

## 4. MCA Namibia Investment 3 – Promote private and community-based Investment in Tourism

### Introduction

The Namibia tourism sector has performed solidly since independence in 1990. Over the past 15 years, international tourist arrivals have shown a steady increase<sup>21</sup>, growing from 254,978 arrivals in 1993 to 777,890 arrivals in 2005<sup>22</sup>. Increased arrivals have, in turn, generated an escalation of the tourism industry's outputs, which increased by an average of 14% per year from 1991 to 1996<sup>23</sup>, and by a total of 13% from 1998-2003<sup>24</sup>. The recently developed Tourism Satellite Accounts (2006) found that tourism directly and/or indirectly generated NAD5.242 million to the Namibia national economy during 2004, or the equivalent of 14.2% of its GDP. Tourism was also found to support 69,000 jobs, or approximately 18% of Namibia's employment force.

**Tourism as a Growth Sector**  
Tourism is considered to be the world's largest and fastest growing sector, generating more than USD800 billion worldwide in 2005.

Tourism is considered to be the world's largest and fastest growing sector, and Namibia is strongly positioned to be a major long-term beneficiary of this growing global industry. Rich and expanding wildlife populations, diverse landscapes and cultures, and majestic wilderness settings provide internationally competitive tourism attractions for game/nature viewing and hunting audiences. An extensive and renowned protected area network (covering more than 14% of the country) serves as the engine for much of this

tourism. Concomitantly, the recently introduced communal conservancy<sup>25</sup> program also offers massive tourism development opportunities, and in the process is poised to provide substantial employment and livelihood benefits to rural community residents in remote locations where few other development options are available.

In a remarkably brief period of time, Namibia has gained a worldwide reputation for its innovative approaches of linking conservation to poverty alleviation through its communal area conservancy program and pro-poor tourism initiatives. This reputation has been founded through dynamic policy adjustments that have devolved rights to wildlife and tourism to many of Namibia's most marginalized and poorest communities, providing such communities with unprecedented incentives to manage and conserve their wildlife stocks. Community responses to this opportunity have been dramatic since passage of the conservancy legislation in 1998. A total of 44 communal conservancies have been formed, covering more than 105,000 m<sup>2</sup> and encompassing approximately 185,000 rural community residents. Such involvement has been stimulated by significant financial and economic results. During 2005 community participants received NAD20.1 million in direct

### Namibia's Gift To The Earth

In 1998, His Excellency Dr. Sam Nujoma, Founding President of Namibia, received the prestigious WWF Gift To The Earth award in recognition of Namibia's remarkable communal area conservancy program.

<sup>21</sup> MET 2004; Stubenrauch Planning Consultants

<sup>22</sup> World Travel & Tourism Council, 2006

<sup>23</sup> Suich 2001

<sup>24</sup> World Travel & Tourism Council 2006

<sup>25</sup> A communal conservancy is a self-defined (by resident community members) area of communal land that has been registered with the Government of Namibia as a means of assisting the resident community to develop and sustainably utilize its wildlife, tourism, and affiliated natural resources for the long-term welfare of its members.

financial benefits, while private sector partners accrued a related turnover of almost NAD70 million. Cumulatively, it is estimated that the Net National Income generated by these operations exceeded NAD140 million.

GRN recognizes the increasing value of the Tourism sector, and as well, the importance of the sector's linkages to the long-term sustainable management of Namibia's fragile natural resource base. Therefore, GRN support to the Tourism sector is deeply woven into the fabric of a number of GRN development approaches, especially due to its ability to generate employment, reduce poverty, empower local communities, and provide incentives for improved and sustainable natural resource management. Tourism and related protected area and community-based natural resource management (CBNRM) activities are strongly advocated in the following documents:

- **National Development Plan II (2002-2006)** – Tourism development is explicitly promoted in Chapter 17 (pages 272-286) as a means of bolstering the economy and providing employment to Namibians, especially in remote rural areas where few other job creation opportunities are available. Chapter 17 is closely aligned with Chapter 18 on Wildlife (pages 287-299), which gives strong recognition to the economic value of the wildlife sector, the park systems, and the ability of these resources to generate income and employment through tourism-related activities, as well as conserve Namibia's biodiversity heritage. Tourism is also promoted as a strategy to alleviate poverty in Chapter 14 (Land Reform and Resettlement), while Chapter 11 (Agriculture) strongly recommends broadening and diversification of agricultural production to promote non-farm enterprises.
- **Vision 2030** – Recognizes the tourism sector, in terms of its biodiversity and wilderness appeal, as having the potential to assume a leading role in the world. The Wildlife and Tourism Section (pages 150-157) provides specific recommendations on expansion of the Tourism sector and improved resource management through Parks and conservancies.
- **The National Poverty Alleviation Strategy** – Recognizes tourism (Section 4.1.2) as a sector with high potential for job creation, stating that no other sector of the economy has as much potential to create jobs and generate income for Namibia's rural communities.
- **The 2005 Key Recommendations of the Cabinet Retreat related to Progress and Challenges for Economic Growth and Sustainable Development** – This high level event identified tourism as one of the most promising drivers of economic growth and produced 24 recommendations (pages 10-11) on how to improve the Environment and Tourism Sector as a means of economic growth and sustainable development for Namibia.

The linkages between tourism and Namibia's development strategy are partially responsible for driving the current growth in this sector. Other drivers have been the regional opening of tourism following the dismantling of South Africa's apartheid regime, the off-take from a global drive for nature-based tourism, and an interest from travelers looking for safer desert destinations following the series of political unrest in the Middle East and North Africa. However, while tourists themselves are often responsible for initiating tourism in new destinations, it is the national destination marketing that drives it. In 2000, GRN created a national tourism marketing division called the Namibia Tourism Board (NTB). Previously, national marketing efforts consisted of a few globally placed information offices and the attendance of international travel shows. With the formation of NTB, Namibia has been able to effectively open up markets and form Public/Private Partnerships (PPP) with overseas tour operators that have led to a 50-50 investment share in marketing schemes.

While Namibia's tourism sector has demonstrated promising growth in recent years, the sector has nevertheless under performed in comparison to competing nature-based tourism destinations in southern Africa. For example, the Namibia tourism production increase from 1998-2003 (approximately 3.9%/year) is considerably less than that achieved by the Botswana, Zambia, and South Africa tourism industries during the same period. Consequently, while tourism was producing competitive growth in terms of the overall Namibia economy, it was actually losing ground and market share to its regional competitors. There are a number of reasons for this, including:

- **Under-investment in the Protected Area Network** – The low investment in the protected area network, its associated park infrastructure, and the human resources who service both the park natural resource management and tourism activities has reduced the sector's competitiveness. While the parks attract the largest share of Namibia foreign tourists, the park facilities are in urgent need of replacement and/or renovation and the standard of service provision needs to be improved. Without such investments, Namibian park facilities and services cannot be or remain competitive with those found in many other comparable regional tourism destinations.
- **Under-capitalization of the Tourism Sector** – The total tourism capital investment level in Namibia is also low compared to many of Namibia's competitors. Capital investment in the Namibia tourism sector for 2006 is forecast to total approximately NAD1,312 million (USD212.6 million). In comparison, Tanzania (USD366.6 million), Kenya (USD509.7 million), Mauritius (USD391.7 million), and South Africa (USD6,095 million) are all investing much more heavily in the tourism sector. The low sector capitalization means many prime tourism areas of the country remain vastly under-developed.
- **Slowly Recovering Resource Base** – The wildlife resources in many of the northern parks and communal conservancies have yet to recover from more than two decades of Namibia's liberation struggle, with wildlife numbers still being too low for a high-quality wildlife viewing experience. Thus, there remains a need to quickly and efficiently promote the recovery of wildlife resources in areas of low density.
- **Barriers and Constraints to Tourism Expansion** – There remain a number of barriers to private sector investment in the Namibia tourism sector. Many of Namibia's competitors have stimulated tourism investments in their countries by providing tax breaks, investment incentives, access to tourism-friendly capitalization loans, subsidized training programs, establishment of tourism investment centers, etc. In contrast, the Namibia tourism sector is heavily taxed and a number of bureaucratic hurdles make tourism investments time-consuming and burdensome, especially on communal lands where insecurity around land tenure makes access to commercial loans very difficult. Furthermore, technical barriers (in the form of knowledge of tourism business practice) to previously disadvantaged Namibians have largely prevented tourism investments from the BBEE sector.
- **Marketing** – Namibia is a relatively new entrant into the global tourism arena and as such is not a widely-known travel destination to much of the world. Thus, there is an urgent need to strategically strengthen Namibia's tourism product identity at an international level, improve product packaging, and strengthen the overall branding of Namibia and the various tourism products it has on offer.
- **Constraints to Tourism Skills Development** – The development of hospitality skills in Namibia's workforce has received little national support, which has led to a vast shortage of qualified staff to fill tourism positions in this rapidly growing industry. Unlike other sectors (agriculture, fishing, manufacturing, mining etc.), there are no incentives

provided to the tourism industry to invest in the development of human capacity through training. Consequently, formal tourism skills development is too costly for the private sector to fund on a significant scale and too expensive for rural Namibians to fund themselves. As a result, the potential for BBE is constrained in this sector and there have been limitations on the future development of tourism services to meet the demand of incoming tourists.

