



**SUBMISSION ON THE MAJOR FINDINGS OF THE REPORT OF THE
AUDITOR GENERAL ON THE PERFORMANCE OF THE TOURISM SECTOR
IN ENSURING AN INCREASE IN THE LENGTH OF STAY OF
INTERNATIONAL TOURISTS**

Submitted to the Committee on Energy, Water development and Tourism

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1 Introduction

This memorandum was prepared by the Zambia Institute for Policy Analysis and Research (ZIPAR), in response to a request made by the Committee on Energy, Water Development and Tourism of the National Assembly of Zambia on 25th November 2020. The request was for ZIPAR to prepare and submit a memorandum commenting on the major findings and recommendations of the report of the Auditor General on the performance of the tourism sector in ensuring an increase in the length of stay of international tourists. In line with the Committee's request, this memorandum presents ZIPAR's analytical views on the aforementioned.

The memorandum is structured as follows: the first section provides an analysis of the tourism sector in Zambia and this is followed by our analytical comments on the major findings of the Auditor General's report. The last section offers our recommendations on how to realise the recommendations of the report.

2 Contribution of Zambia's tourism sector to economic development

Tourism is regarded as one of Zambia's most dynamic and fastest growing sectors with potential for wide-ranging employment creation. It is a key priority sector in the 7NDP identified to drive job creation and economic diversification. According to World Travel and Tourism Council (WTTC) estimates, travel and tourism contributed 7% to Zambia's GDP in 2019. In the same year, the sector grew faster than the overall economy at 7.5%. In terms of employment, direct and indirect jobs in the tourism sector were estimated at 469,700 which accounts for 16% of the total employed population in 2019¹. The sector is also a key source of Government revenue and foreign exchange earnings. Besides the sector's overall contribution to income tax, VAT and other taxes, Tourism Levy exceeded its projected revenue by over 50% in 2019 (MoF, 2019). In addition, foreign spending (or visitor exports) accounted for 10% of total exports and more than 80.8% of services exports in 2019².

3 Major findings of the report of the Auditor General

The overall aim of the study by the Auditor General's office was to assess any improvements in the length of stay of international tourists, focusing on the period 2015 -2019. In this section, we present our analytical comments on each of the main findings of the report and highlight what we deem as possible contributing factors to the reduction in the length of stay of international tourists. Our

¹ Estimates calculated by the authors based on WTTC (2020) and the 2019 Labour Force Survey (2019)

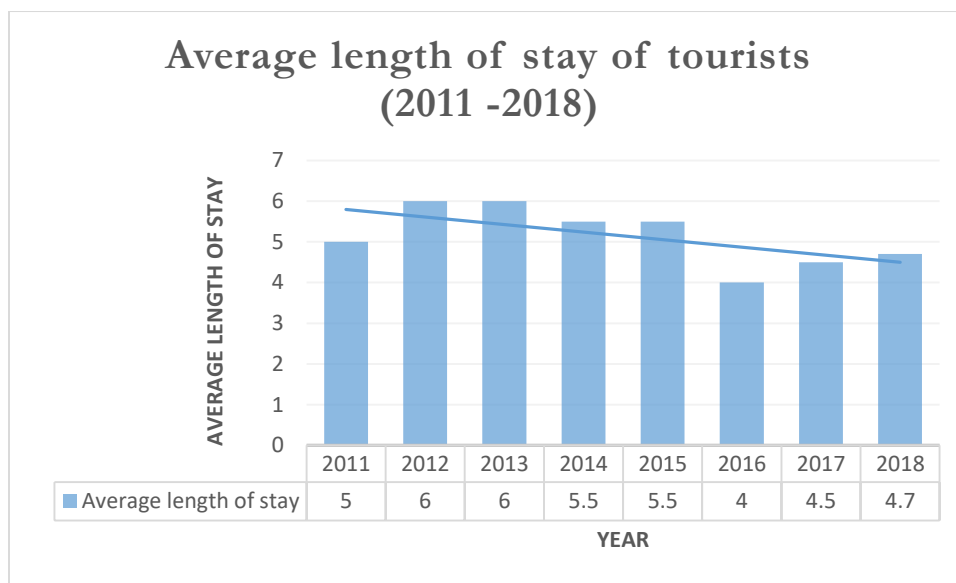
² Estimates based on data from UNCTAD & WTTC available at <https://unctadstat.unctad.org>, <https://www.wttc.org/>

assessment is based on past studies that have been undertaken by ZIPAR as well as studies conducted by other institutions.

