

## Tourism Sector

### INDUSTRY FACT FILE

Tourism sector growth <sup>1</sup> (2014):	4.0 %
Tourism sector share of GDP (2014):	1.5 %
Tourism share of FDI inflows <sup>2</sup> (2013):	(0.2%)
Return on Equity of FDI in Tourism <sup>3</sup> (2013):	(1.5%)
Number of employed persons in Tourism <sup>4</sup> (2012):	72, 938
Informal share of employed persons in Tourism (2012):	53.5%
Female share of employed persons in Tourism (2012):	49.8%
Tourism sector share of Labour Force (2012):	1.2 %
Average wages in Industry (2012):	ZMW 1,964 {USD 378}

#### Major natural endowments for tourism:

Waterfalls, among them the Victoria Falls-one of the seven natural wonders of the world; vast lakes; rich rivers; national parks; wildlife; heritage and cultural sites; and a tropical climate.

#### Number of tourist arrivals by region of origin (2014):

Africa	-	715, 200
Europe	-	77, 871
Asia & Pacific	-	131, 388
North America	-	38, 771
South America	-	5, 820

#### International and regional hotel Brands in Zambia:

The Carlson Rezidor Hotel Group - Radisson Blu; Courtyard Hotel; Intercontinental Hotel; Taj Pamodzi; Protea Hotels Southern Sun; and Sun International among others.

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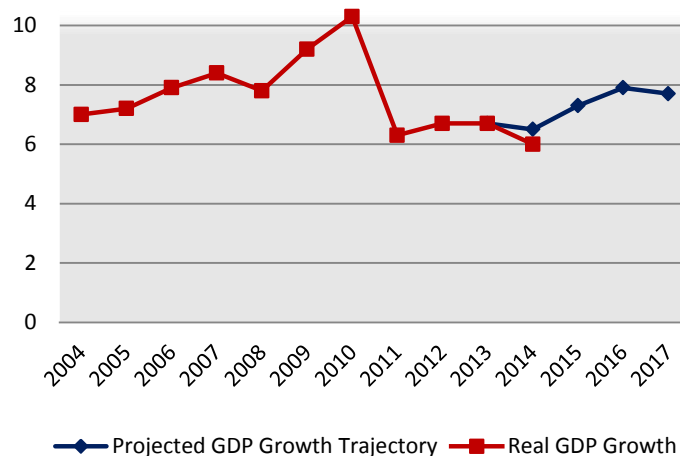
### Brief Overview

This Investment brief presents a profile of the Tourism sector in Zambia. The objective of the brief is to provide quick insights on the Zambian economy and the existing investment opportunities in the Tourism sector.

### Macroeconomic Outlook – Economic Slowdown

In 2014, Zambia's real economic growth slowed down to 6% from 6.7% realised in 2013. This downturn was less than the country's projected growth for the year 2014 but remained above the year's average growth of Sub-Saharan Africa estimated at 4.5%. The lower performance was mainly attributed to lower production in the mining sector which was largely as a result of operational problems, maintenance shutdowns at a few mines, low grade ore and stockpiling of concentrates<sup>5</sup>.

Figure 1: GDP growth rates in percentages at constant prices, 2004-2017



Source: CSO and Ministry of Finance

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The country's growth trajectory is expected to remain positive over the medium to long-term albeit slower against the backdrop of low copper prices on the international markets resulting from weakening growth in emerging markets, particularly in China.

On the domestic front, the recent intensified load-shedding (power cuts) as a result of poor rainfall is likely to slow economic activities and consequently economic growth even further in 2015 and beyond. Other challenges likely to constrain growth and private sector participation include a widening fiscal deficit; rising debt and increasing debt service costs; continued depreciation of the local currency; and a growing trade deficit.

### **Stable Political Landscape**

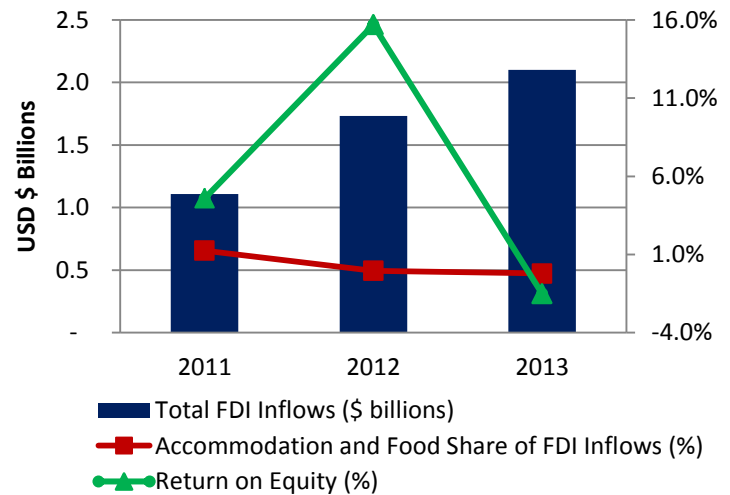
Zambia remains a peaceful, democratic and politically stable country. Although ranked the 44th safest country in the world, Zambia was also identified as one of the countries at most risk of small to medium deteriorations in peace in the 2014 Global Peace Index. Notwithstanding this assessment, in January 2015, the country held a peaceful Presidential By-election which saw the incumbent party retain power.