A key function of the MCA Namibia investment is to reduce poverty in rural poor and vulnerable groups. In this regard, tourism enterprises offer a unique mechanism to assist the rural poor. In particular, lodge development and hunting operations employ significant numbers of community residents, capitalizing on their cultural knowledge and local skills, while simultaneously generating substantial tangible spin-off benefits. Significantly, these enterprises prosper in remote areas, where other employment opportunities are nearly non-existent. Further, such enterprises routinely train and develop low-literacy residents to skilled and highly-valued employees.

The addition of a lodge or hunting concession often provides the major source of employment in a conservancy. A typical 24-bed lodge (Figure 4.1) directly generates approximately 24 full-time jobs and 3-5 part-time jobs. This equates to approximately NAD300,000/year in wages, which roughly supports 120 people (24 families of five). In addition, such a lodge will produce approximately NAD250,000-300,000/year in direct cash income to a conservancy, which then re-invests these funds into management of the conservancy's resource base (wildlife, water, habitat, etc.), conservancy operating costs, and rural development activities that enhance livelihoods for its members. Normally, the cash income from a lodge or hunting concession allows a conservancy to employ an additional 8-10 conservancy staff, who in turn, may support another 40-50 household members. In addition, the increased presence of tourists visiting the lodge may enhance the financial performance of local shops or contribute to the creation of spin-off enterprises such as handicrafts production, firewood sales, laundry services, guides, etc. Thus, in total, a 24-bed lodge may directly lead to the creation of a minimum of 32-34 fulltime jobs and numerous part-time income-earning opportunities that directly contribute to the welfare of 160 to 180 household members.



**Figure 4.1: Thatched accommodation at Doro! Nawas Lodge, Kunene Region**

In addition, tourist arrivals are extremely invigorating to the total Namibian economy. Studies have shown that one additional direct or indirect job (along backward linkage enterprises) is created by the arrival of 12 new tourists.

Given the above, tourism represents a promising and appropriate investment for MCA Namibia. Key attributes include:

- The ability of tourism enterprises to create employment opportunities in remote, rural areas where poverty is rife;
- The potential for tourism enterprises (lodges, hunting, game production, etc.) to produce strong incentives for communities to sustainably manage their natural resources; and
- The ability of tourism enterprises to stimulate national level economic growth via job creation and through its extensive inter-connectivity with other sectors of the economy (agriculture, transport, energy, etc.).

The sector is a prime example through which “Smart Partnerships” between government, private sector, and civil society can be applied to the benefit and empowerment of the country’s poor towards the aim of poverty alleviation. While the sector remains confronted with a number of barriers and constraints, the MCA Namibia investment will allow for a constructive contribution towards addressing these issues and catalyze the growth of the country’s fast-growing and most promising sector.

## Description of Activities

This MCA action seeks to build upon the excellent foundation Namibia has laid in the environmental and tourism sector, by further unlocking the undeveloped tourism potential of many of Namibia’s protected areas and creating strong linkages between park development and rural poverty alleviation through increased private sector investment and involvement.

Long-term expansion of the Namibia tourism industry will be achieved through an integrated approach to strengthening the sector. Key aspects of this approach will entail:

- Enhanced development and management of the natural resource base (in parks and communal areas);
- Unlocking new private sector and community driven tourism development opportunities in and/or adjacent to parks;
- Improved access to tourism capitalization funds;
- Strengthened marketing strategies and campaigns;
- Empowerment of previously disadvantaged Namibians to play a more meaningful role in the industry; and
- Policy adjustments that address sector bottlenecks and barriers and/or provide incentives for expansion of the tourism sector.

Implementation of this integrated approach will require the introduction of a number of new concepts, namely:

- A shift in park management philosophy to strongly incorporate rural development and community outreach into park development and management plans. Parks will be operated as regional development nodes through which economic gain by park neighbors will be actively promoted;
- Development of more participatory planning approaches of identifying park-related tourism opportunities for both private sector and community stakeholders;
- Creation and funding of dedicated park node planning and development teams to ensure suitably qualified and trained staff are assigned to oversee park development and outreach programs; and
- Approval and implementation of the MET Concessions Policy, thereby providing new opportunities and incentives for private sector and conservancies to jointly engage in emerging tourism ventures.

The MCA Namibia investment in tourism will be implemented and managed through four separate, but closely interwoven components, including:

1. Resource Development and Management
2. Marketing
3. Barriers Removal

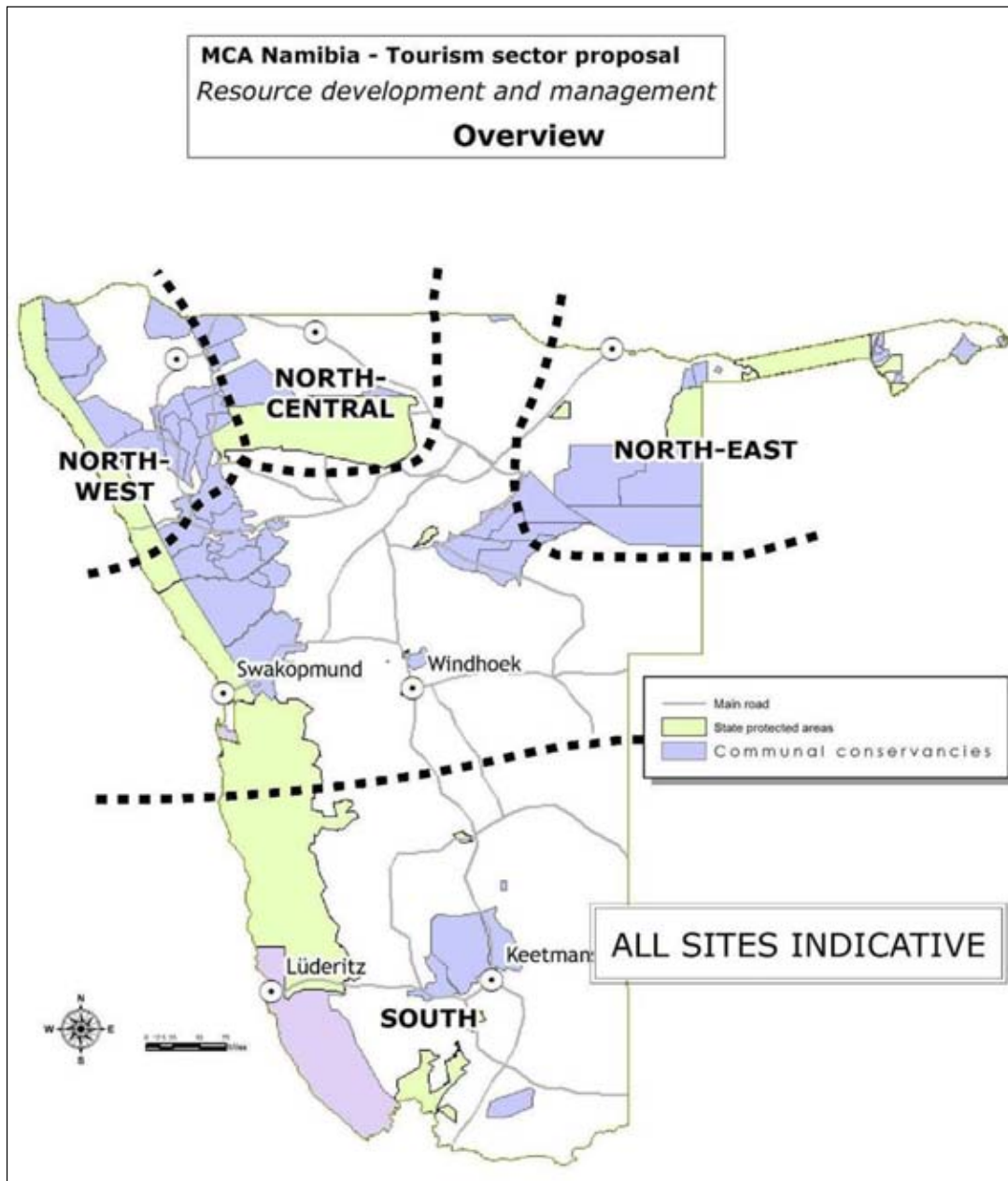


#### 4. Empowerment and Capacity Building

Following are brief descriptions of each component.

