

# Development

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## Significance of Policy Recognition of Peer-to-Peer Accommodation Networks in Growth of Kenya's Tourism Sector

Our Resident Research Fellow for the Development Pillar, Michael Owuor, will today in **GLOCEPS Daily Influential Brief** discuss Kenya's tourism policy frameworks in relation to the growing popularity of peer-to-peer (P2P) accommodation networks. We invite you to explore the relationship between Kenya's tourism policy environment and emerging market dynamics and discover if the policy framework is impacting on the sector's growth and competitiveness. **(Dr K O Asembo- Editor-in-Chief)**

**Michael Owuor**

### Abstract

The paper argues for policy recognition of peer-to-peer (P2P) accommodation networks to ensure growth and harmonization of Kenya's tourism sector. Policy discussions around P2P accommodations' popularity, regulation and safety are advanced for the sector's growth and competitiveness.

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## Background

The Tourism Agenda of 2018-2022 and the Tourism Blueprint 2030 by the Kenya Ministry of Tourism and Wildlife provide the sector's policy framework. Emphasis is directed at traditional markets, products and destinations while remaining unconcerned towards the emerging tourism economy on peer-to-peer (P2P) accommodation.

Policy makers remain unknowledgeable on the popularity for P2P accommodation networks and the inherent concerns on regulation and safety. The lack of inclusive policy recognition is detrimental to the sector's harmonization, growth and competitiveness.

## Key Issues

### Popularity around P2P Accommodation Networks in Kenya

Peer-to-peer (P2P) accommodation networks have been on the upsurge since 2010. The networks represent the fastest growing tourism segment which is competing against traditional accommodation establishments like hotels and resorts.

Conservative figures indicate that Kenyan hosts of P2P accommodation networks received USD 3.5 million in 2017 and USD 5 million in 2018. While P2P networks account for around 7% of the accommodation market, the pre-COVID annual global growth of P2P accommodation networks is estimated at 31% between 2013 and 2025. This is six times the growth rate of traditional accommodation establishments.



Photo credit:  
[www.Lapeerhotel.com](http://www.Lapeerhotel.com)

While policy frameworks remain focused on traditional markets, products and destinations, new growth opportunities are focused on price-consciousness, authenticity seeking and experiential travelling. The lack of a policy regime that captures these evolving dynamics is likely to stifle growth or subject the delicate industry to uncertainties.

## Tourism Sector Regulation

Regulation of the tourism sector is undertaken to harmonize quality of service and improve tax revenue collection. In Kenya, this role is the preserve of the Tourism Regulatory Authority (TRA). Regulation plays an important role towards enhancing growth and competitiveness.

On taxation, Kenya's regulation compares poorly to the emerging P2P accommodation networks. While hosts on P2P networks are subject to 3% service charge by the platform provider and a proposed 5% tax by TRA, traditional accommodation establishments are subject to 58% costs in taxes, lighting and labor costs. Additionally, the hotels are required to comply with twenty different licenses, varied fees and levies by county governments, food, beverages and hotel maintenance expenses. As a result, most hotels are not tax compliant and are financially distressed.

Extractive taxation remains responsible for making Kenya an unattractive destination for tourism sector investment and visitation. Capital and visitor flight to other competitive destinations like South Africa, Morocco and Rwanda will ensure the hemorrhaging of business, jobs and tax revenue from Kenya tourism sector.



Photo Credit: WheelChair Travel

Generally, increased taxation on tourism services in developing countries has substantial impacts on tourism revenue. Introduction of 18% Value Added Tax (VAT) of tourism services (previously tax exempted) by Tanzania in 2016 resulted in a drop in hotel occupancy. Similarly, a 15% VAT tax on tourism services by Zimbabwe resulted in approximately USD 124 million loss in tourism revenue.

Policy on regulation is key in determining the sector's competitiveness, usually undertaken on value and price points. These are key in determining size of tourists. South Africa's threefold tourism growth of 6.7 million visitors in 1990 to 16.65 million visitors in 2019, illustrates as much. The high quality of tourism assets and infrastructure, safety of visitors and accommodations were some of the key drivers behind the growth. Policy recognition is therefore significant to creating an enabling business environment for both P2P accommodation networks and traditional accommodation establishments.

## Tourism Sector Safety

The fragility of the tourism sector to security lapses and risks inform the need for policy makers to understand and address the P2P accommodation phenomena. The trust factor, a critical barrier to the uptake of P2P accommodation networks, has informed the adoption of mechanisms for trust building by P2P providers.

In the face of policy indifference, they implemented security boosting mechanisms such as mutual review systems, addition of government identity cards, phone numbers, provision of photos, mutual friends and social connections.

Policy recognition is significant in addressing concerns and negative attitudes by traditional accommodation establishments and governments around P2P networks and security. Various jurisdictions require that P2P platforms share their list of hosts for regulation, administration of accreditations and taxes.

As such, P2P accommodation network requires urgent consideration in the tourism sector policy framework to cushion the entire tourism sector from inherent risks as well as promote growth and competitiveness.