### **Declining Foreign Direct Investment in the Tourism Sector**

Zambia continues to record a steady increase in Foreign Direct Investments (FDI) inflows. Overall FDI inflows increased to USD 2.1 billion in 2013 from USD 1.7 billion recorded in 2012. Against this background, the tourism sector

(measured by FDI inflows in the Accommodation and Food Service industry), recorded a net outflow of USD \$4.5 million in 2013. While the Mining and Manufacturing sector continue to dominate net FDI inflows in 2013 at 65.5% and 21.2% respectively, in contrast, the Tourism sector contributed to the decline in net-FDI inflows suggesting disinvestments in the sector.

**Figure 2: FDI Inflows and Return on Equity in the Accommodation and Food Service Industry and 2011-2013**



*Source: Foreign Private Investment & Investor Perceptions in Zambia – 2010-2014*

In 2013, investments in the sector took a negative turn with the sector recording a negative Return on Equity estimated at -1.5%. This indicates that shareholders' returns on investments in the sector for the said year were negative. However, this development could be explained by large capital expenditures. Investors therefore, need not refrain from investing in this sector. The Tourism sector is still well positioned for long-term growth as demonstrated by the positive return of 15.7% recorded in the year 2012.

## Evolution of the Tourism Sector

### Performance of the Tourism Sector

Real growth in the Restaurants, Bars and Hotels industry has largely been positive, averaging 5.6% over the past two decades. However, growth was highly volatile over the same period. Particularly in 1999, the industry contracted by 6.5% before expanding by 11.8% in 2000 and recorded its highest growth of 23.8% in 2001. In the years leading to the global financial crisis, growth in the sector slowed considerably and contracted sharply by 14.6% in 2009.

**Figure 3: Real growth rate of the Restaurants, Bars and Hotels Industry, 1995-2014 (%).**

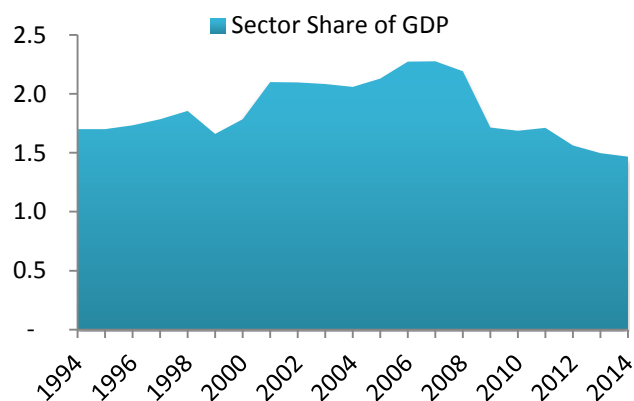


*Graph Based on Central Statistical Office Data*

Similarly in 2012, the sector shrunk by 2.6% but rebounded in the year 2013 during which Zambia co-hosted the 20<sup>th</sup> session of the United Nations World Tourism Organisation (UNWTO) General Assembly with Zimbabwe. This saw an increase in Zambia's visibility and concurrently an increase in the number of international

tourist arrivals during the same year. As can be seen in figure 3 above, the performance of tourism sector in Zambia is highly sensitive to global and regional socioeconomic happenings.

**Figure 4: Restaurants, Bars and Hotels Share of GDP, 1994-2014 (%).**



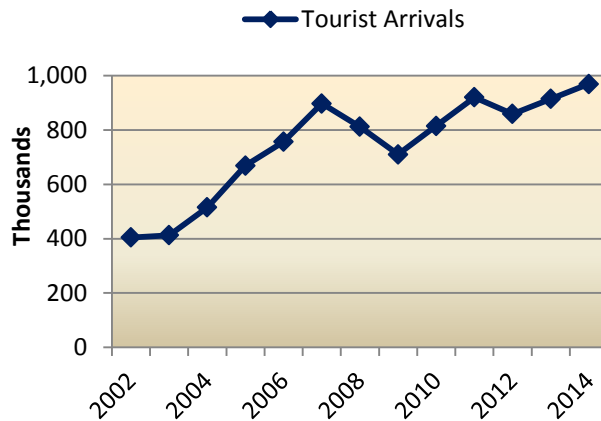
*Graph Based on Central Statistical Office Data*

The sector's contribution to GDP has remained lacklustre, averaging only 1.9% over the last 20 years. Between the years 1994 and 2014, the sector's share of GDP remained within the bounds of 1.5% and 2.3%.

### Rebound in Tourism Demand

Between 2002 and 2007, Zambia recorded a steady rise in the number of international arrivals in the country. This trend was reversed at the onset of the global financial crisis during which the country saw a drop in the number of international arrivals from 891, 413 in 2007 to 709, 948 in 2009. The sector rebounded and recorded 920, 299 international arrivals in 2011. In 2014, Zambia recorded its highest number of international arrivals estimated at 969, 050<sup>6</sup>. This however, still fell marginally short of the 2014 target of one million tourist arrivals.

