

## EXECUTIVE SUMMARY

The purpose of the executive summary is to outline the main findings of the economic impact of the South African National Parks. The first part of the executive summary will focus on the goals and objectives of the study where after the main findings of each individual chapter will be summarised.

### a) INTRODUCTION

The study was undertaken with the primary focus on determining the economic impact of 21 National Parks which are managed by the South African National Parks (SANParks), on the South African economy - on a local, regional and national level - as well as to determine the extent of these impacts.

The aim of the economic impact study was to consolidate all relevant information to illustrate the economic impact of the 21 National Parks on the economy. The project focussed on the following:

- ◆ The present direct and indirect economic impact of the (21) National Parks under management of the South African National Parks (individually and collectively) on the immediate region(s) and province(s) in which they are located and the country as a whole. Refer to Figure 1.1 for an indication of the location of the 21 National Parks.
- ◆ To develop an understanding of the National Parks as economic activities and to ensure all impacts are fully captured in simulation modelling.
- ◆ To quantify the effects of the investments on the different sectors of the economy.
- ◆ To express the impact in terms of direct, indirect and induced effects with the application of an economic modelling technique in a provincial and national context.
- ◆ To interpret the results in terms of implications for socio-economic and economic intervention to maximise benefits.

#### Goal of the study

To determine the macro-economic and socio-economic impact of the 21 National Parks on the economy in terms of production and employment opportunities. The impact on the economy and communities will be determined by utilising an impact simulation model that quantifies the direct and spin-off effects *in the economy and develop proxies for the non-quantifiable impacts*.

To determine the economic impact that the National Parks have on the South African economy it was essential that a far-reaching economic impact assessment was done.

During the first decade of democracy SANParks made the National Parks more accessible to tourists and ensured that conservation remains a viable contributor to social and economic development in rural areas. The SANParks conservation authority transformed itself alongside South Africa post 1994, whilst continuing its high research and management standards with the aim to expand the land under its protection at an entirely unprecedented rate.

## b) INDUSTRY OUTLOOK

The purpose of this sub-section is to provide a platform and overview of the business milieu in which SANParks operates in South Africa.

### i. Economy

According to the South African Reserve Bank the South African economy is currently experiencing positive economic growth. The real economic growth in South Africa came to approximately 5% in each year from 2004 to 2007. This solid performance seems likely to sustain the current economic upswing which started in September 1999. (SARB, 2007).

The major strengths of the South African economy, as highlighted by the Department of Trade and Industry (the dti, 2006), are its strong physical and economic infrastructure, its abundant natural resources, and its growing manufacturing sector and considerable tourism potential.

### ii. Tourism Market

Tourism is currently the world's largest sector, with annual revenues of almost \$500 billion per annum. The South African tourism industry had an average growth of 6 % over the past five years, with steady increases in the number of long-haul visitors from major foreign markets. For the first time foreign tourist arrivals in South Africa surpassed the 8 million mark in 2007 closing at 8,395,833 million. The tourism increase is strongly driven by arrivals from Africa and was supported by all regions except Asia where there was 1.6% decrease in foreign arrivals.

Despite the fact that the tourism industry is growing in South Africa, SANParks still experienced a small decline in tourism numbers from the 2003/2004 to the 2005/2006 financial years. SANParks' tourism database indicated that 75.0% of the visitors to the parks are South African residents, 24.4% are international tourists and only 0.6% are people from the SADC nations and that the majority of visitors to the National Parks are domestic tourists (75.0%).

### iii. SANParks

The South African National Parks (SANParks), established in 1926, is the leading conservation authority in South Africa. SANParks is responsible for 3,751,113 hectares of protected land in 21 National Parks across South Africa. The National Parks, each with their own characteristics, offer visitors an unparalleled diversity of adventure and tourism opportunities such as game viewing, bush walks, canoeing, and exposure to cultural and historical experiences.

