Economic impacts of tourism in the Livingstone area, Zambia

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1. Introduction

1.1 Background

In 2008, the tourism sector employed over 225 million people and generated 9.6% of global GDP, arguably being the second largest industry in the world (World Travel & Tourism Council, 2009, p. 3). While tourism historically has not been viewed as an effective sector for development in poor countries, this attitude changed in the mid 1980’s (Vanhove, 2005, p. 170-171). The tourism sector is now regarded as one of the major contributors to the gross domestic product (GDP) of many of the poorest countries of the world (Lickorish, Jenkins, 1997, p. 208).

The Least Developed Countries (LDCs) received only 1.4% of the international tourism arrivals in 2006 (Honeck, 2008, table A3). However, a report by the World Tourism Organization [UNWTO] states that many of the LDCs have a comparative advantage in tourism over developed countries, and that their growth in recent years has been faster (UNWTO, n.d., p. 1-2). The LDCs comparative advantages over developed countries are according to the UNWTO (n.d., p. 1-2) mainly due to lower price levels, climate, distinct culture, and unspoiled nature and/or exotic sites of interest.

The UNWTO (n.d., p. 2) describes tourism as being “labour intensive, which is particularly important in tackling poverty”. Some further characteristics of tourism are that jobs usually require little training, services offered are consumed at the point of production, tourism opens up advantages for micro-entrepreneurs and that tourism infrastructure also can benefit poor communities.

1.2 Objectives and research questions

This paper will present a study of tourism in the Livingstone area of Zambia, with a focus on the Mosi-oa-Tunya National Park and the Victoria Falls. The objective is to give a broad overview of tourism in the area, its economic impacts, and discussing the economic benefits and disadvantages tourism has for the area. The study will address the following questions:

- How does the Victoria Falls and the Mosi-oa-Tunya National Park have an economic impact on the Livingstone area by generating tourism revenue?
- What are the main economic benefits and disadvantages of tourism in the area?
2. Theory and definitions

2.1 Tourism

The UNWTO (1995, p. 10) has defined tourism as “the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”. Wall and Mathieson (2006, p. 19) have further separated tourism into three basic elements:

1. A dynamic element: the decision to travel and where to.
2. A stay in the destination: all the interaction with the economic, environmental and social systems of the destination.
3. A consequential element: the effects resulted by the former elements.

The terms tourist and visitor are used interchangeably in this paper.

2.1.1 Tourism expenditure and accounting

Tourism expenditure is defined as “the total consumption expenditure made by a visitor or on behalf of a visitor for and during his/her trip and stay at destination” (UNWTO, 1995, p. 12). The main challenges of measuring the tourism sectors contribution to the economy is that most countries lack the data and information, and that tourism does not exist as a distinct sector in any system of national accounts (Ennew, 2003, p. 9). An analysis of tourism's economic impact will therefore vary according to which accounting system of tourism is used. A large amount of tourism spending is done in identifiable sectors such as hotels, transport, recreational activities, etc. However, tourists also spend money in other sectors not normally associated with tourism, such as food, clothing, gifts, and even the hospitals industry has 2% of its output sold directly to tourists (Ennew, 2003, p. 9; Cai, Leung, Mak, 2006, p. 37). The impact of tourism is therefore often underestimated by governments (Hamilton, et al. 2007, p. 14).

2.2 Economic impact

Vanhove (2005, p. 169), classifies economic impact into seven major groups:

1. Income generation.
2. Employment generation.
3. Tax revenue generation.
4. Balance of payment effects.
5. Improvement of the economic structure of a region.
7. Economic disadvantages.
Because of limited space it is not possible to elaborate on each of these points here. The most important and relevant will rather be discussed in section 5 and 6 in accordance with empirical data and relevant theory.

2.2.1 Measuring economic impacts

The economic impact of tourism is generally measured through an economic impact analysis, although according to Stynes (n.d., p. 1), “A variety of methods, ranging from pure guesswork to complex mathematical models, are used to estimate tourism’s economic impacts”. While the aim of this paper not is to create an economic impact analysis, it is still useful to take a quick look at the basics. This will help us to better understand how tourism affects an area. It is important to note that the model used is simplified. A comprehensive study of the economic impacts would have required a more complex model. An economic impact analysis is usually based around the following simplified equation (Stynes, n.d., p. 1):

\[
\text{Economic impacts} = \text{Number of Visitors} \times \text{Average spending per visitor} \times \text{Economic multipliers}. 
\]

This equation builds on the following concepts (Stynes, Propst, Chang, Sun, 2000, p. 1.1-1.2; Vanhove, 2005):

- **Direct effects**: Changes in sales, income and jobs in those businesses that receive the initial and direct visitor spending. For example hotels, restaurants, national park fees, retail stores, etc.