#### **Component 1 – Resource Development and Management**

This component will entail development of the resource base and tourism products in and around four priority park development nodes. These nodes were selected on the basis of availability of tourism development opportunities and potential for tourism growth, and will encompass 11 parks and more than 30 communal conservancies (Figure 4.2).



**Figure 4.2: Proposed Park development Nodes in North-East, North-Central, North-West, and southern Namibia in relation to registered Conservancies.**

The largest share of MCA funds will be invested in this component. Though this investment reflects the lowest ERR of the four planned components (13.6% over a 30 year timeframe), the remainder of the MCA investment will have little impact without the development of the parks system and related tourism infrastructure to attract and host the anticipated increased volume of tourists. Further, the planned investments are justifiable based upon their intention to: a) increase the management efficiency of parks and conservancies and b) promote cost-sharing of park and resource management costs with private sector (i.e., operators and conservancies).

Each node has been chosen for the potential ability of the MCA investment to significantly increase tourism visitations to Namibia and to contribute to reduced poverty alleviation through appropriate node development.

Key MCA actions related to the development of the Park/Conservancy Nodes are as follows:

- **Unlocking New Lodge Establishment** – The MCA investment will stimulate the establishment of a minimum of 36 new lodge developments. These lodges will be primarily developed as community/private partnerships in or adjacent to the target parks, or PPPs with conservancies being the target beneficiaries. Many of these lodges will be initiated through implementation of the MET Concession Policy, which will create increased private sector demand and opportunity for lodge development in prime tourism locations. The MCA funds will capitalize road access and water developments at these sites and provide up to NAD2 million in equity funds for conservancies to capitalize portions of the lodge development. The remaining capitalization costs will be provided by the partner private sector investor. The equity fund will allow conservancies to become investors in fixed infrastructure and become vested shareholders in lodge operations. This will place conservancies in a better position to negotiate long-term benefits-sharing arrangements with the private sector partners.

It is anticipated that the average lodge size will be 24 beds, meaning that 36 new lodges will provide the potential for up to an additional 315,360 bed-nights<sup>26</sup> of accommodation per year in Namibia. However, it is unrealistic to plan around 100% occupancy, and therefore a more realistic target of 50% is used to measure the potential viability of these lodges against the targeted increased tourism arrivals. At 50% occupation the MCA Namibia investment would unlock the equivalent of 157,680 additional bed-nights, or roughly space for 22,525 new tourists spending an average of 7 nights per visitation. Similarly, if the occupancy rate reaches 60%, then space will be available for 27,030 new tourists. Thus, the anticipated new available bed nights are realistic in that they: a) are capable of absorbing large portions of the anticipated MCA induced new visitors (31,000 by year five), while b) still reaching high enough occupancy rates (40% or greater) to make the new lodges viable even though many of the new tourists will visit other Namibian destinations than the new lodges.

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<sup>26</sup> 24 beds x 36 lodges x 365 nights/year

- **Establishment of Tourism Information and Business Hubs** – A total of 11 tourism and information hubs will be established. These are centralized information centres that will be strategically located to facilitate regional tourism promotion. The hubs will be focal tourism information points to highlight regional attractions, while simultaneously operated as small business centres. The hubs will provide offices for conservancies, who will further rent out additional spaces for curio shops, kiosks, cafes, guide services, and other tourism related enterprises as deemed locally viable. Rental income from the hubs will be accrued by the host conservancy, with proceeds being ploughed back into operations and maintenance of the hubs, conservancy operating costs, resource management activities, and member benefits.

- **Bush-access and 4x4 Game-viewing Tracks** – An assortment of access and game-viewing tracks will be developed both within parks and adjacent to conservancies/ tourism sites. Such tracks will be developed as part of park/conservancy development efforts with the intent to open up a range of new private sector driven tourism development opportunities and to enhance management of the parks/conservancies.

- **High-value Game Camps** – Five new high-value game breeding camps will be established in selected conservancies. These camps will range in size from 10-20,000 hectares and will assist target conservancies (Uukwaluudhi, N#á-Jaqna, Orupupa, Nhoma, and Okamatipati) to set aside viable tracks of land in which high-value game species such as roan antelope, sable, tsessebe, disease-free buffalo, black-faced impala, etc. can be produced and marketed for the benefit of the respective conservancies. Concomitantly, the expanded production of these particular species will be in-line with MET's national species management plans. The above animals range in value from NAD17,000 per head (black-faced impala) to over NAD100,000 per head (roan, sable, and disease-free buffalo). Consequently, each camp will generate between NAD500,000 and NAD1 million per year in profits when fully operational. Capitalization costs for these camps will entail cut lines, fences, tracks, water, housing, equipment, and game. Game will be acquired through a combination of donations by the MET and purchases from other communal conservancies or private sector. Camps will be operated as PPPs between conservancies, private sector and MET.

The development of these game camps will be built into conservancy management plans, and will require the endorsement and support of all involved stakeholders (i.e., conservancy members, potentially affected settlements, traditional authorities, etc.). This consultative process will ensure that no conflict arises from the encompassment of the identified area by the game proof fence. Additionally, as these areas will be developed on communal land, the fencing and development of them will require approval of the MLR and MRLGHRD. The game camps and affiliated game will be the property of

### **Tourism Info & Business Hub Example**

The Tsiseb Conservancy Information Centre serves as a hub for tourists entering the Uis community. The Centre provides shops for a kiosk, crafts store, an internet café, a guide service, and also provides space for an office and a meeting room for the Conservancy. The Centre is attractive and optimally located where tourists coming to the area stop at the shops and acquire information on local tourism activities related to the Brandberg Mountain area.



the host conservancy. However, management of the camps will involve contracts (i.e., specific services contracted or acquired through a joint venture) with private sector and will also be assisted by the MET.

- **Tourism and Natural Resource Management Service Centres** – There is a need to develop 11 new Tourism and Natural Resource Management Service Centres, which will be strategically located to promote the new park/conservancy co-management structures. Such Centres will necessitate the establishment of fully equipped staff and accommodation offices. The development of Service Centres will be complemented with upgrades to key park infrastructure such as wildlife water points (solar installations), access roads, and other. Such upgrades will improve the efficiency of park management and reduce recurrent costs. They will also contribute to increased effectiveness of co-management approaches proposed in the four nodes, enabling tourism and natural resources development to be directed to further benefit local residents.

These service centres aim to increase the level and quality of management in each of the complexes, and are intended for core management staff. As such, they are likely to be staffed by MET officials (and exclusively so in the state protected areas). Each complex will be staffed and managed according to its individual opportunities and requirements. Optimizing the opportunities and building on existing structures will play a central role in ensuring these investments facilitate better management and co-management. They will support Namibia's progress towards using more partnerships and innovative mechanisms in the management of protected areas for tourism.

- **Boundary Conflict Management** – The rapid recovery of Namibia's wildlife populations is leading to increased human/animal conflict and costs. This is particularly the case with conservancies adjacent to parks, where wildlife compatible land-use zoning exists and wildlife numbers have rebounded. This rebound is accompanied by higher densities of elephants and predators, all of which create increased costs to resident conservancy members. The MCA investment will be directed at mitigating measures that reduce human/animal conflict incidences and costs. Such mitigation actions will include: improved barriers through stronger fencing and development of alternative wildlife water points to reduce elephant use of domestic water sources.

