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POLICY BRIEF 6

## PRICING POLICY FOR STATE- PROTECTED AREAS

# NAMIBIA'S PARKS:

## under-funded & facing increased land use pressures



*Animals at a water hole in the famous Etosha National Park. Picture: Ralf Bäcker*

## PROTECTED AREAS ADD SIGNIFICANT VALUE TO ECONOMY

### **Core protection for the country's most important habitats and species**

Approximately 17% of Namibia's land area is formally protected within 20 state-owned protected areas. The protected area network contributes significant value to the economy as it underpins the tourism industry which is the second largest contributor to national income and the fastest growing economic sector.

Namibia's protected area network generates diverse economic values (Figure 1 on the next page). The main direct use values associated with the protected area system are derived from tourist activities.

### **Namibia's protected area system is the backbone of the nature-based tourism industry**

Tourists visiting protected areas spend money both within and outside of them, generating value added in the tourism industry and further value added for the Namibian economy as a whole through linkage and multiplier effects.

The tourism industry in Namibia has grown rapidly since the 1980s, with the most recent estimates from the World Travel and Tourism Council (WTTC) suggesting that tourism directly contributed 2.9% of GDP in 2017 and its total contribution (direct plus indirect) amounted to 13.8% of GDP.<sup>1</sup> Nature-based tourism activities are the top-stated reasons for com-



**Namibia's protected area system provides core protection for the country's most important habitats and species and is the backbone of the nature-based tourism industry. Namibia's parks, like many others in southern Africa, are under constant threat from insufficient funding and increasing land use pressures. Park entry fees are well below regional levels. These should be increased substantially in order to maximise park revenues and channelled directly to park management.**



ing to Namibia, and it has been estimated that more than two thirds of visitors are nature-based tourists, accounting for a significant portion of all holiday expenditures. In fact, about N\$5.9 billion of the tourism value in Namibia is directly attributable to the natural environment and the nature-based tourism value associated with national parks is estimated to be N\$2.18 billion p.a. or 42% of this overall value.

A daily entrance fee is payable at all national parks, game reserves and game parks throughout Namibia, collected by the Ministry of Environment and Tourism (MET). Park entry fees in Namibia have remained unadjusted since 2005, despite previous recommendations that fees should be revised every three years. Park prices are differentiated for domestic visitors, regional visitors (SADC) and international visitors, with SADC visitors paying twice, and international visitors paying almost three times that of domestic visitors (Table 1).

Daily entrance fees (2017 N\$)			
	Citizens	SADC	International
Tier 1: Etosha, /Ai-/Ais Hot Springs, Skeleton Coast, Namib Naukluft, Waterberg Plateau	30	60	80
Tier 2: all other parks, reserves and heritage sites	10	30	40

**Table 1. Current daily entrance fees for domestic, regional and international tourists into Namibian parks (N\$, MET)**

At present the prices are the same for all of the larger Namibian parks, with lower prices being charged for the smaller parks, reserves and heritage sites. International visitors are charged N\$80 for entry into the larger parks, the equivalent of just over US\$6 at the current exchange rate.

**Protected areas are under constant threat from insufficient funding and increasing land use pressures**

Park entrance fees make up the majority of non-tax revenues collected by MET. Wildlife utilisation permits contribute about 5% and concession fees about 2%. Income generated by the parks goes to the central Government Treasury with only a small proportion being channelled back into park management via trust funds.

The protected area network in Namibia relies on funding from fiscal revenues, the Game Product Trust Fund (GPTF) and donor funds.

**ECONOMIC VALUE OF NAMIBIA'S PROTECTED AREA SYSTEM**

**USE VALUE**

**DIRECT USE VALUE**

**Non-consumptive & consumptive use of park resources**

Photographic tourism, game harvesting for live sales.

**INDIRECT USE VALUE**

**Values derived from regulating & supporting services**

Carbon sequestration, refugia provision.

**NON-USE VALUE**

**OPTION VALUE**

**Values of retaining the option to use resources in the future.**

Genetic diversity

**EXISTENCE VALUE**

**Value society derives from knowing biodiversity in protected areas is preserved.**

**Figure 1. The different types of economic value generated by Namibia's protected area system**

The overall MET budget allocation as a percentage of Namibia's total development budgetary allocations has remained at around 2% since the early 2000s. Treasury allocations to the environmental sector have decreased over recent years, when compared to other economic sectors. A disconnect between budgetary allocations and the actual cost of maintaining protected areas continues to persist.