Figure 5: Tourist Arrivals in Zambia 2002-2014.



Graph based on data from the Ministry of Tourism and Arts

### Tourism Key Performance Indicators

In 2013, annual tourism earnings increased by 22.4%, exceeding the target for the year. The total number of rooms occupied by visitors out of the total number of rooms in establishments for accommodation improved by 5.2% in 2013 from 54.9% in 2012.

Table 1: Selected Key Performance Indicators for the Tourism Sector 2012 and 2013

Indicator	2012	2013	% Change
Annual Direct Tourism Earnings	US\$441 million	US\$540 million	22.4%
Length of Stay for Tourists (Days)	5	6	20%
Employment levels (permanent employees) <sup>7</sup>	44,292	57,337	29.5%
Bed Space	51,662	73,991	43.2%
Occupancy Rates	54.9%	60.05%	5.2%
Tourist arrivals International	859,088	914,576	6.5%

Source: Adapted from the Ministry of Tourism and Arts 2013 Annual Report

Improvements were also recorded in bed space, tourist arrivals and employment levels. The average length of stay for tourists also increased but remained below the year's target of 10 days.

## Strengths, Weaknesses, Opportunities and Threats in the Tourism Sector

### STRENGTHS

#### Abundant Natural Tourism Assets

Zambia is endowed with rich natural and unique tourism resources that make it ideal for investments in the sector. The country is home to numerous waterfalls, among them the Victoria Falls – one of the seven natural wonders of the world; vast lakes and swamps; and rivers. These account for 35% of water resources in Southern Africa. Other key assets include abundant wildlife and birdlife, several national parks and game management areas, heritage sites, hot springs, scenic mountains and valleys and a richly diverse ethnic culture. Zambia's wildlife estate is said to comprise of 36 Game Management areas, 20 National Parks, and 1 bird sanctuary.

#### Tropical Climate

Zambia has a pleasant tropical climate that is sunny and warm for most part of the year making the country an ideal destination for tourism. From May to August, the weather is cool and dry; hot and dry from September to November; and from December to April, warm and wet.

(<http://www.zambiatourism.com/about-zambia/climate>).

Figure 6: Snapshot of Waterfalls and Parks in Zambia



Source: <http://www.zambiatourism.com/destinations/waterfalls>

### ***Hospitable and Friendly People***

Zambians are known for being a friendly and welcoming people making them well suited for the hospitality industry. Further, the country has a large demand for employment that can readily be utilised in the tourism sector. In addition, labour costs are competitive in Zambia with average monthly earnings estimated at ZMW 1,964 (USD 378) in 2012<sup>8</sup>.

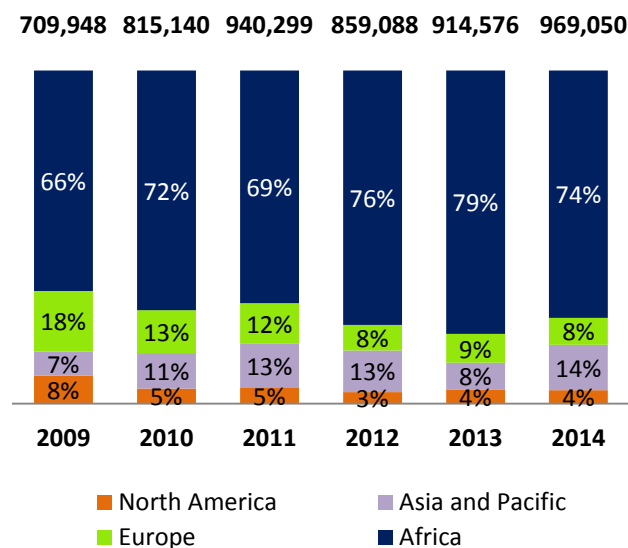
### ***Growing Domestic and Emerging Markets Demand***

Traditionally, Africa has provided the largest source of tourist arrivals in Zambia. The majority of these however, are not strictly leisure tourists but rather comprise of traders, business people and visitors attending conferences. Since 2010, the proportion of tourist arrivals from emerging markets has

increased steadily, providing new potential tourist markets to complement the customary western markets.

Zambia's growing middle class further provides additional demand for investments in the tourism sector. In 2014, the number of domestic visits to national parks increased by 25.4% to 24, 903 out of 81, 971 arrivals mainly as a result of improved access roads. Notwithstanding this growth, domestic tourism still remains below what can be achieved largely on account of high tourism costs. The 2013 Annual report by the Ministry of Tourism and Arts revealed that only 19,862 domestic tourists out of a total of 77,282 visited National Parks in 2013. This low proportion was largely attributed to high room rates of most accommodation facilities that the average Zambian could not afford.

**Figure 6: Tourist Arrival by Country of Origin 2009-2013**



Source: Plot based on Ministry of Tourism data

Investments in the tourism sector therefore need to take cognisance of the different categories of tourists in Zambia and develop differentiated tourism packages that cater for both high value customers and the youth and mass market segments.

