

Laikipia Wildlife Economics Study
Discussion Paper CEC-DP-3

*Developing Wildlife Tourism
In Laikipia, Kenya – Who Benefits?*

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Summary of Main Findings

Wildlife viewing tourism represents the highest value land use on the agriculturally marginal lands of Laikipia, generating profits of \$4.40-\$32.50 p.a. per hectare in 1996-1997. Earnings from wildlife tourism are at least five times higher than the next most economic land use – livestock rearing. However, the opportunities to enter the high value end of the tourism market are restricted to landowners with large landholdings, an excellent viewing product and good access to customers, and opportunities in the low-medium end restricted by poor infrastructure, among other factors.

We estimate that 6,000 foreign tourists visited Laikipia in 1996, generating revenues of over \$3.1 million and profits of about \$1.1 million. Of this about \$45,000 accrued to community-based enterprises (cultural centers and curio shops) and the rest to individual ranches and tour operators. While the multiplier effects of community earnings into the local economy are high, most of the labor and inputs needed for the district tourism industry is provided from Nairobi.

The African safari tourism market is growing steadily, but the number of visitors to Kenya has not grown during the 1990s. There is much disagreement as to the scope for expanding tourism in Laikipia – some operators say the market is saturated (particularly for through traffic to Samburu), while others suggest that the market could easily double in size. We believe that there is scope for growth in all market segments in Laikipia, but that this will depend on improvements to the safari product offered in Laikipia, the overall health of the Kenyan safari industry, the development of new Laikipia circuits, the marketing of Laikipia as a destination (either stand alone, or en route to Mt Kenya and Samburu), and on road improvements to and within the district.

There is a need to and scope for increasing community earnings from wildlife tourism, both as landowners and as employees. Joint venture tourism enterprises between communities and the private sector offer an attractive though difficult option, as shown from experience in southern Africa. Opportunities differ greatly between groups of local people depending on land tenure, the wildlife product and market access. The landowners least likely to benefit from wildlife opportunities are the small-holders, though Conservancies may provide a workable option for those small-holders who are either absent from their land or who choose not to grow crops. Increasing economic benefits to communities who care for wildlife will help safeguard the long-term viability of wildlife tourism in Laikipia.

Acknowledgements

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1. Introduction

The Laikipia Wildlife Economics Study is being undertaken to explore the economic case for wildlife management on privately owned land (owned by individuals or community groups) in Laikipia. The goal of the study is to establish whether the wildlife population in the district is viable economically under current conditions. The assumption made by the study is that the wildlife population in Laikipia is worth conserving – an assumption that we hope to examine more closely in the last paper of the series.

The first discussion paper in the series, *Making Wildlife “Pay” in Laikipia*, examined current rates of return to alternative land uses in Laikipia and concluded that the highest value use of marginal agricultural range-land is currently for wildlife tourism. Earnings from livestock and wildlife cropping are low by comparison. The second discussion paper, *Increasing Landowner Earnings from Wildlife Cropping in Laikipia*, looked at the issues driving current and potential returns from wildlife cropping. This, the third paper, looks at the scope for increasing opportunities for and earnings from wildlife tourism in Laikipia.

We emphasize that these are “discussion” papers. Our objective is to ascertain the economic and commercial factors influencing wildlife conservation. However, the analysis we undertake is at least in part driven by data and time constraints, and undoubtedly the subject warrants substantial further economic analysis. In this discussion paper – *Developing Wildlife Tourism in Laikipia-Who Benefits?* - we have relied on practitioners, particularly tour operators and facility managers, who know Laikipia well to give us their opinions as to the health of the current tourism industry in the district and its potential for growth.

The first key issue to be addressed is how much potential there is for wildlife tourism expansion and increased earnings in Laikipia. Actual earnings from wildlife tourism in Laikipia vary considerably between enterprises – high value wildlife viewing tourism yielded profits of between \$4.40-\$32.50 per hectare p.a. in 1996-97, but earnings for other tourism businesses, such as curio shops, are low. In the course of the research for the study we heard very mixed opinions as to the potential for developing Laikipia as a wildlife tourism destination. Some say the market for wildlife tourism in the district is already saturated, others say visitor numbers could easily double.