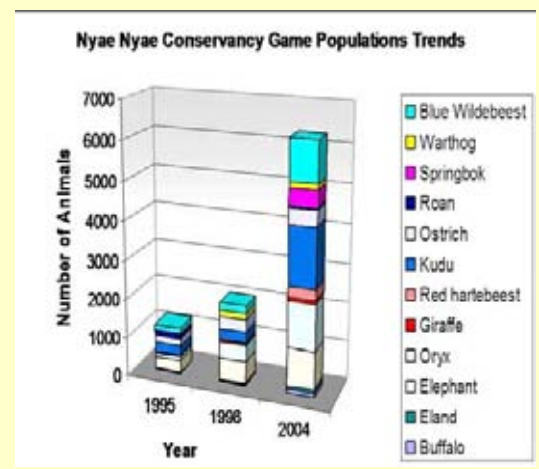
- Enhanced Recovery of Natural Resource Assets** – Namibia’s 20-year struggle for independence has had significant detrimental consequences to wildlife populations across the NCAs. Consequently, in many emerging or recently registered communal conservancies, wildlife populations are extremely low and not capable of generating meaningful short-term financial returns. This situation will be rectified by assisting conservancies to re-establish viable game numbers through the re-introduction of common game species (i.e., springbok, oryx, kudu, etc.) to core wildlife production zones. Such a process will entail the development of dedicated wildlife water points and movement of target species into the chosen sites. The sites of introduction are in open communal areas, thereby: a) not requiring costs to fence the area, and b) contributing to the recovery of regional game populations that frequently move between conservancies. The translocated game will be provided by the MET from its park system, while payment of capture and translocation costs will be borne by MCA Namibia. At such sites, the translocated game will be introduced as part of the conservancy development process, with the rights to the game and the associated benefits belonging to the conservancy.
- New Border Posts** – A number of highly viable tourism routes into or through Namibia will be enhanced through the upgrade of three border posts, creating a more impressive and attractive image of the country upon entry. Three sites have been identified for border post improvements: Ngoma (NE), Mata Mata (S) and Sendelingsdrif (S). These are all existing border post sites, requiring no additional negotiation or process. The border posts at Mata Mata and Senderlingsdrif in the south will capitalize on the popular tourism routes between the northern Cape Province of the Republic of South Africa (RSA) and southern Namibia, facilitating the arrival of thousands of new tourists each year. Similarly, the revitalization of Ngoma border post in the NE will greatly enhance tourism route development from Botswana, as part of

## Nyae Nyae Conservancy Reintroduction of Game



### Monitoring movements of introduced game

The Nyae Nyae Conservancy is a successful site where game introductions, combined with strategic water point developments, have rapidly expedited the recovery of wildlife populations. From 1998 – 2002, a number of wildlife introductions were made, resulting in a rapid increase of game populations (see graph below) as documented by MET aerial surveys in 1995 (baseline), 1998, and 2004. The game introductions have assisted the conservancy to increase income from trophy hunting by 8-fold since 1998 and the amount of meat being consumed by conservancy members. In addition, game densities have reached the point where private sector operators have now expressed an interest in developing tourism lodges in the conservancy.



the KAZA (Kavango-Zambezi) Transfrontier Conservation Area development process.

The proposed Mata Mata border would create a new tourism route between South Africa's Kalahari Gemsbok National Park and southern Namibia tourism destinations. Given the long gravel road drive (more than 200 km) required to access this park on the South African side of the border, it is likely that as many as 25-30% of the visiting tourists would continue onwards into Namibia. Thus, one might assume that as many as 7,000 of last year's 21,000 visitors to the Kalahari Gemsbok Park would have continued onwards through Namibia if a border post had been operational. Accordingly, the opening of the Mata Mata Gate could immediately contribute to the creation of close to 600 new tourism related jobs in southern Namibia.

Table 4.1 provides a brief description of the proposed park development nodes.

**Table 4.1: Proposed Park Development Nodes and Benefiting Conservancies**

<b>PARKS</b>	<b>BENEFITING CONSERVANCIES</b>	<b>MOTIVATION</b>
<b>V. Etosha-Skeleton Coast National Park-Kunene River Complex</b>		
Western portion of Etosha, Skeleton Coast, and proposed new Kunene Corridor Park	#Khoadi //Hoas, Ehirovipuka, Omatendeka, Torra, Sesfontein, Anabeb, Purros, Doro !Nawas, Uibesen, //Huab, Ozondundu, Okangundudumba	Will unlock tourism potential of the western portion of Etosha where no tourism is currently taking place. Will become a major international tourism attraction and will allow creation of significant tourism routes and developments between Etosha and the Skeleton Coast, thereby providing major development opportunities for conservancies in and adjacent to the proposed Kunene Corridor Park.
<b>II. Etosha North-South-East Complex</b>		
Central and northern portions of Etosha	Uukwaluudhi, King Nehale, Ruacana, Sheya Shuushona	Will unlock tourism potential of northern Etosha where very little tourism is currently taking place. Will become a major international tourism attraction and will allow creation of significant tourism routes and developments between Etosha and the north central conservancies and communities, thereby providing major development opportunities for both nature-based and cultural tourism developments.
<b>VI. North-East Parks Complex</b>		
Mudumu, Mamili, Bwabwata, Mahango, Kaudum, Mangetti	Wuparo, Mayuni, Mashi, Kwandu, Salambala, Impalila, Kasika, Kyaramacan Association, Nyae Nyae, N#Jaqna, George Mukoya, Joseph Mbambangandu	Will unlock massive tourism opportunities in the weakly developed North-East parks and conservancies. This node will also benefit from the coordinated formation of the Kavango/Zambezi (KAZA) Transfrontier Conservation Area, which is also being promoted by Botswana, Angola, Zambia, and Zimbabwe. Proposed MCA investments will assist Caprivi/Kavango parks and conservancies to become major benefactors from both international and regional tourist visitations to KAZA.

<b>IV. Fish River, Luderitz, Mata-Mata Complex</b>		
/Ais/Ais, Sperrgebiet	!Khob !Naub//Gamaseb, (Kalk Plateau)	Proposed MCA investments, combined with opening of border gates, will allow for significant route development opportunities between Namibia and South Africa. Will induce significant increase in visitations by both regional tourists and international tourists seeking multi-country experience. Routes have high-demand potential for pending World Cup Soccer Championships in 2010.

## **Component 2 – Marketing**

Prior to the establishment of the NTB in 2000, the marketing of Namibia tourism products was executed in an uncoordinated manner with little cooperation between the public and private sector. The NTB was established to, *inter alia*, promote Namibia tourism activities from a coordinated platform with private sector partners. The NTB has been forged out of less than optimal conditions, with a small budget and limited human resources, particularly when compared to other well-established and well-funded national tourism agencies. Nonetheless, the NTB's tightly focused strategic approach, aimed at achieving a limited set of goals within key markets, is already reaping significant results.

The MCA Namibia will gear the NTB to a higher platform of operation and expand its effectiveness into the USA and emerging markets in Europe. Namibia is fairly new and unknown in these markets, creating greater opportunities for growth than in the traditional, highly seasonal markets exploited by Namibia thus far.

Through the MCA investment the NTB will build upon its previous successes to implement a rigorous marketing campaign aimed at increasing tourist numbers from emerging markets (USA, Canada, Italy, France, Spain, Portugal, Scandinavia, Belgium and Netherlands) by enhancing trade growth through targeted cooperative marketing with key tour operators (15 in North America and 30 in Europe), and increasing consumer awareness through below-the-line public relations and media activities. New domestic regional tourism routes in the four park complexes will be marketed in Namibia, South Africa and other neighboring countries. To further support overall destination marketing activities, an interactive dynamic website will be developed that will facilitate internet bookings and information, which will also serve to position Namibia as a preferred destination for the FIFA 2010 World Cup to be held in South Africa.

### **Cooperative Marketing**

Cooperative marketing is a proven PPP approach to tourism marketing that has been successfully used in long haul tourism destinations such as Canada, Australia and New Zealand. More recently South African Tourism has used this method of marketing to significantly increase sales. Tourism in SA only opened up after 1994, and in 2000, 107 cooperative marketing partners had already been signed up. In that same year, SA Tourism expended ZAR25 million and secured returns in excess of ZAR600 million.

The concept of cooperative marketing is predicated on identifying opportunities in key source markets and selectively engaging with key tour operators who are already well established in those markets. The rationale here being that these operators have detailed knowledge of their target markets based on a track record, and can demonstrate their rates of return on past investments. The national tourism organization, in Namibia the NTB, then establishes joint marketing schemes with these carefully selected tour operators and together they each fund a percentage of the marketing costs. NTB funds only clearly identified incremental marketing activities, and always funds these jointly with the operator (currently on a 50:50 basis), thereby locking the operator into a successful return on investment. What is expressly avoided is any subsidization of existing expenses.

Given the limited funds at its disposal, the NTB has opted to pursue an ambitious cooperative marketing program with carefully chosen operators in key markets. NTB is able to increase its marketing budget by the equivalent amount matched by the tour operator, thereby leveraging additional funds towards the marketing of the destination. Rather than engage in once-off promotional marketing, these cooperative

marketing agreements have a three-year horizon resulting in a sustained marketing program. The bottom line will be a clear return on investment (ROI), based on the in-country injection of funds by the private tour operator compared to the investment made by the NTB.

