The Economic Impact of Nature Tourism in Zambia

Based on work by Goodson Sinyenga, Besa Muwele and Kirk Hamilton

A Government of Zambia-UNDP-DANIDA-World Bank study
Background

First element of a 3-part study:

- **Economic impact of tourism**
- Impact on households of Game Management Areas
- Strategic planning of the Zambian Wildlife Authority
The tourist survey

- 1581 tourists surveyed in Nov. 2005
- Survey sites were Lusaka and Livingstone airports, Livingstone town, South Luangwa and Kafue national parks
- Aimed at holiday-makers
  (31% of all visitors or 206,000 tourists)
Information already presented in September 2006
Tourist characteristics

- Economically active (only 13% retirees)
- Well-educated (88% have a post-secondary degree)
- For 71% this was their first visit to Zambia
Main purpose for visit

- Mosi Oa Tunya Falls: 54%
- Viewing wildlife: 28%
- Adventure trip: 5%
- Hunting trip: 1%
- Other: 12%

Holiday-makers >88% coming specifically for nature-base tourism
Duration of stay

Average stay
Zambia: **6.3 days**
Botswana: 8.6
Namibia: 12.4
Number of sites visited

84% only visit one site
## Visitor satisfaction

<table>
<thead>
<tr>
<th>Location</th>
<th>Good %</th>
<th>Very good %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livingstone</td>
<td>44</td>
<td>46</td>
</tr>
<tr>
<td>South Luangwa</td>
<td>34</td>
<td>61</td>
</tr>
<tr>
<td>Lower Zambezi</td>
<td>29</td>
<td>68</td>
</tr>
<tr>
<td>Kafue</td>
<td>54</td>
<td>40</td>
</tr>
</tbody>
</table>

84% would visit Zambia again
Measuring willingness to pay

- Questions were posed on exit (when leaving lodge or at airport)
- Scenarios were concrete – specific improvements to parks or nature protection, rooted in experience tourist just had
- Amount of payment based on payment card
Willingness to pay park fees

<table>
<thead>
<tr>
<th>Location</th>
<th>Current fee</th>
<th>No improvement</th>
<th>With improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Livingstone</td>
<td></td>
<td></td>
<td></td>
</tr>
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<tr>
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<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Willingness to pay conservation fee

- Holiday
- Business
- Conference
- VFR
- Other

Willingness to pay, $
## Financing conservation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005 park fees</td>
<td>$2.1 m</td>
</tr>
<tr>
<td>Potential park fees</td>
<td>$3.8 – 5.1 m</td>
</tr>
<tr>
<td>Potential conservation fee</td>
<td>$6.4 m</td>
</tr>
<tr>
<td><em>(South Africans and non-Africans only)</em></td>
<td></td>
</tr>
<tr>
<td>Total available for annual <strong>maintenance</strong> of natural assets on which tourism is based</td>
<td>$10.2 – 11.5 m</td>
</tr>
</tbody>
</table>
New information
Expenditure per person-trip

<table>
<thead>
<tr>
<th>Nature tourists: per person per trip without airfare</th>
<th>$</th>
<th>Percentage tourists</th>
</tr>
</thead>
<tbody>
<tr>
<td>International package</td>
<td>3098</td>
<td>30%</td>
</tr>
<tr>
<td>Local package</td>
<td>1137</td>
<td>13%</td>
</tr>
<tr>
<td>Local non-package</td>
<td>1092</td>
<td>57%</td>
</tr>
</tbody>
</table>

Best estimate of expenditure in Zambia by nature tourists is \(~$1100\) per person per trip
Distribution of expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel</td>
<td>47</td>
</tr>
<tr>
<td>Transportation</td>
<td>16</td>
</tr>
<tr>
<td>Food</td>
<td>19</td>
</tr>
<tr>
<td>Shopping</td>
<td>3</td>
</tr>
<tr>
<td>Activities</td>
<td>15</td>
</tr>
</tbody>
</table>

This is how the total expenditure of $1100 breaks down.
# Economic impact

The direct + indirect impact of 206,000 nature tourists spending each $1100 in Zambia.

