order to use the air conditioning unit, additional fees must be paid. While meals are included in the package, an extra egg or a slice of bacon carries an additional charge for the guest. All such charges must be paid in Euros. In fact, within the facility, only Euros are accepted.

To further complicate matters, local taxis and shuttle buses are not allowed to enter the complex unless to drop off a guest. Also, taxis and shuttles are not readily available at the facility in order to discourage guests from going out of the complex. Should a guest wish to go out, an empty taxi is not allowed to enter the complex to pick up a guest, thus forcing the guest to walk down a long gravel driveway to the entry gate some distance away.

Generally, unless one is an employee of the facility, local Kenyans are not allowed into the hotel complex. This fortress-like setting is sold to tourists as an ‘exclusive’ resort, when in fact the principal objective of such a facility is to discourage guests from ever leaving the complex and to expend out-of-pocket money within the facility.

Vertical Integration of the Tourism Value Chain and Its Impact on the Tourism Sector: Yet another reason for the heated debate over the benefits of all-inclusive tour packages on the local economy revolves around the impact that vertically integrated tour operations have on the tourism sector in Kenya. Specifically, some tour operations in Mombasa are completely integrated, meaning that one operating company owns and operates everything from the foreign tour agency, airline and local hotel in Kenya, as well as a local tour operation, restaurants, souvenir shops, and destination activities (refer to the diagram below).

An Example of Ownership and Accounting Structure for a Vertically Integrated All Inclusive Operation in Kenya



Notes

1. European Operator is fully vertically integrated owning the foreign travel agency all the way down to the local safari operation in Kenya
2. More than 80% of tourist's payment directed to an off-shore account to minimize EU income tax
3. Less than 20% of tourist's payment is sent to the hotel in Kenya. Remaining operating costs for the hotel is cross-subsidized through other operations owned by the European Tour Operator (local tour agency, boutique/shops, restaurants, transport service, safari operations and destination activities).
4. Cross-subsidies and transfer pricing is used to minimize profit for each operation to limit the amount of income tax paid in Kenya.

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In this particular supply chain structure, a tourist makes reservations for an all-inclusive tour package to Mombasa through a foreign travel agent. An advance payment is required to secure a seat on a charter flight and a room at the resort.

Once a reservation is confirmed, only about 20% of the value of the tourist's invoice is allocated to the hotel in Mombasa. The remaining 80% or more is channeled to a tax-free offshore account.

With only 20% or less of each guests' costs covered, the hotel in Mombasa must generate the remaining 80% of its operating cost through other local subsidiaries through cross-subsidies. For example, guests are encouraged to take a safari or other excursions, but only through subsidiary companies operated by the foreign tour operator (all payable in Euros). Proceeds from such sales are then used to cover the remaining 80% of the hotel operating costs. This pattern of cross-subsidies is used across the entire network of companies owned by the foreign tour operator.

The net effect of this cross-subsidy mechanism is that each operating company within the network must contribute its proceeds to cover shortfalls in operating costs incurred by the hotel. In turn, this minimizes the net profit of each operating company within the network, thus reducing the company's overall tax liability in Kenya. In short, by vertically integrating the entire tourism supply chain, and employing complex accounting gymnastics, each operating company in the network is able to minimize its tax liability, while the foreign tour operator maximizes its revenue gains. Furthermore, only accepting Euros from guests staying at the facility removes a part of the exchange rate risk faced by other operators who only accept Kenyan Shillings.

This type of all-inclusive operation yields financial benefits to the local economy, but they are minimal at best. More importantly, however, it minimizes the operation's tax liability in Kenya, possibly even giving the operator an unfair advantage over other tour operators that pay local taxes.

These examples suggest that not all all-inclusive tour packages have a negative impact on the tourism sector in Kenya. However, it is also true that some tour operators offering all-inclusive packages like the example provided above undermine the image and reputation of Kenya, particularly Mombasa, as a quality tourist destination.

3.2.4.2 Beach and Sports Fishing Package: Bed and Breakfast

While a large proportion of coastal tour operations offer full-board or all-inclusive tour packages, in the North Coast there are a number of resorts that offer bed and breakfast packages targeted towards three distinct clients:

- Sport fishermen/divers;
- Beach goers; and
- Local (Kenyan) tourists.

Unlike many coastal tour operations, the bed and breakfast profiled here offers a 'membership club' to local residents who come to the resort to take advantage of a multitude

of water sports activities, or simply to have a drink and dine at the resort restaurant. Approximately 55% of the client base is local, while the remaining 45% are foreign tourists. To help attract local tourists, the resident rates are 30% lower than non-resident rates. This is contrary to most other coastal operations which charge more for local tourists to help offset the small margins gained from foreign tourists.

This type of operation draws revenue from three different sources:

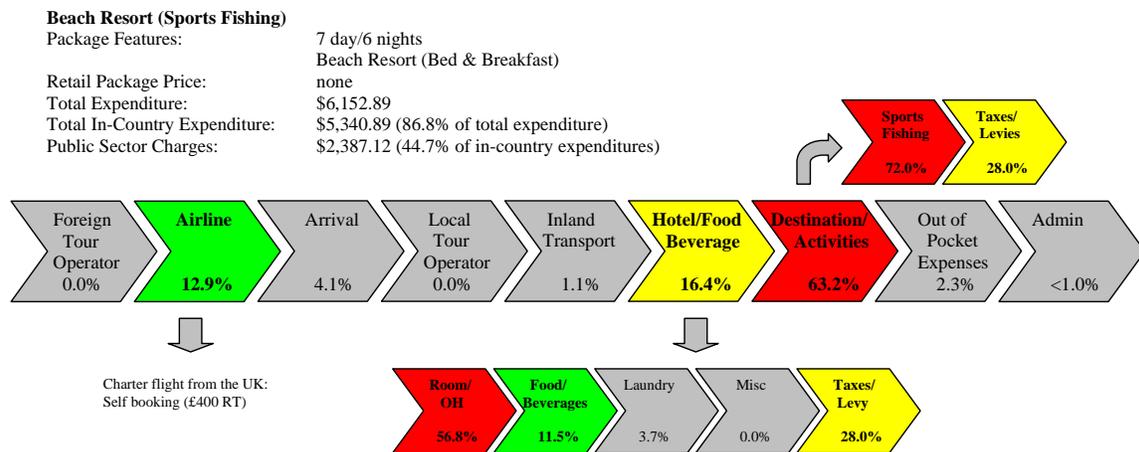
- Club membership: 28 – 35%
- Sport fishing: 30 – 35%
- Beach tourists: 30 – 42%