- **Multiplier effects (secondary effects)**: The re-circulation of money spent by tourists in the local economy. Consist of indirect and induced effects.
  - **Indirect effects**: Changes in sales, income and jobs in businesses/industries that are “backward linked”. These firms supply the businesses that directly serve the tourists. For example farmers or wholesalers that supply restaurants, or local carpenters that supply furniture to hotels.
  - **Induced effects**: Changes in economic activity resulting from household spending earned from a direct or indirect effect from tourist spending. For example local carpenters spending their income from sales to hotels on groceries, clothing, housing and other goods and services in the local area.

The illustration below provides a simplified view of the economic impacts tourism expenditure has on the economy.
Figure 1 – Economic impacts from tourism expenditure. Based on Ennew (2003, p. 4), Foan, Franco and Jessen (2008, p. 3-4 and, Stynes (2000, p. 1.1-1.2).

2.2.2 Leakages

Another important concept is that of leakages. According to Hemmati and Koehler (2000, p. 25),

*Financial leakages in tourism occur when revenue arising from tourism-related economic activities in destination countries are not available for (re-)investment or consumption of goods and services in the same countries: Financial resources "leak away" from the destination country to another country, particularly when the tourism company is based abroad and when tourism-related goods & services are being imported to the destination country.*

55% of every dollar spent in developing countries is according to the World Bank leaked back to developed countries (Boo, 1990, p. 13). According to Lindberg (1991, p. 24), leakages such as air travel and marketing are inevitable. However, he suggests two ways of reducing leakages. The first is for parks, hotels, businesses, etc. to use local goods and services whenever possible. The second is to place conditions when goods and services have to be imported, e.g. demanding that multinational hotel chains train and employ local residents. Mitchell and Ashley (2007), however claim that leakages often are highly exaggerated. Marketing, insurance, retailing, packing, and flights often amount to 50-70% of the total vacation cost. Many studies classify these costs as leakages. Mitchell and Ashley (2007) reply that "regarding this as a ‘leakage’ is like suggesting that staff and accommodation costs for serving a cappuccino in a London café are ‘leakage’ from coffee plantations in Ethiopia!".
The percentage of leakages therefore varies greatly according to which definition of leakages was used in the study.

### 2.2.3 Linkages

Linkages are connections between various sectors and industries in an economy. In the case of tourism, linkages often exist for example between hotels and providers of food and drinks, but in general spread out into most parts of the local economy (Vanhove, 2005, p. 173-174).

![Figure 2 – An example of linkages.](image)

### 3. Methodology

This research paper is based on a qualitative study. Quantitative and qualitative studies are sometimes seen as direct opposites, but according to Brockington and Sullivan (2003, p. 59) “qualitative methods can incorporate quantitative data and quantification”. Using both methods is called the triangulation between methods (Jick, 1979, p. 602; McFee, 1992, p. 215-217). While there was no quantitative data gathered directly for this study, statistical data and reports from other sources/studies are used.

### 3.1 Date and location

The field study was conducted over a five-week period, between the 18th of March and 23rd of April 2009. The focus area for the field study was the Mosi- oa-Tunya National Park, the Victoria Falls, and the surrounding Livingstone area in Zambia. My place of residence during the stay was inside the Mosi- oa-Tunya National Park at a lion rehabilitation program run by the African Lion Environmental Research Trust (ALERT). My research was not based on any of their activities.

### 3.2 Data collection

Data collection was mainly conducted through open-ended interviews with informants and observations of tourism in the Livingstone area. Informal conversations were also conducted, but are used in addition to and not instead of interviews. The primary data consists of interviews, conversations and observations only. All the statistics of tourist
arrivals, etc. are gathered from secondary data acquired from reports and organizations and commissions where I conducted interviews.

3.3 Interviews

Interviewing is a complex and time consuming process. To adequately address all aspects of this subject would require more space than is available here. I have therefore only covered some of the basic and most important aspects.

The interviews conducted during the field study were semi-structured and employed open questions. This enabled the informant to answer the questions in their own way and provided flexibility in the interviewing process. Especially stories or narratives regarding the informants personal experiences are best captured in a semi-structured interview (Wengraf, 2001, p. 5). It was of great importance to be well-prepared for the interview, perhaps even more important than if I had prepared a structured interview, and certainly required more time for analysis and interpretation afterwards.

Disadvantages of conducting semi-structured interviews were that open questions could be harder for the informant to answer, were time-consuming, and as mentioned, answers received generally had to be analyzed more than structured questions probably would have. However, for a limited study like this I am convinced that open questions were more appropriate and yielded better results than for example a strict questionnaire would have.