Currently the government budget allocation to MET is the main source of funding for parks, however protected areas continue to experience substantial underfunding. Funding for protected area management, i.e. the amount allocated to the Department of Wildlife and National Parks (DWNP) by MET, is currently in the order of N\$215 million, equating to 48% of the total MET budget.

Based on updated estimates, an annual recurrent expenditure of N\$274.9 million is required for park management, which is 22% more than the current budget allocated to DWNP and an estimated shortfall of about N\$60 million.

This suggests that more needs to be done to bridge the park financing gap, and increased revenues from entrance fees could help towards self-sustainability.

**Namibia's protected area system:**

- Core protection for the country's most important habitats and species
- Backbone of the nature-based tourism industry
- Under constant threat from insufficient funding and increasing land use pressures

## NAMIBIA HAS LOWEST PARK ENTRANCE FEES IN SADC AND EAC

A review of park pricing structures across the region revealed that Namibia has the lowest park entrance fees (Figure 2). The prices charged for international visitors in Namibia are half the amount charged in Botswana, a third of what parks charge in Zimbabwe, South Africa and Zambia, and about a tenth of the price of parks in Kenya and Tanzania. The park entry fee for local tourists in Namibia is similar to fees charged in neighbouring Zambia and Botswana but lower than local fees in South Africa and Zimbabwe. The entry fee for regional tourists in Namibia is significantly lower than those in all the other southern and east African countries.