This operation enjoys a repeat foreign client base of over 70%.²⁴ The substantial repeat client base combined with a focus on attracting local clientele helped this operation weather the downturn in tourism arrivals in the early to mid-2000 without much trouble.

Beach tourists tend to have an average stay of about 10 days, while tourists coming for sport fishing stay about 7 days, of which 4 days are spent on the water fishing. Sport fishing is extremely popular among South African tourist who can take advantage of Kenyan Airways' direct flight from Johannesburg to Mombasa each Sunday.

The bed and breakfast package selected for this IVCA involves a 7-day/6-night sport fishing package, with a total tourist expenditure of \$6,152.89.

Value Chain for Bed & Breakfast Beach Resort (Sports Fishing): Kenya



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Sport Fishing -A Lucrative Product for Coastal Tourism: The northern coast is one of the few locations in the world where sport fishermen can fish for all three types of marlin: striped, blue and black marine. Other large sport fish such as broadbill swordfish, barracuda and dorado are also found in these waters. As evident from the value chain diagram above,

²⁴ One guest has returned to the facility each year for the past 22 years with a stay of over 3 weeks. On average, repeat guest have returned to this resort 4 – 5 times. Once a reservation is made, a guest is required to make a 50% deposit. With a 70% repeat client base, deposit payments alone help smooth out revenue fluctuations during the low season.

Destination/Activities, namely sport fishing, dominates the value chain (63.3% of total expenditure, of this 72% comes from sport fishing).

On average, sport fishermen who come to the resort go fishing 4 out of the 7 days paying approximately £500/trip/person (\$990), which includes all of the necessary fishing gear, guide, lunch and beverages. The four-day fishing activity alone generates revenue of nearly \$3,960 for the local economy. The willingness of tourists to pay a high price for the sport fishing experience coupled with the volume of repeat clients that this resort has is a reflection of the value of niche tourism products like sport fishing.

High Value Added from Hotel/Food and Beverage Service: According to the value chain analysis, the resort operation is able to charge \$194/person/bed night for room, breakfast, laundry and other services. This substantially higher rate (2 – 4 times higher than some of the 3-Star beach resorts in Mombasa) that this resort is able to charge is due to its ability to provide quality service and accommodation.

Closer analysis of the value chain data suggests that over 23% of the room/OH charges are directed towards maintenance and upkeep while an additional 23% is attributed to ‘other’ costs which include investments in the facility amenities and support infrastructure. By providing a higher quality product, the resort has been able to charge higher prices, and in turn support the regular maintenance and investment schedule, which in turn continues to help attract satisfied repeat guests.

High Public Sector Charges: Somewhat similar to the premium wildlife safari packages profiled in this report, public sector charges for this operation were high - approximately 44.1% of total local expenditure.²⁵ VAT, service tax and training levy accounted for over 94% of the public sector taxes and levies.

²⁵ In fact, the percentage rate should be higher as it was not possible to calculate and include the corporate income tax for this operation. With a corporate income tax of 30%, it is highly likely that public sector charges for this operation would exceed 50% of total local expenditures.

Public Sector Taxes and Levies		% of Total
VISA	\$ 50.00	2.1%
Airport tax	\$ 20.00	0.8%
Tax/surcharge (flight)	\$ 38.00	1.6%
Airport charges (KAA)	\$ 15.31	0.6%
		0.0%
VAT	\$ 1,621.82	68.5%
Service tax	\$ 519.76	21.9%
Training levy	\$ 103.95	4.4%
Ministry of Tourism License	\$ 0.11	0.0%
Local Council License		0.0%
Local Council - Environmental Charges	\$ 0.04	0.0%
Informal Charges		0.0%
NSSF/NHIF	\$ 0.72	
Total	\$ 2,368.98	100.0%
% of Total Expenditure	38.5%	
% of Local Expenditure	44.1%	

Global Development Solutions, LLC

The distribution to government ministries of public sector charges collected suggests that the Ministry of Finance was the biggest beneficiary of these charges absorbing 90.4% of the taxes and levies collected.

Distribution of Public Sector Charges		
Ministry of Tourism	\$ 0.11	0.0%
Ministry of Transportation	\$ 73.31	3.1%
Ministry of Finance	\$ 2,141.57	90.4%
Ministry of Education	\$ 103.95	4.4%
Customs and Immigration	\$ 50.00	2.1%
Local Council	\$ 0.04	0.0%
Informal Charges	\$ -	0.0%
Total	\$ 2,368.98	100.0%

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Unlike other tour operations in the coastal region, thanks to the diversified client base, the resort profiled here was able to continue regular maintenance and upkeep as well as to make investments in its facilities to upgrade select amenities. However, it is important to note that such high public sector charges erode the good will and the drive of operators to continue to re-invest in the tourism sector in Kenya.

Unique Lesson on How to Develop a Successful Coastal Tourism Operation: Since many guests are repeat clients, over 70% of the bookings are made directly with the resort, and 90% of the bookings come through e-mail. The direct relationship that the operator has been able to develop with a client is somewhat unique in the coastal tourism business.

