



MCA Namibia Tourism Project Description



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Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
CBT	Community Based Tourism
CIF	Compact Implementation Funding
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
ENP	Etosha National Park
ESA	Environmental and Social Assessment
GDP	Gross Domestic Product
GRN	Government of the Republic of Namibia
HIV	Human Immunodeficiency Virus
HWC	Human Wildlife Conflict
JV	Joint Venture
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MET	Ministry of Environment & Tourism
NCA	Northern Communal Areas
NTB	Namibia Tourism Board
NWR	Namibia Wildlife Resorts
SPAN	Strengthening the Protected Areas Network

MCA Namibia Tourism Project Description

I. Introduction

The Millennium Challenge Account (MCA) Namibia Compact, providing grant funding for public investments in Education, Tourism and Agriculture (livestock and indigenous natural products), was signed on 28 July 2008 between the Republic of Namibia and the US Government, acting through the Millennium Challenge Corporation (MCC). An amount of US\$304.5 million will be available for development in the target sectors, over and above current Government allocations and assistance from other development partners.

MCA Namibia, which is a project implementation unit working under the auspices of the National Planning Commission, is implementing the Programme (www.mca.gov.na).

In **Education**, the Programme seeks to bring the quality of the work force closer to the requirements of industry and the labour market at large. The MCA Namibia Education Project contributes to Education and Training Sector Improvement Programme (ETSIP). It aims to improve the competency and knowledge of young Namibians by supporting new and innovative methods of learning in addition to the more traditional approaches to education and improve physical infrastructure for learning in schools, regional study and resource centres and Community Based Skills Development Centres.

The **Livestock Activity** seeks to bring the marketing opportunities for farmers who live North of the Veterinary Cordon Fence closer to the opportunities farmers enjoy South of the Fence. The focus will be on improving veterinary services aimed at obtaining animal disease-free status for the Northern Communal Areas (NCA) in order to gain access to international markets. The accompanying public investment in rangeland management will improve access to grazing and farming practices. The overall objective is to increase the farmers' cash income derived from livestock and smallstock farming in the NCA.

Increasing direct participation of the primary producers in the processes of value addition to raw, natural products such as Marula, Kalahari Melon Seed, Hoodia, Devil's Claw and Ximenia is the key objective of the **Indigenous Natural Products Activity**. The value chain approach that the MCA Namibia Programme has adopted will ensure that the activities are responsive to the fast-changing market realities for natural products. At present, most of the revenue from selling products made of these valuable commodities is generated outside Namibia. The MCA Namibia Programme will facilitate an increased participation by primary producers in the final processing, packaging and marketing of these products.

Namibia is the first MCC country that will benefit from a **Tourism Project**. Consistent with Namibia's national development strategies, the GRN aims to develop one of its fastest growing "export" industries with its focus on tourism. Export earnings from international visitors and tourism goods are expected to generate 15.6% of total exports (US\$ 650.6 million) in 2008 and are expected to grow in nominal terms to 22.6% (US\$2,092.8 million) by 2018. The Namibian Government also recognizes that tourism is an important generator of employment, particularly in rural areas where most tourism occurs. While the tourism industry in Namibia has enjoyed steady growth since independence in 1990, Namibia has lagged behind relative to regional competitors despite its abundance of natural eco-tourism

assets and relative political stability. Compared to South Africa's 9.2 million international visitors in 2007, Namibia received less than 1 million international visitors in the same year.

¹ Despite these modest numbers, Namibia has the potential to become one of Africa's leading tourism economies over the next decade. The contribution of travel and tourism to GDP is expected to increase from 14.5% (US\$1,051.7 million) in 2008 to 20.7% (US\$2,967.9 million) by 2018 and from 18.2% (77,000 jobs) to 23.7% (129,000 jobs) of total employment in that same period. According to the World Travel and Tourism Council, growth in the travel and tourism economy is expected to be 5.9% in 2008 and to average 7.7% per annum over the coming 10 years, which ranks the Namibia tourism industry 8th out of 176 countries in growth forecast.²

The MCA Namibia Programme seeks to address the following three obstacles to more rapid growth in the tourism industry and to greater participation by Namibia's rural communities in the tourism sector:

- 1) Etosha National Park (ENP), the jewel that attracts tourists to Namibia, is not fully developed in terms of its tourism potential and faces management challenges relative to competing regional parks;
- 2) Namibia is relatively unknown as a tourism destination with little diversification of source markets for long-haul international tourists; and
- 3) Low levels of private investment on communal land due to high transaction costs and difficulty in securing long-term access to land limit benefit streams to Namibia's formerly disadvantaged communities.

By functionally establishing the Namibia Tourism Board (NTB) in 2002 and recently undertaking reform efforts regarding National Park management and the award of concessions³, the GRN has recognized the strategic importance and the potential contribution of tourism to economic growth and poverty alleviation. The MCA Namibia Programme aims to build on these measures and -increase the overall number of tourist arrivals to Namibia and direct tourism income to formerly disadvantaged communities in communal conservancies. The first objective is to make ENP a more attractive destination through institutional and infrastructure improvements and by strengthening marketing efforts by NTB. The second objective of directing benefit streams resulting from tourism to the formerly disadvantaged will be achieved through support to develop the capacity of communal conservancies to attract investment and to participate in ecotourism income-generating enterprises.

According to the 2007 Management Plan for ENP, the park's mission statement is 'the effective management and sustainable use of biodiversity to develop and enhance socio-economic benefits through the development of appropriate opportunities, especially tourism, for present and future generations, locally, nationally and internationally.'³ Through the implementation of this plan, ENP will serve as a model for increased participation by the adjacent conservancies in the tourism activities supported by this and other national parks. The Tourism Project aims to facilitate access to the Park for the

¹ World Travel and Tourism Council, "Tourism Satellite Accounting Tool," http://www.wttc.travel/eng/Tourism_Research/Tourism_Satellite_Accounting_Tool/index.php

² World Travel and Tourism Council, "Travel & Tourism – The Winds of Change," 2008

³ MET defines concessions as: the rights, whether full or restricted or shared or exclusive to conduct tourism activities and/or to commercially use state-owned plant and/or animal resources (collectively referred to as wildlife resources) on business principles in proclaimed protected areas and any other State Land for a specified period of time.

conservancies around it through the granting of exclusive access concessions, to be awarded in accordance with the 2007 Concession Policy. Improving access to public resources for the economic empowerment of formerly disadvantaged Namibians takes centre stage in the Concession Policy. Concessions also generate additional revenue for the State to finance the upkeep of the protected areas. Namibia has over 15 years of experience promoting community-based tourism and the MCA Namibia Programme will capitalize on the best practices developed to date.