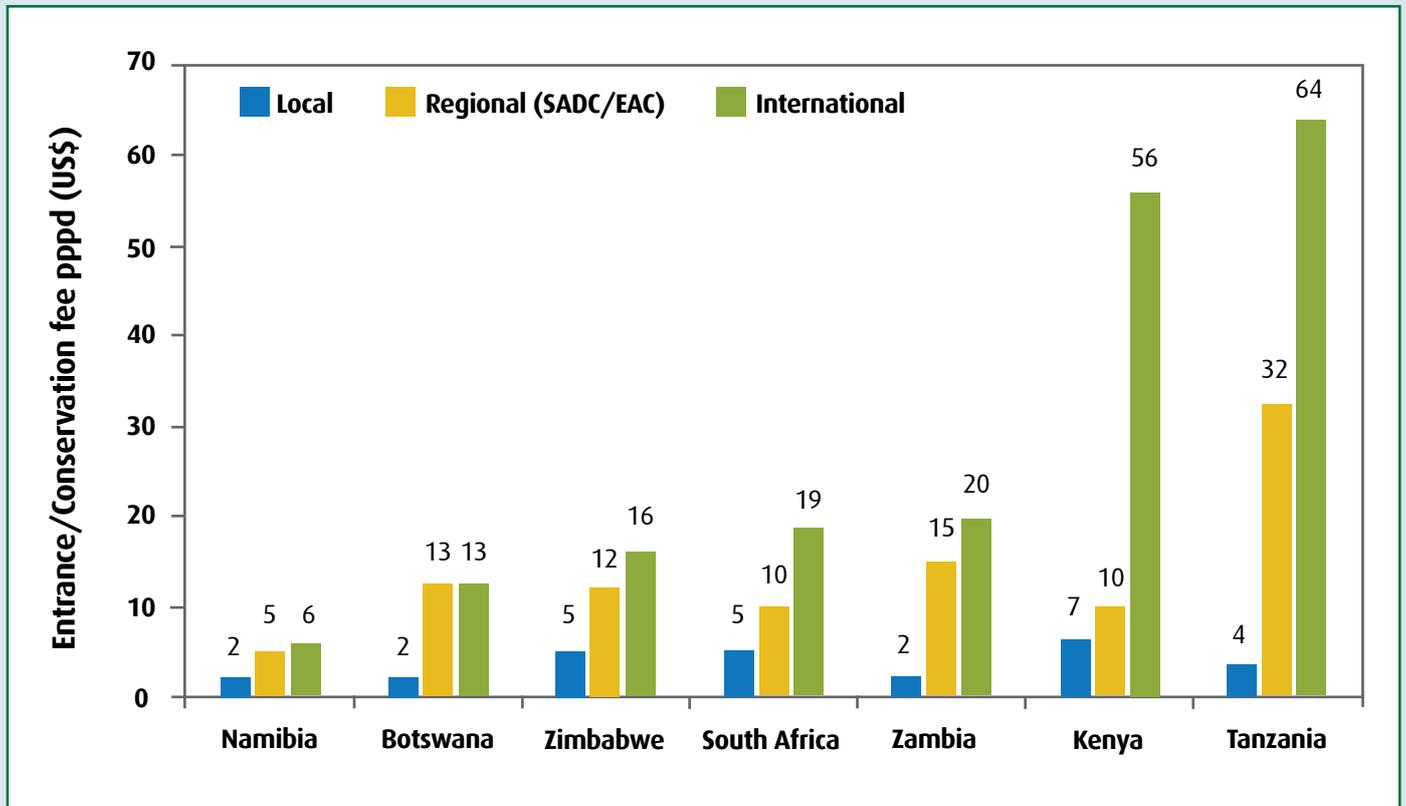


Figure 2. Park entrance fees (per person per day, US\$) for countries in southern and eastern Africa (based on entrance fees for the flagship parks in each country).

## FUNDING FOR PROTECTED AREAS HAS DECLINED

Throughout Africa, government funding for conservation and protected areas has dwindled in real terms and, as a result, created the need to reform national park pricing and institutional arrangements. Given the declining availability of fund-

ing, park entry fees are becoming an increasingly relevant source of income to park agencies with more efficient, well-designed park fee systems helping to make protected areas more financially self-sufficient

## INSTITUTIONAL ARRANGEMENTS FOR PARK REVENUES ARE INEFFICIENT

The institutional arrangements for park revenues varies considerably across the region. In some countries the government is responsible for the management of protected areas and wildlife, whereas in other countries statutory bodies which are external to the public service are legally mandated to perform this role inclusive of tourism and related commercial activities. In addition to this, the more recent approach in some countries (e.g. Zambia, Malawi and Mozambique) has been to set-up a long term contractual agreement with a non-government organisation who has direct responsibility for the management of the protected area(s) in that country. Such an organisation is "African Parks" which currently manages 15 national parks and protected areas in nine countries. Parastatal protected area agencies and long term contractual

agreements provide an alternative to the dependence on governments for conservation funding. Parastatal agencies, such as South African National Parks (SANParks) and Kenya Wildlife Service (KWS) are semi-autonomous organisations that receive some funding from government but also raise and retain all of their own revenues. The revenue generated by protected areas is reinvested into the organisation and the management of national parks. This arrangement is fundamentally different to the Namibian situation where protected areas are managed by MET and park revenues go directly to central government with only a portion of these revenues being reinvested back into the management of parks. Greater financial independence allows parastatals the advantage of diversifying their sources of revenue.

## OPTIMAL PARK FEES CAN MAKE PARKS MORE FINANCIALLY SELF-SUFFICIENT

When it comes to the pricing of protected areas, there are generally four main objectives that the charging of a user fee aims to achieve:

1. Impute value to visitation;
2. Manage parks at economically efficient levels;
3. Operate within an ecological carrying capacity (i.e. manage congestion); and
4. Achieve social equity.

Determining optimal prices means having a pricing strategy that meets all of the above stated objectives. Optimal pricing strategies aim to charge a profit-maximising price to each of

the visitor groups, ultimately increasing total revenues and allowing visitation numbers to be tailored to address site-specific characteristics and objectives.

In order to inform the optimal pricing of parks in Namibia, a survey of holidaymakers was conducted at four Namibian National Parks (Etosha National Park, Namib-Naukluft Park, Waterberg Plateau Park and Hardap Game Park) and at Windhoek's Hosea Kutako International Airport in December 2017. In total, 689 questionnaires were completed, representing 1715 visitors. The focus of the survey was to estimate visitor willingness to pay for entrance into Namibia's parks and to determine the revenue maximising park

## INTERNATIONAL DEMAND FOR NAMIBIA'S PARKS IS FAIRLY INELASTIC

### Current visitor behaviour and satisfaction

The study showed that 95% of holiday-makers to Namibia visit one or more of the National Parks while in the country (Figure 3).