This operation's attitude towards quality service and a long-term vision regarding the development of the tourism sector in the northern coast has enabled the operator to develop its client base in a somewhat different way than other coastal tourism operators. In this

context, this operation sheds light on a number of important issues about developing a successful coastal tourism operation:

- Importance of diversifying the client based to include local tourists as a way of weathering demand fluctuations resulting from political uncertainties and security risks;
- By providing quality service, operators are able to attract repeat clients who book directly with the resort, thus avoid paying commission to foreign tour operators, and in turn attract additional tourism dollars to the local economy;
- A bed and breakfast package encourages guests to go out of the resort complex to take advantage of the many local restaurants, and to encourage interaction between the guest and the local community.²⁶ This in turn has contributed to the development of a more dynamic and vibrant tourism sector.

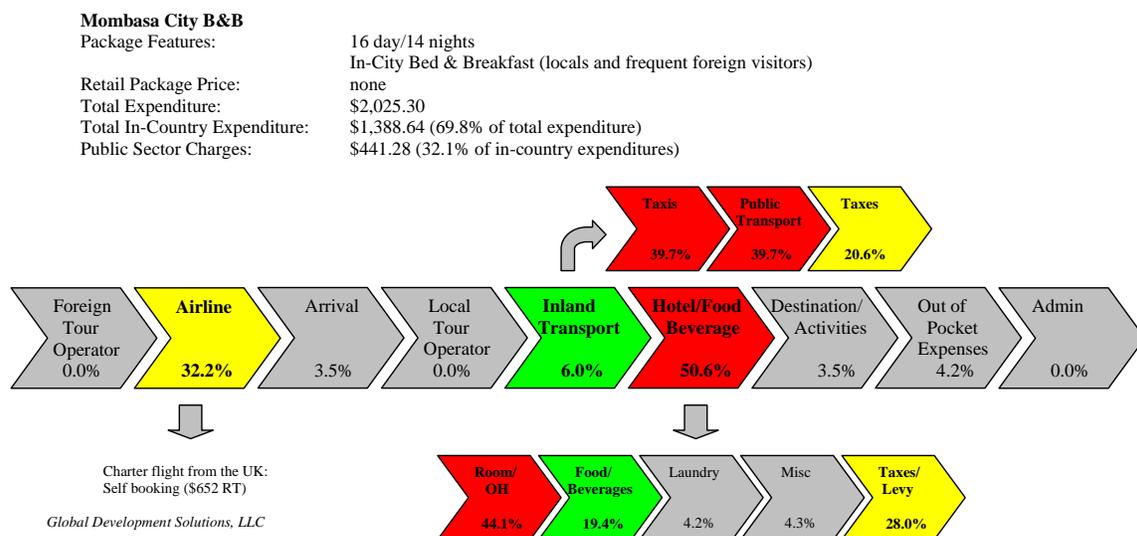
3.2.4.3 Mombasa City Bed and Breakfast

The final IVCA focuses on a Mombasa City bed and breakfast that caters largely to Kenyan tourists (70%) and to frequent repeat guests from Europe (30%). Foreign guests tend to have relationships or other ties with locals which bring them back to Mombasa on a regular basis. Most foreign guests are repeat clients who book directly with the hotel (note that no commissions are paid to either foreign or local tour operator). Most foreign guests tend to stay between 14 to 30 days per visit.

Kenyans who stay at the hotel tend to be either coastal holiday makers or visiting friends and relatives in the Mombasa area. Their stays tend to be much shorter than foreign guests, generally lasting at least one week.

Taking an example of a repeat British tourist, the expenditure for a 16-day/14-night stay was approximately \$2,025.30, including round trip airfare directly from the UK to Mombasa.

Value Chain for Bed & Breakfast in Mombasa City: Kenya



²⁶ Most guests go out for dinner at least two times per week spending up to Ksh1,600/person with drinks.

High Expenditure for Hotel/Food and Beverage: Hotel/food and beverage accounts for 50.7% of the total tourist expenditure. A breakdown of this figure suggests that 44.1% of the cost is dedicated to room and overhead. Since this is a new hotel, room and overhead expenditures continue to be high to service outstanding loans. Room/OH and breakfast charges are approximately \$48.55/person/bed night (of which \$8.16/person was spent on breakfast).

While the bed and breakfast has a formal kitchen, it generally caters to light meals and snacks. As a result, most guests tend to eat out at local restaurants. The IVCA indicates that the average guest expenditure when food is consumed within the hotel was approximately \$13.91/person/day. When dining outside the hotel, tourists tended to spend a bit more, particularly on drinks, so the average expenditure for meals and beverages was approximately \$22.26/person/day. Given the limited catering facilities available on the hotel premises, and the fact that this category of tourists enjoys going out to town to a night club or a bar in the evenings, net local expenditure as a percentage of total tourist expenditure was very high (68.2%).

High Expenditure for Inland Transport: Unlike other guests visiting Mombasa on packaged tours, independent travelers like those profiled in this IVCA are accustomed to taking local transport, such as matatus, tuk tuks and taxis. Since such tourists also have a wider network of friends in and around Mombasa, they also tend to go out more frequently than other types of tourists profiled in this IVCA. As a consequence, expenditures for local transport are much higher for this category of tourist.

3.3 Comparison of Tourism Products and Their Benefits to Local Communities in Kenya

Formulation of a comprehensive strategy for the development, revitalization and promotion of the tourism sector in Kenya will require considerable thought regarding the types of tourism products that need to be developed. It is important that a strategy be designed to help diversify the existing product group, as well as to improve the competitive position of the country against rival destinations, not only in Africa, but also in Asia and elsewhere.