II. Project Description and Cost

The MCA Namibia Programme will support three priority activities in the tourism sector:

- 1) Improve management and infrastructure of ENP;
- 2) Enhance the marketing of Namibia tourism; and
- 3) Develop the capacity of communal conservancies to attract investments in ecotourism and capture a greater share of the revenue generated by tourism in Namibia.

Together, these activities will generate income and create employment opportunities for some of the less fortunate communities in Namibia, while conserving the natural resources that serve as the foundation of the tourism industry.

The table below presents the Tourism Project Multi-Year Financial Plan, with activity descriptions presented below.

Tourism Project Budget (in US\$ millions)

Activity	CIF	Y1	Y2	Y3	Y4	Y5	Total
(1) ENP Activity	1.00	2.05	5.57	15.97	8.76	7.12	40.51
(2) Marketing Activity	0.50	1.40	2.37	2.42	1.58	-	8.26
(3) Conservancy Support Activity	0.98	1.27	5.10	4.98	4.45	1.42	18.19
Total	2.48	4.71	13.04	23.36	14.79	8.58	66.96

Activity 1: Improved Management and Infrastructure of ENP (the “ENP Activity”)

This activity aims to:

- 1) improve the management capacity of ENP through the development of appropriate management infrastructure and staff housing and improved budget control and management of the Park;
- 2) benefit adjacent rural communal conservancies’ through exclusive access concessions into ENP, promotion of private sector investment into tourism establishments (and other tourism products) on communal conservancy land, and periodic assistance from the ENP road maintenance team;

3) increase tourism revenue nationally.

Consistent with the 2007 Etosha Management and Business Plans, the Ministry of Environment and Tourism (MET) is keen to undertake reforms to the organizational and management structure of ENP, as well as promote improvements to the park's infrastructure. ENP has substantial existing infrastructure which requires expensive maintenance, such as the monthly grading of tourist roads and the routine maintenance of the fences that are damaged by wildlife. Some of the existing tourism and staff facilities are old and need renovation. Finally, the ENP management plan strongly recommends that park level management and decision-making be strengthened to enable MET staff in the park to address issues that require a rapid response. MET will use the new ENP management model described in the Management and Business Plans to drive national and regional tourism development and economic growth by unlocking joint venture (JV) opportunities between the private sector and communal conservancies in the form of concessions and expanded ecotourism products.

The MCA Namibia Programme will support institutional and infrastructure improvements to position ENP and Namibia to be more competitive in the regional ecotourism market through the following measures:

- a. Performance targets supported by technical assistance to achieve management reform and promote investment consistent with the newly adopted ENP management and business plans.
- b. Infrastructure investments in management centres and staff housing in strategic locations (in the underutilized western half of the national park) to enable MET to further develop and maintain the Park and to support —conservancies adjacent to the Park. These investments will also allow MET to attract and retain dedicated senior staff that will drive improved Park management.
- c. Provision of road building/maintenance and game translocation equipment for improved management of Park infrastructure, opening up of less developed areas with tourism potential to tourism use and JVs, and to provide tourism development and resource management services to adjacent conservancies.

Sub-Activity 1: Policy Reform and Technical Assistance to Support Improved Management of ENP

ENP attracts 200,000 visitors annually and accounts for 45% of all park usage fees in the national park network. ENP has the potential to attract more tourists and earn more revenue for the country if the following institutional arrangements are addressed:

- The current management and organizational structure leads to reduced incentives for park level managers as authority is centralized in Windhoek and several organizational interests compete resulting in limited delegation of authority to ENP to manage its own affairs, control its budget, and develop a business or cost centre culture.
- The parastatal Namibia Wildlife Resorts (NWR) operates tourism establishments inside ENP in four locations: Okaukuejo, Halali, Namutoni and Onkoshi. The relationship between MET and NWR is not clearly defined in terms of roles and responsibilities towards the use of the available resources in the Park. A Clear definition of roles and responsibilities of each partner (MET & NWR) will make it easier for park management to plan effectively.

Prior to the investment of the estimated US\$35.5 million in the ENP infrastructure, MET and NWR will be required to meet certain performance targets that address these core institutional issues. The MCA Namibia Programme will support this effort through the provision of technical assistance for change management and investment promotion. Reference is made to Annex I for the Conditions Precedent (CPs) and ENP Performance Targets (as per the *Program Implementation Agreement*) to be met before the infrastructure investment can proceed. The technical assistance comprises:

- **Change Management Advisor** – To complement current efforts within MET to undertake reform through the Strengthening the Protected Areas Network (SPAN) Project funded by UNDP, the MCA Namibia Programme will support a Change Management Advisor for a period of up to four years to conduct an assessment of management deficiencies and provide recommendations on policy changes regarding improved management of ENP, a streamlined staffing structure, more efficient lines of authority, a performance-based management system, and a Performance Agreement between the MET and NWR as provided for in the State-Owned Enterprises Act (Act no. 2 of 2006). The Advisor's responsibilities will also include management training and cultivation of an effective management and business culture for existing and new senior staff at ENP. The MCA Namibia Programme will coordinate with the SPAN-funded Financial Transformation Advisor, who is leading an effort to transform MET's budgeting and financial management systems.
- **Tourism Carrying Capacity and Investment Promotion Study** – During the first two years of the Compact term, the MCA Namibia Programme will support MET's efforts to spread the benefits of Protected Areas like ENP to the adjacent conservancies through granting concessions to these communities who have lived for years with wildlife and associated conflict. This technical assistance will complement current efforts by MET to promote concessions in National Parks and Conservancies through the SPAN project, which includes provision of a Protected Areas Tourism Planning and Concessions Specialist. The MCA Namibia Programme will support the granting of two (2) exclusive access concessions in ENP for adjacent conservancies, with a minimum term of 10 years and allocated in accordance with MET's "Policy on Tourism and Wildlife Concessions on State Land," approved by the Namibian Cabinet in June 2007 (refer to Annex I, Performance Target no.5). These concessions should improve the quality and quantity of products adjacent conservancies can offer to tourists, raise ENP revenue through increased fees, reinforce efficient co-management of natural resources by adjacent communities, and directly benefit adjacent communal conservancies thereby raising tolerance levels for wildlife damage in these conservancies.