To offer this range of services, SANParks' function is prescribed by section 55 of the National Environmental Management: Protected Areas Act No. 57 of 2003 namely to protect, conserve and control the National Parks and other protected areas assigned to it and to manage those areas in accordance with the act.

#### SANParks' Vision:

"National Parks will be the pride and joy of all South Africans and of the world."

#### SANParks' Mission:

"To develop and manage a system of National Parks that represents the biodiversity, landscapes and associated heritage assets of South Africa for the sustainable use and benefit of all."

## List of the 21 National Parks

The 21 South African National Parks	
1. Addo Elephant National Park	12. Marakele National Park
2. Agulhas National Park	13. Mountain Zebra National Park
3. Augrabies Falls National Park	14. Namaqua National Park
4. Bontebok National Park	15. Richterveld National Park
5. Camdeboo National Park	16. Table Mountain National Park
6. Golden Gate Highlands National Park	17. Tankwa Karoo National Park
7. Karoo National Park	18. Tsitsikamma National Park
8. Kgalagadi Transfrontier Park	19. Vaalbos National Park
9. Knysna Special Protected Area	20. West Coast National Park
10. Kruger National Park	21. Wilderness National Park
11. Mapungubwe National Park	

#### iv. Conservation

Nature conservation is a worldwide concern and there are different programmes, initiatives, and projects across the globe, involving both the private and the public sector that focus on nature conservation. By protecting nature one does not only protect the natural environment but also invest in the future of both humans and nature. One of SANPark's core values is to protect the natural environment of South Africa and SANParks is therefore making a significant contribution to such an investment.

Sustainable development recognises the interdependence of environmental, social, and economic systems and promotes equality and justice through people empowerment and a sense of global citizenship. It encourages conserving and enhancing the resource base, by gradually changing the ways in which technologies are developed and being used, and calls to meet countries basic needs of employment, food, energy, water and sanitation. However, to calculate the economic benefits of nature conservation is a challenging and complex task.

### c) NATIONAL PARK PROFILES

Each of the 21 National Parks has its own characteristics, reason for existence, unique selling points, and weaknesses.

The financial analysis was based on performance indicators which measure the performance of a specific park against benchmark data. The financial analysis was done for the 2005/2006 financial year.

The analysis concluded that the total profit of SANParks for the 2005/2006 financial year was approximately R14,2 million, 3171 jobs have been sustained and an amount of R204,9 million has been paid towards human resource services. The analysis identified the parks with positive as well as negative performance indicators for the 2005/2006 financial year. Although this only reflects a one year window period it never the less provides an indication of the individual park performance, and should be interpreted as such.

During the 2005/2006 financial year some of the National Parks made a profit and other a loss. In order to balance the financial positions of the various National Parks cross-subsidising was necessary. Cross-subsidisation is however not necessarily a negative aspect given the environmental concern and the development of the various National Parks' objectives.

## d) CAPITAL AND OPERATIONAL EXPENDITURE OF SANPARKS

To determine the economic impact of the South African National Parks (SANParks) it is necessary to examine the capital as well as operational expenditures of the individual National Parks.

EXPLANATION	
Capital Expenditure (CAPEX)	Operational Expenditure (OPEX)
Capital expenditure is defined here as all expenditures undertaken by SANParks (irrespective of the source of funding) on different projects and programmes such as infrastructure development, dams, roads, fences and development programmes etc.	Operational expenditure is defined here as all expenditures undertaken by SANParks in terms of operating costs such as human resources, maintenance cost, office cost, bank charges etc.

### i. Capital Expenditure

The Capital Expenditure for **special projects** between 2003/04 and 2005/06 amounted to about R310,7 million of which R140,5 million was allocated to SMME's. This implies an annual average capital investment of approximately R103,5 million of which approximately R46 million is allocated to SMME's.

**Other special projects** which were funded by different sources such as DEAT, SAEON, DBSA etc. amount to R609,7 million (2003/2006 financial year). Furthermore DEAT has announced an amount of R396,0 million will be allocated to SANParks in the next three years for different infrastructure developments.