3.1 Reduction in average length of stay

The audit found that although the Ministry of Tourism and Arts had put in place measures to increase the length of stay of international tourists to six (6) days, the measures identified have not promoted an increase in the length of stay. If anything, the length of stay has been declining over the years from the highest length of stay of 6 days in 2013, to 4.7 days in 2018 as shown in figure 1.

Figure 1: Average length of stay of international tourists (2011 -2018)



Source: Adapted from Auditor General’s report

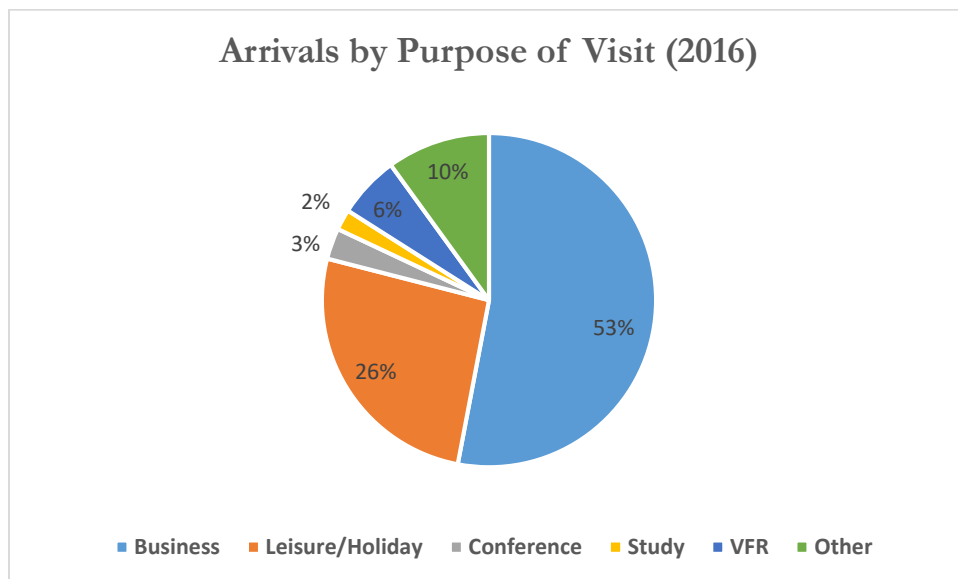
However, the average number of days of stay for international tourists must be taken cautiously as the statistics on the length of stay are not robust. This is due to weaknesses in data collection tools that may not present an accurate picture of the situation obtaining on the ground. The data limitations are mainly due to the Immigration Department’s discontinuation of physical entry declaration Form No. 1 in 2012 which has had a negative scope on data collection. The electronic system which has replaced Form No.1 does not have a provision for international visitors to indicate the ‘purpose of visit’, ‘country of residence’ or ‘sex’. Instead, projections using moving averages of earlier data are now used³. Notwithstanding the shortcomings of the estimated average length of stay, the data still provides a good starting point towards understanding the duration of international tourists.

³ See Analysis of the Tourism value chain in Zambia, CBI Netherlands (2018)

The reduction in the length of stay of international tourists, is partly a result of the substantial degree of seasonality in the Zambian tourism industry. Zambia receives fewer visitors in the rainy season from December to April while the levels of arrivals increase in the dryer months from May to November. Due to inaccessibility to tourism sites exacerbated during the rainy season, there is a reduction in the average length of stay for visitors. Further, most Safari Business owners and lodge owners operate only between mid-May and mid-November while hotels and lodges in urban settings operate all year round.⁴ The limited network of all-weather roads in parks also contributes to the shorter length of stay.

Beyond accessibility challenges, the limited tourism product packages on offer further constrain the length of stay even when the country receives most of its tourists during the peak season. There are few packages that connect tourism activities in both the southern and northern circuit. This tends to reduce the average length of stay for tourists as they will mainly visit one tourist site in the southern circuit.