The report developed a comprehensive IVCA for a sampling of eight distinct tourism products currently available in the Kenyan market: three in the wildlife safari tourism sub-sector; three in the coastal tourism sub-sector; one combination of both safari and coastal tourism sub-sector; and one tourism product catering mostly to local Kenyan tourists. The total package cost varied widely, ranging from as little as \$930 for a weekend safari excursion to a premium \$8,000 multi-destination safari package (refer to the table below).

Benchmarking the Net Local Expenditure According to Tour Package

	Total Package Cost	Total Local Expenditure			Public Sector Charges	Public Sector Charges as % of Total Local Expenditure	Total Local Expenditure (Net)	Net Local Expenditure as % of Total Package Cost
		(Gross)	Out-of-Pocket					
Wildlife Safari: Business/Conference	\$ 930.00	\$ 930.00	\$ 30.00	\$ 170.65	18.3%	\$ 759.35	81.7%	
Wildlife Safari: Private conservancy	\$ 2,475.00	\$ 2,475.00	\$ 245.00	\$ 1,263.03	51.0%	\$ 1,211.97	49.0%	
Wildlife Safari: Multi-destination	\$ 8,375.69	\$ 1,954.71	\$ 100.00	\$ 879.91	45.0%	\$ 1,074.80	12.8%	
Safari-Beach	\$ 2,872.00	\$ 1,455.31	\$ 100.00	\$ 489.60	33.6%	\$ 965.71	33.6%	
Beach: Full-board	\$ 1,695.00	\$ 630.87	\$ 340.00	\$ 245.02	38.8%	\$ 385.85	22.8%	
Beach: All-inclusive	\$ 4,986.97	\$ 3,065.43	\$ 407.00	\$ 869.95	28.4%	\$ 2,195.48	44.0%	
Beach: Bed & Breakfast	\$ 6,152.89	\$ 5,340.89	\$ 138.99	\$ 2,387.12	44.7%	\$ 2,953.77	48.0%	
Mombasa City: Bed & Breakfast	\$ 1,388.64	\$ 1,388.64	\$ 40.58	\$ 441.28	31.8%	\$ 947.36	68.2%	

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The analysis sheds light on a number of important issues regarding the various tourism products as well as the potential benefit that each product brings to the local economy. The key lessons include the following:

- Substantial Benefits from Premium Weekend Excursions:** Although the total cost of the tour package is the smallest among all eight IVCA's profiled in this study, weekend excursions often purchased by business and conference tourists have the largest net local expenditure as a percentage of total package cost. This suggests that premium weekend excursions as a tourism product have the potential of yielding the highest benefit to the local economy.
- Poor Infrastructure Discounts the Potential Economic Benefit to the Local Community:** While potential local economic benefits from weekend safari excursions are high, the high cost of vehicle and aircraft maintenance due to poor physical infrastructure combined with high operational costs as a result of limited support infrastructure in remote areas, erode the local economic benefits from tourism dollars. Specifically, rather than tourism dollars being expended to directly benefit the local economy, a sizable portion is being absorbed for maintenance, repair and upkeep. Thus, in the absence of renewed public and private investments in physical infrastructure, potential benefits to the local economy from tourism receipts will be greatly discounted. This challenge also applies to other premium wildlife safari packages.
- High Public Sector Charges Eroding Investments in Maintenance and Upkeep, and Undermining Opportunities for Private Sector Re-investment in the Tourism Sector:** The IVCA revealed that tourism operations, particularly those that emphasize community development activities and re-investment in the tourism infrastructure, face high public sector charges. As the table above indicates, in the wildlife safari private conservancy model, public sector charges as a percentage of total local expenditure was over 51%. Similarly, the bed and breakfast beach resort which has consistently maintained, upgraded and re-invested in its facility in order to develop a quality tourism package, faces public sector charges of 45% or more of the total local tourist expenditure. In this context, high public sector charges are undermining potential opportunities for private sector led growth and expansion in the tourism sector.
- Traditional Full-Board Beach Tourism Package Has the Potential for Yielding the Least Amount of Economic Benefits to the Tourism Sector:** The

net local expenditure as a percentage of total tourist expenditure was only 22.8% for the traditional full-board beach tourism package. This suggests that stakeholders in the coastal tourism sub-sector need to reconsider the way mass-market, mass tourism products are packaged and sold so as to improve the potential for local wealth retention.

- ***Some, but Not All, All-Inclusive Tourism Products are Damaging to the Tourism Sector:*** As the IVCA has shown, some all-inclusive tourism products yield substantial benefits to the local economy. As the table above indicates, net local expenditure as a percent of the total tourist expenditure was approximately 44%. Using the same measurement, the all-inclusive beach tourism package performed much better than the safari-beach combination, the traditional full-board tourism package, and the premium multi-destination safari. Furthermore, as noted in the table above, out-of-pocket expense, which has an immediate and direct benefit to the local economy, was highest among tourists who purchased an all-inclusive tour package.
- ***Curtailing Abusive Business Practices Employed by Some All-Inclusive Tour Operators Will Require Stricter Accounting and Auditing Requirements:*** Existing auditing requirements (certified accounts) in Kenya leave substantial room for creative accounting. In this context, one way of curbing the abusive business practices employed by some all-inclusive tour operators will be to mandate stricter accounting standards to close some of the obvious loopholes which are currently being exploited at the cost of the tourism sector.
- ***Need to Place More Emphasis on Attracting Local Tourist to Parks, Game Reserves and the Coast:*** As the statistics on bed nights suggests, local Kenyan tourists have the highest bed night stay among all other tourists coming to Kenya. Yet, tour packages, whether for a safari or a coastal vacation, tend to be priced higher for local tourist. The general attitude of tour operators in Kenya is that fees charged to local tourists need to cover shortfalls from catering to mass market tourists from Europe. In fact, the attitude should be exactly the opposite; operators should be encouraging increasing number of local tourists as a means to stabilize revenue flows mostly independent of political turmoil and security risks.
- ***Success of Niche Destination Activity:*** Even given the high cost, the IVCA showed the success (as measured in the number of repeat guest) of niche destination activity like sport fishing. Similar marine assets are available along Kenya's coast which needs to be effectively utilized in a sustainable manner to attract high-end tourism.