### Supportive Business Environment

The Tourism sector is one of Government's priority sectors identified as having the greatest potential to promote growth, employment (300, 000 jobs by the year 2016), value addition and expand Zambia's economic base. To this end, the amended ZDA Act allows for the construction and establishment of infrastructure in the tourism sector to qualify for tax concessions.

#### FISCAL INCENTIVES:

- i. *Zero% tax rate on dividends for 5 years from year of first declaration of dividends;*
- ii. *Zero% tax on profits for 5 years from the first year of operation; and*
- iii. *Zero% import duty rate on capital goods, machinery including specialized motor vehicles for five years.*

#### NON- FISCAL INCENTIVES:

- i. *Investment guarantees and protection against state nationalization; and*
- ii. *Free facilitation for application of immigration permits, secondary licenses, land acquisition and utilities*

Government provides fiscal and non-fiscal incentives under the ZDA Act to investors who invest not less than US\$500,000 in the following:

- i. Construction and establishment of hotels;
- ii. Construction and establishment of convention and exhibition centres;
- iii. Construction and establishment of museums and Theme parks;

- iv. Construction and establishment of art galleries and theatres; and
- v. Construction and establishment of a large retail complex containing a variety of ten or more stores, restaurants or other business establishments housed in a series of connected or adjacent buildings or in a single large building.

### WEAKNESSES

#### ***Poor Road Infrastructure in Potential Project Areas***

Some of Zambia's road, rail and air infrastructure is in a poor state of maintenance which could present challenges for investments in the tourism sector. The country also lacks basic infrastructure in heritage sites and national parks and tourist circuits that can help attract and retain tourists. According to the Ministry of Tourism and Arts Annual report, most National Parks remained inaccessible in 2013 due to poor road infrastructure. Further, the Ministry noted that most National Parks lack all-weather viewing loops and other basic amenities such as toilet facilities, water, and accommodation facilities for tourists.

Encouragingly, Government through the Industrialisation and Job Creation Strategy has elaborated plans to complete Infrastructure development in the Northern circuit and Livingstone to improve access to tourism products.

#### ***Lack of a direct national carrier and limited direct flights***

It is argued that that tourists tend to identify with the national airline of their tourism destination. The existence of a national airline is therefore said to stimulate tourism demand. Since the suspension of operations by Zambian Airways in 2009, Zambia neither has a National airline nor a Flag Carrier with which tourists can identify. Compounding this is the lack of a direct flight between Lusaka and major European cities. In 2013, British Airways withdrew its direct flight between Lusaka and London on account of the unprofitability of the route mainly due to the high domestic cost of aviation fuel. In a similar fashion, KLM Royal Dutch Airlines discontinued the direct flight between Lusaka and Amsterdam in 2014.

The implication of the withdrawal of these two airlines is that tourists have no choice but to use alternative indirect routes via South Africa, Kenya or Ethiopia. This is likely to increase travel time, travel costs and could result in reduced tourist arrivals from Europe and other destinations.

#### ***Perceived Expensive Destination***

Compared to its competitor countries in the region, Zambia is perceived to be a more costly tourist destination. This cost has also been noted by the Ministry of Tourism and Arts as one of the reasons for the less than projected international tourist arrivals in the year 2013. Expensive tour packages and relatively high visa charges are among the factors that are said to contribute to the high cost of tourism in Zambia and lower length of stay of tourists in Zambia. Table 3 below depicts the comparative visa costs in the region. Zambia has relatively higher visa charges for tourists from the EU, Canada, US and the UK compared to other countries in the region.

Reassuringly, a uni-visa between Zambia and Zimbabwe was introduced in December, 2014 to boost tourism. The Kaza uni-visa - which costs US\$50 and is valid for 30 days - allows tourists to cross into Zimbabwe/Zambia as frequently as they like within the validity period. Further, Zambia recently piloted a visa waiver for tourists from Asia and Europe in 2015 aimed at assessing the costs and benefits on tourism growth. Government also plans to undertake a review of the pricing of tourism products to identify cost drivers and consequently develop appropriate measures to reduce costs for tourism operators.

**Table 2: Visa Fees Applied on Tourists in Selected Southern African countries US\$**

Tourist		UK	EU	Canada	USA
Zambia	Single	50	50	50	50
	Multiple	80	80	80	80
Botswana	Single	0	0	0	0
	Multiple	0	0	0	0
Namibia	Single	0	0	0	0
	Multiple	0	0	0	0
Zimbabwe	Single	55	30	75	30
	Multiple	75	45	-	45
South Africa	Single	0	0	0	0
	Multiple	0	0	00	0

*Source: Adapted from the Zambia Private Sector Profile*

### **Limited tourism product range**

Zambia is also noted for having a rather narrow range of tourism products which contributes to the less than desirable length of stay of tourists in the country. In 2013, the average length of stay of tourists increased to 6 days from 5 days recorded in 2012 but still remained below the

target of 10 days for the year 2013. However, Government through the Job and Industrialisation Strategy has committed to implementing measures that will ensure tourism product diversification.