Figure 2: Visitor arrivals by Purpose of Visit (2016)



Source: Zambia Tourism Digest 2016

The reduction in average length of stay can also be attributed to probable changes in business travel, a large component of the tourism industry in Zambia. While data on the purpose of visit for visitors

⁴ See Analysis of the Tourism value chain in Zambia, CBI Netherlands (2018)

is no longer readily available as earlier indicated, we make use of the 2016 statistical digest from the MoTA which shows that in 2016, the largest proportion of visitors were business tourists followed by leisure/holiday tourists as shown in Figure 2 above.

With business tourists making up the largest share of international tourists, we assume that the reduction in the length of stay could be induced by a change in business travel numbers resulting from the decline in Zambia’s economic growth since 2016. A more comprehensive analysis may be useful to show this trend. Table 1 shows the trend in Zambia’s annual GDP growth which has been on a downward trajectory save for 2018 when the country recorded an improvement in growth from the previous year. Thus, in a receding economy one would expect a drop in business activity.

Table 1: Zambia's GDP growth (2016 -2020)

Year	2016	2017	2018	2019	2020*
GDP growth rate	3.6	3.7	4	1.4	-4.2*

Source: Author’s construction from Zamstat and MoF data

*: preliminary estimates

From a leisure tourism perspective, the short length of stay demonstrates the perception that Zambia is regarded as an ‘add-on’ option for leisure visitors rather than a primary destination.⁵ This is attributable to Zambia’s continued reliance on the Victoria Falls as its main tourist attraction. As a result, the Victoria Falls is packaged as an add-on or extension destination for visitors in other Southern African countries. A small proportion of visitors from other countries visit Zambia as their main destination. This is highlighted by the low levels of international tourist arrivals relative to regional comparators as highlighted in Table 2 further below which shows that Zambia lags behind countries like South Africa, Zimbabwe, Botswana, Tanzania and Namibia in terms of international tourist arrivals.

In an analysis of the Tourism value chain in Zambia, the CBI Netherlands highlighted a survey undertaken by The Journey, which interviewed 62 tour operators in Southern Africa’s key source markets. The study found that 82% of the passengers surveyed visited Livingstone as an extension to their primary itinerary while only 12% visited Livingstone as their primary destination. Considering that Livingstone is the most visited leisure tourism destination in Zambia, these figures could be

⁵ ibid

extrapolated to Zambia as a whole and thus used to explain in part, the reasons for the short average length of stay in Zambia.

Table 2: Trends in tourist arrivals - Zambia and selected competitors (2016 -2018)

Country	2016	2017	2018
Angola	397,000	261,000	218,000
Botswana	1,574,000	1,623,000	1,800,000
Kenya	1,268,000	1,364,000	2,040,000
Madagascar	293,000	255,000	291,000
Namibia	1,469,000	1,499,000	1,500,000
South Africa	1,044,000	10,285,000	10,472,000
Tanzania	1,233,000	1,275,000	1,378,000
Zambia	956,000	1,083,000	1,072,000
Zimbabwe	2,168,000	2,423,000	2,580,000

Source: Author's construction from World Bank World Development Indicators data

This assertion is further corroborated in a 2017 EU Market Scan⁶ that reviewed 25 tour operator brochures of tours to Zambia, Ethiopia and Senegal. The research found an untapped potential interest among EU markets in visiting Zambia as a standalone destination, particularly in the Netherlands, UK, Scandinavia and France. The study specifically interviewed 12 European tour operators that offer Zambia as a primary destination, regarding their experiences and perceptions of Senegal, Ethiopia and Zambia. According to these interviews, Zambian inclusive packages were on average the most expensive at €365/day, followed by Ethiopia packages at €194/day and €132/day for Senegal packages. A key reason for the high package cost was the number of flights in Zambian packages, as Zambia is mostly combined with two destinations or more, including South Africa, Botswana, Namibia, Tanzania and Zimbabwe.