According to Wengraf (2001, p. 28), “semi-structured interviewing is very often concerned to explore the subjective world of the interviewee, but this does not mean that what they said is treated uncritically, accepted at face value”. It is therefore important to critically analyze the answers of the informant. Body language, tone of voice and the discourse(s) are all important to note. An interview about a sensitive or controversial topic will depending on the discourses and views of the informant have very different outcomes, and might create patterns of things that are likely to be said (“sayables”) and things that are unlikely or impossible to be said (“unsayables”) within that particular discourse (Wengraf, 2001, p. 7). One has to be careful about the social setting the interview is conducted in, your behaviour, reactions to responses and the “power relationship” between you and the informant (seminar in UTV2100, 24.02.2009, University of Oslo). Great care has to be taken that the informant is not saying what he/she thinks you want to hear, or is modifying answers because of your particular status or relationship to the informant. It is important to be aware of differences in culture and behaviour so that these do not affect the interview or your analysis of it.
During the interviews I either used a notebook or a digital recorder. Generally the digital recorder was used in interviews that were conducted in offices or that were pre-arranged, while the notebook was used for shorter interviews in the field.

3.4 Data selection, quality, replication and analysis

The sampling procedure aimed to include a broad variation in informants. Since the study is qualitative, there is no need for random selection in order to avoid systematic biases in the sample. I did however try to interview people of different occupation, gender and social status. According to Marshall and Rossman (2006, p. 63),

*In the proposal, the researcher should anticipate questions about the credibility and trustworthiness of the findings; poor sampling decisions may threaten these findings.*

Due to the sample size, selection and type of study it is not possible to make a generalization, but this was also not the point of the study. I have tried to include information to make the study replicable, but it can generally be difficult for qualitative studies to easily be replicated (seminar in UTV2100, 10.02.2009, University of Oslo).

Although there were a few gatekeepers before reaching some of the informants, great caution was taken to ensure that these would not have an effect on who was interviewed and what they stated in the interview. None of the interviews where conducted with the informants supervisor present or other scenarios that could have an impact on the informants answers. Although there is no space for discussing the credibility of each of the informants statements in this paper, attention has been paid to their motives.

After all the data was collected the process of organizing it began. This included writing rough transcripts of interviews that were recorded and the process of coding. According to Coffey and Atkinson (1996, p. 26), “in practice, coding can be thought of as a range of approaches that aid the organization, retrieval, and interpretation of data”. It is however important to remember that the process of coding should not be a substitute for analysis (Coffey, Atkinson, 1996, p. 26; Marshall, Rossman, 2006, p. 160).

3.5 Informants

In total there were 10 interviews conducted. Of these 4 were female and 6 male.

<table>
<thead>
<tr>
<th>Informant no.</th>
<th>Informant</th>
<th>Position</th>
<th>Location</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Informant no. 1</td>
<td>Zambia Wildlife Authority [ZAWA] researcher.</td>
<td>ZAWA officeLivingstone.</td>
<td>23.03.2009</td>
</tr>
<tr>
<td>2</td>
<td>Informant no. 2</td>
<td>Guard in the Mosi-oa-Tunya National Park.</td>
<td>Mosi-oa-Tunya National Park.</td>
<td>25.03.2009</td>
</tr>
<tr>
<td>3</td>
<td>Informant no. 3</td>
<td>Street vendor.</td>
<td>Livingstone.</td>
<td>27.03.2009</td>
</tr>
<tr>
<td>4</td>
<td>Informant no. 4</td>
<td>Craftsman and souvenir salesman.</td>
<td>Livingstone.</td>
<td>27.03.2009</td>
</tr>
</tbody>
</table>
Informant no. 5
Farmer.
Market in Livingstone.
31.03.2009

Informant no. 6
Livingstone Tourism Association [LTA] Programme Officer.
Livingstone Tourism Association Office in Livingstone.
07.04.2009

Informant no. 7
Souvenir salesman.
Victoria Falls Bridge.
09.04.2009

Informant no. 8
Employee at National Heritage Conservation Commission [NHCC].
National Heritage Conservation Commission office in Livingstone, T 1 road.
15.04.2009

Informant no. 9
Mosi-oa-Tunya National Park.
16.04.2009

Informant no. 10
Manager of Thorntree River Lodge.
Thorntree River Lodge inside the Mosi-oa-Tunya National Park.
20.04.2009

Some of the informants wished to remain anonymous, while the rest had no special preference. Since none of the informants specifically wanted their name in the study, the informants are numbered. This is to ensure the informants safety, and will be discussed in more detail in the next section.

In addition to the interviews I also conducted several informal conversations with craftsmen, national park employees, taxi drivers, store employees, etc. I also attended a two-hour conference on how the global economic crisis is affecting the tourism industry in Livingstone. It was hosted by the Economics Association of Zambia [EAZ] on the 26th of March 2009 at the Protea Hotel Livingstone.

