Unlocking the potential of tourism in Zambia

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October 4 2010

Although Zambian authorities recognize the importance of tourism, the sector suffers from preconceived ideas. It is underperforming and only attracts 3% of tourists visiting Sub-Saharan Africa. And yet a detailed analysis seems to indicate that financial leakages are overestimated, economic spillover effects are not clearly grasped and that tourism could make an even greater contribution to economic development and poverty reduction.

Tourism in Zambia was given a formal role in the economy in 1996 when it was reclassified from a social to an economic sector, a role that was strengthened in the Poverty Reduction Strategy Paper of 2001. In its various planning documents, including the Fifth National Development Plan (FNPD) of 2007, the Zambian Government identified tourism as one of four sectors (the others being agriculture, mining and manufacturing) essential to economic development.

Nonetheless, the tourism sector is being neglected. The government contributes little financial support because it views this foreign-dominated sector as having a high degree of financial leakage (Table 1). This is evidenced by the less-than-optimal performance of the Zambia Wildlife Authority (ZAWA) and the insufficient capacity of the Ministry of Tourism, Environment and Natural Resources. Both lack the financial resources to perform their roles in conservation and tourism development.

Compared with competing countries, the private sector is small and fragmented and largely distrustful of the government, citing inconsistent policies, a weak incentive structure and a poor business climate in the tourism sector. Tourism operators frequently complain that Zambia is a high-cost environment, in terms of operating costs (fuel and vehicle expenses), fiscal charges (taxes, levies, licence fees) and input costs (raw materials). Many operators have developed tourism fatigue, believing that the current rate of growth is unsustainable without improved government commitment and a clear strategic focus.

The overall consequence is that Zambia’s tourism is underperforming, capturing only 3% of Sub-Saharan African tourists (Table 1). However, tourism in Zambia is a rich vein of revenues and jobs, and is therefore being unjustifiably neglected. The Zambian Government can remedy this situation and further exploit the sector’s potential by providing stronger financial support and implementing simple reforms in order to improve the sector’s public governance and encourage private sector participation.

The government needs to go beyond its assumptions regarding tourism activities. A detailed analysis not only shows that tourism’s economic impacts are stronger than they appear, but also that there are opportunities to contribute to poverty reduction at low cost. It also appears that the financial leakages of tourism activities are overvalued.

Real versus perceived economic impacts
Tourism (nature tourism in particular) contributes substantially to the economy. Although Zambia had 668,862 international visitors in 2005, only 176,000 could be characterised as nature tourists. Yet, each spent about USD 1100, generating a direct and indirect impact of nearly USD 2300 in GDP, USD 1300 in wages and net income of unincorporated business (NIUB), USD 420 in tax revenue, and USD 425 in imports (Natural Resources Consultative Forum (NRCF), 2007). Every three nature tourists generate one full-time job.

When considering its direct impact only, the level of spending by nature tourists represented an export value of USD 194 million or 3.1% of GDP (World Bank, 2007). Consequently, when considering tourism as a whole, its contribution was much higher, around 6% to 10%. In comparison, mining contributed 8.6%, agriculture 6.5% and manufacturing 10.6% (World Bank, 2007). In total, nature tourists contributed nearly 16% of Zambian exports, 6.5% of GDP, more than 6% of wages and NIUB, 7% of government revenues, and nearly 10% of formal sector employment, equivalent to 54,000 jobs (NRCF, 2007).

The direct contribution to employment was an estimated 19,000 jobs, stimulated by enterprises directly connected to nature tourism as a result of only one quarter of all international visitors in 2005, yet it compares favourably with other growth sectors such as agriculture (56,000 jobs), mining (46,000 jobs) and manufacturing (56,000 jobs) (Zambia Central Statistical Office (ZCSO), 2007). When comparing the real economic to the perceived impact as per the FNDP document, and baselines and target figures (Table 2), it appears that the impact of tourism is acutely underestimated. If 176,000 nature tourists had such an impact, the 668,862 visitors in 2005 had an impact that far exceeds the FNDP targets for 2010.

**Missed opportunities for poverty alleviation**

Nature tourism appears to be an underexploited leverage for poverty reduction, and its impact could be much greater. Households around parks tend to be 30% poorer than average rural households (World Bank, 2007). This is partly due to the land being isolated and infertile, which limits the communities’ access to markets and public services, and partly due to restricted access to hunting revenues generated by ZAWA (Table 3). Thus, nature tourism could contribute to poverty alleviation only if a greater share of hunting revenues remains with the communities living in Game Management Areas (GMAs). Simply increasing the communities’ share of revenues, however, would not necessarily reduce poverty, as elite community members currently benefit more than poor households from revenue-sharing mechanisms in GMAs. Table 3 reveals little trickle-down effect to poor households in the form of community projects. To alleviate poverty, clearly, a larger portion of the revenues must reach poor households, and for this to happen the governance of GMAs will need to be strengthened.

Only proper incentives (where all households benefit from living with wildlife) will ensure conservation, which is paramount to a vibrant tourism industry, as tourists and hunters will visit GMAs only if wildlife preservation meets international standards. This requires that the government initiates a fundamental review of the current governance, management and revenue-sharing mechanisms of GMAs.

**Beneficial overseas service providers**

Beyond its potential impact on poverty alleviation, the tourism sector merits stronger support from the government, as contrary to perception, the sector’s foreign participation provides important linkages rather than leakages.