## Opportunities for Investment in the Tourism Sector

### *Summary of Potential Investment Areas in Zambia*

#### **i. Hospitality:**

Top class and medium class Hotels  
Lodges and Camp sites and Restaurants  
Meetings, incentives, conferences and events (MICE)

#### **ii. Tradition and Culture:**

Cultural ceremonies and festivals  
Development of cultural villages  
Development and promotion of museums and heritage sites  
Tourist arts and crafts  
Cultural ethno-tourism and special interest groups

#### **iii. Eco-Tourism and Adventure Activities:**

Scientific and educational tours  
Nature walks/trails  
Micro lighting, Bungee jumping and Abseiling  
White water rafting, canoeing and river boarding, sport fishing  
Elephant/Horseback riding

#### **iv. Community-based tourism**

Community Museums & Village Lodges

#### **v. Game ranching**

Game Lodges & Reserves

#### **vi. Tourism Transport:**

Luxury coaches, car hire and tour operators  
House boating  
Scheduled airlines and air charters

#### **vii. Entertainment**

Night Clubs & Casinos

*Source: Generic Tourism Investment Guide*

### **Greater Livingstone Development Project**

The Greater Livingstone Area has been earmarked for investments in hotel, and lodge



developments ranging between 50 and 400 bed capacity; conference centres with at least 5,000 seating capacity; and shopping arcades among other investments. According to the Ministry of

Tourism and Arts, the lease period for investments in this area is 30 years which can be renewed based on the performance of investments. Particular investment sites that have been identified in Livingstone are summarized in Table 4 below.

**Table 3: Summary of Investment Opportunities in the Greater Livingstone Development Area**

Tourism Site	DAMBWA TAAP	ZAF CHALET TAAP	HUBERT YOUNG DRIVE TAAP	SONGWE GORGE TAAP-SONGWE SITE 1	SONGWE GORGE TAAP-SONGWE SITE 2	ZAIN MAST SITE TAAP	KATOMBORA TAAP SITES
Size	1100 Hectares divided into 8 parcels of approx. 82 Hectares	45 Hectares divided into 3 parcels	5 Hectares	32 hectares	55 hectares	215 Hectares	46.7 Hectares
Features	Stream, open light forest, wildlife, trunk road T1, International Airport	Mosi-oa-Tunya National Park, Livingstone International Airport	Natural vegetation, Proximity to the Victoria Falls, Wildlife	Songwe Gorge, Zambezi River, wildlife	Songwe Gorge, Zambezi River, wildlife	Forest, M10 road, Scenic view of Victoria Falls	Forest, Zambezi River
Recommended Investments	Hotels, Lodges Shopping Malls and Multi use Centres	5 Star Hotels	Lodge	5 Star Hotel, Water Rafting, Bungee Jumping	Tourism Training Institute (University)	5 Star Hotels, Golf Course and Conference Centre	Hotels and boating investments

*Source: Adapted from the Ministry of Tourism and Arts Generic Investment Guide*

### **Kasaba Bay Tourism Resort Development Project**

The Kasaba Bay Tourism Resort Project Area provides the private sector investment opportunities in the development of tourism resorts and conference facilities. The Kasaba Bay is located in parts of the Sumbu National Park and Tondwa and Kaputa Game Management Area which are home to the Lake

Tanganyika; waterfalls such as the Kabwelume Falls, Ntumbachusi Falls and Lumangwe Falls among others; and hot springs. Investment sites identified by the Ministry of Tourism and Arts include the Mitongolo site, Chilanga site, Crocodile site and Muzinga sites. These sites are located along the shores of Lake Tanganyika and collectively cover an estimated area of 455 Hectares.

## SWOT SUMMARY

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• <i>Abundant natural tourism assets</i></li> <li>• <i>Tropical climate</i></li> <li>• <i>Hospitable and available labour</i></li> <li>• <i>Growing domestic and emerging markets demand</i></li> <li>• <i>Supportive business environment</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Poor road infrastructure in potential project areas</i></li> <li>• <i>Lack of a direct national carrier and limited direct flights</i></li> <li>• <i>Perceived expensive destination</i></li> <li>• <i>Limited tourism product range</i></li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• <i>Greater Livingstone development project</i></li> <li>• <i>Kasaba bay tourism resort development project</i></li> <li>• <i>National Parks and game management development</i></li> <li>• <i>Museum development project</i></li> <li>• <i>Cultural and natural heritage sites</i></li> <li>• <i>Business traveller accommodation</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Weakening business environment</i></li> <li>• <i>Foreign exchange volatility</i></li> <li>• <i>Unreliable power supply</i></li> <li>• <i>High cost and limited access to long-term finance</i></li> <li>• <i>Policy Uncertainty</i></li> </ul>

### National Parks and Game Management Development

There are numerous investment opportunities in Zambia's National Parks under Tourism Concession Agreements with the Zambia Wildlife Authority. Zambia's 20 National Parks, 36 Game Management Areas (GMAs) and 1 bird sanctuary offer investors opportunities in tourism activities such as accommodation, game drives, camping, walking safaris etc.