DEAT has announced that they will grant R396 million to SANParks from 2006/07 to 2008/09 for **other special projects**.

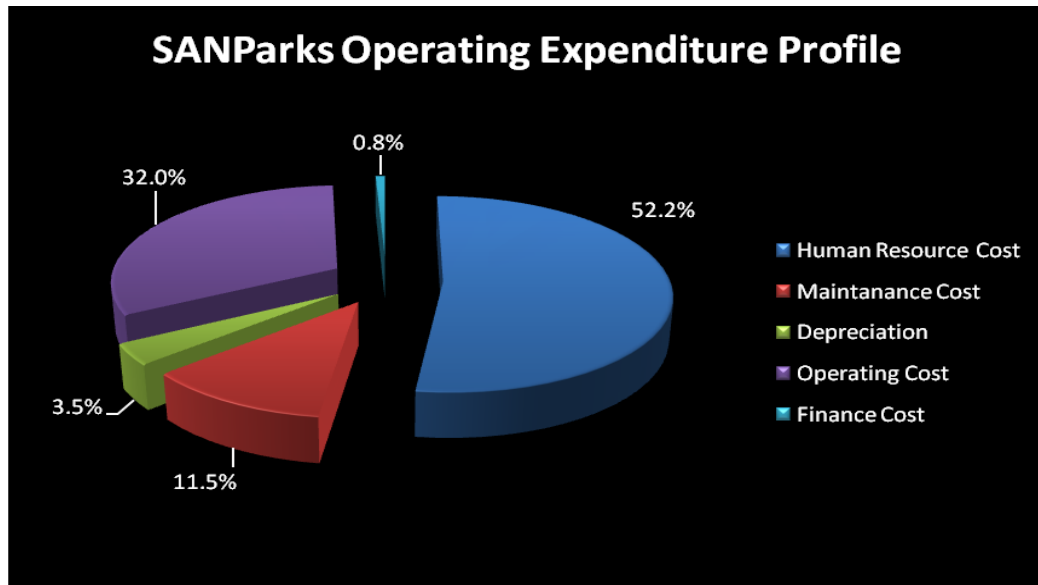
### ii. Operational Expenditure

According to the Annual Report 2005/06 the total OPEX of SANParks in the 05/06 financial year is estimated at R746,5 million. This figure includes the operational expenses of special projects estimated at R161,8 million. However, to determine the total economic impact of SANParks it is necessary to include the OPEX of the concessionaires which amounts to R322,3 million for the same year. The total OPEX of the South African National Parks for the 2005/06 financial year is thus estimated to be in the order of **R1,068.8 million**.

SANParks' expenditure profile is divided into 24 different categories. The main expenditure categories in the 05/06 financial year are:

▶ Human Resource Cost	52.2%
▶ Maintenance Cost	11.5%
▶ Operating Cost	32.0%
▶ Finance Cost	0.8%

SANParks expenditure profile



*These four main expenditure categories will subsequently be discussed.*

### iii. Public Private Partnerships

There are a number of concessionaires operating on a Public Private Partnership basis within SANParks. Each concessionaire has to undergo a selection process and is only approved if the project will have a positive impact on the environment, community as well as be profitable. SANParks is constantly reviewing tenders for future concessionaires to operate within SANParks.

### iv. Employment

The number of employees operating within the National Parks includes:

▶ SANParks	3,776
▶ Extended Public Works Programme	1,716
▶ Concessionaires	1,235

## e) ECONOMIC IMPACT ASSESSMENT

SANParks does not only contribute to South Africa's nature conservation but also has a positive influence on the country's economy. The expenditure by SANParks (OPEX and CAPEX) has a positive contribution on different economic sectors such as construction, manufacturing, transportation, financial, business services, tourism etc.