The second key issue is who benefits. To maximize positive impacts on wildlife conservation, it is important that benefits are spread amongst all those who own land in the wildlife ecosystem, not just accruing to those with resources large enough to support high value luxury tourism. Yet returns to those tourism enterprises that communities traditionally access e.g. cultural centers and curio shops, are low. The success of the Il Ngwesi lodge suggests that it is possible to bring communities into the higher return end of the market, though some observers suggest that there is little capacity for more than one Il Ngwesi in Laikipia or at such favorable financing terms. Comparable ventures in South Africa and Namibia suggest that there is real scope for successful wildlife tourism joint ventures between private sector operators and local community partners.

A third issue is the compatibility of tourism with other land uses, particularly livestock ranching (“tourists don’t want to see cattle”), hunting (“the high value tourists won’t come to Kenya if the hunting ban is lifted”) and cropping. All agree that successful wildlife tourism in

Laikipia requires an excellent viewing product (including a healthy population of the “big five”, other predators and some habituated animals). However, there is disagreement as to how far Laikipia has successfully developed the quality of its product and how much scope there is for product diversification (away from motorized “big five” safaris).

Is wildlife tourism a panacea for wildlife conservation in Laikipia? How much scope is there for increasing the value of tourism to Laikipia’s landowners? This paper explores some of these issues.

2. Current Earnings from Wildlife Tourism in Laikipia

It is not easy to establish how many wildlife tourists visit Laikipia nor their economic value to the district. However, it is clear that on some ranches tourism is already providing a good economic justification to landowners for a mixed livestock and wildlife land use.

Types of wildlife tourism businesses

There are many venture options for Laikipia landowners to make money out of wildlife tourists. Examples of the following are already found in Laikipia:

- Top end of market (over \$200 per double per night) luxury lodge for wildlife viewing, in partnership with private operator
- Middle market (\$100-200 per double per night) luxury lodge or tented camp for wildlife viewing, self-catering, either company or community owned and operated
- Entry fees for private ranch/conservancy
- Low cost banda for wildlife walks, adventure tourism
- Campsite for wildlife viewing
- Camel trekking
- Cultural center
- Curio-gift shop

Some of these ventures are stand-alone businesses. Others are part of multiple-facility business groups benefiting from extensive marketing and sales networks but having also to bear the associated overhead costs. Some, particularly the middle-market facilities, provide services to tourists en route to Mt. Kenya and Samburu. Others are aimed at tourists coming exclusively to Laikipia.

The structure and commercial performance of these enterprises varies greatly. The analysis in this study has shown that the most attractive segment is the provision of luxury high end accommodation for wildlife viewing, but that this option is only open to landowners with large ranches (10,000 ha plus, says Mwau 1996), good access and excellent wildlife viewing options.

Earnings from high value wildlife tourism

Table 1 estimates that nearly 14,000 luxury bed nights were spent in Laikipia in 1996, earning revenues of \$2.8 million. Profitability varies considerably between these ventures, depending critically on prices, occupancy, capacity for sharing overheads with other facilities, and cost of

sales. We estimate that these facilities earned approximately \$1,120,000 in profits for landowners and lodge managers.

There are several different ownership models for these Laikipia facilities. Some are owned by the landowner and managed by a professional lodge management company. The management company pays fixed and variable fees for using the lodge back to landowner. Deals for splitting revenues between landowner and management company vary, but the landowner would normally expect to get a fixed annual fee as well as at least a 15% share in gross revenues, in total equivalent to up to half of operating profits. A few landowners manage their own facilities and therefore retain control over 100% of operating profits. Only one of the facilities in Table 1 is community owned.