Therefore, through this study, the consultant will determine the tourism carrying capacity in and around ENP, identify potential sites for different types of concessions according to the ENP business plan, identify possible segmentation of the market to develop diverse tourism products together with NTB, prepare packaging of concessions together with MET's Concession Unit, promote investment opportunities to potential JV partners in the adjacent conservancies, and facilitate selection of private operators and negotiation of contracts between conservancies and JV partners. This study will be done in accordance with the GRN's overall strategy to maintain the pristine character of ENP. The Government will ensure that any such development follows an incremental path, guided by on-going monitoring and periodic evaluation of impacts and socio-economic benefits.

Sub-Activity 2: Infrastructure Investments in Management Centres and Staff Housing

This activity underpins a larger effort to better manage Namibia's key tourism asset, driven by GRN's new Management and Business Plans for the Park. Once appropriate reform measures are in place to improve the institutional and management framework of the Park, it will be necessary to address the inadequacy and the current state of the infrastructure within the Park. The investment in infrastructure (management centres and staff housing) will focus on strategic locations, as already identified by MET, in the western portion of the Park. The investment in infrastructure will be fully contingent on meeting the performance targets outlined in Annex I.

Given all the challenges associated with managing a large national park such as ENP, the MCA Namibia Programme is designed to support MET to manage the Park according to its existing management plan and to support tourism development in and around the Park. Beyond the reforms to the institutional and management framework, investment in appropriate and well-located management centres and accompanying staff accommodation is necessary. Currently, the housing infrastructure at ENP is inadequate resulting in difficult living conditions which hinder the ability to attract and retain talented staff to manage the Park given the remoteness of the Park. The investment in infrastructure is aimed at:

- reduce re-current costs to sustain old structures and allow for pro-active management and investment in new infrastructure.
- improve the geographical deployment of human resources and equipment thereby improving management efficiency and response time to threats such as poaching as well as enabling Park staff to better support regional tourism development.
- improve living conditions for staff. This will facilitate Park management's ability to enforce and staff's willingness to respect the Housing Policy.
- help attract and retain dedicated professional senior staff to manage the Park.
- move management centres and staff away from tourism centres and towards the periphery of the Park to ensure unhindered administration and management of the Park's resources and to create a better tourism experience for visitors.

The MCA Namibia Programme provides for the construction of two major management centres in Ombika (southern border) and Galton Gate (western border) and upgrade nearby management centres at Okaukuejo and Otjovasandu respectively. The locations are indicated on the Map in Annex II. The work will include the construction and renovation of approximately 20 management and administrative structures and 115 staff houses.

Given the environmentally sensitive location for construction, the MCA Namibia Programme makes provision for an Environmental Oversight Expert to oversee the construction activities in ENP. This expert will be funded by MCA Namibia but housed in MET. The EIA and related EMP will be an integrated outcome of the Final Design, Costing and EIA for the ENP infrastructure. Reference is made to Annex III for a summary of the environmental and social findings for the Tourism Project.

Sub-Activity 3: Provision of Road Maintenance and Game Translocation Equipment

This investment addresses current needs for maintenance equipment at ENP and for game translocation equipment to support MET efforts to relocate wildlife, particularly to communal conservancies. The sub-activity includes the provision of:

- 1) A fleet of key maintenance equipment for ENP and adjacent communal conservancies, whose use will be defined in an equipment usage plan to be agreed upon between MET and beneficiary conservancies. The equipment will be housed at ENP which is to serve as a regional maintenance centre;
- 2) Game translocation equipment to benefit the northern National Parks and communal conservancies.

Road Building and Maintenance Equipment for ENP

There is a need for new maintenance equipment in ENP as most of the existing pieces of equipment are beyond their efficient service lives resulting in elevated maintenance costs and lost production time due to breakdowns. As a result, annual budget resources go towards recurring repairs to aging equipment rather than towards more pro-active road development and maintenance. The provision of road building and maintenance equipment for ENP is not contingent on meeting the performance targets due to the important linkages with the Eco-tourism Development in Conservancies Activity. The provision of maintenance equipment will allow ENP to serve as a regional maintenance centre for protected areas in northern and north-western Namibia, allowing them to develop and maintain roads and viewing tracks as well as maintain other infrastructure and machinery. The development and maintenance of access roads and viewing tracks in particular will help open new areas of the Park to concessions and improve investment conditions in adjacent communal conservancies.

Game Translocation Equipment

The MCA Namibia Programme will support the provision of game translocation equipment for MET's Game Capture Unit, which is responsible for specialized capture operations involving rare species. The equipment will assist the Game Capture Unit in translocating wildlife to support communal conservancies to develop and maintain wildlife on their lands. The provision of this equipment is not contingent on meeting the performance targets due to the important linkages with the Eco-tourism Development in Conservancies Activity. This investment reinforces the Tourism Project's objectives of increasing tourism revenue and explicitly directing benefits to rural and poor communal areas

In addition to the equipment, the MCA Namibia Programme will fund a Wildlife Translocation Technician to support MET in the wildlife translocation programme. This position will be funded by MCA Namibia but housed in MET.

Activity 2: Marketing Namibia Tourism (the "Marketing Activity")

While the Namibia tourism sector has grown at a steady rate since independence in 1990, it has underperformed relative to regional competitors and it remains especially susceptible to seasonal fluctuations. Diversification of source markets for tourists is a key element to increasing tourist arrivals and reducing seasonal fluctuations. The Marketing Activity aims to increase tourist arrivals to Namibia by expanding marketing to North American tourists, developing and marketing local and regional tourism route packages, and developing a fully interactive website. The development and marketing of local and regional tourism route

packages will focus on conservancy sites with the explicit goal of directing some of the tourism visitors to communal areas. This activity is timely as Namibia is looking to position itself to capture increased tourism to the region resulting from the 2010 World Cup in South Africa. The NTB, functionally established in 2004 to promote Namibia's tourism activities from a coordinated platform, will implement this activity.

Sub-Activity 1: Destination Marketing to the North American Market

The North American market is still an emerging source market with potential not only to generate considerable tourism revenue for Namibia but also mitigate seasonal fluctuations. Of its 205,000 long-haul visitors in 2006, 33% came from Germany compared to 8% from the United States. Typically booking pre-arranged packages and routes, the average stay of North American tourists is approximately 17 days with generally 2-3 nights spent at any one location.