Observations proved to be more helpful than first expected, especially in situations that could sometimes be too chaotic to easily arrange an interview (e.g. markets). Observations were done at the following locations:

<table>
<thead>
<tr>
<th>Location</th>
<th>Purpose</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bus ride from Lusaka to Livingstone and Livingstone to Lusaka.</td>
<td>Mainly for transportation to Livingstone, but it also provided an opportunity to observe the road between Lusaka and Livingstone and to see if traveling by bus is suitable for tourists.</td>
<td>18.03.2009 and 22.03.2009.</td>
</tr>
<tr>
<td>Livingstone.</td>
<td>Conducting observations to find out more about the economic impacts of tourism and the challenges and opportunities it causes.</td>
<td>Several, probably 10+ visits to Livingstone.</td>
</tr>
<tr>
<td>Mosi-oa-Tunya National Park.</td>
<td>My accommodation was situated inside the national park. Although I could not observe the whole park from this location, I did get an overview of the park and was able to observe one of the most popular activities in the park, which is the elephant riding.</td>
<td>18.03.2009 – 22.03.2009.</td>
</tr>
<tr>
<td>Livingstone Airport.</td>
<td>To get a feel of the size of the airport, what state it was in, and observe the different types of visitors.</td>
<td>05.04.2009.</td>
</tr>
</tbody>
</table>
Victoria Falls Bridge.  | Observing tourists, activities and street salesmen on the Victoria Falls bridge.  | 09.04.2009.
---|---|---
Victoria Falls World Heritage Site. | Observing the tourists, craftsmen at the souvenir market, etc. Collecting information about entrance fees. | 09.04.2009.
Kazungula Ferry crossing | Went over the Kazungula Ferry crossing for a two-day trip to Botswana. However, this also allowed me to observe the waiting times, customs procedures, ferry, and other difficulties when traveling to/from Botswana. | 17.04.2009 and 19.03.2009.

3.6 Ethical considerations

According to Scheyvens and Nowak, “the research process must ensure the participants dignity, privacy and safety” (Scheyvens, Storey, et al. 2003, p. 140). Informants were always informed about the following points:

- The purpose of the research.
- Who I was and why I was conducting the study.
- How the data collected would be used and published.
- That the informant could choose to remain confidential.
- My contact information if they wished, in case they would like to withdraw their statement(s).
- That the informant could receive a copy the finalized research paper.

In regards to the participants safety I did not follow any special precautions other than common sense. My topic of research is not of the kind that usually puts people in danger for expressing their opinions. However, sometimes researchers unknowingly put informants in danger because of cultural, social or political differences. It can be argued that informants have the right to be credited for information provided, but since none of the informants specifically requested to have their name in the report I chose to anonymize everyone. (seminar in UTV2100, 10.02.2009, University of Oslo).

4. Tourism in Livingstone

4.1 Sites and attractions

Livingstone is situated in the south-western part of Zambia, approximately 11 km from the Victoria Falls. The town of Livingstone was established in 1905 and named after the famous British explorer Dr. David Livingstone. Before the capital of Northern Rhodesia\(^1\) was moved from Livingstone to Lusaka in 1935, the town was a major European settlement (Zambia Tourism Board, n.d.). In 2000, the town was the 8\(^{th}\) largest in Zambia with a population of 97

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\(^1\) The name was changed to Zambia upon independence in 1964 (Central Intelligence Agency, 2009).
Livingstone is almost entirely based around tourism activities, and has increasingly been preferred by tourists over the once more popular town of Victoria Falls in nearby Zimbabwe due to the Mugabe regime (Mpofu, 2009; Hamilton, et al., 2007, p. 8).

The Victoria Falls were designated a World heritage site in 1989 (Encyclopædia Britannica, 2009), and are generally considered one of the top tourist destinations in Africa (Zijlma, n.d.). However, Zambia is still only receiving 3% of sub-Saharan African tourists (Hamilton, et al., 2007, p. 5). The potential for increasing the number of visitors is therefore substantial. The Mosi-oa-Tunya National Park lies only a few kilometers outside of Livingstone. The national parks area is a mere 68 square kilometers and it only contains three of the “big 5” (Zambian Wildlife Authority, n.d.). However, it has in previous years been the most visited national park in Zambia, and has only in recent years been surpassed by the South Luangwa National Park (Hamilton, et al., 2007, p. 9).

In a study by the Natural Resources Consultative Forum conducted in cooperation with the World Bank, 54% of tourists said they had the Victoria Falls as their main intention of visiting Zambia (Hamilton, et al., 2007, p. 9). Zambia’s wildlife attracted 28% of tourists, while adventure tourism accounted for 5%. Because of Livingstone’s high concentration of

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3 A term that encompasses lion, elephant, buffalo, black rhino and hippo.
adventure-related activities, it is likely that most of these visitors travel to Livingstone. According to Hamilton et al. (2007, p. 9) and statistics obtained from the Zambian Wildlife Authority [ZAWA] (informant no. 1), the Mosi-oa-Tunya National Park received 19,972 visitors in 2005, only behind South Luwanga National Park with 25,814, and well ahead of third most visited national park, Kafue National Park with 6,202 visitors.