3.4 Benchmarking Kenya's Tourism Products with Selected Countries in Africa

Can the Ecosystem Continue to Support the Growing Market for Premium Wildlife Safari?: In wildlife tourism, the market is quickly moving toward customized, small scale, ecotourism packages that offer exclusive wildlife viewing. While the private sector in Kenya is responding effectively to this market trend, in the absence of an effective and

comprehensive conservation and wildlife management plan, the development of this tourism product is beginning to strain the ecosystem.

As the table below indicates, tourists coming to Kenya are willing to pay a premium price for a quality experience. In fact, premium safari packages offered by tour operators in Kenya are as much as two to three times the price of tour packages offered by competing markets in Africa.

Benchmarking Tourist Expenditures in Selected African Countries (\$/person/day)									
Expenditure Categories	Kenya: Premium Wildlife Safari		Kenya: Beach (All-Inclusive)		Ethiopia, Northern Heritage Route		South Africa: Kruger National Park ¹		
	\$/day	% of Total	\$/day	% of Total	\$/day	% of Total	\$/day	% of Total	
Accommodation	\$ 168.30	46.6%	\$ 48.94	56.6%	\$ 27.22	22.5%	\$ 55.00	49.5%	
Food/Beverage	\$ 83.44	23.1%	\$ 8.43	9.8%	\$ 9.94	8.2%	\$ 22.50	20.3%	
Excursions and Park Fees	\$ 22.98	6.4%	\$ 7.74	9.0%	\$ 22.26	18.4%	\$ 13.00	11.7%	
Inland transport	\$ 51.62	14.3%	\$ 9.49	11.0%	\$ 23.94	19.8%	\$ 10.00	9.0%	
Out-of-pocket expenditure	\$ 35.00	9.7%	\$ 11.82	13.7%		0.0%	\$ 10.50	9.5%	
Misc	0	0.0%	\$ -	0.0%	\$ 37.43	31.0%	0	0.0%	
Total expenditure/day (\$)	\$ 361.35	100.0%	\$ 86.42	100.0%	\$ 120.79	100.0%	\$ 111.00	100.0%	
Average length of stay (nights)	7.00		21.00		9.00		7.00		
Date of data gathering	2007		2007		2006		2002		
Expenditure Categories	Zambia ²		Gambia ³		Madagascar		Madagascar		
	\$/day	% of Total	\$/day	% of Total	\$/day	% of Total	\$/day	% of Total	
Accommodation	\$ 68.00	40.7%	\$ 17.67	25.2%	\$ 6.91	9.4%	\$ 18.25	13.2%	
Food/Beverage	\$ 25.00	15.0%	\$ 27.97	39.9%	\$ 8.83	12.1%	\$ 20.45	14.7%	
Excursions and Park Fees	\$ 27.00	16.2%	\$ 7.43	10.6%	\$ 5.66	7.7%	\$ 12.35	8.9%	
Inland transport	\$ 24.00	14.4%	\$ 4.63	6.6%	\$ 46.23	63.2%	\$ 57.75	41.6%	
Out-of-pocket expenditure	\$ 23.00	13.8%	\$ 6.52	9.3%	\$ 5.52	7.5%	\$ 29.87	21.5%	
Misc	0	0.0%	\$ 5.89	8.4%	\$ -	0.0%		0.0%	
Total expenditure/day (\$)	\$ 167.00	100.0%	\$ 70.11	100.0%	\$ 73.14	100.0%	\$ 138.67	100.0%	
Average length of stay (nights)	8.50								
Date of data gathering	2004		2005		2006		2006		

Sources: Compiled by Global Development Solutions, LLC, based on field interviews, the Journal of Sustainable Tourism; the World Bank; EMG (2005) The Gambia Tourism Development Master Plan Technical Volume No.3, Visitor Survey at Banjul Airport

NOTES:

- 1) Excluding one-day trips (those who did not stay overnight)
- 2) Non package tourists only. Polled at Lusaka and Livingstone airports, Livingstone hotels and Kafue and South Luanga National Parks.
- 3) Non-package tourism

Even at this premium price level, tourist arrival continues to grow, particularly in the wildlife tourism sub-sector. This suggests that Kenya is on the right track as far as the type of tourism product which it is promoting in the market. At the same time, however, given the incoherent policy and regulatory environment governing conservation and wildlife tourism, the sustainability and capacity of the ecosystem to continue to absorb and also increase the tourism load is highly questionable.

The ability of tour operators to deliver high quality wildlife tourism package will be a function of the effectiveness of implementing a long-term conservation and wildlife management initiative that engages local communities and provides them with an equitable distribution of economic benefits.

A Crucial Need to Repackage and Reformulate a Strategy for Marketing the Coastal Tourism Product: As the benchmarking table above indicates, the price of a beach tourism package offered by tour operators in the coastal region is well below the price of packages offered by markets in competing countries. This suggests that the current pricing structure does not reflect the quality of the coastal and marine assets in Kenya. At the same time, however, simply raising the price of beach tour packages will result in loss of market share. In this context, accelerating investments to upgrade existing tourism facilities is an essential element for improving high quality tourism traffic flow to the coastal area.

Similarly, as quality improvements are introduced to the tourism infrastructure, a coherent strategy combined with a strong public-private partnership to redefine and repackage the coastal tourism product will be required to transform the existing mass-market beach tourism product to a combination of products that cater to the medium-to-high end markets. This will require expanding the product offerings to include niche market activities such as sport fishing, eco/conservation deep sea-diving, and other products that take advantage of the substantial coastal and marine assets available in Kenya.