In Zambia, the tourism sector is dominated by small and medium-sized operators. While the majority of lodges are foreign owned, guest houses are essentially Zambian owned. With the exception of Sun International in Livingstone, a South African group, Zambian tourism enterprises are reliant on overseas providers (coming from African and western countries), for services such as representation,
marketing, insurance and flights. These are not leakages from the Zambian economy, but payments for services in the source markets that are used to sell the Zambian product, without which there would be no benefit at all to Zambia. It is a common misconception that a host country is entitled to capture the entire value chain between source and destination markets.

According to World Bank (2007), every holiday-maker spends an average of USD 1100 in Zambia, a figure that compares favourably with other countries – Kenya USD 405, Tanzania USD 1105 and South Africa USD 879. About USD 200, however, is leaked through imports (food, specialised equipment, expatriate salaries, etc.) not available in Zambia (World Bank, 2007). Moreover, Zambia is still relatively unaffected by another type of leakage – repatriation of profits – as the tourism sector is dominated by small, often local, operators.

Zambia has attracted foreign investors because of its access to overseas markets, and there has also been a substantial increase in Zambian-owned businesses serving the tourism sector. In the Livingstone-Kazungula corridor, although few local investors have ventured into national parks, because such investments are riskier and longer to get return on, Zambians own about 65% of accommodation (Suich et al., 2005). More concentrated in urban centres, this part of the business is steadier.

**Guidelines for government**

In order to enhance the contribution of the tourism sector to economic growth and poverty reduction, the government should focus on building linkages to the local economy and placing greater emphasis on nature tourism.

Removing impediments to growth requires a major focus on developing concrete tourism-sector objectives for the next 10 years. Zambia needs to develop a master plan that incorporates: (1) objective sector targets; (2) improved data collection and management systems; (3) balanced development of Zambia’s tourism circuits; (4) supporting road, air, telecommunications and power infrastructures; and (5) the ‘soft’ but critically important supporting framework of policy and legislation, establishing standards, licensing and training capacity; improving marketing; and managing and regulating the sector, which will encourage private investment.

Zambia receives far fewer tourists than it should, due to its relatively undeveloped infrastructure and business and investment climate, making it a high-cost destination. It is further from seaports and intercontinental airports, and the landed costs of imported fuels and goods (on which Zambian tourism is heavily dependent because of the country’s small manufacturing sector) are high.

Incentives, including infrastructure investments for better road access and communication services and improvements in the investment climate, such as a lesser number of licenses, VAT exceptions and visa exemptions, are needed to attract large investments, which would catalyse the necessary economies of scale for transportation and domestic investments. High-volume tourism entities (hotels and large lodges) are vital to linking tourists and destinations. These investments would directly contribute to increased local participation and build a robust supply chain to boost stronger economic linkages between tourism and the local economy. This is illustrated by Sun International’s investment in Livingstone, directly resulting in 60 000 more visitors, over 1000 jobs and an additional USD 16 million in earnings (World Bank, 2007).

The FNDP’s objectives will also require improvement in the management of Zambia’s protected areas. Tourism will contribute to poverty reduction only if a greater share of revenues remains with the communities and reaches poor households. This is closely linked to improvements in the financial performance of the wildlife estates, and consequently to an increase in government investments in the sector. To illustrate, revenue generated in 2005 by international nature tourists visiting national parks was USD 5 million to USD 8 million, far more than the financing of USD 1 million allocated to ZAWA. Increasing this financing of ZAWA in proportion to the level of the tourist revenues generated
is justifiable; it is a reinvestment in tourism capital, i.e. the wildlife that generates economic growth.

The government should also hold ZAWA accountable for improved performance and cost efficiency through scaling up public-private partnerships, improving revenue collection, and management efficiency. This will require re-establishing ZAWA’s mandate, rethinking the governance and management of GMAs and increasingly utilising public-private partnerships - in effect passing on to the private sector the day-to-day cost of managing wildlife areas. To this aim, the government should take advantage of current trends such as administrative decentralisation, commercial diversification and public-private partnerships.

Tourism’s contribution to GDP has compared favourably with other more established industries. For Zambian policy-makers looking for sustainable sources of economic growth, tourism has proved to be a good option. If properly managed and incentivised, the private sector could contribute to greater economic benefit and poverty alleviation.

Footnotes

¹The opinions expressed are those of the authors and not necessarily those of the World Bank Group. In 2005, The Zambia National Tourist Board recorded 668,862 international visitors, of which 205,975 registered ‘holiday’ as the reason for their visit. This article is based on a comprehensive demand survey of a subset of these holiday-makers and is therefore not a substitute for a proper analysis of the overall economic impact of the tourism industry in Zambia.
²Poverty Reduction Strategy Papers describe the country’s macroeconomic, structural and social policies and programs over a three-year or longer period and are prepared by the member countries through a participatory process involving domestic stakeholders and external development partners such as the World Bank and the IMF.
³The ‘tourism multiplier’ is therefore 2.1.
⁴In economic accounting, tourists’ expenditures are classified as exports because of their equivalent in international currencies.
⁵GMAs (large areas located around national parks that contain villages and small-scale farms) aim to combine nature conservation with economic empowerment. There are currently 35 in Zambia.


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