The Victoria Falls World Heritage Site received a total of 156,612 visitors in 2007 (statistic gathered from informant no. 8 at the National Heritage Conservation Commission). Of these, 110,790 were Zambian and 44,267 were non-Zambian. The actual number of tourists viewing the Victoria Falls could possibly be much higher though. The Victoria Falls can also be viewed for free from the Victoria Falls Bridge. The Victoria Falls World Heritage Site however, allows the falls to be viewed from a much closer distance. There is unfortunately no data on the number of tourists visiting the Victoria Falls Bridge. From the statistics presented in this chapter we can estimate that Livingstone probably attracts 60-70% of international tourists visiting Zambia (this is however just an estimate and is not confirmed).

The activities and attractions offered are mainly based on the Victoria Falls and the Mosi-oa-Tunya National Park, and include safaris, elephant rides, bungee-jumping, white water rafting, river cruises, fishing, and microlight and helicopter flights over the falls. According to informant no. 6 at the LTA, a smaller percentage also come for the areas history. Livingstone also offers the Livingstone Museum, which however receives few visitors (Mateke, 2002), and the Mukuni village which offers tourists the experience of a traditional Zambia village. The Victoria Falls and Mosi-oa-Tunya National Park are therefore vital for the area. In the words of a souvenir salesman interviewed on the Victoria Falls Bridge, “we are very lucky to have the Victoria Falls here. Without them we would have nothing” (informant no. 7). There was a broad consensus among all the other informants as well that the Victoria Falls are extremely important for attracting tourists to the Livingstone area.

4.2 Visitors
There is unfortunately no specific data available on the number of tourist arrivals in Livingstone. By using some other relevant statistics I can however make a rough estimate of visitor arrivals. According to the Ministry of Tourism, Environment & Natural Resources (2008, p. 9) there were 668,862 international visitors to Zambia in 2005, of which 176,104
could be classified as nature tourists\(^4\) (Hamilton et al., 2007, p. 6). By 2007, the number of international visitors had risen to 897 413 (Ministry of Tourism, Environment and Natural Resources, 2008, p. 9). The origin and purpose of visit for these international visitors is shown in the table below (ibid):

<table>
<thead>
<tr>
<th>Area of origin</th>
<th>Holiday</th>
<th>Business</th>
<th>Conference</th>
<th>Study</th>
<th>VFR(^5)</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>125 793</td>
<td>270 984</td>
<td>36 680</td>
<td>8769</td>
<td>98 660</td>
<td>119 665</td>
<td>660 551</td>
</tr>
<tr>
<td>Europe</td>
<td>43 950</td>
<td>46 666</td>
<td>11 844</td>
<td>2980</td>
<td>23 184</td>
<td>17 105</td>
<td>145 729</td>
</tr>
<tr>
<td>Americas</td>
<td>20 579</td>
<td>12 469</td>
<td>3859</td>
<td>1207</td>
<td>5855</td>
<td>6637</td>
<td>50 606</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>13 721</td>
<td>10 434</td>
<td>2913</td>
<td>1132</td>
<td>5779</td>
<td>5578</td>
<td>40 527</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>204 043</td>
<td>340 553</td>
<td>55 296</td>
<td>14 088</td>
<td>133 478</td>
<td>148 985</td>
<td>897 413</td>
</tr>
</tbody>
</table>

The next table shows the number of visitors entering the border posts that are in close proximity of Livingstone.

<table>
<thead>
<tr>
<th>Victoria Falls</th>
<th>Livingstone airport</th>
<th>Kazungula</th>
<th>Katima Mulilo</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>89 440</td>
<td>73 539</td>
<td>79 871</td>
<td>49 823</td>
<td>292 673</td>
</tr>
</tbody>
</table>

According to Hanyona (2002), there were 300 000 visitors to the Victoria Falls on the Zambian side in 2001 (although there is no year provided, so this is only an assumption based on the rest of the article). If we take the large increase in international visitors the previous years into account, we can be quite sure that the number is higher today. At its peak in the early 1990s, the town of Zimbabwe received over 800 000 tourists annually (Hamilton, et al., 2007, p. 8), and with the decline of tourists to Zimbabwe the last few year (Mpofu, 2009) the number of tourists visiting Livingstone could be 400-500 000 per year (including visitors for business and conferences, which according to the UNWTO also is counted as tourism).

### 5. Economic impacts

There was a broad consensus among the informants that the Mosi-oa-Tunya National Park and the Victoria Falls are the main source of revenue for the area. Even though the informants were chosen from quite different occupations and social statuses, the economic impact of tourism was something they all recognized to be vital.

\(^4\) According to a survey by Hamilton et al. (2007, p. 9), approx. 88% of tourists visiting Zambia can be classified as nature tourists.