Table 1 – Estimated revenues earned from high value wildlife tourism in Laikipia

Facility	Estimated 1996 Bed Nights	Estimated Revenues (1996 US\$)
A – lodge	1,500	375,000
B – lodge	3,700	737,800
C – lodge	2,000	410,800
D - tented camp	1,000	193,400
E – lodge	100	50,000
F – lodge	700	150,000
G – lodge	200	36,000
H – tented camp	4,000	640,000
I – tented camp	500	125,000
J – tented camp	150	30,000
K – lodge	20	7,000
Total	13,870	\$2,755,000

Source: Interviews

Overall district earnings from wildlife tourism

Turning to other segments of the wildlife tourism market, we have estimated revenues from camping and bandas, cultural centers and camel safaris. The five main camping sites and middle-market banda facilities in Laikipia generate approximately \$30,000 of income p.a. Based on the earnings of one camel operator, we estimate that the three camel trekking companies operating in Laikipia generate additional revenues of approximately \$50,000 p.a. Gate fees for entry into rhino sanctuaries in the district are estimated to generate a further \$250,000 p.a.

The three cultural centers, where tourists are taken to watch local dances, generate an estimated \$15,000 p.a. for local communities. We were not able to estimate curio shop earnings directly, though if, as seems likely, each of the 6,000 tourists spends at least \$5 on curios, this gives an indicative figure of \$30,000. The income earned from cultural centers and the sale of curios is all cash income for local people. While the amounts are small (less than 1.5% of district tourism earnings) this income has a huge economic multiplier effect into the local economy as it is used to buy food and agricultural inputs and to pay for school fees and medicines. This income has the power to be one important level for change in local peoples’ attitudes towards wildlife (see Ashley, 1996 and Ashley & Barnes, 1996).

Number of foreign tourists in Laikipia

From the interviews conducted for Table 1 we estimate that approximately 6,000 foreign tourists visited Laikipia in 1996, of which 70% went to just two ranches. From Table 2 we estimate that these 6,000 foreign visitors were responsible for generating about \$3 million of tourism revenues, or about \$500 per head.

Table 2 summarizes the total estimated revenues generated by wildlife tourism in Laikipia.

Table 2: Total Wildlife Tourism Earnings in Laikipia

Activity	Estimated 1996 Revenues
Luxury lodges and camps	\$2,755,000
Campsites and bandas	\$ 30,000
Camel trekking	\$ 50,000
Sanctuary entry fees	\$ 250,000
Cultural centers	\$ 15,000
Curio shops/other souvenirs	\$ 30,000
TOTAL	\$3,130,000

Distributions of revenues

With the exception of some employment, the bulk of the inputs needed for the tourism industry in Laikipia appears to come from outside the district. Most equipment and consumables are brought in from Nairobi. Thus there is almost no multiplier effect at district level from tourism expenditures. From interviews we estimate that of the total revenue generated by wildlife tourism in Laikipia nearly 2/3 remains within Kenya, but less than 10% remains within Laikipia. This has important implications for the scope for wildlife tourism benefits to change attitudes towards wildlife. Until local people really see enhanced livelihood realities associated with wildlife, negative perceptions are likely to continue, maintaining or increasing current levels of human-wildlife conflict.