In addition, Zambia is perceived as a rather expensive destination thereby impacting on the number of visitors as well as their average stay. In a 2012 study titled *'The costs and pricing of tourism in Zambia: The case of Livingstone'*⁷, ZIPAR undertook a disaggregated look at the cost and price structures of tourism service operations in Livingstone and compared them with the structures in Zimbabwe's Victoria Falls Town, a proximate competitor region. The study captured detailed data on prices, inputs,

⁶ Van Hee (M), 2017: EU Market Scan Tourism to Ethiopia, Senegal and Zambia

⁷ Cheelo C. and Banda B., (2012): The costs and pricing of tourism in Zambia - The case of Livingstone. Zambia Institute for Policy Analysis and Research

food and beverages, overheads and other establishment performance indicators. While the findings may be dated, we can still obtain a picture of Zambia’s competitiveness relative to Zimbabwe.

On accommodation, the study found that the price of presidential suites, double rooms and packages was higher in Livingstone than in Victoria Falls town. This presents a competitive advantage on the pricing of accommodation in Victoria Falls town over Livingstone. In addition, the smaller price range observed in Victoria Falls town allows for more rooms to be occupied as there is very limited differentiation between the maximum and minimum prices compared to Livingstone. The price differentials on the product can have important implications on where tourists decide to visit.

The study also assessed the price differentials for food where some degree of competitive advantage for operators offering meals in Livingstone over those in Victoria Falls town was found. For instance, the average price of the cheapest main course meal at a restaurant in Victoria Falls town was twice the price in Livingstone. However, as these restaurants are usually embedded within hotels or lodges it would be more realistic to attract more tourists to stay at an establishment while having the flexibility to vary the price of food offered.

The price of adventure tourism activities in the two locations was found to be marginally different. Adventure activities were higher in Livingstone than in Victoria Falls town. For instance, the average price of water rafting in Livingstone was \$160 while the average price of the same activity in Victoria Falls town was \$120. Similarly, the average price of a 15-minute helicopter flight in Livingstone was \$145 while the price of the similar activity in Victoria Falls town was \$130.

These price differentials, most of which showed that Victoria Falls Town was more competitive, substantiate the perception that Zambia is an expensive destination.

Table 3: Regional comparative visa costs

Indicator	Zambia	Zimbabwe	Tanzania	Botswana
Single Entry visa (USD)	50	30	50	30
Multiple Entry (USD)	150	55	100	50

Source: Various online sources

Furthermore, Zambia’s high visa costs make the country less competitive and consequently, limits the number of international tourist arrivals. Table 3 above shows that the visa costs for multiple entry is higher in Zambia than in any of its regional competitors, Zimbabwe, Tanzania and Botswana. For

single entry visas, Zambia has higher costs than Botswana and Zimbabwe but the same costs as Tanzania.

3.2 Insufficient marketing activities

The study by the Auditor General's office found that marketing activities which are an important tool for enticing tourists are limited to the southern circuit

More extensive and more effective destination marketing is cardinal in increasing awareness and demand in the tourism sector. For Zambia, the attainment of the country's tourism growth objectives is highlighted in the Zambia Tourism Master Plan (2018 -2038) which recommends a clearly defined and focused marketing strategy through consistent and sufficient marketing funding. Specifically, the Master Plan and the 7NDP target the extension of marketing activities to the Northern circuit. However, as highlighted in the study, promotional activities were generally skewed to the Southern circuit specifically Livingstone City as opposed to other sites within the circuit like Kalomo, Chirundu. Further, there were limited promotional and marketing activities in the northern circuit owing to the lack of fully developed tourism products. The lack of tourism products subsequently affects marketing activities as there are practically no products to market in the Northern circuit.

3.3 Low investment in the tourism sector

The study also found that investment in the tourism sector remains low. The limited investment by both local and foreign investors continues to impede the development of the tourism sector in Zambia. While a number of investors have expressed interest to invest in the northern and southern circuits, the report highlights limited investment in both regions. In addition to the possible contributing factors highlighted in the report (such as insufficient incentives and stiff conditions in acquiring rights for traditional land) we observe that the high cost of business in the country is inhibiting investment in the tourism sector. For instance, the sector is inundated with a multiplicity of licensing requirements by different Government agencies which increase the cost of doing business. Businesses operating in the tourism sector require licenses for fire, health, liquor, business levy, land rates and signing and stamping (all from local councils).