\(^5\) Visiting friends and/or relatives.
5.1 Direct income of the Victoria Falls and Mosi-oa-Tunya National Park

The Zambian Wildlife Authority [ZAWA] is administering the Mosi-oa-Tunya National Park, while the National Heritage Conservation Commission [NHCC] is administering the Victoria Falls World Heritage Site. ZAWA employs 62 uniformed officers and a supportive staff of 18 (interview at ZAWA, informant no. 1). According to the informant, ZAWA’s main economic impact is through various fees collected from the park, which in most part are funnelled to the government. Another economic impact is the conservation of the national park to ensure that future generations also can benefit from the tourism revenue the park generates. ZAWA’s total revenue from the Mosi-oa-Tunya National Park for 2008 amounted to 602 253,47 USD (ZAWA, 2009). Although not a massive number by itself, this is only a small portion of the total revenue the area is collecting from tourism.

An estimate I have calculated shows that The NHCC potentially collected up to 4 426 700,00 USD in revenue through the Victoria Falls National Heritage Site from non-Zambian tourists in 2007, while revenue from Zambian residents was potentially up to 46 109 USD6 (interview with informant no. 8 at the National Heritage Conservation Commission). It is however important to mention that these calculations take into account that all visitors are adults. The price for children’s entrance is 5 USD instead of 10 USD for adults for non-residents and 1080 Zambian Kwacha [ZMK] for children instead of 2160 ZMK for adult residents. The actual revenue collected is therefore lower than the figures provided. During my observations in Livingstone, the Mosi-oa-Tunya National Park, the Livingstone airport and the Victoria Falls I did however observe few foreign tourists with children. I therefore believe that the revenue could be around 3 600 000 USD assuming that 20% of visitors are children. This is only an estimate. A detailed visitors report that separates adults and children was unfortunately not available to me.

5.2 Indirect income

While the Victoria Falls World Heritage Site and the Mosi-oa-Tunya National Park collect a fair amount of money from entrance fees and taxes, it is the revenue of the hotels, lodges, tour operators, restaurants, stores, etc. that generate most of the income for the area. In a report by the Natural Resources Consultative Forum (Hamilton, et al., 2007, p. 5-6), it was calculated that around 25% of international visitors could be classified as nature tourists. This means that they visited Zambia with the main intention of experiencing Zambia’s nature attractions. According to Hamilton et al. (2007, p. 5), “...each of these nature tourists spent

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6 Converted from Zambian Kwacha (ZMK) to US Dollars. Exchange Rate 1 USD = 5190 ZMK, 21.05.2009.
about $1,100, generating a direct and indirect impact of nearly $2,300 in GDP, $1,300 in wages and net income of unincorporated business, $420 in tax revenue, and $425 in imports of goods and services”. The spending of these tourists amounted to 194 million USD, with the multiplier effects coming in addition, which the report claims will double the number. If we use the estimate made in section 4.1 that 60-70% of international tourist arriving in Zambia travel to Livingstone, then this means that an approximate of 250-280 million USD were channelled through Livingstone area from nature tourists only in 2005. If we include business and conference visitors, the number will be even higher. It is however again important to note that these are estimates only. Leakages must also be taken into account, such as profits from many of the foreign-owned hotels flowing out of the country and imports of food, drinks and other goods.

6. Economic benefits and disadvantages

A study of this limited size cannot encompass all the economic benefits and disadvantages that tourism might have for the Livingstone area. I have therefore chosen to focus on the issues that I through interviews and observations found to be the most important. It is also important to note that if the socio-economic, environmental and cultural impacts of tourism were evaluated alongside the economic impacts, the benefits and disadvantages could be quite different than in this study that focuses on the economic impacts only.

6.1 Increased government earnings

6.1.1 Economic benefits

In section 5.1 I estimated that the revenue of ZAWA and the NHCC was approx. 4 million USD in 2008, but possibly higher. Most of this revenue is according to informant no. 1 at ZAWA channelled to the government. Although hotels, guesthouses, tour operators, etc. have not been charged VAT\(^7\) the last few years as an incentive to invest in tourism expansion (informant no. 6 at LTA; informant no. 10 at Thorntree Lodge), the government still benefits from other taxes, import duties and visa costs (the total macroeconomic effects of visa costs are however disputed). According to informant no. 6 at the LTA, the effects of the VAT exemption for the tourism industry in Livingstone has more benefits than disadvantages if one looks at the broad economic perspective. While the LTA is an organization that promotes tourism and therefore is positive to the VAT exemption, I do agree on the VAT exemption at least on a short term basis of 5-10 years. Zambia is expensive compared to

\(^7\) Value added tax.
neighboring countries and the VAT exemption can help in reducing the price differences. It is unfortunately not possible to calculate the amount of money gained/lost because of the VAT exemption due to a lack of data.