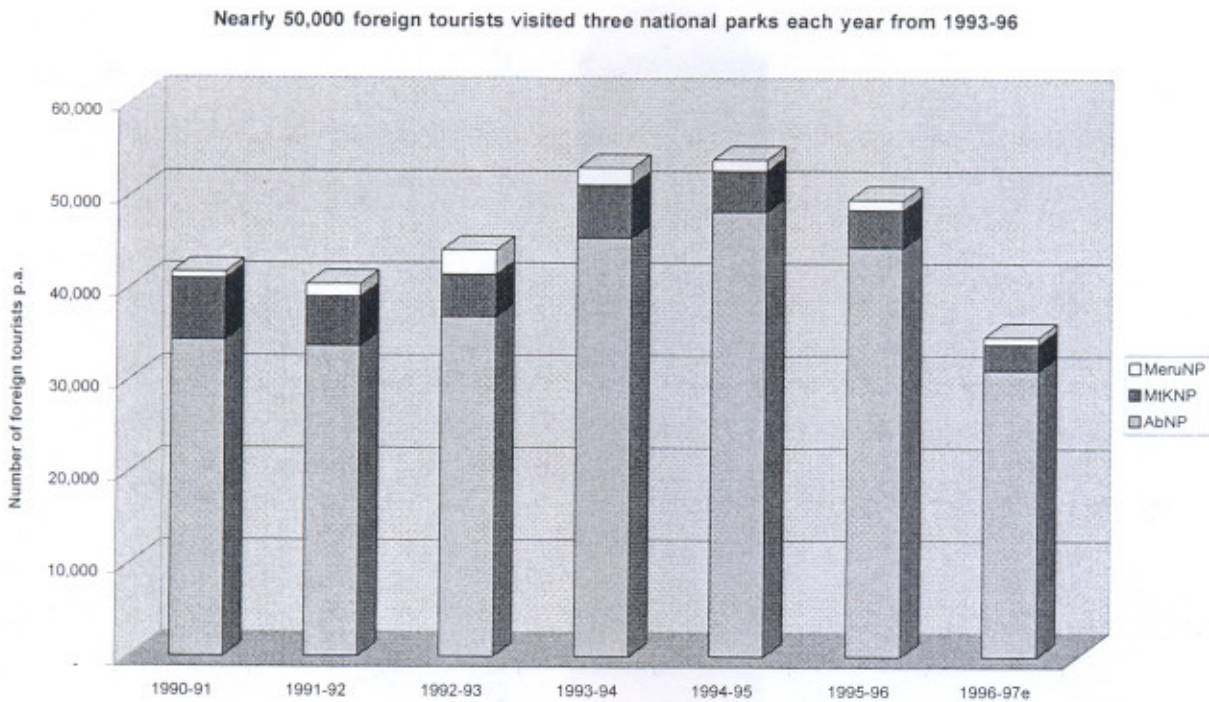
3. Comparison with other wildlife tourism destinations in Kenya

The figure of 6,000 foreign visitors looks low by comparison with other wildlife-rich areas of Kenya. For comparison Figure 1 shows that a total of nearly 50,000 foreign tourists visited the three national parks closest to Laikipia - Aberdare, Mt Kenya and Meru National Parks - in 1996. However, first time visitors to Kenya are typically more likely to visit a National Park or Reserve than a sanctuary on private land. Laikipia's current strength is its attractiveness to high value tourists on customized packages, usually visiting Kenya for at least the second time.

According to KWS data, approximately 1,000,000 foreign and local tourists visited Kenya's terrestrial national parks in each of 1995 and 1996 (excluding Maasai Mara and Samburu Reserves, both of which are managed by County Councils) (see Figure 2). Norton Griffiths (1995) estimates that wildlife tourism was worth \$200 million to Kenya in 1989. A recent report estimates that the Kenyan international tourism industry was worth \$890 million in 1996,

or 11.2% of Kenya's GNP (Tourism & Transport Consult, 1997). Of this, the wildlife tourism industry is estimated to contribute an economic value of about \$350 million p.a. to Kenya, equivalent to 4% of Kenya's GNP. Tourism contributed 18% of Kenya's foreign exchange earnings in 1996 and was directly responsible for 11% of formal sector employment and 16% of informal sector employment in Kenya (Tourism & Transport Consult, 1997).

Figure 1: Number of foreign visitors to Aberdare, Mt Kenya and Meru National Parks