Nearly all of them (94%) were visiting the higher-priced "Tier 1 parks" and spent on average 5.3 days of their trip in these parks. About a quarter (27%) of visitors were visiting "Tier 2 parks", where they spent an average of 2.5 days. Namibia's flagship parks, the Etosha and Namib-Naukluft National Parks, were most popular, with 82% and 68% of respondents having visited these parks, respectively.

The most popular Tier 2 park was Dorob National Park with 11% of holiday-makers indicating they had visited this park. Neither the cost of travel to Namibia nor park entry and accommodation fees were

a major factor for international and SADC visitors in deciding to visit Namibia. The cost of visiting different parks did influence local visitors' choice on which parks to visit but the most important factor influencing this was accommodation costs inside parks.

The majority of visitors rated the scenic/landscape attractions, wildlife attractions and level of congestion in parks as being "much better than expected".

Accommodation in the parks had lower ratings with most respondents 3(35%) rating

accommodation as being "as expected". Overseas visitors gave higher ratings in terms of value for money for accommodation and facilities than SADC and Namibian visitors. Visitors that gave lower ratings commented that the accommodation offered by the parks was expensive and not well maintained.

### Visitors' willingness to pay for park entry

Overseas visitors were willing to pay between N\$332 and N\$399 per day for entry into Tier 1 parks (compared with the current fee of N\$80), SADC visitors between N\$153 and N\$174, and Namibian residents between N\$117 and N\$151 (Table 2). This aligns with the park fees currently charged

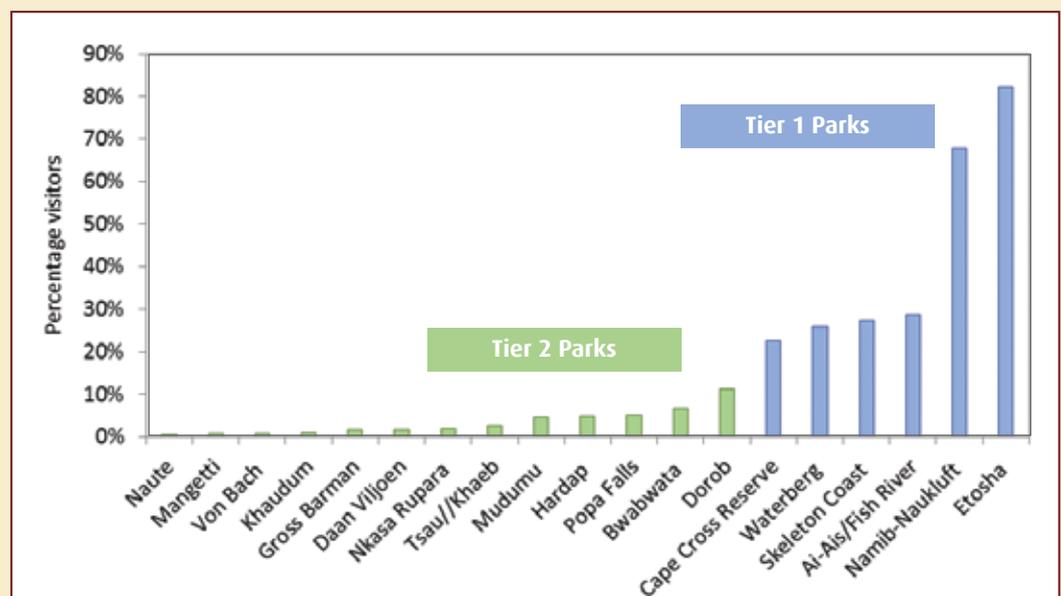


Figure 3. The different types of economic value generated by Namibia's protected area system.

### Regional comparison of fees and administration:

- Lowest park entrance fees in the region
- Institutional arrangements are inefficient

# OPTIMAL PRICING: LOW VOLUME HIGH COST POLICY

The study findings suggest that international demand for Namibia's parks would not be strongly affected by increased prices. This would allow a low volume high cost policy which is both beneficial to biodiversity and could allow relatively low prices for Namibians in order to meet social objectives. However one has to be cautious about deterring international visitors, since this could affect overall tourism expenditure in the country.