Even when considering the VAT exemption, the governments earnings from tourism should still be quite substantial, considering that the 176 000 nature tourists visiting Zambia in 2005 contributed to 7% of government revenue when direct and indirect linkages are counted. If we include business and conference visitors, and the fact that there has been an increase from 668 862 international visitors in 2005 to 897 413 international visitors in 2007, tourism is definitely a very important part of government earnings and an economic benefit to the Livingstone area.

6.1.2 Economic disadvantages

Tourism can in rare cases have economic disadvantages for government earnings. This can occur if the cost of maintaining infrastructure for tourism is very high, if most of the tourism revenue is leaked out of the country, tourism creates high inflation by raising prices, or if tourism diverts investments and labor from other sectors more beneficial for that particular country or area (Mathieson, Wall, 1990). For Livingstone however, the case is clear that the economic benefits far outweigh the economic disadvantages that tourism might bring. In the view of informant no. 6 at LTA, “If it were not for the Victoria Falls and the park, it would be like what we usually call ghost towns, because you don’t find a reason, an economic reason that is keeping the town active”. This is also the view of all the other informants interviewed. A town that has no economic activity cannot bring in government earnings. The case is therefore clear that tourism overall is beneficiary for increasing government earnings.

6.2 Job creation

6.2.1 Economic benefits

According to informant no. 6 at LTA, “the main private sector business is just tourism, for Livingstone”. Through direct and indirect linkages, most of the businesses are therefore dependent on tourism. While jobs in the tourism and service sector sometimes pay less than other sectors such as manufacturing (Mathieson, Wall, 1990), the wages in Zambia are generally quite low and most informants mentioned that people are happy to even have a job. Informal conversations and interviews (informant no. 4; informant no. 7) with locals
working in the informal sector\(^8\) reveals that a significant percentage of the people in the Livingstone area make a living from stray jobs, selling arts and crafts to tourists, money changing, various repair services, etc. Identifying the exact percentage of the population that is dependent on the informal sector would require a more comprehensive study. It is therefore uncertain how much of the population really is dependent on the informal sector. It is however clear that the informal sector is almost entirely based around tourism through direct or indirect linkages. According to Vanhove (2005) and the UNWTO (n.d., p. 1-2) tourism is also beneficial for micro scale entrepreneurs, such as artists starting small souvenir shops.

A report by the World Travel & Tourism Council (2009, p. 4), expects 72 000 jobs in Zambia to be generated directly and indirectly from tourism in 2009, representing 4,1% of total employment (World Travel & Tourism Council, 2009, p. 4). If we use estimates made in section 4.1 and 4.2, then between 44 000 and 50 000 jobs in Livingstone are directly and indirectly generated from the tourism sector. These are however estimates and are not confirmed by statistical data. As mentioned in section 1.1, the UNWTO states that tourism-related jobs are labor intensive, and generally require little training. This is supported by a study in Mexico by Bond and Ladman (1972, p. 46) where investments in the tourism sector created over 50\% more jobs than investments in the petroleum industry and metal products industry. According to Mathieson and Wall ( p. 43), “the labour requirements of the tourist industry are often especially suited to conditions prevailing in developing countries”. In total, tourism has a positive economic impact on job creation in the Livingstone area.

### 6.2.2 Economic disadvantages

Tourism in Livingstone has seasonal variances, as is the case in most other tourism destinations in the world (Vanhove, 2005, p. 177). While the variances might not be as extreme as for example in ski resorts; statistics from the Ministry of Tourism, Environment and Natural Resources (2008, p. 13) still show a difference of 69 152 visitors between January (113 279) and February 2007 (44 127). There are however only three months of the year with less than 70 000 visitors, so the differences are not always this extreme. Diversifying the economy could provide jobs in different sectors that could ensure jobs year-round. However, the Livingstone area offers few jobs in other sectors than tourism (informant no. 6; informant no. 9; informant no. 10). Problems observed such as a low percentage of higher education in Livingstone and Zambia in general (CIA, 2009),

\(^8\) “The non-structured sector that has emerged in the urban centres as a result of the incapacity of the modern sector to absorb new entrants” (ILO and UNDP, 1972).
investments available are low (informant no. 10) and the fact the main routes to Livingstone either go via the Victoria Falls Bridge which has weight restrictions, the Kazungula ferry link to Botswana where trucks often wait in line for days, or the for the most part inadequate road to Lusaka (data gathered from observations and interviews) all cause challenges for setting up export-oriented industrial production. Farming would could be an alternative to tourism, but has its own seasonalties. In addition, the Livingstone area is according to informants (informant no. 4; informant no. 5; informant no. 6; informant no. 7) and observations quite sandy with soil not well suited for agriculture.