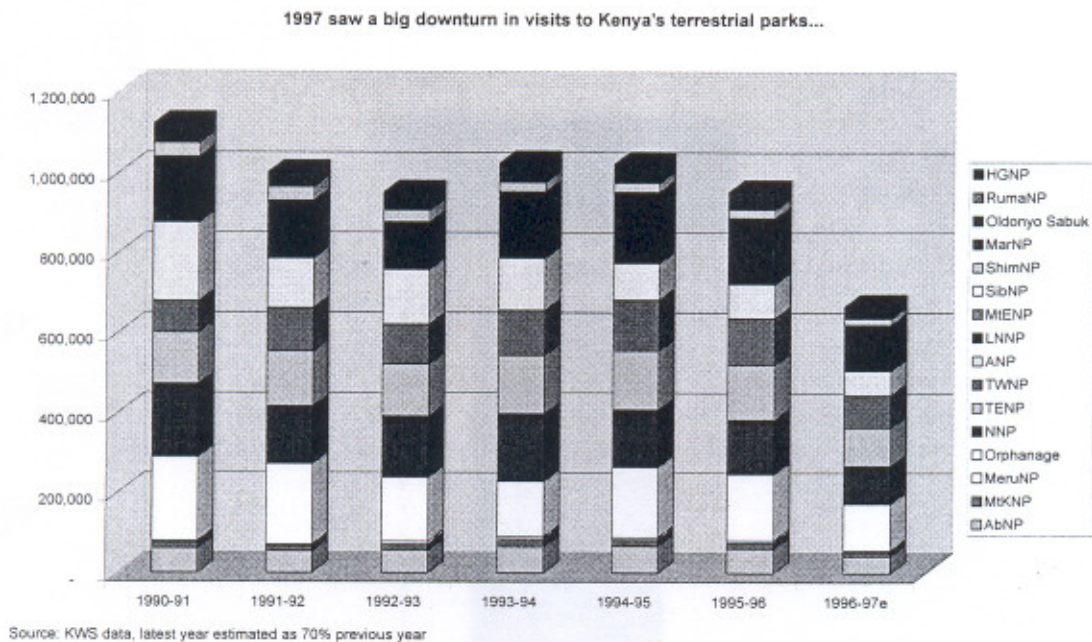


4. Potential Growth of Safari Tourism in Africa, Kenya and Laikipia

As Figure 2 shows, the number of foreign wildlife tourists to Kenya has not grown through the 1990s. At the same time the global wildlife tourism industry is estimated to have been growing at 5% p.a. and the number of foreign visitors to Kenya's key competing destinations – South Africa, Zimbabwe and Tanzania – has been growing steadily.

Creemers & Wood (1997) report that Africa receives about 3% of global international tourists. South Africa now receives 20% of tourists visiting Africa, and the growth rate of international tourists visiting South Africa has averaged 17% p.a. for the period 1986-1995, with most of the growth coming from Europe. In 1995 South Africa received 1 million foreign visitors, and this is expected to increase to 2.6 million by the year 2000.

Figure 2: Trend in number of wildlife tourists in Kenya (1997 figure is an AWF estimate)



5. Factors driving future growth of Laikipia tourism

Current earnings from wildlife tourism in Laikipia are attractive, estimated at an average of \$4.40-32.50 per hectare p.a., or at least four times that for livestock ranching (Elliott and Mwangi, 1997). These figures represent the direct commercial profit from tourists in the form of entry fees, facility profits and add-on expenditures.

One recent study in Kenya investigated likely earnings from different types of wildlife tourism ventures (Mwau 1996). Mwau estimates that a 25-bed viewing safari camp might generate net profits of up to \$400,000 p.a., or a maximum of \$40 per hectare p.a. (assuming a minimum viable land area of 10,000 hectares). Indicative figures from other parts of Africa suggest that a figure of \$10,000 profit p.a. per bed for wildlife viewing facilities is readily achievable (AWF, Community Tourism Enterprises in Southern Africa, work in progress).

The rate of return per hectare to wildlife tourism depends critically on: -

- ❖ **The overall attractiveness of Kenya as a tourism destination:** if tourists are not willing to come to Kenya because of fears about security and stability issues or because of the attractiveness of other destinations, the potential earnings for Laikipia landowners are reduced. The high value custom-made safari segment of the market has been fairly resilient through the downturn in Kenya's tourist in the second half of 1997. Limited action can be taken at landowner level or even at district level, to counter negative images of Kenya, real and imagined, in the eyes and ears of foreign tourists.