## 1. Change pricing structure and increase prices

The results from the national park tourist survey indicate that

Multi-tiered pricing strategy	
Tier	National Parks
Tier 1 Flagship Parks	Etosha and Namib-Naukluft
Tier 2	/Ai-/Ais, Waterberg Plateau, Skeleton Coast, Cape Cross Seal Reserve
Tier 3	All other parks, reserves and

**Table 3. The multi-tiered pricing strategy recommended for Namibia's national parks.**

visitors are willing to pay substantially more than the current fees charged and that the revenue maximising price is even higher than the mean WTP. Opportunity therefore exists to increase park fees in Namibia to levels that are more comparable with neighbouring parks in Botswana, South Africa, Zimbabwe and Zambia.

The most popular parks are Etosha and Namib-Naukluft National Park. These parks are truly representative of Namibia with unique features that attract tourists throughout the year. These are Namibia's flagship parks, and they should be priced above other Tier 1 parks. It is therefore recommended that Namibia defines three groups of parks rather than two, in order to maximise revenues (Table 3).

Park fees should be substantially increased in order to increase revenues. However, taking potential impacts on overall tourism expenditure into account, it is advisable to exercise some caution. Thus, the recommended fees (Table 4 on the next page) are slightly lower than the visitors' stated willingness to pay and the revenue maximising prices for parks.

## 2. Improve the management of visitor facilities

It will be important to improve visitor accommodation and other facilities in order to maintain visitor satisfaction.

## 3. Improve revenue collection and management

Namibia's parks should be equipped with computerised sys-



in neighbouring countries, such as in Botswana, South Africa and Zimbabwe.

For Tier 2 parks, the average amount overseas respondents were willing to pay was N\$147 per day, almost four times the current price (N\$40). SADC visitors were willing to pay N\$77 (current fee is N\$30) and Namibians were willing to pay N\$35 (current fee is N\$10).

### The revenue-maximising price for parks

Based on visitor responses to various price increases proposed to them, it was possible to determine how many visitors would still come at different price levels, and how this would affect the overall revenues from entry fees.

From this, it was found that the daily park fee which would generate the highest revenues for Tier 1 parks would be about N\$536 for overseas visitors, N\$202 for regional visitors, and N\$115 for domestic visitors.

Similarly, the revenue-maximising price for overseas visitors to Tier 2 parks was estimated to be about N\$165 (US\$12).

### Calculated optimal revenue maximising price (N\$ per person per day)

Visitor group	Current price	Mean WTP estimate	Revenue maximising price
Overseas visitors	80.00	344.00	536.00
SADC visitors	60.00	153.00	202.00
Namibian visitors	30.00	117.00	115.00

**Table 2. The calculated optimal revenue maximising price (N\$ per person per day) for each visitor group compared to the current prices and the mean willingness to pay (WTP) estimates for Namibia's Tier 1 parks. Estimates are rounded to the nearest Namibian dollar.**

## Optimal pricing for Namibia's national parks:

- Funding for protected areas has declined
- Setting optimal park fees can help to make parks more financially self-sufficient
- International demand for Namibia's parks is fairly inelastic
- Allows for low volume high cost policy



tems and be set up to receive online payments. Revenues from entrance fees, tourism and hunting concession fees, as well as voluntary contributions from tourists' funds need to be retained entirely by the managing authority.

#### 4. Collect rentals from all accommodation facilities

Currently, Namibian Wildlife Resorts (NWR) are exempt from any payments to MET. All resorts should be paying a percentage of turnover towards financing park management.

#### 5. Change the institutional set-up

With regard to the institutional arrangement for Namibian parks it is recommended that DWNP is given more autonomy as a park management agency or that park management is outsourced to a for-profit company. In addition, it is recommended that NWR resorts are sold to competing private sector operators.

### Recommended conservation fees (N\$ pppd)

Tier	Overseas visitors	SADC visitors	Namibian residents
Tier 1 Flagship Parks	(80) 400	(60) 180	(30) 90
Tier 2	(80) 320	(60) 120	(30) 60
Tier 3	(40) 160	(30) 60	(10) 30

**Table 4. Recommended conservation fees (N\$) to be charged to overseas, SADC and local visitors to the different parks in Namibia. Current park fees are given in brackets.**

### Conclusions and recommendations:

- Current prices, pricing groups and institutional arrangements need to be reformed
- Significant opportunities exist for increasing current tariffs

*This policy brief was prepared by Jane Turpie and Gwyneth Letley.  
See reference: The Economics of Ecosystems and Biodiversity (TEEB) Study, Vol II.*



Picture: Gys Reitz

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