As a means of generating further interest in Namibia within the key North American source markets, the MCA Namibia Programme will support the NTB to procure the services of a marketing agency to carry out a full destination marketing campaign over the term of the Compact. The marketing agency will develop the North American marketing strategy and implement the campaign. The campaign will primarily be consumer focused with certain support on the trade side (tour operators, agents, etc.) to link up with and respond to the anticipated increase in Namibia tourism interest. Although final details of the marketing campaign will be determined by the marketing strategy, it is expected to include the following approaches:

- Media campaigns including television, print, radio, and the internet;
- Brochures and documents for both consumers and trade partners;
- Journalist editorial campaigns in national adventure and travel magazines; and
- Trade activities including fairs, road shows, and training for travel agents.

Sub-Activity 2: Development and Marketing of Local and Regional Tourism Routes

The objective of this sub-activity is to diversify tourism products in Namibia, create sustainability, and direct tourists to communal areas. The NTB will procure the services of a marketing agency to conduct an audit of tourism sites, then develop and market tourism routes within Namibia and regionally. This will diversify Namibia's tourism products through the development of routes including multiple destinations based around themes (cultural, wildlife, scenic landscapes, etc.). Examples of such tourism routes include the recently developed "Cape Namibia" route and the more established "Garden Route" in South Africa. In addition to diversifying the suite of tourism products offered, the investment is expected to create sustainability by developing traditionally more dependable local and regional self-drive markets. In 2006, 75% of visitors to Namibia came from other African countries, including some 239,000 from South Africa. These regional tourists are less susceptible to exogenous shocks that affect long-haul tourists and their presence as tourist travellers helps overcome socio-political barriers in which many formerly disadvantaged Namibians perceive tourism to be a white-owned industry intended for white foreigners. This sub-activity will also develop and market tourism routes that focus on tourism attractions and lodges in communal areas. These community based tourism (CBT) routes will direct anticipated increases in tourism to communal areas and reinforce the Compact's proposed intervention

to develop eco-tourism in conservancies in order to expand the share of tourism income to poor communal areas.

Sub-Activity 3: Interactive Website Development

The objective of this sub-activity is to develop a fully interactive website to act as a portal to all tourism activities in Namibia, attract new tourists, and facilitate trip planning and booking in multiple languages. The MCA Namibia Programme will support the design and implementation of the website including an associated international online marketing campaign. The site, managed by the NTB, would also allow lodging establishments to report on bed night usage, which is of particular interest and importance to NTB as bed levies serve as an important source of their revenues. The website is expected to include the following features:

- Complete database on all Namibia tourism products;
- Interactive map of Namibia with GPS coordinates;
- Mirror sites in multiple languages;
- Search engine optimization;
- Reservations and bookings tool;
- Web management of registration and levy collection;
- Tourism routes linked to database; and
- International and World Cup 2010 online marketing campaign.

Activity 3: Ecotourism Development in Conservancies (the “Conservancy Support Activity”)

Over the last fifteen years, community-based wildlife management has been an effective mechanism for the Government of Namibia to combine conservation with developing governance structures to enhance the wildlife resources needed to attract tourism to rural communal areas of Namibia. Based on the notion that appropriate incentives would help local communities to sustainably manage natural resources if economic benefits could be derived from their use, in 1996, the Namibian Government introduced legislation that gave communities co-management rights over wildlife in communal areas that formed a management unit called a “conservancy.” Specifically, conservancies are areas on communal land in which community-based organizations hold rights to manage and benefit from the consumptive and non-consumptive use of wildlife and other natural resources within defined boundaries. By forming conservancies, local communities are able to add sustainable use of wildlife and ecotourism development to their existing land uses and livelihood activities.

In 2007, there were 50 registered conservancies covering 118,704 km² (14.4% of the land surface) and encompassing 220,620 citizens (12.8% of the population)⁴. Results of the conservancy movement include increased wildlife populations on conservancy lands,

⁴ Living in a Finite Environment Plus, “Integrated Community Based Natural Resource Management (CBNRM) for Economic Impact, Local Governance, and Environmental Sustainability – Semi-Annual Report for April 1 – September 30, 2007.

devolution of authority over land use management to rural communities, generation of employment in tourism enterprises, and generation of financial benefits for conservancy members. In 2007, the benefits amounted to more than US\$1.68 million in gross revenues and US\$1.26 million in wage income, representing a substantial increase in the period since 1999.⁵ Eighty percent (80%) of these benefits were directly derived from tourism enterprises.

While the Tourism Project's ENP Activity and Marketing Activity aims to increase the overall tourism revenue to Namibia, the Conservancy Support Activity explicitly seeks to direct a larger share of those revenues to formerly disadvantaged Namibians who are members of communal conservancies. An important challenge in directing tourism revenues to conservancies are the higher transaction costs for private investment on communal land due to insecure land rights, remote locations, limited or no basic infrastructure, and barriers conservancy members encounter as partners in JVs.

The MCA Namibia Programme aims to strengthen capacity of conservancies to protect their natural resources, attract investment, and achieve financial sustainability so that households in communal conservancy areas (or conservancies) can receive a greater share of revenues. Based on individual conservancy needs and demands, the Activity will provide a range of technical assistance services and grant funding to approximately 31 high-tourism potential conservancies. Such assistance and funding will help mitigate existing barriers to tourism enterprise investment and help render the conservancies financially self-sustainable. In addition, the activity seeks to empower formerly disadvantaged Namibian communities in communal areas by facilitating their participation in lucrative tourism enterprises through grant funding to a subset of 15 of the 31 conservancies to promote joint-venture tourism enterprises between conservancies and the private sector. Whereas previous conservancy efforts through USAID's Living in a Finite Environment Plus Project (LIFE Plus) have focused more on conservation and social aspects relative to increased economic growth and financial sustainability, the MCA Namibia Programme will shift focus to the latter with the goal of improving livelihoods by increasing income benefits for communities on communal lands.

Sub-Activity 1: Needs Assessment

The Activity will begin with an initial Needs Assessment that will identify and prioritize needs in 31 of the 50 conservancies that have been pre-selected by MET and MCA Namibia based on their high-tourism-potential. A map with the location of the 31 target conservancies is in Annex IV.a, with a listing included in Annex IV.b. The Needs Assessment will focus on identifying services that create tourism revenue growth, financial sustainability, and accountability, without neglecting the basic organisational support requirements. Based on the aggregate of priorities identified for each conservancy, the Needs Assessment will also propose a set of assistance packages to be made available through technical assistance and training services and grants to conservancies.

The contractor responsible for the Needs Assessment will also facilitate the preparation of the Terms of Reference for the service provider who will manage the technical assistance and capacity building support to the target conservancies (i.e. the "Conservancy Development Programme Manager").