Figure 3: High occupancy is key to tourism facility profitability

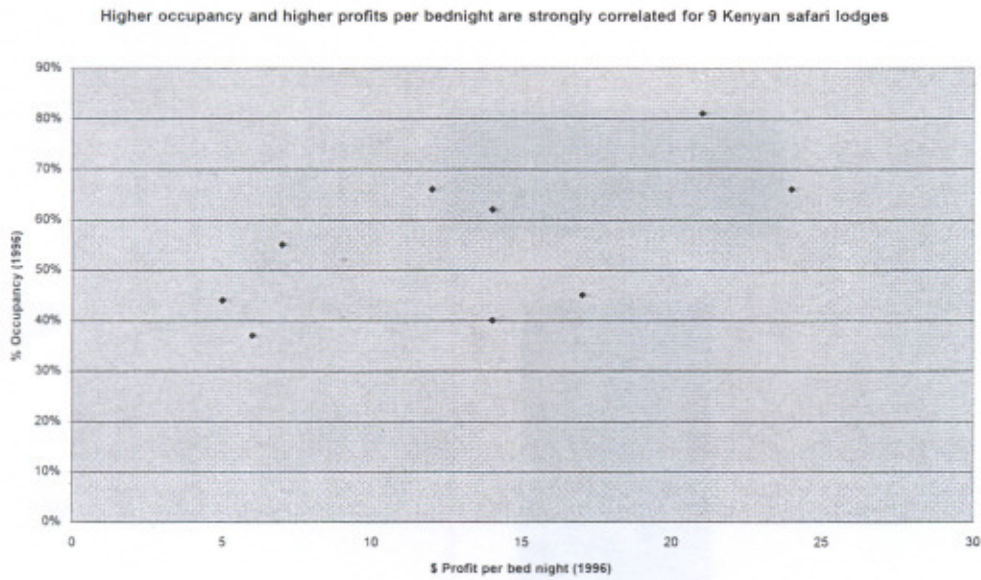
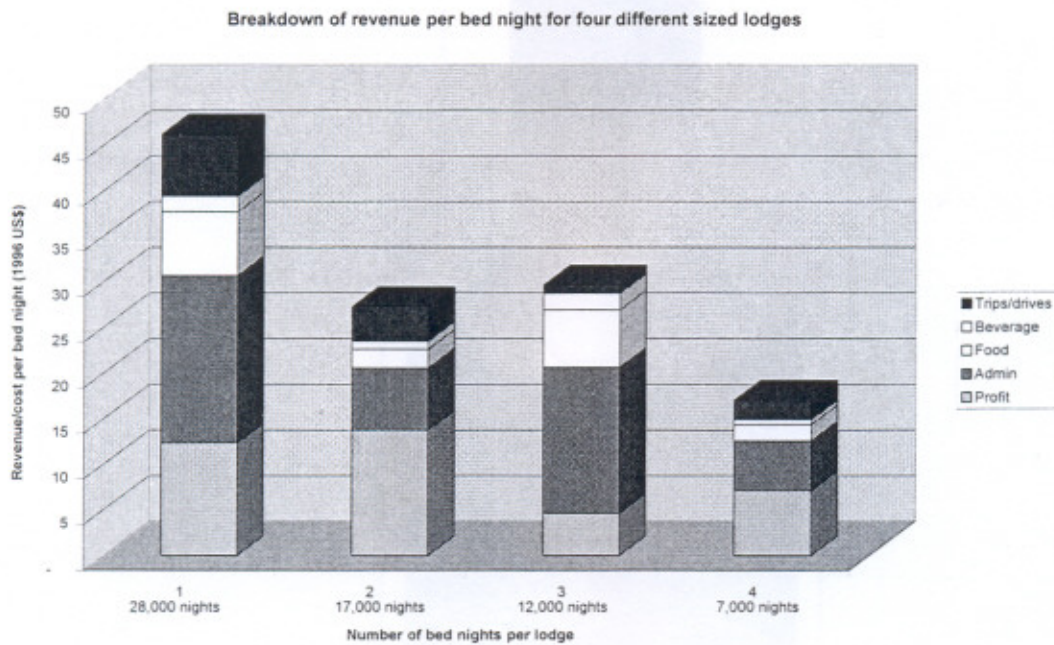


Figure 4: Bed night profitability varies significantly between facilities



- ❖ **The competitiveness of the tourism product on offer:** foreign wildlife tourists in Laikipia are still primarily first time visitors to Kenya, and generally want to see the “big five” before they are interested in the add-on products such as bird watching, game walks. The competitiveness of the tourism product in turn depends on both natural features of the land (water availability, topography, habitat quality and variety) and on the quality of wildlife

management (the “big five”, number of predators, habituated animals, size and number of herds of plains game).