Particular areas open for investment include:

**Blue Lagoon National Park** - located on the northern bank of the Kafue River, is endowed with abundant wildlife and bird-life and covers an estimated area of 450 km<sup>2</sup> hectares. Investment sites include Shamikobo Camp Site with a maximum bed capacity of 16 and Munezha Tented Camp Site with a maximum bed capacity of up to 12.

**Kafue National Park** – located in the south-central part of Zambia covers an estimated area of 22, 400 km (about 33% of the Country's National Park estate). The Park is endowed with

vegetation, fauna, and 158 species of mammals, 481 species of birds, 69 species of reptiles, 35 species of amphibians and 58 species of fishes. Investment sites include the Flagship Lodge Site with a bed capacity of up to 100 and the Old Mwangwa Site with a bed capacity of up to 16.

**Lusaka National Park** – the 20th and newest addition to Zambia’s national is located in the south-east of Lusaka City. The Park comprises impressive landscape and wildlife habitat. Sites with investment opportunities include the Safari Lodge Site with a maximum bed capacity of 24 and the Lusaka National Park Eatery Restaurant.

Other investment opportunities in accommodation facilities are available in the Lochinvar National Park, Chete and Sekula wildlife sanctuaries, and the North and South Luangwa National Parks.

### **Museum Development Project**

There are mainly two museum business parks in Lusaka and Ndola offering the private sector investment opportunities on a Design, Build, Operate and Transfer Private Public Partnership basis. According to the Ministry of tourism and Arts, the Lusaka Museum Business Park offers investment opportunities for the construction of a 100-roomed 3 star hotel, conference centre and rental office block. Similarly, the Ndola Museum Business Park offers investors opportunities for the development of an 80-roomed 3 start hotel, a conference centre and a rental office block.

### **Cultural and Natural Heritage Sites**

There are a number of heritage sites that have been identified by the National Heritage Conservation Commission for investment opportunities in the development of lodges, camp sites, water sport and other tourism activities. Specifically, the Chipoma falls, Chishimba Waterfalls National Monument site, Lumangwe, Kabwelume and Chimpempe Waterfalls, Kalambo Waterfalls, Kundabwika Waterfalls, Ntumbatushi Waterfalls among many other wonderful waterfalls provide investment opportunities in the development of lodges and campsites.

Other investment opportunities in lodges, hotels, chalets, guest houses and campsites abound on the sandy beaches of Lake Tanganyika, Lake Bangweulu, Lake Mweru Wantipa and Lake Chila. The vast array of rivers, waterfalls, lakes and beaches also provide investment opportunities in activities such as water rafting, boat cruises and angling.

### **Business Traveller Accommodation**

Infrastructure development and financial services in Zambia are largely concentrated along the line of rail which covers the Southern Province, Lusaka, Central and the Copperbelt provinces. Naturally, business activities are also concentrated in these highly urbanised and densely populated areas. This provides investors opportunities for investments such as accommodation for foreign nationals travelling to Zambia for business. International hotel brands already providing such services in the capital city Lusaka include the Carlson Rezidor Hotel Group - Radisson Blu; Intercontinental Hotel; Taj Pamodzi; Protea Hotels and Southern Sun among others.

## **Case Study: Sun International Hotel**

The Sun International Group is Africa's largest tourism, leisure and gaming group that has an interest in a total of 27 resorts, luxury hotels and casinos across ten countries. This includes 15 operations in South Africa, two in Zambia, two in Lesotho, one in Botswana, one in Nigeria, one in Swaziland and one in Namibia.

Sun International Limited was incorporated in South Africa on 11 July 1967 and is listed on the Johannesburg Stock Exchange. The company has a market capitalisation of approximately US\$1.4-billion and enjoys a 42.5% share of the South African casino market.

The Royal Livingstone Hotel at Victoria Falls in Livingstone, Zambia is one the Group's most iconic hotels. The Hotel runs the Royal Livingstone Express - a unique dining venue aboard a steam locomotive train that can host up to 92 people, offering a journey back in time to an era of grace, elegance and romance.

### **The Royal Livingstone Express**



<http://www.suninternational.com/corporate/history/Pages/default.aspx>



**White Water Rafting on the Zambezi River**



**Helicopter Rides over the Victoria Falls**



**Elephant Back Safaris**

Source: <https://www.pinterest.com/millionthrills/royal-livingstone-and-zambezi-sun-experiences/>

## THREATS

### ***Weakening Business Environment***

Zambia has made significant strides in improving the business environment over the years. However, the country continues to rank poorly on the World Bank Doing Business Index. In 2015, Zambia moved down four places on the Business Index to rank 111 out of 189 economies from 107 in 2014 mainly due to increased costs in registering property. The increase in the Property Transfer Tax rate from 5% to 10% - which made transferring property more costly - was the major culprit for this poor performance.