As with the wildlife tourism sub-sector, the coastal tourism sub-sector will require an effective and transparent legal and regulatory framework that curtails the abusive business practices employed by a few tour operators. The value chain analysis showed that some all-inclusive tour packages are beneficial to the local economy, but a few that continue to abuse the nascent accounting standards have tarnished the image and perception of Kenya's coastal tourism products. At the same time, this abuse has undermined the trust between the private and public sectors, as well as to divide the stakeholders within the sector. In this context, a strong private sector initiative, supported by the public sector, to improve compliance with a code of conduct to help improve self-regulation within the sector is deemed essential.

4 Conclusions and Recommendations

Annex 1: Applying the Yellowstone Model – Key considerations when establishing a national park

Over the past century national parks have been established throughout the world with developing countries having founded national parks at an increasing rate over the latter half of the 20th century. Developing countries often establish these parks in an attempt to bolster in-country attractions in order to entice tourists. A commonly used model for the new parks is that of Yellowstone National Park in the United States.

In 1872, Yellowstone became the world's first²⁷ national park. Although before becoming a park, the land had been occupied for years by Native Americans, the newly declared park was to exist for the enjoyment of people but without permanent human habitation or extractive use. Thus, hunting, fishing, grazing and even the collection of water was banned. In establishing the park, in order to preserve the wilderness of the area, the local inhabitants were displaced outside of the park.

The Yellowstone Model, as it has become to be known, has been implemented world wide since the late 1800s, and as many as 8,500 national parks exist in the world today. Many of these parks have been established in developing countries, particularly in the last decades, with the hopes of luring tourists. Although the Model promotes conservation and halts the destruction of resources, since the early 1980s, however, protected area professionals have challenged the Yellowstone Model deeming it inappropriate for many of the situations in which it was implemented. Several reasons exist for the inadequacy and the literature written on the subject is extensive. The following is a summary of inadequacies that especially pertain to the model as applied in developing countries:

- People often live where the park or protected area is created. It is therefore often necessary to relocate them to another part of the country. This displacement often has devastating economic consequences;
- The people who live in the surrounds of the newly protected areas are most commonly farmers and herders who rely on the land and its resources for their survival. Restricting their access invariably means economic hardship. As a result, local people tend not to willingly participate in conservation initiatives when posed with the Yellowstone Model. Even when faced with legal restrictions, border patrols and arrest, local residents still tend to use the resources out of necessity as well as to defend their rights. At this point not only are local livelihoods threatened, but the conservation agenda itself is unlikely to succeed;
- Planning is highly centralized. Professional planners are empowered to make changes that primarily influence the rural population. Proponents of the Yellowstone Model view anyone who lives in the periphery of the park and benefits economically in some way as a "beneficiary" of the park. Thus, conservation is done to them, not by them. There is little if any participation in the planning process or management by the local community;

²⁷ Dissenters exist as to what the first national park actually was. See Hamilton-Smith, E; A World Perspective on Cave and Karst Protection: Paradox and Problems

- There is often a transfer in economic beneficiaries when the income generation of the land is shifted from resource-use to tourism. Typically, this shift is from rural to urban as tour operators are commonly urban elites; and
- The Model reflects the needs, values, and economic realities of the European and American experiences.²⁸

Critics all point to the distress caused by the removal of indigenous peoples from their traditional grounds; lands upon which they settled many years ago mainly because they were able to sustain on that land and not necessarily in the surrounding regions. These displaced peoples are considered out of the system and are not involved with the preservation of the land (in several cases clashes between police and displaced peoples resulted in death – including a situation early on at Yellowstone itself in 1877 in which 300 people died in clashes between native groups and civilian superintendents).

With hunting being forbidden, growing populations of species such as wild boar, leopard, bear, tigers and lions have grown to where they will roam out of the national parks in search for food and space, and thus pose a potential threat to the people who live outside the periphery (often times the people originally displaced from the land). Attacks on humans resulting in severe injury and death have been reported. A survey carried out in India in the mid 1980s estimated that 30% of the protected areas surveyed reported incidents of human injury or death. There is also substantial damage to livestock and crops. In developing countries especially, not enough protection or compensation is provided to those incurring such losses.²⁹

Keeping locals' interests in the forefront assists in the preservation of the lands since in many cases these people had settled centuries ago and have preserved the land for their own survival. New paradigms are being developed that incorporate many elements of the Yellowstone Model but also allow concessions for the local inhabitants.

The Tsavo National Park in Kenya serves as an illustrative and relevant example for many national parks. In 1948, Tsavo National Park was established as the first national park in Kenya. Tsavo was also modeled after Yellowstone as were several others that followed. The Model prevented hunting and collection of natural resources from inside park boundaries. However, due to the nature of the land and the people living in Kenya, the Yellowstone Model is not functional in the Kenyan system. For instance, the area around Tsavo National Park is semi-arid and therefore lacks water. Inside the national park, however, Tsavo is rich in wildlife because of its permanent water supply. This creates a problem with the local tribe, the Masai, a primarily pastoral people that needs to use the water for livestock and themselves. If they are prevented from using this water supply, they will die. This conflict also exists in several other parks in Kenya, such as Masai Mara and Amboseli. This problem is one example of why reserves need to be set up to work specifically to the area involved. As it became apparent that using the Yellowstone Model was destructive to the livelihood of

²⁸ Marcus, Richard R. and Kull, Christian; *Setting the Stage: The Politics of Madagascar's Environmental Efforts*; *African Studies Quarterly*, May 8, 2003

²⁹ Bhatt, S. and Kothari, A.; *Protected Areas in India: Proposal for an Expanded System of Categories*

the Masai, policies began to change to allow the collection of water within the park and the grazing of livestock sometimes in the dry season in a number of these parks.³⁰

³⁰ Earlham College; Case Study: Kenya; December 3, 2004

Annex 2: Profile of Other EU Countries

A. Profile of Other EU Countries

FRANCE³¹: France represents the third biggest outbound travel market in Europe. The French recorded more than 5.7 million trips to developing countries in 2003. By a huge margin, French outbound travel to Africa was the highest in Europe. French arrivals to Africa totaled to nearly 2.7 million whereas the second highest EU arrivals were from the UK with less than 1.5 million. Two factors influencing this high proportion of French arrivals in Africa are 1) the French have a high proportion (18%) of outbound destinations to developing countries and 2) the French like French speaking destinations. Perhaps the driving force, however, is that many French residents are from Morocco and Tunisia. This is evidenced by the fact that with 916,000 French arrivals, Morocco was the leading developing country destination for the French while Tunisia, with 834,000 French arrivals, was number two.