- ❖ **The type of tourism venture:** providing accommodation and wildlife viewing to wealthy tourists yields the highest returns per hectare and on investment, however this option is available to only a limited number of landowners. The highest prices are found on ranches with excellent wildlife viewing, low tourism densities, and where the landowner/tour operator has excellent contacts with potential customers. In this segment the poor quality of local infrastructure is not a constraint as most customers arrive and leave by air. Laikipia also has a significant tourism segment focused on international tourists on their way to or from the northern parks and reserves, particularly Samburu Reserve, and for this segment road quality is important. In the early 1998 floods many tourists were unable to reach Laikipia because the roads were impassable for two-wheel drive vehicles.

As Figures 3 and 4 show, profitability of lodges is closely associated with occupancy, but varies considerably by type of facility. Other tourism ventures yield lower earnings per hectare (e.g. bandas, camping, camel trekking) but competitive returns on investment as capital investment is relatively low, particularly for camping. Cultural centers typically involve no investment by communities who earn a flat fee for participating in dances performed for wealthy tourists. Curio shops provide a place for craft artisans to sell their products to tourists at negotiated prices that may or may not cover the time and materials involved in production.

- ❖ **The right partner(s):** to build and finance the facility, to operate the facility and/or to undertake marketing and selling of the facility. The terms of the deal should reward partners adequately for risk, inputs and effort.
- ❖ **A defensible niche:** the international tourism market is a high-risk business to enter as the current downturn in the Kenya market demonstrates. The landholder can reduce risk exposure by contracting in a manager/operator. Tour operators at the top end of the wildlife tourism market tend to know their clients well and get more repeat visitors.

6. Strategic options and opportunities

What is needed for Laikipia to build its competitive advantage in wildlife tourism?

- 1) **A better wildlife tourism product.** Landowners need to understand what this means in terms of wildlife management. They need to ensure visitors can have a reasonable chance of seeing the big five as well as experience a full diversity of activities such as camel trekking, walking, bird watching and so on.
- 2) **More livelihood opportunities for local people, both as landowners and as employees:**

Possible options for communities as landowners:

- ❖ Many communities would like to own and operate tourism facilities. While there may be some scope for increasing the number of community campsites and banda

operations, there is only limited scope for replicating the success of Il Ngwesi, which is 100% community owned, within Laikipia. Community ventures will need support, such as that given to Il Ngwesi from neighboring landowners, Kenya Wildlife Service and in the form of grant donations for capital costs. Significant support is needed for sales & marketing, capital investment and financial management for community lodges.

- ❖ There is scope for joint venture tourism facilities between communities and tour operators in Laikipia, as have had some success in South Africa and Namibia, but only limited success elsewhere in Kenya to date. The challenges in structuring joint ventures and making them work should not be underestimated (Ashley & Barnes, 1996). But where they do work the opportunities for communities to benefit from wildlife are excellent and the risks reduced. Experience in other countries suggests that the challenge is to find private sector operators with the commitment and capacity for making partnerships with communities work.
- ❖ Another option, not yet explored, is the payment of some form of “grass rent” to communities who protect wildlife on their land for the benefit of neighboring ranches that have successful tourism businesses. This is one form of “revenue sharing mechanism” promoted elsewhere in Africa (Ashley & Barnes, 1996). As wildlife becomes more economically viable in the district, transfer mechanisms and/or revenue-sharing mechanisms will be needed for ensuring that those who care for the resource also benefit from it. A parallel model for this comes from the US where “grass banks” are being established with private sector funding to protect critical lands from overgrazing by compensating farmers for leaving land ungrazed.
- ❖ Small-holders who are absent from their land or who choose not to grow crops can still benefit from wildlife if they combine forces with their neighbors. One possible mechanism for this would be to explore the options for developing Conservancies on sub-divided ranches, such as Ol Moran and Sipili. However, the recent violent clashes on Ol Moran are likely to affect the development of wildlife opportunities for residents, including the proposed community hunting pilot scheme (see next Discussion Paper on *Opportunity Costs of the Hunting Ban in Laikipia*).
- ❖ Cropping and hunting. For those communities who are unable to develop viable tourism businesses on their land, cropping and hunting may be alternative economic land uses. However, our second paper demonstrated that the scope for increasing community earnings from wildlife cropping is currently low. Hunting is still banned in Kenya, but several of those interviewed for this study expressed the opinion that hunting is the most attractive wildlife management option for community land in Laikipia.