**Table 4: Ease of Doing Business Rank in Zambia (out of 189 economies), 2014 and 2015**

Topics	DB 2015 Rank	DB 2014 Rank	Change in Rank
<a href="#">Starting a Business</a>	68	72	↑ 4
<a href="#">Dealing with Construction Permits</a>	99	102	↑ 3
<a href="#">Getting Electricity</a>	126	126	No change
<a href="#">Registering Property</a> X	152	106	↓ 46
<a href="#">Getting Credit</a> ✓	23	30	↑ 7
<a href="#">Protecting Minority Investors</a>	83	81	↓ 2
<a href="#">Paying Taxes</a> ✓	78	80	↑ 2
<a href="#">Trading Across Borders</a>	177	177	No change
<a href="#">Enforcing Contracts</a>	98	98	No change
<a href="#">Resolving Insolvency</a>	95	95	No change
<b>Doing Business Rank</b>	<b>111</b>	<b>107</b>	<b>↓ -4</b>

✓ =Doing Business reform making it easier to do business.

X =Change making it more difficult to do business.

Source: World Bank

Other challenges to doing business in Zambia include trading across borders, getting

electricity and registering property. Particularly, the latter two may present some challenges for new investments in the tourism sector.

### ***Unreliable energy supply***

As at 2014, Zambia's electricity supply was 75% of the total domestic demand. Power deficit is estimated between 547 and 736 megawatts but this is now likely to be higher due to the low water levels in the Kariba Dam which has resulted in increased power cuts. Load-shedding is used as a temporary electricity rationing measure and as a result; both households and commercial establishments have been subjected to disruptions in the supply of power which negatively affects business operations. However, electricity generation is estimated to increase following investments in additional and new generation power plants such as the 360 MW Kariba North Bank extension project, 300 MW Maamba Coal Fire Power Plant, and 120 MW Itezhi-Tezhi Project.

### ***Exchange rate volatility***

Although a weaker kwacha provides tourists more spending power in Zambia, the volatility of the kwacha which reached an all-time high of K7.74/\$ in March of 2015, has triggered uncertainty in exchange rate developments. This poses challenges for businesses operations as uncertainty makes planning more difficult.

### ***High cost of and limited access to long-term finance***

Local high interest rates and short term financing is likely to limit investments into intensive tourism infrastructure projects. In 2012, the Central Bank introduced the BOZ

Policy Rate to better effect monetary policy which led to the reduction in commercial bank lending rates to an average of 16% in 2012 from as high as 28%.

However, the pass-through inflationary effects of the recent depreciation of the kwacha in the first quarter of the year 2014 led to an upward revision in the BOZ policy rate and consequently interest rates. Currently, the BOZ Policy Rate stands at 12.5% and in December, 2014, bank lending interest rates averaged 20.5%.

### ***Uncertainty in the regulatory framework***

Government policies have often been implemented without the full consultation of the private sector. This has led to uncertainty and affected investor confidence. Particularly, the introduction of Statutory Instrument number 33 – now suspended - prohibited the quotation of services and goods in dollars. This SI was a serious concern for the tourism sector as most tourists tend to hold US dollars. Nevertheless, efforts to engage the private sector through the Business Council forum that includes Government and a consortium from the private sector are in place.

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## **Policies, Strategies and National Plans to boost the Tourism Sector**

### ***Vision 2030***

The vision for the tourism sector as elucidated in the country's long term development plan is for Zambia to become a major tourism destination of choice with unique features by 2030. The goals and targets

for the sector are to develop, rehabilitate and maintain related infrastructure by 2030; diversify tourism products by 2030; and increase the participation of locals in the industry.

### ***Revised-Sixth National Development Plan (R-SNDP)***

The tourism sector is one of the growth sectors identified in the country's medium-term development plan which covers the period 2013 to 2016. Over the period, the country's focus is to increase tourist arrivals and the length of stay by implementing measures that will facilitate improved access to existing and new tourism sites, reduce the cost of investing and doing business in the sector, and increase funding for marketing tourism.

### ***Ministry of Tourism and Arts Strategic Plan 2014-2016***

This plan puts forth the medium term aspiration on how Zambia will grow to be among the top five (5) tourist destinations of choice in Africa. The goals for the sector are to increase the Tourism and Arts sector contribution to GDP from 2.1% in 2012 to 6% in 2016; and to increase employment creation from 30,000 in 2012 to 300,000 in 2016.

### ***Tourism Policy***

The Tourism policy for Zambia of 1999, soon to be repealed, aims to contribute sustainably to the economic well-being and enhanced quality of life for Zambians through Government led, private sector driven, quality product developments that are consistent with the protection of the unique natural and cultural heritage. Currently, a new policy has been drafted for Parliament approval.

### ***The Tourism and Hospitality Act, 2007***

The Act provides for the development of the tourism industry through tourism planning, management and co-ordination. It provides for incentives for investors in the tourism industry and provides for the control and regulation of hotels and the enforcement of reasonable standards of cleanliness, sanitation and service.

Further, the Act provides for the authorisation and licensing of tourism enterprises and granting of casino licences.

### **Zambia Wildlife Act, 1998**

The Wildlife Act established the Zambia Wildlife Authority and defines its functions as the provision for the establishment, control and management of National Parks; provision for the establishment, control and management of Game Management Areas; provision for the sustainable use of wildlife and the effective management of the wildlife habitat in Game Management Areas among other functions.