The French have five weeks of vacation per year and 60% of the people take three of those weeks in the summer, mostly in August. The other two weeks are taken coinciding with school vacation: a week in February and a week in April. Twelve percent planned on traveling outside of the EU in 2004. Organized trips are predominantly booked by the older market. Common French travelers are under age 30, Parisians, business people, DINKs and gays. There is a trend of choosing destinations at the last moment. French prefer independent travel to all-inclusive packages. Spa holidays, either domestic or in Morocco/Tunisia, are popular.

The French are well-versed with the Internet and more than two-thirds of the French claimed to have purchased travel products online in 2004. This practice of Internet purchasing is growing rapidly with plane tickets and holiday tours being the most queried items.

The general profile of a typical French tourist:

- Looks for a complete experience when traveling; variety in terms of culture, nature and adventure all in one vacation;
- Is fond of culture and history and will often choose a city based on its reputation for art and museums;
- Prefers mid-priced accommodation and enjoys country house hotels. Interest in bed & breakfasts is growing due to the personalized treatment received and interaction with the local population;
- Likes to experience uncommon activities when traveling (ice fishing, ballooning...) and appreciates special touch such as gourmet dinner at an art gallery, local cuisine served in a scenic location, city tour followed by wilderness trek);
- Prefers tours over resort stays;
- Appreciates the feeling of preferential treatment;

³¹ Information in this section is derived from CBI EU Market Tourism – Country Profile France, January 2006

- Does not have a good command of the English language, prefers not to speak English and often favors French speaking destinations (and obviously requires brochures/marketing materials in French);
- Increasingly interested in sustainable tourism linked to nature, arts & culture; and
- Price sensitive wanting value for the money.

The Web site www.tourismfordevelopment.com offers some specialized French tour operators to developing countries. Click on “les partenaires”.

ITALY³²: Ranks fourth in the EU for outbound travel. From the total 22.6 million outbound trips in 2003, 19%, or 4.4 million trips, were to developing countries. Italians generally have three to four weeks off and the peak travel month is August. They are lured to the water for vacation with almost half of the summer holidays being spent at the sea. In winter, they are attracted to exotic foreign beaches. The uncompetitive prices of Italian resort areas are persuading many Italians into the outbound market. Recently, most growth in outbound travel has been through middle income, well educated people and by DINKs. Incentive travel is growing in popularity as well, particularly in the financial, pharmaceutical and manufacturing industries in the more affluent northern part of the country. The larger companies are offering custom trips to exotic locations. People 55+ are also a key segment since nearly ¼ of the Italian population is over age 60, the highest proportion in the world.

Many Italians seeking an exotic destination booked last minute, all-inclusive packages at an affordable price. The Italian tourist, however, is better informed (information has become important to Italians and a growing source of it is the Internet) and more selective than in the past and thus chooses a destination carefully, albeit late.

The general profile of a typical Italian tourist:

- Interested in green tourism;
- Easily intimidated by unsafe conditions (terrorism);
- Has above average daily expenditures;
- Spends much on restaurants since food is of high importance; otherwise looks for good value in accommodation and overall destination;
- Demands especially clean accommodations, whether hotel or bed & breakfast;
- Environment and courtesy of local people are important factors;
- Does not have good command of English so prefers brochures and information in Italian;
- Interested in history, politics and local way of life;
- Influenced by current trends and fashions and by opinions of family and friends;
- Likes to discover a destination independently therefore making package deals less interesting (trend is growing to purchase cheap online air tickets and then purchase a tour operators ground package); and
- Enjoys shopping, relaxing, nightlife, good food and spectator sports.

³² Information in this section is derived from CBI EU Market Tourism – Country Profile Italy, January 2006

For a database of tour operators by destination, check the Web site of the Association of Italian Tour Operators: www.astoi.com – go to “gli associate” then “database destinazioni” for the database.

THE NETHERLANDS³³: Ranked the fifth most significant source of outbound travel in the EU. Eight percent of outbound tourism, approximately 2.4million trips, was to developing countries in 2003. More than 20% of the Dutch plan to take long haul trips within the next three years.

Twenty-three days of annual leave is the norm in The Netherlands. The Dutch are significant long haul travelers and are known for being of the worldliest travelers in the EU. Typical travelers are young professionals, families, empty nesters (couples whose children have matured and left home) and seniors. The singles market is strong with approximately 2.5 million singles over the age of 18.

Long haul is expected to increase due to several factors; 1) an increase in available vacation resulting from higher wages and compensation for overtime (the Dutch have the highest GDP per capita of the seven EU countries presented here) 2) the strong euro and 3) fierce competition among the enormous number of travel outlets and organizers in the Dutch market. As with the Germans, the Dutch put much effort into researching destinations before traveling. The Internet was a major source for trip planning according to 70% of Dutch travelers. Although the Dutch are excellent linguists with good command of English, tour operators would have an advantage with Dutch language Web sites and brochures. It is important to point out in the marketing information where the Dutch tourist will find good areas for biking, hiking, rollerblading, etc. Although online bookings are increasing for short trips, long haul travelers still prefer working with a travel agent.