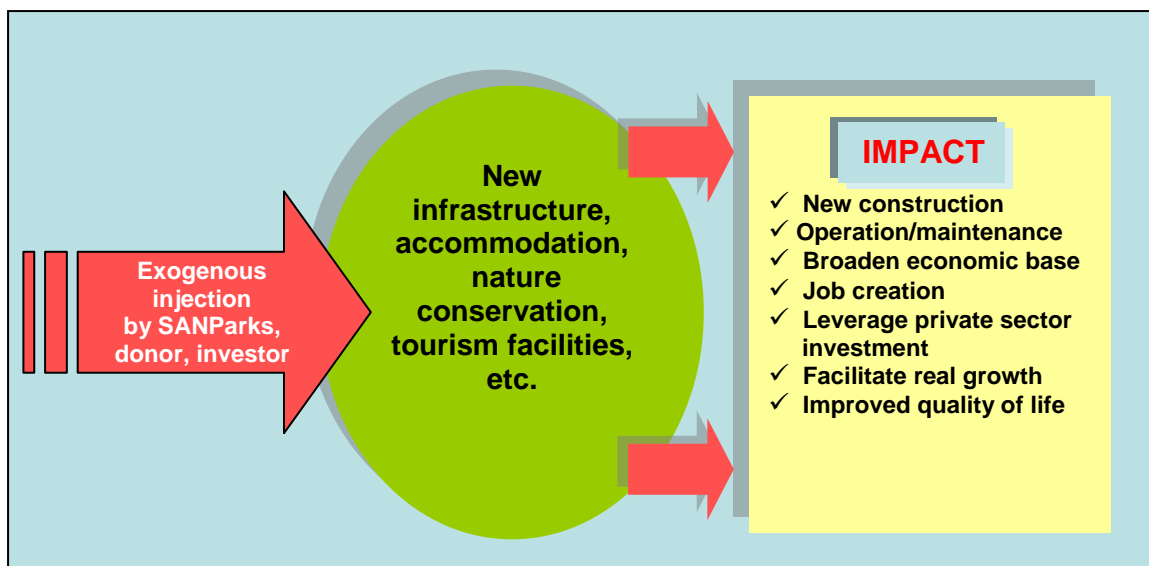
Economic impacts are the outcome of the economic interaction among various sectors of the economy and are measured for a specific geographical area, region or country either for a specific timeframe, i.e. a year, or at a point in time, i.e. at the end of a financial year. Though various economic indicators exist to express these impacts, the more commonly-used and overarching ones are:

- ◆ Business output or sales volume,
- ◆ Value added or gross domestic product on either a regional or national level GDP, and
- ◆ Job creation.

These indicators provide an indication of the change, i.e. the improvement or the deterioration, in the economic well-being or the quality of life of the people, which is the main goal of economic development. Economic impacts also lead to fiscal impacts, which are changes in government revenues and expenditures, since economic impact on total business sales, wealth or personal income affect government revenues by expanding or contracting the tax base.

Economic impact assessment (EIA) is the study of the way in which the direct benefits and costs of an organisation/project affects the local, regional, or national economy. **Economic impacts** refer to the effects on the level of economic activity in a given area because of some form of external intervention in the economy. The intervention can be in the form of new investment in infrastructure, new development, or adoption of a new policy or services. These interventions subsequently have a diverse effect on the economic environment.

### CONCEPT OF ECONOMIC IMPACT ANALYSIS



During the proposal and tender phase of the project, it was agreed that the economic impact of the National Parks should be estimated by applying an Input/Output modelling technique. The elements of the technique are based on the input-output analysis principles outlined by Miller and Blair (1985), Woods (2003) and Harris (2004). Models based on input-output tables are able to estimate impacts within each industry in the model and thereby provide much more information than simple total economic impacts on income, output, and employment. Using, for example, new investment or operational expense data, multipliers are calculated to estimate different impacts, such as how the Rand spent on a development investment, ripples through the economy. Measures of input also take into account imports and exports to and from the specific region.

#### i. CAPEX

The total average capital budget for 2005/2006 was R230,0 million.