Opportunities for community members as employees: The economic impact of tourism in Laikipia would be enhanced if more people whose own homes are in Laikipia were employed and the earnings from tourism multiplied into the local economy. The provision of more training and opportunities for local people would help create a district-wide labor market for the tourism industry.

- 3) ***Address the issue of the compatibility of tourism, cropping and hunting.*** One option is to agree that the activities can be compatible if separated both physically and temporally. The experience of combining tourism and cropping on Laikipia ranches suggests that it is possible for these activities to be kept separate. The unresolved issue is whether the lifting of the hunting ban in Kenya would lead to many high value tourists switching away from a Kenyan safari holiday. While the experience of other African countries suggests that these activities can be compatible, no one knows how many tourists are attracted to Kenya because of its unique situation as a wildlife-rich no-hunting country.
- 4) ***More information and more transparent information*** about commercial performance of ventures and options for improving performance and about the links between wildlife tourism and conservation.
- 5) ***One key strategy for increasing district wildlife tourism income is to develop more Laikipia circuits and to market Laikipia as an all-in-one safari destination.*** Operators believe that Laikipia could be developed into a prime high value circuit within Kenya, with no need for tourists to travel outside the district to get their safari needs fulfilled. The developing Borana, Lewa, Il Ngwesi circuit, demonstrates that this is possible. Operators believe that there is significant capacity to develop other high value facilities in Laikipia and to extend and vary the circuit. There may also be scope for developing more low-middle market circuits, though this has not been explored further in this paper.

As a fully functioning forum for landowners with wildlife interests, there is much that the Laikipia Wildlife Forum can do in supporting the development of district tourism. LWF can facilitate the strengthening of marketing, support for community enterprises, and access to external support and assistance (from donors, NGOs and so on).

There is a clear need for some focused market research on wildlife tourism in Laikipia to generate a more accurate basis for identifying new opportunities. In drafting this paper we have tried to compile some district level market statistics from scratch, but we've had to rely principally on the, often widely differing, opinions of individuals interviewed in the course of the study for trends in the market. It is clear that opportunities exist, but greater understanding of the district-wide business would help ensure that these opportunities can be identified and exploited effectively.

By harnessing the talent for tourism development already within the district, LWF can help develop wildlife tourism for everyone's benefit. By expanding its membership to cover more landowners of every size LWF can ensure that it is inclusive and able to coordinate wildlife management across the district.

7. Conclusions

Given Laikipia's actual and potential tourism product there is indeed scope for further development of wildlife tourism in the district, though the opportunities are greatest for those with experience, large land-holdings and access to capital, infrastructure and appropriate channels for selling and marketing.

Developing more opportunities for communities to participate in tourism businesses, as owners, partners and employees, is vital if wildlife is to be tolerated by local people on or adjacent to their land. While the economic value of wildlife tourism on communal land is small, it can be highly significant for local development, particularly as it puts cash income into the hands of local communities.

Laikipia landowners and the Laikipia Wildlife Forum should consider how best to develop the local wildlife tourism industry. Possible activities include:

- 1) Collect and share information, and undertake focused market research where necessary, to establish trends in local, national and international safari tourism and the potential for expanding the number of businesses in Laikipia targeting low, middle and high value tourists.
- 2) Work with tour operators, experienced landowners and other key stakeholders, such as the Mpala research team, to understand the required wildlife product, and to get it right and manage it within the district.
- 3) Market the district as a wildlife tourism destination, and
- 4) Support and test mechanisms to share/spread the benefits of wildlife tourism among key landowners and with local people.

On many ranches the conditions for successful wildlife tourism cannot be met, particularly smaller ranches and recently sub-divided ranches. Given that the hunting ban is still in place, these landowners might look towards opportunities to establish new forms of joint ventures, such as some form of Conservancy, under which to operate tourism ventures and wildlife cropping operations.

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