## Conclusion

The tourism regulator and actors need to harmonize the sector to embrace emerging trends and dynamics. Tourism policies need adaptation around regulation, security, products and accommodation facilities for the sector's growth and competitiveness.

Further, policy indifference towards P2P accommodation networks will not only inhibit the sector, it will lead to an uneven operating field, security lapses and expensive packages. This only lowers Kenya's competitiveness in the global tourism market.

## Recommendations

1. The Kenya Ministry of Tourism and Wildlife to undertake revision of the Tourism sector policy blueprints to recognize P2P accommodation networks and associated issues of popularity, regulation and security.
2. The Kenya Ministry of Tourism and Wildlife, Council of Governors, The Treasury, The National Assembly, the Senate and Kenya Association of Hotelkeepers and Caterers to deliberate, streamline and enact competitive, uniform and comprehensive regulatory and tax frameworks at national and county levels.
3. Kenya Association of Hotelkeepers and Caterers and traditional tourism establishments need to adapt and localize their business models in line with current clientele and market dynamics.

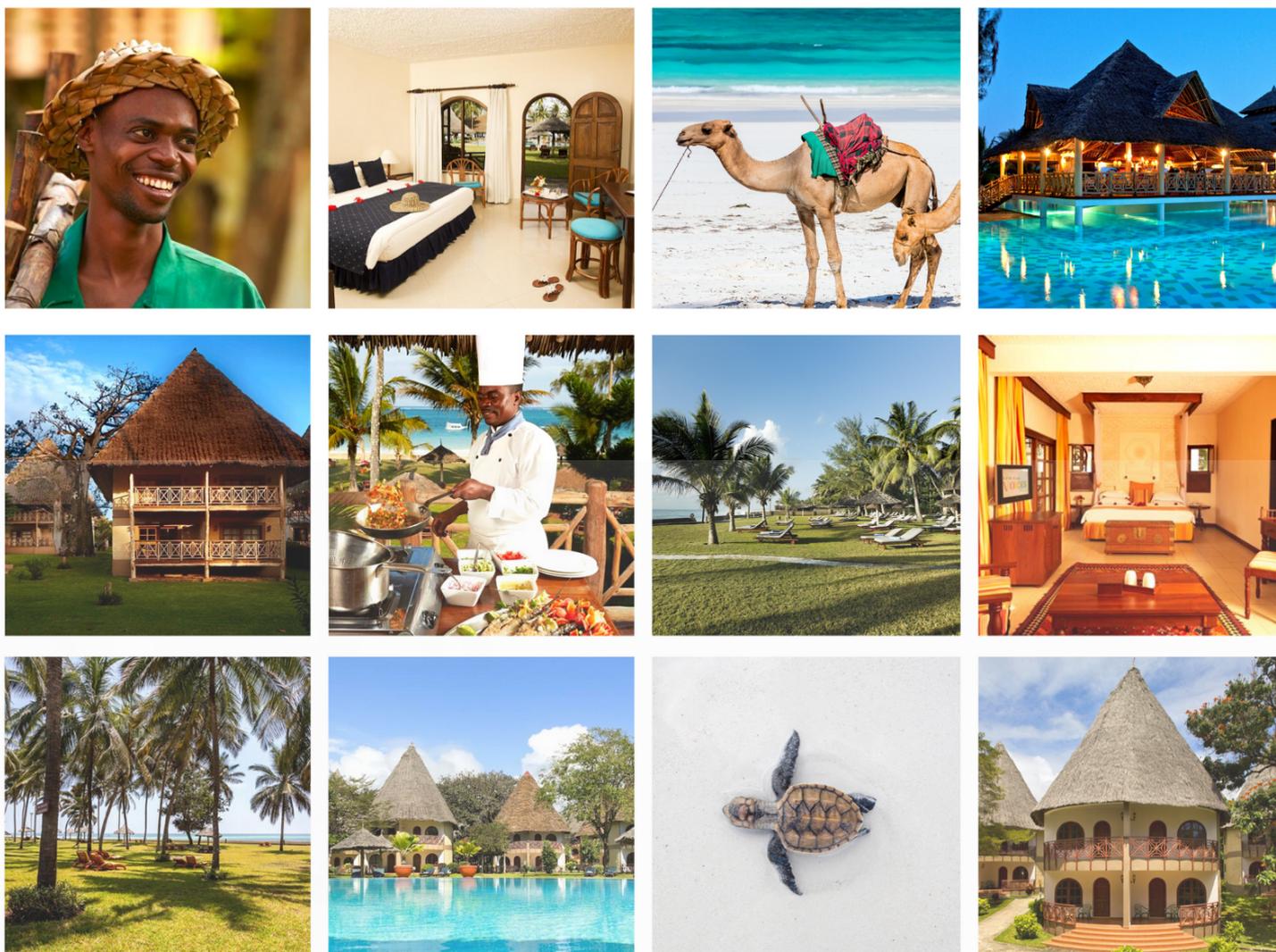


Photo Credit: KiteMotion

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