⁵ The benefits typically reported by the Namibian Association of CBNRM Support Organizations are misleading, as operating or investments costs of conservancy operations are not netted out of revenues, and many conservancies do not show positive net income under standard accounting principles.

The Needs Assessment will be conducted in collaboration with conservancy members and MET and will determine:

- Level of development of each of the 31 conservancies reviewed;
- Suggested series of technical assistance and capacity building services to be provided to each conservancy to promote the development of sustainable tourism enterprises;
- Potential for tourism enterprises including nature of enterprise (lodge, trophy hunting, etc.);
- Eligibility for and level of grant funds to attract tourism enterprises (based on conservancy readiness and tourism enterprise potential);
- Capacity for each conservancy to provide matching funds for services and grants; and
- An illustrative list of assistance packages to be further developed and implemented by the Conservancy Development Programme Manager.

Sub-Activity 2: Technical Assistance and Capacity Building

Once the Needs Assessment is complete, a Conservancy Development Program Manager will coordinate the implementation of services to develop the capacity of communal conservancies to attract investment and become financially sustainable. Through his or her own capacity or via a consortium of organizations or consultants, the Programme Manager will be responsible for providing all of the services identified through the Needs Assessment. The Programme Manager will also be responsible for conducting annual planning exercises for each of the 31 conservancies, as well as annual performance and financial audits as applicable. Services rendered to conservancies will be both demand-driven and based on a prioritization of needs identified through the Needs Assessment. Anticipated interventions include: technical assistance/training in Governance relating to natural resource management (basic wildlife biology & behaviour, value of wildlife, wildlife markets and trends), business planning, financial management, obtaining land rights and leases, identification of tourism enterprises, tendering and negotiation of JV and other tourism contracts, benefits distribution planning, development of Human Wildlife Conflict (HWC) plans and provision of goods and services to build and secure water points to address HWC.

Sub-Activity 3: Grant Funds

Based on a demand-driven model, grant funds will be available to conservancies for marketing services and wildlife acquisition subject to an application/proposal process. The application process for grant funding, which will be use-or-lose within the 5 years of the Compact term, will require evidence of broad participation in the conservancy's decision-making process through a consultative process or by vote.

A subset of approximately 15 of the 31 conservancies as determined by the Needs Assessment will also be eligible to receive grant funds for joint-venture enterprises. These awards will require approval by a Grants Review Committee that will include representatives from GRN, MCA Namibia and MCC. Preference will be given to conservancies that have identified partners and provisional terms of JV contracts or agreements with private sector partners prior to applying for grant funding. The Conservancy Development Program Manager will facilitate the development of proposals and support the awarding of funds and related transactions while the Fiscal Agent will be responsible for disbursing funds. The

mechanism for providing grant funds will comply with a grants manual developed by MCA Namibia, and subject to approval by MCC prior to any award or disbursement of grant funds. Grant funds will be available for the following:

- **Marketing services** – This will be separate from and in addition to marketing of community based tourism sites in the Marketing Activity.
- **Fee based acquisition/translocation of wildlife from public or private lands** – Namibia’s wildlife is one of the principal attractions for tourists. Breeding efforts and improved habitat management have allowed wildlife populations to recover since their low levels at independence. Many conservancies have suitable habitats for wildlife, and greater wildlife populations increase the viability of tourism products on conservancy lands. Grant funds would be used to cover the costs of acquiring and transporting wildlife from areas of abundance on public and private lands to conservancies. This demand-driven approach creates a more flexible approach towards the restocking of conservancies whereby a choice is introduced for use of grant funds between (a) purchase from private sector game traders and related costs of translocation or (b) donations from MET and related costs of translocation.
- **Partial financing to conservancies for a tourism enterprise JV in exchange for an ownership interest or increased share of revenues** – JVs and tourism enterprises are by far the largest single source of income for conservancies. In 2007, JVs and trophy hunting accounted for 38% and 23% of conservancy benefits respectively. Conservancy-based lodges, of which there were 16 in 2007, generally show increased bed occupancy rates within the first five years of establishment.⁶ A typical 24-bed lodge directly generates approximately 24 full-time jobs and 3-5 part-time jobs in addition to other spin-off enterprises. This equates to approximately US\$40,000 per year in wages, which supports approximately 120 people (24 families of five). In addition, such a lodge will produce approximately US\$35-45,000 per year in direct cash income to a conservancy, which then re-invests these funds into management of the conservancy’s resource base, conservancy operating costs, cash payments for members, and rural development activities that enhance livelihoods. By stimulating the development of new joint-venture lodges and other JV tourism enterprises, this Sub- Activity is aimed at increasing cash incomes and benefits to conservancy members.

The purpose of providing partial financing to conservancies is to, in the absence of land ownership related collateral, facilitate access to finance for private investors, reduce investment risk due to high transaction costs on communal lands, and put some ownership interest and/or greater share of revenue in the hands of formerly disadvantaged Namibians in communal conservancies. The Compact will allow flexibility regarding the financing mechanism to allow grant funds to stimulate new lodge and other JV tourism enterprise development in response to the particular nature of each situation. This may include grants to fund partial financing as an equity investment or the provision of basic infrastructure (access roads, electricity connection, bore holes, water pumps, etc.) needed for a viable JV lodge in return for an increased share of revenues in addition to concession fees for leasing the land.

⁶ Ashley C. & Jones B., Joint Ventures Between Communities and Tourism Investors: Experience in Southern Africa, *International Journal of Tourism Research*, Vol.3, No.2, March 2001.

Alternatively, grant funds may be awarded to provide conservancies with an actual equity share in new JVs, allowing conservancies to become vested shareholders in the operations and placing them in a better position to negotiate long-term benefits-sharing arrangements with the private sector partners.

Grant funding to conservancies for partial financing of JVs will be capped at approximately 25% of the necessary capital for a project (lodges and trophy hunting businesses).

Depending on their level of development, conservancies will be required to provide varying levels of co-funding in cash and in kind for technical assistance and training services as well as grant funding. Match funding will be expected to increase during the term of the Compact and correlated with a conservancy's level of development. Required initial levels of match funding for each conservancy will be determined through the Needs Assessment.

As a consideration in the award of grant funds by the Grants Review Committee for equity shares in a JV application, preference will be given to proposals that demonstrate more bottom-up accountability and in which larger shares of benefits are going to households or are reinvested in additional community sponsored projects rather than for administration and management.