In addition, they are required to obtain licensing and/or certification from the Patents and Companies Registration Agency (PACRA), Zambia Tourism Agency (ZTA), Zambia Environmental Agency (ZEMA), Zambia Wildlife Authority (ZABS) and the Zambia Revenue Authority (ZRA). Relative to its regional counterparts, it takes more than twice as many days to obtain an operating license in

Zambia compared to Zimbabwe for example⁸. An import license also takes longer to obtain in Zambia relative to Zimbabwe and Botswana. And, there are more firms in Zambia citing business licensing and permits as a major constraint compared to Zimbabwe.

In addition, tourism operators are faced with limited access to long-term financing and a high cost of capital. Specifically, the tourism industry faces a number of challenges relating to finance which include high interest rates, high collateral requirements, lack of the long-term finance that would facilitate the large upfront capital investments in facilities that have a long payback period, and banks' limited understanding of the industry.⁹ The challenges relating to finance are critical to investment in the tourism sector in Zambia especially for local investors.

3.4 Lack of infrastructure development in tourist sites

The study found that accessibility to sites remains a major challenge as shown by the sites that are active and visited by international tourists. The report heightened the accessibility of tourism sites where it was found that out of the seventy (70) sites in the country that had tourism potential, forty-eight (48) sites were deemed accessible while sixteen (16) were partially accessible due to bad roads and six (6) were completely inaccessible.

Infrastructure plays an important role in unlocking an area's investment potential. The type of infrastructure necessary for the development of the tourism sector ranges from energy, roads, water facilities, health facilities and telecommunication. Most operators in the sector express concern about the state of the road and airport infrastructure¹⁰. Having adequate infrastructure of this sort would enhance access to tourism facilities and help ease the movement of tourists within Zambia.

However, as highlighted in the report, infrastructure development remains a key challenge in the sector. While the 7NDP prioritises the upgrading and rehabilitation of roads, viewing loops and airstrips to and within the major national parks, to efficiently interlink the major destinations in the northern and southern tourism circuits, little of this is actually happening. At the broader level, the Government has been implementing projects such as the Link Zambia 8000 which should ideally open up the northern and southern circuits. The Government has also embarked on the construction of the Kenneth Kaunda and Copperbelt International Airports respectively. While these are welcome

⁸ World Bank Ease of Doing Business report

⁹ Cheelo C. and Banda B., (2012): The costs and pricing of tourism in Zambia - The case of Livingstone. Zambia Institute for Policy Analysis and Research

¹⁰ Cheelo C. and Banda B., (2012): The costs and pricing of tourism in Zambia - The case of Livingstone. Zambia Institute for Policy Analysis and Research

developments, the pace of their implementation has stalled in recent years. Specifically, for roads, we have seen Government working to re-scope most road projects across the country due to challenges in mobilisation of resources. The re-scoping of these projects is justifiable given Zambia's fiscal challenges. However, if some of the re-scoped projects include infrastructure projects that have the potential to improve access to tourism sites, this may negatively affect access to the northern and southern circuits.

In our 2012 study¹¹ on the cost and pricing of tourism, we found that the capacity and reliability of key utilities such as water and electricity also remains a concern for most tourism operators in the country. Some operators continue to face challenges in connecting to the national grid, and most face interruptions in supply caused by load management. The tourism sector, which relies heavily on electricity can barely operate with power disruptions and this increases the cost of doing business as they have to rely on back up alternatives. Access to treated water also remains negligible with most operators incurring the extra costs of sourcing and treating water themselves. These challenges not only constrain further investment in the sector but also prevent established operators from attracting more tourists.

3.5 Lack of diversification in tourism products

The study also highlighted the unexploited and untapped product diversification in the northern circuit as a challenge. The promotion of diversification of tourism products to create unique and authentic experiences is stipulated in the Tourism and Hospitality Act No. 11 of 2015. However, the product base of Zambia's tourism remains narrow. The report has clearly highlighted some of its findings with regard to product diversification and we find that this challenge is partly a result of the country being positioned as an eco-tourism and safari destination. Unfortunately, cultural and community experiences are not promoted despite existing.

For instance, in a 2017 EU Market Scan¹², it was found that of the tour operators interviewed, 67% only offer safari, ecotourism and adventure tourism in Zambia, out of the UK, Belgium, Germany and Scandinavia. Further, tourism activities in the southern circuit are not linked to those in the northern circuit and vice-versa. As such, when tourists arrive in Livingstone, for instance, they are usually able

¹¹ Cheelo C. and Banda B., (2012): The costs and pricing of tourism in Zambia - The case of Livingstone. Zambia Institute for Policy Analysis and Research

¹² Van Hee (M), 2017: EU Market Scan Tourism to Ethiopia, Senegal and Zambia

to complete all their activities within two days and exit the city. There are limited packages that offer activities in different tourism circuits within the country which could extend the length of stay.