A critical step in expanding Namibia's tourism market is to break into emerging markets in Europe and North America, as already identified by NTB's foreign representatives. This initiative will require intense destination marketing, utilizing trade shows, internet, visits to major sellers of African safaris, and finally the soliciting of tour operators with whom NTB can engage with for future cooperative marketing agreements. These activities will unlock new markets for private sector-driven marketing and encourage investment by both overseas and local tour operators.

Central to the success of cooperative marketing is the PPP between NTB and Namibia's private tourism operators. NTB currently engages with around 50 to 60% of the private tourism companies in Namibia. There is close collaboration on the hosting of overseas tour operators on familiarization trips, the development of new tour routes, and cost sharing at trade shows.

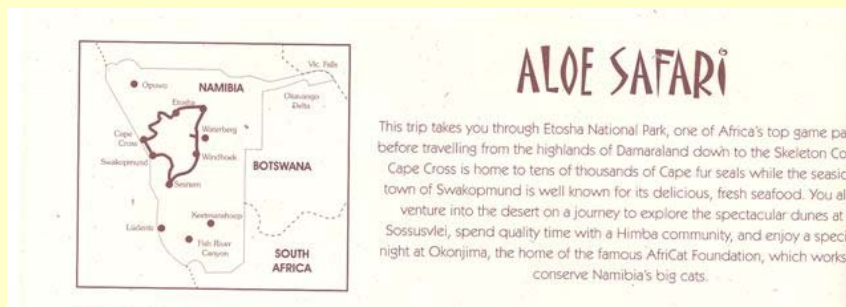
During the first three years of the MCA Namibia investment, the cooperative marketing agreement will be based on a 50:50 contribution. From year 4, this contribution will be reduced to 25% of marketing funds within the ambit of such agreements. NTB will, as part of the agreements, reserve the right to introduce at least 20% new product into the tour itineraries offered by the operator. In this way it will be possible to engender a greater dispersal of tourists to previously marginalized areas.

Namibia's private sector will play a key role in maintaining the momentum of overseas marketing efforts in the latter stages of MCA funding and thereafter, once emerging markets are opened by NTB in the first 3 years. In the past, the reputation and marketing investments of existing, well-used tour operators in Namibia have drawn the bulk of the new market visitors, which filter into lesser known and smaller tourism operations such as new community lodges. Most of the larger private sector companies in Namibia utilize the services of smaller operators and even market these services within their own product profiles. Additionally, small private-sector companies often partner with NTB on new route developments and representation at trade shows. NTB generates income through such

### **NTB Cooperative Marketing: Case Study**

To date, the NTB has invested more than NAD5 million in cooperative marketing with more than 25 tour operators. This has yielded an overall Return-on-Investment of more than 26:1 for funds invested *versus* in-country expenditures.

Recently, NTB and Sunvil (UK tour operator) jointly marketed a new product, Aloe Safari, which resulted in 1,568 new tourists on 12 day trips, and a 2341:1 return on NTB's investment.





partnerships, particularly for providing marketing coverage at overseas trade shows. These PPPs sustain NTB's overseas marketing activities along with visitor levies and the annual GRN grant.

Marketing efforts will target holiday tourists, most of whom will be undertaking nature-based tourism in Namibia's park system or in conservancies adjacent to or along routes between parks. Figure 4.3, below, illustrates the anticipated impacts of the NTB's concentrated marketing effort over the five-year duration of the investment. Without considering the projected increase in product, park infrastructure, route development, and private sector marketing, it is estimated that the MCA investment in NTB marketing (over the 5 year period) will attract an additional 69,734 tourists to visit Namibia, which is a 39% growth rate from 179,416 holiday tourists in the starting year (based on 2007 projection) to 249,150 in year five. By the end of year five, it is anticipated that MCA funds will be responsible for an additional 31,300 holiday tourists per year visiting Namibia.

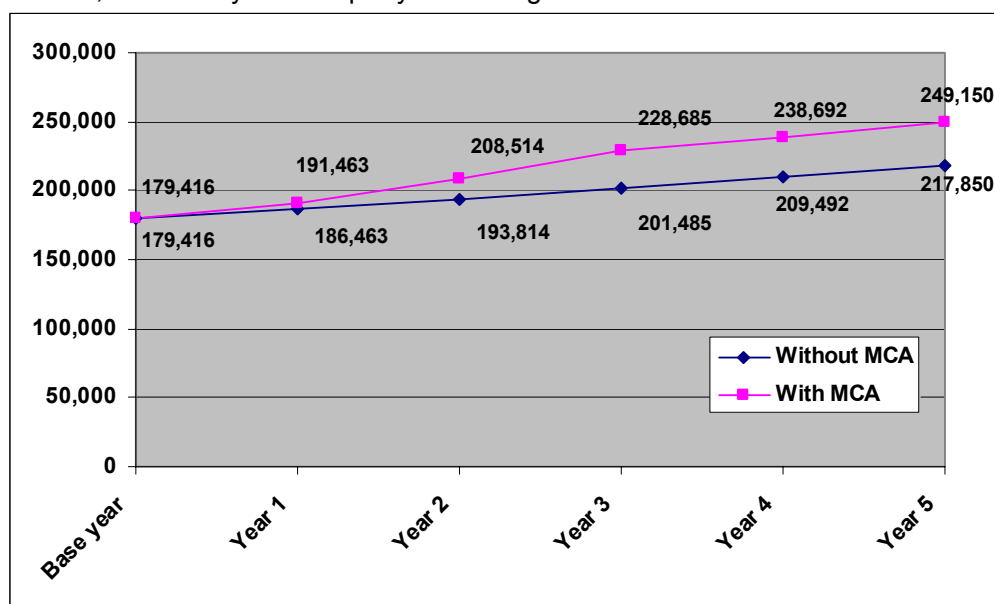


Figure 4.3: Anticipated increase in *holiday* tourist arrivals as a result of MCA investment in marketing, years 1-5. (Based on currently available products and only NTB's marketing activities)

### Component 3 – Barriers Removal

MCA investments into Barriers Removal will focus on three particular barriers:

- 1) Poor access to capitalization funds for lodge developments on communal land and absence of tourism-tailored loan instruments.
- 2) Absence of tourism-tailored loan instruments.
- 3) Absence of cost-shared training packages between public and private sector entities.

A number of studies have repeatedly identified these constraints as barriers to tourism developments in communal areas where developmental costs are high due to the remoteness of locations, the absence of existing qualified staff, and demanding logistical support. Private sector investment is the key to the success in these investments, and the tourism loan scheme will increase the amount of that investment unlocked by MCA. The other elements of this component provide the infrastructural foundations, capacity development and marketing support required to help launch and sustain new tourism

initiatives. These actions will increase the effectiveness of the whole MCA Namibia investment in the tourism sector by reducing barriers to tourism opportunity development in a sustainable fashion.

- **Access to Lodge Capitalization Funds through a Tourism-tailored Loan Scheme** – MCA Namibia investment will capitalize an appropriate tourism-tailored loan instrument to be held and managed by a Namibian commercial banking institution. The Tourism-tailored Loan Scheme will provide loans for communal area lodge and other tourism infrastructure developments for which conservancies are joint venture partners or equity-shareholders. The following loan conditions shall apply:
  - Only tourism lodge investments in communal areas shall be eligible to participate in the loan scheme. It is envisioned that loan applicants will be both well-established tourism operators, as well as, new entrants into the sector that demonstrate the capacity and knowledge to successfully develop and operate a lodge;
  - Loan applications shall be limited to a maximum of NAD5 million per lodge development; and
  - Loans will be provided at the prevailing commercial lending rates, but there will be a three-year grace period before interest and principal charges begin to accrue. Consequently, the loan repayment will not commence until the beginning of Year 4. The total loan duration, inclusive of grace period, will be 10 years. This loan instrument gives recognition to the fact that it takes 3-4 years for most tourism operations to break even and begin to make a profit.

The above conditions will allow the rolling capitalization of up to 21 lodges at a given time. Loan repayment funds will be returned to the scheme, making additional funds available for the funding of lodge developments in conservancies for an extended period long after conclusion of the MCA timeframe.

Private sector access to capital is essential to achieve the rapid expansion of the lodge sector around the four proposed park development nodes. The planned MCA investment in the Namibia commercial banking sector will be operated on sound business principles, with interest rates moving in relation to the prime interest rate. Deferral of the interest rates payments until commencement of year four of the lodge operation gives recognition to the time required for new tourism products to gain market share and attain profitability. This type of tourism loan mechanism has been used with great success in South Africa and has contributed greatly to the viability of new lodge operations.