Annex I: Conditions Precedent

Namibia Program Implementation Agreement (Execution Version) Schedule 2-1:

PART B. Conditions Precedent for Tourism Project

1. Prior to the second anniversary of the date that the Compact enters into force and prior to the initial Disbursement for any of the investments in the infrastructure under the ENP Activity, (a) each of the Performance Targets (set forth in Attachment A to this Schedule 2) for the ENP Activity shall be satisfied to MCC's satisfaction and (b) MET shall have approved a plan (that includes a budget and quarterly milestones) to reclassify the road from Okaukuejo to Galton Gate within Etosha National Park from a "restricted use" tourism zone to an Open Access tourism zone ("**Galton Gate Plan**").
2. Prior to each subsequent Disbursement for any of the investments in the infrastructure under the ENP Activity, MET shall provide evidence that defined milestones for the implementation of the Galton Gate Plan have been achieved.
3. Prior to each Disbursement for costs related to any works contract for construction activities under the Tourism Project, the appointed supervisor (e.g. engineer, architect, quantity surveyor, project consultant) for such works contract shall attest in writing to MCA Namibia that the provisions of the works contract pertaining to the HIV/AIDS prevention plan: (a) are, or will become, contractually binding upon the works contractor; and (b) if such works contract has been executed, are being complied with by the works contractor.

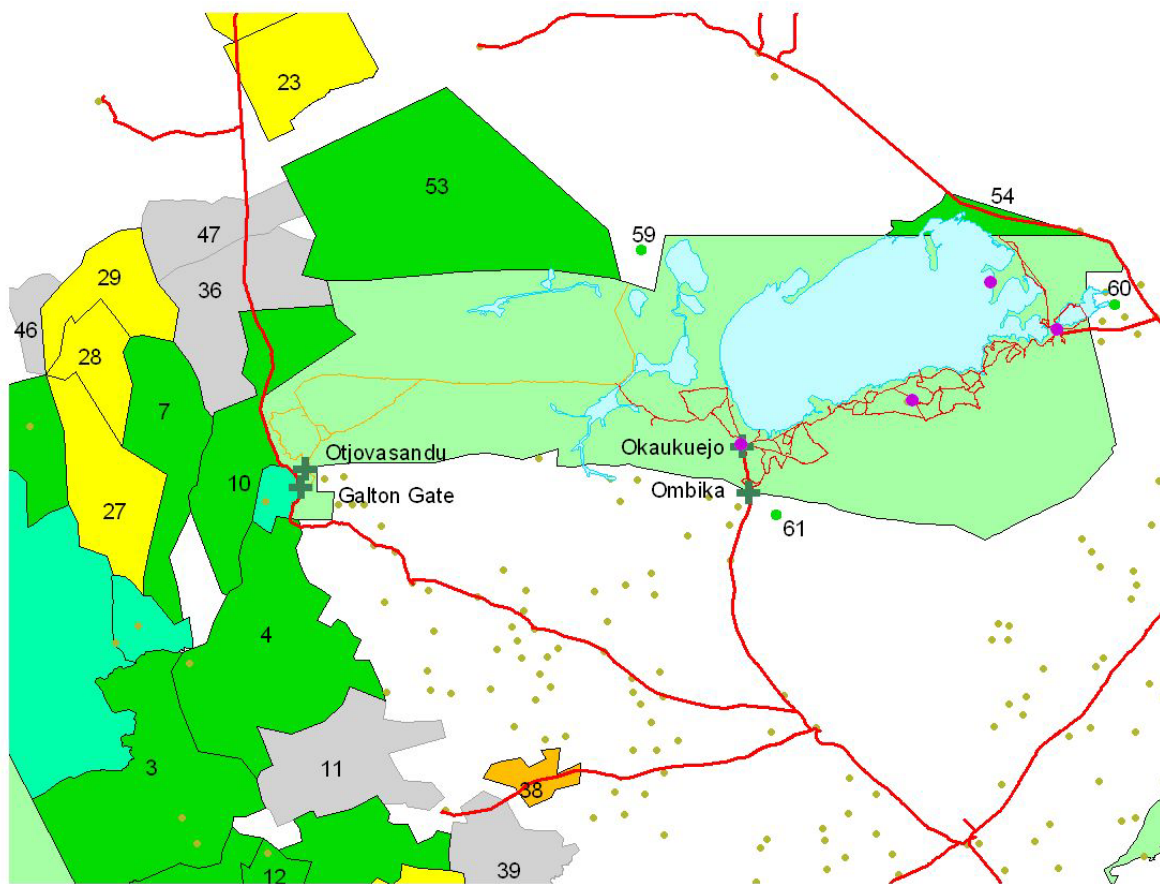
ATTACHMENT A TO SCHEDULE 2

PERFORMANCE TARGETS FOR ENP ACTIVITY

1. The Ministry of Environment and Tourism ("**MET**") shall develop an ENP infrastructure and equipment database along with an integrated master plan for maintenance of infrastructure and equipment. Based on the above, MET shall demonstrate sufficient budget allocations to maintain all infrastructure and equipment in ENP (including new MCC funded infrastructure and equipment) with additional funds available for investment in new infrastructure and equipment. Evidence of the satisfaction of this target shall be: (a) the operational database; (b) adoption by MET (as certified to by the Permanent Secretary of MET) of a maintenance master plan as described above; and (c) a certified copy of MET's financial plan for ENP (certified by the Permanent Secretary of MET) for the fiscal year in which these performance targets are met showing adequate budget allocations for the maintenance of the ENP infrastructure and equipment.
2. The MET shall place a park manager with a minimum rank of Deputy Director in ENP with clear authority over all four functional directorates and shall delegate authority and decision making power to ENP to be managed as one or more cost centres (with authority to manage its own budget). Evidence of the satisfaction of this target shall be: (a) adoption by MET (as certified to by the Permanent Secretary of MET) of a staffing plan designating the appointment of the park manager as described above, which plan shall be informed by the recommendations of the change management advisor ("**CMA**") to be hired by the Government as part of the ENP Activity; (b) development of a position description for the park manager informed by recommendations from the CMA; and (c) delivery to MCC of a signed copy of the employment contract appointing the park manager.
3. MET shall develop a new staffing structure that reflects an increase in the ratio of senior staff to junior staff and shall be informed by recommendations of the CMA. Evidence of the satisfaction of this target shall be: adoption by MET (as certified to by the Permanent Secretary of MET) of such staffing plan.