The general profile of a typical Dutch tourist:

- Environmentally concerned (green tourism is growing);
- Leads a healthy lifestyle and enjoys outdoor activities; likes walking, camping, visiting gardens (demand for such is growing);
- Passionate about independent traveling (niche tourism and customized modules are growing);
- When partaking in a sun holiday, all-inclusive packages are preferred;
- Enjoys short breaks for thematic trips (increasing in popularity) such as cooking in Istanbul or opera tour in Verona;
- Very price sensitive and becoming more demanding of value thereby leading to last minute decisions looking for the best deals;
- Excellent linguist, well educated, well traveled, well informed, independent and resourceful;
- Likes to explore when traveling and learning how others live;
- Greatly appreciates personal advice while traveling in order to learn of interesting places to see and things to do (will encourage longer stays and return visits) – enjoys direct communication and personal attention; and

³³ Information in this section is derived from CBI EU Market Tourism – Country Profile The Netherlands, January 2006

- Requires cleanliness and expect problems to be handled at once.

SPAIN³⁴: Ranked sixth in the EU for outbound tourism to developing countries. Outbound tourism is relatively new for modern day Spain having begun only in the mid 70s. Spaniards took 1.5 million outbound journeys to developing country destinations in 2003, up 8% from 2002, and have a preference for Spanish speaking destinations. Developing countries comprised 9% of outbound travel.

Spaniards typically receive up to four weeks of paid vacation per year. Vacations are often taken during July and August. Being a culture in which family ties are strong, the Spanish often travel as a family. Fifty-two percent travel abroad as a family, 32% travel as a couple and only 6% travel alone. Only 5% of all Spaniards travel outbound, most of who come from Madrid and Barcelona as well as Valencia and Basque region. Spanish travelers are often DINKs between the ages of 25 and 44 (approximately 1.3 million people). A growing market is also seen with larger companies in certain industries offering incentive travel. Traditional elements of a vacation are culture, relaxation, shopping, sightseeing and spectator sports. Spaniards are growing more health conscious leading to an increasing interest in adventure tourism. The majority of trips, private or incentive, have a cultural destination although beach holidays are also popular. Travel information is found through the Internet with 62% of Spaniards claiming to do so and online sales of travel products has risen considerably in the last few years.

Concerning the travel industry itself, Spain can boast the highest number of travel agents per capita. The increasing use of the Internet is forcing some of the small and independent agents out of business

The general profile of a typical Spanish tourist:

- Has an increasing desire to do something different;
- Known for having the highest spending on credit cards in Europe;
- Has a travel budget ranging from €1,900 to €2,600 per person per long haul trip;
- Looking for value products;
- Enjoys visiting local markets, pubs and shopping;
- Prefers good hotels with services;
- Favors a good climate, culture, cuisine and activities;
- Strongly prefers brochures in Spanish (signage as well);
- Prefers late dinners and going out at night to talk, eat, drink and being part of a crowd; and
- Does not book travel much in advance.

A database of tour operators by country of destination can be found at www.comoviajar.com.

³⁴ Information in this section is derived from CBI EU Market Tourism – Country Profile Spain, January 2006

BELGIUM³⁵: Although the population is small, Belgium ranks seventh in the EU for outbound travel. Overall, 77% of the population travels abroad with 13% engaging in long haul travel. In 2003, Belgium recorded 1.1 million trips to developing countries.

Belgians have four to five weeks of vacation per year. The holiday season stretches from June – mid September with July being the most popular month for vacationing. Most frequent travelers are between 45 and 54 years old (81% of this group are travelers) then the age group between 25 and 44 years old (78% travelers). Most Belgians, 70%, arrange their trips individually rather than going through a travel agent. All-inclusive packages are popular. Email marketing has a high impact in Belgium and 1.3 million people booked at least part of their trips online in 2004.

The general profile of a typical Belgian tourist:

- Spends time researching before taking vacation (37% visit travel agencies, 31% use the Internet, 25% confer with friends/relatives to research destinations);
- Keen on good quality bed & breakfast with warm and personal welcome;
- Especially fond of walking, visiting gardens and cultural events;
- Increasingly interested in all-inclusive tours;
- Good linguist who likes to speak English; and
- Appreciative of good service, food and comfort.

Belgian tour operators offering trips to developing countries are on <http://www.abto.be>. Click on “ledenlijst”.

B. *Tourism Trade Shows*

The table below lists the most important EU trade fairs for tourism. The season starts in the UK with WMT. This show is for people to get acquainted with the new ideas, products and trends. The subsequent shows involve more negotiations and all culminates at ITB with contracts being signed. Since catalogs are usually published in November/December, negotiations should be finalized before April so the location can be visited before high season so preparations can begin for the catalog in September.

³⁵ Information in this section is derived from CBI EU Market Tourism – Country Profile Belgium, January 2006

Major Tourism Trade Shows in Europe, 2005

	WTM	Vak.Beurs	FITUR	BIT	ITB
Location	London/UK	Utrecht/NL	Madrid/ES	Milan/IT	Berlin/D
Dates	November	January	January	February	March
Days	4	6	5	5	5
Countries	202	100	170	120	169
Exhibitors	5,100	1500	10,000	5,000	6,700
Consumers	0	160,000	100,000	46,000	139,000
Trade visit	23,000	16,000	102,000	100,000	75,000
Area gross	70,000	36,000	83,000	56,000	84,000
Space \$/m (2004)	486	90	80	105	102
Character	News	Orientation	Orientation	Orientation	Contracting

Source: CBI

Information for each fair can be found at the respective Web site as listed below:

- WTM: <http://www.reedtravelexhibitions.com>
- Vakantiebeurs: <http://www.vakantiebeurs.nl/>
- FITUR: <http://www.fitur.ifema.es>
- BIT: <http://bit.expocts.it/>
- ITB: <http://www.itb-berlin.com>