MET, Federation of Namibian Tourism Associations (FENATA), and Namibian Association of CBNRM Support Organizations (NACSO) will coordinate closely with the designated commercial banking institution to: a) develop selection and approval criteria for loan applications, and b) develop a suitable loan scheme management system that ensures transparency on the granting of loans, the relative allocation of loan funds to the various park nodes, and the amount of loan funds that will be made available to the scheme on an annual basis.

- **Incentive-based Training Packages** – Funds will be allocated to private sector tourism operations on a 50/50 cost share basis to create incentives for tourism operators to provide formal training and skills development to their staff. Only private sector partners with an approved training plan will be eligible to participate in this package.

## Component 4 – Empowerment and Capacity Building

Historically, the tourism industry in Namibia has mirrored the pre-independence apartheid regime, where the development of business opportunities was unavailable to the majority of Namibians who were unable to participate in the mainstream economy. Since independence, there has been little effort to assist previously disadvantaged Namibians in developing the technical skills required for successful tourism business enterprise. Consequently, though the tourism industry is highly developed, it is largely owned and controlled by a small section of the population.

The slow entry of BBEE into the tourism sector is accentuated by the fact that many individuals who join the industry are from rural areas where formal education is limited and not producing people skilled to access the labor market. Therefore, most entrepreneurs (both urban and rural) have avoided tourism investments or have experienced little success in setting up their own tourism business. Furthermore, those who have accumulated hospitality skills through working in tourism, have difficulty moving into senior management positions or direct ownership because of their lack of business skills.

In order to implement the Transformation Charter, which has been jointly developed and owned by MET, NTB and FENATA, it is important to enact a number of interventions to speed up the involvement of the BBEE enterprises and encourage a more diverse demographic profile in tourism ownership and management. An aim of the proposed activities is to oversee the implementation, monitoring and support of a variety of development programs for emerging entrepreneurs in the tourism industry.

Also central to the future growth of the tourism sector and poverty alleviation in Namibia is the capacity building of impoverished communities in rural areas, particularly those bordering or living amongst Namibia's tourism resources. In order to support tourism growth and rural job creation, there is a need for targeted hospitality, photographic safari guide, and hunting sector training. An injection of funds into existing training programs will upscale capacity building and will enable existing urban-based training programs to reach rural areas. The enhancement of capacity building will have a significant impact on poverty alleviation by targeting unskilled members of rural communities at all levels of literacy. Simultaneously, the proposed training initiatives will fill the large gap in the tourism sector's human resource base, thus enabling further growth in the sector and related job creation.

Specific proposed actions that will address empowerment and capacity building in the tourism sector are:

- **Upscale and formalize the activities of the Tourism Council** to include structured monitoring of the Transformation Charter and a Tourism Awareness Campaign. A more fully integrated Council will help to create synergy in the industry, as it represents the various tourism branches. The ten tourism organizations in Namibia are jointly represented by FENATA, but most have operated independently from one another. This lack of synergy has duplicated resources and increased association expenditures on administration. More importantly, because these organizations operate in separate locations, there have been delays in monitoring and charting compliance with the Transformation Charter, capacity building, attention to tourism barriers and tourism marketing.

Specific activities to be targeted with MCA funding are:

- Develop a Tourism Awareness Campaign. The tourism sector's role as one of Namibia's leading industries has been undervalued in the past. An awareness campaign aims to educate potential investors and entrepreneurs, providing guidance

on the following: a) why should I enter the tourism sector – opportunities and challenges, b) how to start a tourism business, c) business management related to tourism, c) how to access tourism markets and finance, d) tourism mentorship program, and e) how to enter into a joint marketing agreements/share holdings with successful mainstream tourism businesses.

- Implement and Monitor the Transformation Charter. In 2004, Namibia's tourism organizations embarked on the tourism transformation charter process, but progress has been slowed by the lack of structure and synergy amongst participants, and by the lack of funds needed to bring in expertise. Upscaling the Tourism Council will help to jumpstart the transformation process and provide funds for consultations on the establishment of a database management system and analytical tools for future monitoring of the Transformation Charter.

- **Create “Tourism House”** as a base for the Tourism Council, tourism representative groups (TASA, NACOBTA, FENATA, HAN) and training groups (NATH, NACOBTA), and a venue for training programs. The running costs of this house would be covered primarily by rental fees collected from tourism organizations such as FENATA and TASA who will be housed here, and from the renting of training facilities. Tourism House will help to unify the many divisions of the sector along with the formation of the Tourism Council.
- **Training and Mentorship Programs** To address the gap in tourism skills in Namibia and in the success of BBEE owned tourism companies, a significant educational component is required for the future development of the tourism industry.

- Implement the 2004 National Tourism Training Strategy, targeting the four tourism complexes, by working with GRN, NTB, Namibia Training Authority (NTA), Namibia Qualifications Authority (NQA), and private sector. NTA and NQA have already authorized standards for level 1, 2, and 3 hospitality & tourism training, also packaged into national qualifications, registered on the National Qualifications Framework administered by the NQA on behalf of GRN (Namibia Qualification Authority, 2006). The strategy aims to improve skills shortage of trained Namibians by producing subsidized training manuals to lower training costs, and will work towards enabling rural training centres to conduct hospitality training in the four tourism complexes that were identified as having the greatest tourism growth potential. The ultimate goal of the strategy is to enhance service delivery to tourists to ensure that Namibia becomes a competitive tourism destination. The strategy committee will choose training institutions through a tender process, and all participating institutions will have to qualify according to the registration and accreditation standards administered jointly by NQA and NTA. Training offered should be based on NQA registered unit standards and qualifications, which carry

### **Tourism Mentorship: Case Study**

In 2001, Dinah and Joseph Karuombe (pictured below) of Camelthorn Transfer and Tours were running a basic airport transfer service that barely sustained them in quiet months when monthly revenues were as low as NAD2,500. Following their successful mentorship through FENATA and TASA, they realized an income growth of 15-20 % for 2005-2006 and a minimum monthly revenue of NAD15,000. Joseph has since acquired a guide license and started the guiding branch of the business and Dinah has recently hired three drivers to help with their growing transfer business.



national endorsement, as part of GRN's initiative to re-form vocational education and training system. Training funds will enable disadvantaged Namibians to enroll in hospitality and tourism training within four tourism complexes, and will finance the training of field-based trainers to be based in existing facilities.

- Develop and implement the Tourism Mentorship Program for upcoming BEE entrepreneurs. Such individuals will be mentored by existing tourism operators and the collective group of tourism organizations, and given the necessary skills of tourism business. Namibia's upcoming mentorship program is partially modeled after mentorship programs in South Africa. A 2001 study in Gauteng, South Africa estimated a 70-80% failure rate in newly established SME<sup>27</sup>. A 2004 study of South African entrepreneur mentorships revealed an average failure rate of only 7.6% for mentored SME entrepreneurs<sup>28</sup>.



### **BEE in Tourism: Case Study**

**Ms Lena Florry and Rosie Haraes of the Torra Conservancy are prime examples of individuals who have been empowered through tourism. Ms. Florry spent the early years of her life herding goats for her family, until she was hired as a room attendant for the Wilderness Safaris Damaraland Camp. She eventually worked her way up to being one of Namibia's first black lodge manager, serving as a successful role model for other community members to emulate. Ms. Haraes, also a community member, started in house-keeping, moved to a tour guide, advanced to the Head Guide of the Doro !Nawas Lodge operation, and is now in a national level position of Exploration Guide for Wilderness Safaris.**

### **Benefits**

The primary target beneficiaries of the MCA Namibia investment in tourism are the 135,000 rural residents living in communal area conservancies adjacent to parks or along tourism routes that will be promoted through tourism developments in the target park node complexes. Tourism offers a unique opportunity for development in Namibia's remote rural areas, where few other development opportunities exist.

An analysis of the proposed MCA investments indicates that approximately 6,512 new permanent jobs will be created within the five-year investment period. It is estimated that more than 1,500 of these jobs will flow directly from the new lodges, game camps and associated enterprises spawned by the MCA Namibia investment to community members. In addition, job creation in the backwards linkages resulting from the multiplier income of these tourism operations will generate approximately 5,000 more jobs in the broader economy.

The tangential, but additive benefits of tourism operations in conservancies also markedly contribute to other aspects of rural poverty alleviation.

Key considerations here entail:

- Lodge employees tend to be about 75% women, thereby reducing women's vulnerability and enhancing the likelihood

that income will be applied towards family livelihood needs.