4. MET shall develop and authorize a Housing Policy and Code of Conduct, which shall include an incentive based implementation plan. Evidence of the satisfaction of this target shall be: adoption by MET (as certified to by the Permanent Secretary of MET) of such Housing Policy and Code of Conduct.
5. MET shall award (a) two (2) exclusive access concessions for ENP to conservancies adjacent to the ENP and (b) within or around other national parks two (2) lodge concessions to joint venture partnerships between a conservancy and the private sector or two (2) exclusive access concessions to conservancies adjacent to such parks; in each case, with a minimum term of 10 years and allocated in accordance with MET's "Policy on Tourism and Wildlife Concessions on State Land" approved by the Namibian Cabinet in June 2007. Evidence of the satisfaction of this target shall be: the four signed concession agreements.
6. Namibia Wildlife Resorts ("**NWR**") shall enter into one or more Performance Agreement(s) with MET (the "**MET/NWR Agreement(s)**") regarding the operational relationship, including clarification of respective responsibilities related to infrastructure, conduct, and other matters, between MET and NWR at all sites where NWR is operating tourism establishments. Evidence of the satisfaction of this target shall be the signed MET/NWR Agreement(s).
7. MET shall implement an HIV/AIDS Plan/Workplace Program for ENP staff. Evidence of the satisfaction of this target shall be: adoption by MET (as certified to by the Permanent Secretary of MET) of a completed HIV/AIDS Plan/Workplace Program.

Annex II: Map of Project Sites (Infrastructure) in Etosha National Park



Legend

- Tourism accommodation
- Tourist camps in Etosha
- ✚ MCC supported Mgmt stations
- Tar roads
- Self-drive roads
- Restricted access roads
- Etosha
- Major salt pans
- Core areas of contractual park
- MCC supported conservancies
 - 1
 - 2
 - 3
- Emerging conservancies
- Other communal conservancies

Annex III: Summary of Environmental & Social Assessment

The Tourism Project is a Category “A” project due to potential site-specific environmental and social impacts in sensitive areas resulting from the construction of management centres in fragile ecosystems and in an area that is the traditional area to vulnerable ethnic groups. Tourism development activities supported through an independent fund established to provide conservancies with equity shares in tourism joint-ventures and support for wildlife translocation activities will be classified as Category D⁷. Promotion of ecotourism provides the GRN, communal conservancies, and the private sector a strong financial incentive to promote sustainable management of natural resources, including wildlife and wildlife habitat. MCC investments will continue positive trends resulting from promotion of ecotourism in Namibia that has led to a recovery of wildlife populations, improved land management, and increased revenue to formerly disadvantaged, rural Namibians, including women and vulnerable groups. While the environmental and social impacts of MCC-supported tourism activities are not anticipated to be significant in nature, they are occurring in sensitive areas and will require mitigation through environmental management plans, as well as support to ongoing voluntary resettlement actions to provide land for the indigenous San ethnic group outside of National Parks (see “Resettlement” section below).

Environmental Issues: The construction and rehabilitation of management centres in ENP will require an environmental impact assessment (EIA) and site-specific environmental management plans (EMPs). Environmental analysis carried out during the project appraisal phase identified numerous potential environmental impacts, including the spread of invasive species through construction activities, damage to large trees, pans and watercourses, environmental pollution due to poor disposal of increased waste and wastewater, exacerbation of HIV/AIDS within the park community due to the presence of contractors, and disturbance of wildlife. As these management centres are within a national park, appropriate measures must be identified via the EIA and implemented in the EMPs to ensure that construction and tourism activities do not significantly perturb wildlife, particularly during mating periods. Additionally, careful planning will be necessary to ensure that invasive species are not propagated into pristine ecosystems within the park through the arrival of construction machinery and personnel. Proper waste management and water conservation measures will be emphasized in the EMP to minimize the overall impact of this increased park management presence within these fragile and protected ecosystems.

The Tourism Project aims to increase the benefits to rural Namibians from the tourism sector by promoting the development of new tourism joint-venture enterprises via partnerships between the private sector and communal conservancies. These joint-ventures will be supported through an independent fund that will be governed by a Grants Review Committee. The fund will be used to reduce human-wildlife conflict, relocate wildlife from areas of abundance to suitable habitat on communal conservancies, and provide conservancies with an equity share or funding for infrastructure in new tourism joint ventures. Environmental and social concerns associated with this fund will be addressed by the following measures that are prerequisites to receiving funding:

- Completion of an environmental assessment and management plan that complies with Namibia’s Environmental Management Bill and MCC’s Environmental Guidelines

⁷ For more information on MCC’s Environmental Guidelines and a definition of the environmental categorization used by MCC, see <http://www.mcc.gov/countrytools/compact/fy07guidance/english/20-enviroandsocialassessment.pdf>