## Economic Impact Table

<table>
<thead>
<tr>
<th></th>
<th>Per tourist</th>
<th>For the 206,000 tourists of 2005 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value added</td>
<td>$2,288</td>
<td>$471</td>
</tr>
<tr>
<td>Wages &amp; NIUB</td>
<td>$1,298</td>
<td>$267</td>
</tr>
<tr>
<td>Indirect taxes</td>
<td>$152</td>
<td>$31</td>
</tr>
<tr>
<td>Corporate taxes</td>
<td>$265</td>
<td>$55</td>
</tr>
<tr>
<td>Imports</td>
<td>$425</td>
<td>$88</td>
</tr>
</tbody>
</table>

## Employment

<table>
<thead>
<tr>
<th></th>
<th># permanent jobs for the 206,000 tourists of 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>63,242</td>
</tr>
</tbody>
</table>
Impact – all nature tourists

Tourism share of individual categories

- Exports: 17.9%
- Govt revenue: 8.0%
- GDP: 7.5%
- Wages & NIUB: 7.1%
- Employment: 9.6%
Employment impact

- The Hotel and Restaurant sector is an important source of formal employment
  - each ZMK 1 bn (~$240,000) of final expenditure generates 182 jobs
  - second only to construction in job creation
Growing the sector

- **54%** of holiday visitors see the Falls (a one-day trip); **84%** visit only one site
- If visitors stayed an extra **2.3 days** (to match Botswana visit duration), this would increase exports by **$77 m**, directly add **1.5%** to GDP
- This would require
  - (i) more promotion of Zambia tourism,
  - (ii) improved infrastructure,
  - (iii) scaled up private sector investment,
  - (iv) improved and increased wildlife products,
  - (v) tourism skill development.
The myth of ‘leakage’

- Two types of “leakages” are identified
  - External (airfare & tour operator services)
  - Internal (imports & repatriation of profit)
Type 1: Upstream leakage

- Average total trip cost for the tourist in full package is ~$4600:
  - $1,100 per person-trip expenditures in Zambia (100% tourists)
  - $1,500 airfare (100% tourists)
  - $2,000 packaging by foreign tour operator (30% tourists in full package)

- Airfare & tour operator services is, for now, a service provided by oversea firms to foreign tourists.
Type 2: In country leakage

- Import could be considered as leakage
  - Average direct import per tourist is < $202 or 18% of direct expenditures
  - This is significant but likely less than the mining sector (data not available)

- Repatriation of profit by foreign investors
  - No data on profit were collected
  - Return of foreign capital is expected to be mobile
  - More and more national investors will lead to less and less profit repatriation (indigenous Zambian already own over 65% of accommodations in Livingstone)
  - But foreign capital is key to generate accelerated growth and thus profit repatriation
Conclusions

- Tourism a burgeoning industry: >88% nature-based, 42% less than 3 days, 84% only one site, 71% 1st-timer, 84% would return.
- Tourist willingness to pay could generate $10.2 - $11.5 million per year for conservation (i.e., maintenance of nature capital – not for investments).
- Nature tourists are major contributors to the economy: 18% of exports, 7.5% of GDP, > 7% of wages, 8% of government revenues (indirect and corporate taxes) and ~ 10% of formal sector employment.
- Leakage is large but “normal”. Citizen empowerment policies will help. Policies & investments to expand duration of stay will already have major economic impact from the fraction spent in Zambia.
Conclusions: the three pillars of growth

- **Mining** uses up the soil minerals and degrades the environment with substantial impact on the human health, on public infrastructures, etc.

- **Agriculture** uses up soil fertility, clear forested land and often leads to soil erosions.

- **Tourism** takes away nothing from the country, it is based on a well preserved environment and can thrive on a local culture.
  - This study shows that tourism impact on export, on the economy, on employment, on government revenues is much larger than commonly accepted. It is already a true pillar of the Zambian economy. Still burgeoning, it also has enormous potential for growth given more attention and investment.