6.3 Improved infrastructure

6.3.1 Economic benefits
Mathieson and Wall (1990) and Vanhove (2005) claim that tourism in most cases increases the need for expanded and modernized infrastructure such as roads, electricity, water, sanitation, airports, and in more recent years internet and telecommunication access. The expansion in infrastructure can as noted in section 1.1 (UNWTO, n.d., p. 1-2) benefit poor communities and the general area where tourism is conducted. Most informants agreed that the infrastructure has been improved as a result of tourism, but were not entirely convinced of the short-term benefits it has for the local population. Notable infrastructure improvements the last few years have been in the field of internet access and telecommunications. From observations and interviews I learned that it was first and foremost the tourism industry that went online, and that the rest of the sectors followed after. Roads to and from the tourist attractions are usually of above average standard.

6.3.2 Economic disadvantages
Even though tourism increases the need for infrastructure, it does not always benefit the local population, and can in some cases be an economic disadvantage to the area, especially if tourism is highly seasonal (Mathieson, Wall, 1990; Vanhove, Norbert, 2005, p. 177). More infrastructure also requires higher maintenance costs. While I was not able to analyze the state and cost of maintaining the infrastructure in Livingstone; interviews and observations have given me at least a partial view of the situation. In general, the road network in Livingstone is inadequate. Potholes are frequent, and many of the roads in town are not paved. The road to Victoria Falls and the Mosi-oa-Tunya National Park are however paved and in much better condition than the dirt roads in part of town. A bias toward the tourism areas does exist here, and it does not seem like the local population gains that much from improved roads. In regards to electricity, water and sanitation it is difficult for me to make a
conclusion due to little data and uncertainty of informants knowledge about the total situation. However according to informants no. 3, 4, 5 and 7, who live in poorer areas around Livingstone, not much of the infrastructure improvements have reached them directly. But they seem to be optimistic about the benefits of improved infrastructure reaching them in the future. In total I would say that while improved infrastructure has had an economic benefit on the tourism sector in the Livingstone area, the benefits for the local population are not as clear. This could however change if tourism enables the GDP in Zambia to rise and the government can provide better infrastructure for all.

6.4 Macroeconomic stability and other effects

6.4.1 Economic benefits

According to Mathieson and Wall (1990, p. 44-45), the alternative foreign exchange earner for developing countries is generally the export of primary products\(^9\). The price for these primary products is governed by the world market. Zambia is a major copper exporter, but the drastic price falls the last years have made the situation difficult for this sector (informant no. 1; 3; 6; 8). Tourism on the other hand has as we have seen in section 4.2 steadily increased, except for the second half of 2008 due to the global financial turmoil (EAZ conference, 26.03.2009). This has however had an effect on all sectors, not only tourism. As seen in section 6.2.1, the tourism sector employs over 50% more people for a given investment than the petroleum industry or metal products industry. Tourism generally also creates more linkages, and therefore increased tourism growth will have an effect on other industries as well (Vanhove, 2005). For the Livingstone area, tourism creates macroeconomic stability, and keeps investments flowing in (although the size of them could according to informants be higher). Being situated next to a world heritage site, it is highly unlikely that tourists suddenly will stop coming. Tourism to the Victoria Falls and the Mosi-oa-Tunya National Park can therefore be regarded as a resource that will generate jobs and income for future generations if they are managed properly (informant no. 1 at ZAWA) and contribute to Livingstone being a “safe” destination to invest in.

6.4.2 Economic disadvantages

According to informants and Limwanya (n.d.), rent and housing prices have risen due to new hotels and expanded tourism in Livingstone. The expanded tourism sector has brought in new jobs, but this has also caused pressure on the housing market, and prices have gone up.

\(^9\) Raw materials and foodstuffs.
Houses that could have been rented out are often turned into guest houses or sold to investors. The challenge will therefore be for the government to build additional housing to combat the increased prices. According to Vanhove (2005, p. 175-176, the rise in land and rent prices actually has a positive net macroeconomic benefit for an area, but those who own no land loose out. Another implication of tourism can be increased inflation. While this can be connected to the rising housing prices, there is really no data for inflation in Livingstone. Vanhove (2005, p. 174-175) claims that the increase in prices often only occur in certain areas and certain goods. If I was to make an assumption I would say the same is the case for Livingstone. I did not really hear much about inflation from any of the informants, so I do not recognize it as a significant problem, even though I cannot rule it out.

7. Conclusion

This study has showed that the Victoria Falls and Mosi- oa- Tunya National Park have a major impact on the economy of the Livingstone area by generating tourism-related income. Interviews and observations have revealed that without tourism there would be little income generated in the area. There are few alternatives to tourism due to the geographical position, infrastructure and educational levels. The analysis has showed that the net economic benefit of tourism in the Livingstone area is mainly positive in regards to increased government earnings, job creation, infrastructure and macroeconomic stability. It is however important to note that this study only considers the economic benefits and disadvantages. A study that would have encompassed the socio-economic, environmental and cultural impacts would perhaps have revealed different results than this study has.

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