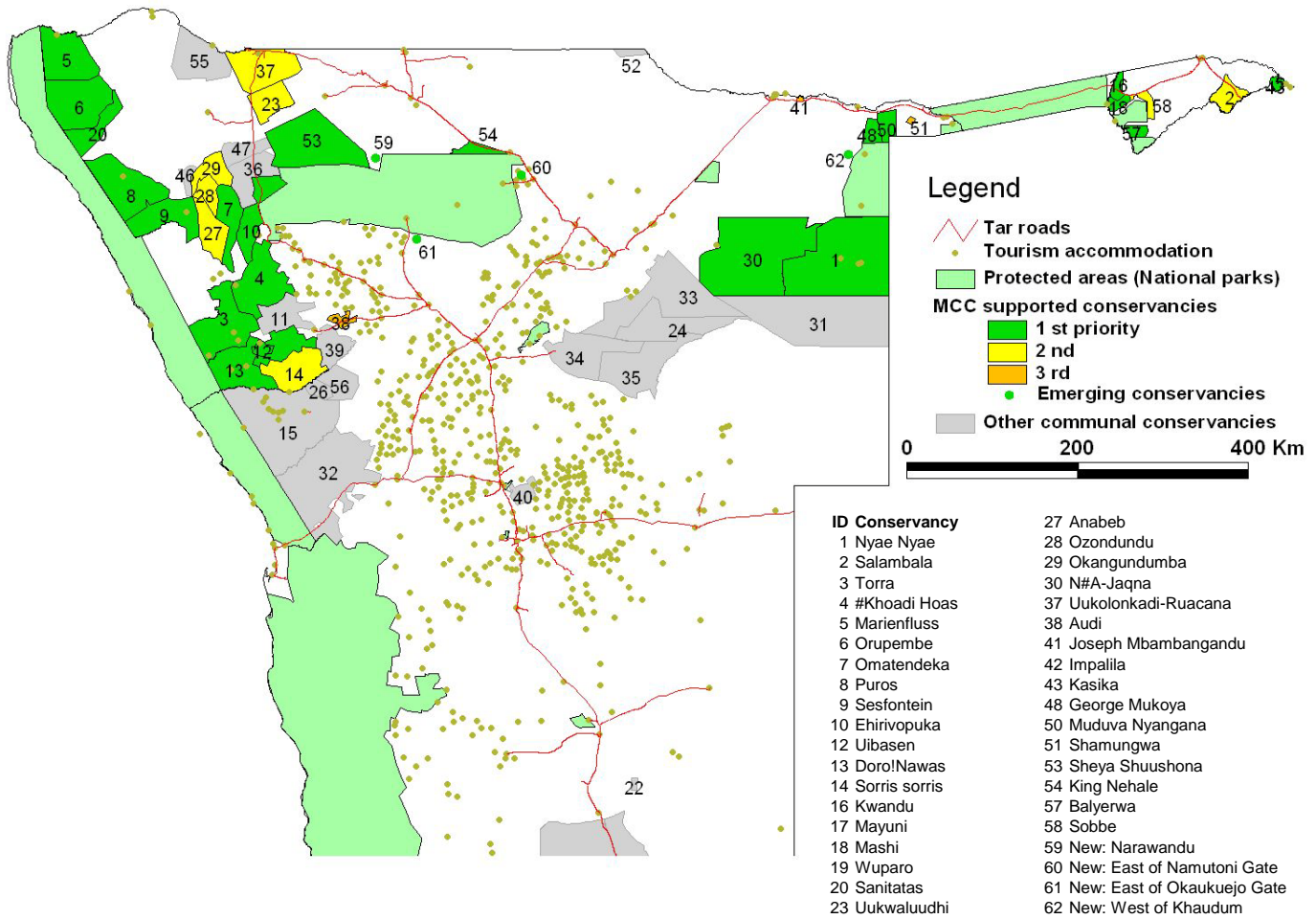
- Presentation of a signed contract between the communal conservancy and the investor describing benefits sharing and employment guarantees
- For joint venture lodges built through the Fund, environmental screening and siting criteria will need to be developed, as well as guidelines for environmental procedures to follow during construction and operation of these facilities. Periodic audits of performance of joint venture lodge funding recipients to ensure they are complying with requirements will be necessary.

Resettlement Issues: Although involuntary resettlement is not anticipated to result from this activity, an important social issue at ENP is the ongoing negotiations between the GRN and the San Ethnic group regarding the voluntary relocation of the San from their ancestral land within the National Park to government-purchased farms outside the National Park. MCA Namibia will support these negotiations by providing resettlement experts to perform a census of San individuals living in the park and establish minimum standards for land improvement on these new farms.

Gender and Social Issues: Social safeguards associated with the ENP management centres will include the implementation of HIV/AIDS awareness and prevention programs for National Park staff and construction contractors, as well as conditions to ensure park employees have access to schools for their children.

Women and vulnerable groups have been actively involved in land management, resource governance, and revenue-generating activities through the tourism sector in Namibia; MCC's investment will ensure their continued participation. Membership in the conservancies is almost equally split between men and women, and as of January 2006, women comprised 37 percent of all conservancy management committee members. Underrepresented groups, such as San and Himba peoples, are active members in conservancies in their traditional areas. Conservancies provide them with revenue generating opportunities previously unavailable and MCC funding will be used to increase economic opportunities through tourism on conservancies established by San and Himba as well as other formerly disadvantaged Namibians in the target conservancies. MCC funds will also be used to increase good governance and democratic decision-making processes within conservancies by linking positive performance against these targets with funding for tourism joint ventures. Additionally, targeted training to ensure that women have access to revenue-generating opportunities will be included as part of the overall conservancy support program. By supporting the communal conservancy program in Namibia, MCC's investment is not only leading to poverty alleviation, but is also contributing to substantial environmental and social benefits that contribute to improved livelihoods for formerly disadvantaged, rural Namibians.

Annex IV.a: Map of Target Conservancies, Remaining Conservancies and National Parks



Annex IV.b: List of Target Conservancies (updated 6 May 2009)

The following conservancies will be supported through technical assistance to promote the development of revenue-generating ecotourism enterprises.

Number	Region	Conservancy Name	High Joint Venture Lodge Potential	Tourism Potential and or Scenery	On Main Tourism Routes	Phase of Development	Number of People
1	Kunene North	Orupembe	Yes	X	X	B	400
2		Sanitatas	Yes	X	X	B	250
3		Ehrovipuka	Yes	X	X	M	2500
4		Omatendeka		X	X	M	2500
5		Sesfontein	Yes	X	X	B	2500
6		Torra		X	X	A	1200
7		Puros		X	X	A	260
8		Anabeb	Yes	X	X	M	2000
9		Marienfluss		X	X	M	300
10	Kunene South	Doro !Nawas	Yes	X	X	B	1500
11		Uibasen		X	X	A	230
12		Khoadi Hoas	Yes	X	X	M	3200
13		New: Vicinity of Okaukuejo gate, ENP*	Yes	X	X	B	
14		Sorris Sorris		X	X	M	1300
15	Oshana South	New: Vicinity of Namutoni Gate, ENP*	Yes		X	B	
16	North Central	Sheya Uushona	Yes	X		B	35360
17		King Nehale	Yes	X	X	B	20000
18		New: Narawandu*	Yes	X		B	
19	Kavango	Muduva Nyangana	One Shared	X	X	B	2000
20		George Mukoya		X	X	B	2000
21		New: Kaudum west*		X	X	B	
22	Otzondjupa East	Nyae-Nyae	Yes	X		A	2300
23		N#a-Jaqna	Yes	X		B	7000
24	Caprivi	Kwando	Yes	X	X	A	700
25		Mayuni		X	X	A	2400
26		Mashi		X	X	A	3900
27		Wuparo	Yes	X	X	B	2100
28		Balyerwa		X	X	A	1500
29		Sikunga	Yes	X	X	B	
30		Impalila	Yes	X	X	M	1500
31		Salambala	Yes	X	X	A	7700
TOTAL							106600

Note: Phase of Development: B = Beginning, M = Mid-Level, A = Advanced

Source: Namibia's Communal Conservancies: A Review of Progress in 2007, MET, page 14

* If these conservancies are not registered by September 2011, they will be replaced with Kabulubula, Kasika, Okolongadhi-Ruacana & Uukwaludhi.