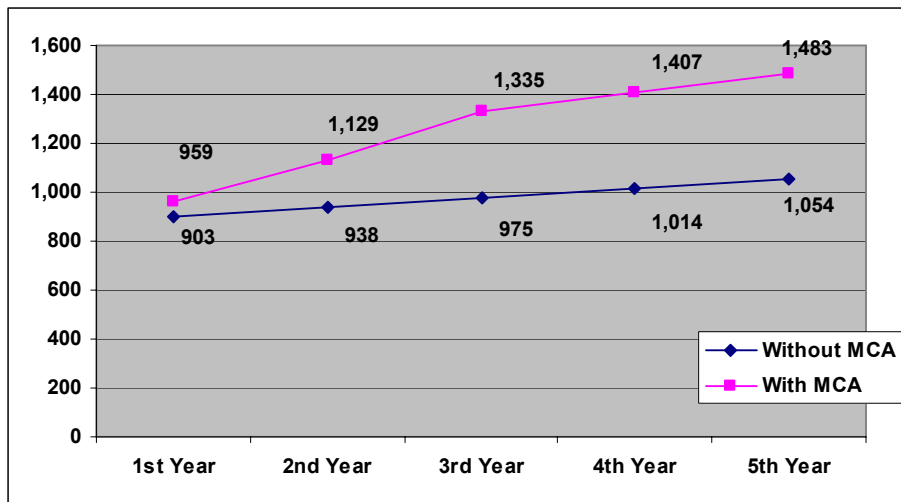
<sup>27</sup> Cant and Standford, 2002

<sup>28</sup> Watson, 2004

- Most of the spin-off jobs created (i.e., handicrafts production, laundering, etc.) are predominantly filled by women. In many cases, the women performing these part-time tasks are heads of households with no other sources of cash income.
- Tourism employees tend to be in the younger age strata of society - as such individuals have high levels of enthusiasm for service provision, are eager to learn, and are actively seeking employment opportunities.
- Many of the jobs created through tourism do not discriminate between levels of literacy and often do not require any literacy, such as jobs in service, maintenance, and housekeeping. This encourages and facilitates entry into a salaried profession, with further opportunities for skills development.
- Income and benefits generated through tourism are not only complementary to existing subsistence agricultural livelihoods, but also diversify livelihood alternatives and add valuable coping strategies during the times of frequent drought in Namibia's arid and erratic climatic setting.
- The linkage between the benefits (cash, employment, meat, etc.) generated by nature-based tourism operations with a valuable wildlife resource base provides incentives for community residents to manage and conserve their wildlife. This is precipitating a rapid recovery of wildlife populations and contributing to an upward spiraling flow of sustainable benefits, greatly assisting local community members to remove themselves from poverty traps.
- Management of Namibia's arid lands and fragile ecosystems for tourism-related incomes and services is ecologically sustainable for the long-term welfare of land and resources, providing significant opportunities for future generations of Namibians to further capitalize on what will become increasingly more valuable tourism opportunities in future years.

At national level, the invigorated tourism sector will enhance the financial viability of a range of tourism linked businesses, including, Namibia's national carrier Air Namibia, Namibia Wildlife Resorts (the state-owned enterprise that operates tourism resorts throughout the country), grocery stores, agricultural producers, petrol stations, restaurants, hotels, car rental agencies, and more. An assessment of tourist spending contributions to the national economy, based upon increased tourist arrivals, estimates that tourism expenditures will rise from less than NAD800 million at the start of the MCA period to NAD1,483 million by the end of year five (Figure 4.5, below).

GRN will benefit from a strengthened national economy, increased tax revenues, reduced costs related to increased effectiveness of park management, and an enhanced international reputation.



**Figure 4.5: Anticipated Increase in Tourist' Spending as a result of the MCA Marketing Investment (NAD million)**

The MCA Namibia investment in training will fast-track capacity building efforts, enabling unskilled Namibians to fill future tourism positions, commencing with a large bolstering of general hospitality training (housekeeping, food and beverage service) and specialist training (guide and hunting support) in year 1. The direct benefits of this training are illustrated by the average starting wage of hospitality-service employees (NAD750 per month, plus food and accommodation), while the average starting wages of specialist staff, such as nature guides, are approximately NAD1,500 per month, plus food and accommodation. In contrast, hunting staff (trackers, camp staff, skinners, etc) are commissioned for each individual hunt and earn daily wages of NAD35-120 during hunt periods. Qualified hunting guides will receive monthly incomes of NAD1,500 to NAD2,000 per month if employed by a Safari Operator and can earn considerably more if conducting their own hunting operations.

Incentivizing private sector training programs through MCA Namibia will primarily benefit individuals from rural areas. Namibians in rural areas have little means of accessing urban-run tourism training programs, yet they are very often the most immediate stakeholders in tourism development due to their close proximity to tourist attractions. Private sector training incentives will encourage formalized tourism-targeted training programs in rural areas. For general hospitality and service staff, this form of 'in house' training is already widely used but is extremely *ad hoc* and limited in terms of developing individuals on a tourism career path.

The potential for private sector in-house training is illustrated by the current training activities of certain large tourism companies in Namibia (refer to text box). To meet their rapidly growing demand for skilled staff, certain companies have had no alternative but to implement formal training without any government incentives.

**Tourism Training: Case Study**

**Wilderness Safaris Namibia, a leading tourism operator, runs a NAD75,000 monthly training budget and their full-time training team comprises 4 staff. In 2005, this private company driven training program trained 459 people (both existing and new staff) in rural areas throughout Namibia, including 20 managers, 23 assistant managers, 58 housekeeping staff, 69 service staff, and 51 chefs.**

## Costs

MCA Investment 3: Tourism						96.9
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>3.1 Resource Development &amp; Management</b>						<b>63.1</b>
<i>New developments</i>	4.911	11.606	15.655	5.677	2.182	40.0
New park-related tourism development opportunities	2.301	6.330	9.206	1.727	1.151	20.7
Tourism and local business hub	0.447	0.894	1.341	1.789	0.447	4.9
Game production camp	0.921	1.841	2.762	0.921	0.000	6.4
Bush access and 4X4 game-viewing	1.241	2.411	1.827	1.241	0.584	7.3
Border Post	0.000	0.130	0.519	0.000	0.000	0.6
<i>Enhanced management of natural resources</i>	1.245	3.610	4.670	1.653	0.655	11.8
Tourism and natural resource mgt service centre	0.408	2.446	3.669	0.815	0.000	7.3
Boundary conflict management	0.346	0.672	0.509	0.346	0.163	2.0
Restoration of NR assets as basis for tourism	0.492	0.492	0.492	0.492	0.492	2.5
<i>Key support infrastructure</i>	0.268	0.521	0.395	0.268	0.126	1.6
Bridge	0.067	0.130	0.099	0.067	0.032	0.4
Energy	0.022	0.043	0.033	0.022	0.011	0.1
Water	0.067	0.130	0.099	0.067	0.032	0.4
Site preparation / landscaping	0.112	0.217	0.164	0.112	0.053	0.7
<i>Management team</i>	1.644	3.190	2.417	1.644	0.773	9.7
<b>Total</b>	<b>8.1</b>	<b>18.9</b>	<b>23.1</b>	<b>9.2</b>	<b>3.7</b>	<b>63.1</b>
<b>3.2 Marketing</b>						<b>12.9</b>
<i>Destination marketing: emerging USA and Canada</i>	1.841	1.841	0.921	0.460	0.460	5.5
Cooperative Marketing Agreements	0.921	0.921	0.263	0.263	0.263	2.6
Public Relations & Media	0.526	0.395	0.263	0.066	0.066	1.3
Destination Promotion	0.395	0.526	0.395	0.132	0.132	1.6
<i>Destination marketing: emerging Europe</i>	1.381	1.381	0.460	0.276	0.184	3.7
Cooperative Marketing Agreements	0.789	0.789	0.263	0.132	0.053	2.0
Destination Promotion	0.592	0.592	0.197	0.145	0.132	1.7
<i>Tourism route marketing</i>	0.921	0.460	0.460	0.276	0.184	2.3
Domestic Market	0.395	0.197	0.197	0.132	0.066	1.0
South Africa	0.526	0.263	0.263	0.145	0.118	1.3
<i>Interactive website development</i>	0.460	0.460	0.276	0.092	0.092	1.4
<b>Total</b>	<b>4.6</b>	<b>4.1</b>	<b>2.1</b>	<b>1.1</b>	<b>0.9</b>	<b>12.9</b>