As indicated in the Table below the spending of this budget (R230,0 million) on capital goods and projects is expected to stimulate the creation of new business sales of approximately R637,4 million or about R2.7 per R1.00 investment. The total contribution to the GDP is estimated to be about R220,5 million. Jobs that will be affected by SANParks operations are estimated at 1,586 whilst the number of jobs that will be created through the multiplicative effect in the economy is estimated at 1,078. Therefore, the total number of jobs that will be created and sustained throughout the period is estimated at about 2,664. These job opportunities refer to 1 person employed for 1 year.

Variable	Estimated CAPEX
SANParks 2005/06 budget (DEAT Projects)	R 77,6
Special Projects	R 152,4
<b>Total estimated capital investment</b>	<b>R 230,0</b>

Direct Impact			
	New business sales	GDP	Employment affected*
SANParks 2005/06 budget (DEAT Projects)	R99,5	R32,9	535
Special Projects	R195,4	R64,6	1,051
<b>Total (direct) impact</b>	<b>R294,9</b>	<b>R97,6</b>	<b>1,586</b>

Indirect and Induced Impact			
DEAT Projects	R115,6	R41,5	364
Special Projects	R226,9	R81,4	714
<b>Total (Indirect) impact</b>	<b>R342,5</b>	<b>R122,9</b>	<b>1,078</b>

Total Impact			
DEAT Projects	R215,1	R74,4	899
Special Projects	R422,3	R146,1	1,765
<b>Grand Total</b>	<b>R637,4</b>	<b>R220,5</b>	<b>2,664</b>

Source: Urban-Econ estimated based on the Input/Output model

\* Note: Employment affected is the number of job opportunities either created or existing ones secured as a result of the relevant financial injection.

The Department of Environmental Affairs and Tourism (DEAT) announced that a total amount of R396,0 million for capital projects will be allocated to SANParks between 2006 and 2008.

The spending of the budget on capital goods and projects is expected to stimulate the creation of new business sales of approximately R1,097.0 million over three years. The total contribution to the GDP over the three years is estimated to be about R379,5 million. The total (direct + indirect + induced) job creation is estimated at 4,586 jobs over the three years.

## ii. OPEX

As indicated in the Table below SANPark's OPEX of about R1,068.8 million generated a gross output in the total economy of about R2,375.1 million (i.e. R1,193.4 million direct and R1,181.7 million indirect and induced) or a total of R2.22 per R1.00 of operational expenditure. The operation and maintenance involve the purchase of goods and services from local, provincial and national providers. These purchases from supporting industries are responsible for the generation of a significant portion of the multiplier effects. It should also be noticed that the initial or direct impact is higher than the estimated OPEX, mainly because of the effect of induced impacts.

For each R1 million that SANParks spend on operations and maintenance, it creates the following jobs:

- ▶ 6.32 permanent jobs for staff in the different parks, administration and management offices
- ▶ 0.59 temporary employment opportunities
- ▶ 1.16 permanent employment opportunities by Concessionaires
- ▶ 3.41 total indirect jobs

Impact of the future DEAT allocated budget for SANParks 2006 to 2008 (R million).			
Variable		Estimated CAPEX	
DEAT 2006 to 2008		R369,0	
<b>Direct Impact</b>			
	New Business Sales	GDP	Employment affected*
DEAT (2006 -2008)	R 507,6	R 167,9	2,730
<b>Indirect and Induced Impact</b>			
DEAT (2006 – 2008)	R 589,4	R 211,5	1,856
<b>Total Impact</b>			
DEAT (2006 – 2008)	R 1,097.0	R 379,5	4,586

\* Note: Employment affected is the number of job opportunities either created or existing ones secured as a result of the relevant financial injection.

SANParks' positive contribution to the different economic sectors helps to support the economic growth rate, poverty alleviation (through job creation) and the development of rural areas.

SANParks thus has a major impact on the South African economy as indicated in the above analysis.