## **Roles of Key Stakeholders in the Tourism Sector**

### **Ministry of Tourism and Arts (MOTA):**

This is the principal Ministry responsible for facilitating and promoting sustainable tourism and arts development and, culture preservation for socio-economic development. The Ministry is also responsible for the following statutory bodies: Zambia Wildlife Authority; Zambia Tourism Board; National Arts Council; and the Hotel and Tourism Training Institute.

#### **Contact Details**

Tel: + 260 211 223930

Address: Kwacha House, Cairo Road, Lusaka

Website: <http://www.mota.gov.zm>

### **Zambia Wildlife Authority (ZAWA):**

ZAWA is mandated under the Zambia Wildlife Act No. 12 of 1998 to manage and conserve Zambia's wildlife. ZAWA protects, conserves and manages Zambia's wildlife estates and works to continuously improve the quality of life among communities and the maintenance of sustainable biodiversity.

#### **Contact Details**

Tel: +260 211 278129/ 278482/279080

Address: Private Bag1, Kafue Road, Chilanga, Lusaka

Website: <http://www.zawa.org.zm>

### **Zambia Tourism Board (ZTB):**

The Zambia Tourism Board was established through an Act of Parliament number 24 of 2007 with a mandate to promote and market Zambia as a tourist destination within and outside Zambia.

#### **Contact Details**

Tel: + 260 211 229087/90

Email: [ztb@zambiatourism.org.zm](mailto:ztb@zambiatourism.org.zm)

Address: 1st Floor Petroda House, Great East Road, Lusaka

Website: <http://www.zambiatourism.com/zambia-tourism-board>

### **National Arts Council of Zambia:**

The National Arts Council of Zambia is a statutory body established under Act No. 31 of 1994 of the Laws of Zambia and is the coordinating body of all artistic activities in the country. The Council facilitates the development, promotion and nurturing of all art forms countrywide.

#### **Contact Details**

Tel: + 260 211 220638/9

Email: [nacz@coppernet.zm](mailto:nacz@coppernet.zm)

Address: Sadzu Rd, Lusaka

Website: <http://www.twitter.com/NACZambia>

### **Zambia Development Agency (ZDA):**

The focus of the agency is investment promotion and privatization; exports promotion and market development; and micro and small enterprises. ZDA provides investment incentives for businesses investing in priority sectors and provides information on the available investment opportunities.

#### **Contact Details**

Tel: +260 211 252 288 / 253 640

Email: [info@zda.org.zm](mailto:info@zda.org.zm)

Address: Privatisation House, Nasser Road, Lusaka

Website: <http://www.zda.org.zm>

## Other Useful Contacts

### Patents and Company Registration Agency (PACRA)

Tel: +260 211 255151/255127

Email: [pro@pacra.org.zm](mailto:pro@pacra.org.zm)

Address: Mwayi House, Haile Selassie Avenue, Longacres, Lusaka

Website: <http://www.pacra.org.zm>

### Zambia Environmental Management Agency (ZEMA)

Tel: +260 211 254023/59

Address: Corner of Church and Suez Roads, Plot No. 6975, Ridgeway, Lusaka.

Website: <http://www.zema.org.zm>

### Zambia Public Procurement Agency (ZPPA)

Tel: +260 211 250632/250642

Address: Red Cross House, Angeles Boulevard, Lusaka

Website: <http://www.zppa.org.zm>

### Zambia Revenue Authority (ZRA)

Tel: +260 211 381111

Email: [advice@zra.org.zm](mailto:advice@zra.org.zm)

Address: Kalambo Road, Lusaka

Website: <https://www.zra.org.zm>

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## Endnotes

<sup>1</sup> The GDP share and growth of the Restaurants, Bars and Hotels industry is used as a proxy for the tourism sector.

<sup>2</sup> FDI data for Accommodation and Food Services Industry is used as a Proxy for FDI in the Tourism sector

<sup>3</sup> Data on Return on Equity for the Accommodation and Food Service sector is used as a proxy for the profitability of investments in the Tourism sector.

<sup>4</sup> The sum of workers in the Accommodation and Food Service Activities and Arts, Entertainment and Recreation is used as a proxy for the number of employees in the Tourism sector.

<sup>5</sup> Ministry of Finance

<sup>6</sup> According to the Zambia Private Sector Profile, it is acknowledged that a significant proportion of international arrivals captured as tourists consist of traders, business people and visitors attending conferences. In the absence of comprehensive data on visitors who visit Zambia for strictly leisure purposes, the total number of international arrivals is used as a proxy to denote tourist arrivals in Zambia. This is premised on the assumption that that a substantial proportion of the international arrivals consume some tourism products.

<sup>7</sup> Employment data differs with that from the Labour Force Survey. The latter is a proxy

<sup>8</sup> ZDA estimates the following average monthly salaries in the labour market: US\$7,000 for executives in a sizeable organization; US\$1,400 for fresh graduates; US\$1,000 for technical workers; US\$250 for level graduates and US\$150 for unskilled or manual labour.