4 Measures to ensure the implementation of recommendations

The study made a number of recommendations whose feasibility we comment on as follows;

- i. *The Ministry responsible for tourism should upgrade or develop more diversified tourism products and services so as to increase the average length of stay of tourists visiting the tourism sites which will increase the earning needed for national development*

In order for this recommendation to be attained, the government must facilitate the upgrade and development of diversified tourism products by allowing the private sector to invest in these diversified products. The Government must also work with the private sector to create interlinked tourism packages between the different tourism circuits in the country. In order to attain this, incentives should be provided on inputs and other factors necessary for certain tourism products and packages. Likewise, the Government should create a conducive business environment that can allow for investment through access to cheap and affordable finance, reduction in bureaucratic procedures among others. A strong link between the Government and the private sector is essential for the tourism sector to thrive. That way, the Government will leverage the resources and business expertise of the private sector required to upgrade and diversify tourism products.

- ii. *There is need for the Ministry to strengthen and prioritise research and development to ensure that they have accurate and up to date data for informed decision making.*

In order for this recommendation to be achieved, Government must ensure that tourist figures are disaggregated to take into account different types of visitors and also provision of some of the information that was on Form No.1 which has since been discontinued. The Government must also adequately fund the Ministry of Tourism and Arts as well as its statutory bodies to ensure that they are adequately staffed and invest in consistent research and development that can inform decision making in the sector.

- iii. *The Ministry should undertake more extensive and effective destination marketing to increase awareness and demand. Further, there is need to ensure that the marketing strategy is in place to facilitate effective undertaking of the needs of the different niche markets.*

The attainment of this recommendation is largely dependent on sufficient and consistent funding to the Ministry and its statutory bodies. Further, destination marketing should be made more extensive and effective to increase awareness and demand in the tourism sector. The Government, must continue placing adverts in the mainstream media, focussing on the most popular global communication companies such as CNN, BBC and DSTV among others in order to reach international tourists.

iv. The Ministry needs to strengthen stakeholder and investor coordination and collaboration for enhanced investment into the sector for increased growth.

In order for the sector to see increased investment, the challenges earlier pertaining to the cost of doing business and credit must be addressed. Financial challenges, especially regarding the provision of long-term finance and lower interest rates need to be alleviated. It is important that both the private sector and the Government combine efforts aimed at enhancing commercial banks' understanding of the tourism sector. Further, the provisions of electricity must be prioritised. The Government must also operationalise the much talked about single licensing system so that business procedures and licences are streamlined and business costs are reduced. This can lead to an increase in investments within the sector.

v. There is also need for the Ministry to promote tourism-related infrastructure in the tourism priority areas so as to enhance accessibility to all sites.

The development of infrastructure is paramount if the county will attain increased average stay of tourists and also increased visitor numbers. While some effort has been made to develop roads and the airports, there is need for a particular focus on roads and allied infrastructure in the northern circuit which continues to record low tourism investment and visitors despite its obvious potential. The economic benefits of investment in infrastructure for tourism purposes will help the nation attain its much desired economic diversification. Therefore, even as infrastructure projects are being re-scoped, the economic benefits of the northern and other untapped circuits must be evaluated and taken into consideration.

vi. The Ministry should undertake more extensive and effective destination marketing to increase awareness and demand.

This recommendation, like the third recommendation, is largely dependent on sufficient and consistent funding to the Ministry and its statutory bodies. Further, destination marketing should be made more extensive and effective to increase awareness and demand in the tourism sector.

vii. The Ministry should ensure that the available technical staff receive the required training and tools to conduct their work. Additionally, the Ministry can also engage learning institutions that provide similar outcomes by offering students internship thereby increasing the number of technical staff.

Education and training should be prioritised by both the Government and the private sector. Specifically, the private sector should be encouraged to increase its commitment towards training through in-house training programmes while Government should consistently invest in tourism education and training.