	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>3.3 Barriers Removal</b>						<b>15.6</b>
Capitalize Tourism-tailored Loan Scheme	0.000	4.603	4.603	4.603	0.000	13.8
Incentive-based training package	0.368	0.368	0.368	0.368	0.368	1.8
<b>Total</b>	<b>0.4</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>0.4</b>	<b>15.6</b>
<b>3.4. Empowerment &amp; Capacity Building</b>						<b>5.2</b>
<i>Upscale and formalize the activities of the Tourism Council</i>	2.166	0.145	0.082	0.082	0.000	2.5
Tourism Awareness Campaign	2.065	0.072	0.041	0.041	0.000	2.2
Implement and Monitor the Transformation Charter	0.101	0.072	0.041	0.041	0.000	0.3
<i>Create Tourism House</i>	1.963	0.000	0.000	0.000	0.000	2.0
<i>Training and Mentorship Programs</i>	0.321	0.228	0.147	0.070	0.000	0.8
Provide training funds	0.151	0.089	0.030	0.013	0.000	0.3
BBEE Mentorship programme	0.170	0.138	0.117	0.057	0.000	0.5
<b>Total</b>	<b>4.5</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.0</b>	<b>5.2</b>

The proposed activities will be funded in a phased fashion, with primary emphasis on the front-end loading of capitalization costs during years 1-3 and dissipation of recurrent costs during years 4-5 as programmatic support costs are absorbed by in-country organizations and private sector investments begin to take hold. The key capitalization costs related to infrastructure developments (i.e., water points, roads, fencing, management centres, Tourism House, support equipment, etc.), which compose significant portions of the budget, will be done as quickly as possible. This will allow sequential development of other complementary project activities that are to be funded or co-funded by private sector (i.e., lodge developments, route development, etc.) to commence from late in Year 1 onwards.

The development of the lodges will also be done in a strategic fashion, with the establishment of new lodges around each of the four park development nodes being spread over years 2-5 of the project. This process will be guided by the implementation of the MET Concessions Policy, which will provide for the systematic allocation of a limited number of new lodge sites around / within each park node per year. This will ensure that: a) new lodges do not undermine existing lodge operations; b) a glut of new tourism accommodations do not undermine the ability of the new lodge operations to compete with existing and more established lodges; and c) bed availability and lodge developments continue to expand as the marketing campaign results kick-in.

The marketing campaign will place strong emphasis on destination marketing in emerging markets (North American and Europe) during years 1-3. This will assist significant numbers of new tourism operators to break into these lucrative tourist markets and generate a momentum that will be cost-effective for private sector partners to maintain from the latter stages of the MCA investment period onwards. Levies from increased tourist arrivals will filter back into NTB to bolster its marketing budget in subsequent years.

The Tourism-tailored Loan Scheme will be capitalized as from years 2 onwards, with additional funds added in tranches of NAD35 million per year during Years 3 and 4. This sequential investment will be responsive to demands for capitalization funds as the number of new lodges grow.

The empowerment and capacity building initiative will be timed to respond to: a) the need for a centralized self-sustaining facility to create synergy in the sector for the active support, implementation and monitoring of the transformation charter, b) the present pent-up demand

for qualified tourism staff, and c) the growing demand for skilled tourism staff as the MCA tourism investments take hold.

All of the proposed empowerment and capacity building activities will entail a higher level of funding during years 1-3 of the MCA period. The proposed MCA funds for Years 4-5 will be significantly bolstered by in-country training funds provided through implementation of the Tourism Transformation Charter and funds acquired from use of the Tourism House. As tourism revenues increase in years 3 and 4 onwards, future training programs will also be supported by the demand from private, government, and communal tourism sectors. Furthermore, incentives for tour operators to carry out formal in-house training programs will enable these operators to meet a large percentage of the training needs in rural areas.

## **Technical Analysis**

The proposed integrated approach for the MCA investment in development of the tourism sector is technically robust. The approach is premised upon the need to initiate a coordinated process of: a) developing the resource base to create or unlock new tourism destinations, b) increasing the volume of tourist visitations through a focused marketing strategy, c) enhancing the Namibia service provision skills and capacity, and d) empowering previously disadvantaged Namibians to be key players and benefactors to this increasingly more meaningful sector. Key technical aspects of each of the four components are highlighted below.

### **Component 1 – Resource Development and Management**

Implementation of this component will require the introduction of a new park development philosophy that entails linking park concession opportunities with development benefits to park neighbors. A critical aspect of this approach will be the successful development and implementation of the new MET Concession's Policy. This innovative policy seeks to extend rights and benefits to park neighbors (i.e., conservancies) through the opening up and development of income-generating opportunities by empowering communities to: a) directly engage as concession operators for select concession opportunities or b) tender out the right to private sector to implement the concessions as part of public/private/community partnerships.

Implementation of this component will be facilitated and managed through the formation of four park/conservancy node development teams. A node team will be established and based in or near each node, thereby ensuring daily support and continuous implementation at the node level. Each node team will be composed of qualified technical specialists (highly qualified contracted staff) whose role will be to: a) implement the identified node development activities and b) provide training and capacity-building to Namibian counterpart staff, ensuring that MET node staff have the knowledge and capacity to continue to support node development and operation following conclusion of the five year MCA investment.

The four node development teams will be supported and backstopped by a core team of specialists that are centrally located in the MET Headquarters in Windhoek. This team will be composed of such types of specialists as: Team Leader/Planner, Resource Economist, Engineer/Quantity surveyor, Concession Tender Specialists, Financial Manager/Procurement Officer, and other. The specialist positions will be filled through an international tender process. The Headquarters team will provide direct specialist services to the four regional node implementation teams in a sequential manner that ensures that development activities in each node are taking place in a timely manner as per the schedule of planned activities.

The node support teams will follow MCA tender and procurement procedures for all development and construction activities, with: a) the planning staff leading the process of identifying appropriate concessions and attendant infrastructural development needs, b) the resource economist providing insights and direction on optimization of the pending developments and policy adjustments that could enhance the returns from such developments, c) the engineer/quantity surveyor generating the design of new infrastructure and overseeing the construction processes, d) the concession tender teams developing tender processes, assisting conservancies to negotiate with private sector partners, and drafting contracts between the relevant government, conservancy, and private sector partners on the conditions related to award and operation of the concessions, and e) the financial/procurement specialist being in charge of financial management activities and ensuring that contractual procurements are implemented in line with MCA guidelines.

The large number of development and construction activities requires that node development teams be highly efficient. Procurement processes will have to be performed in a very timely and effective manner, while a tight timeline on the award of concessions will be critical to the successful completion of the tourism investment activities.

### **Component 2 – Marketing**

Technical implementation of the marketing operations will require intensified efforts from both the NTB and the private sector. The NTB will build and expand upon current efforts by increasing the scope of its cooperative marketing efforts with the private sector (both the number of partners and the geographic focus of marketing partners). As this is an existing mechanism, the approach, technical expertise, and linkages for the planned expansion already exist within the NTB operations. Similarly, the planned expansion and development of the NTB web-marketing effort will build upon an already existing electronic marketing operation. Consequently, both envisaged actions will not present major technical implementation challenges.

The anticipated increase in private sector investment in the marketing effort will come from two sources. First, the private sector will cost-share in the cooperative marketing arrangements, thereby ratcheting up private sector contributions to marketing Namibia as a tourism destination and creating greater awareness of specific tourism destinations within Namibia. Secondly, as tourism becomes more viable in Namibia, it is anticipated that private sector will re-invest significant amounts of its annual income to further market their individual enterprises. This will create a further private sector-driven snowballing effect to expanded marketing efforts. In addition to the above, tourism marketing also reaps substantial benefit from “word-of-mouth” experiences shared by enthusiastic tourists returning to their home destinations following an enjoyable tourism experience. The quality of the Namibia tourism experience can be demonstrated by the high rate of return visitations by nature-based tourists, with some sources indicating that return visitations by foreign tourists to Namibia are as high as 46%.

### **Component 3 – Barriers Removal**

While private sector demand for the lodge capitalization loan scheme is high, the home for the scheme still requires the reaching of an agreement on the most appropriate commercial banking institution for hosting it. cursory discussions with the both the Development Bank of Namibia and the Namibia Agricultural Development Bank have indicated strong interest levels in hosting and administering the scheme. Once the host of the scheme has been defined, then the proposed scheme will require the establishment of administrative systems to ensure specific management and loan recovery practices are in place. It is envisioned that such systems will be an adaptation of existing bank systems, and will therefore, not present significant challenges or difficulties to develop or implement. The first 6 months of

the MCA investment period will be utilized to finalize these arrangements, thereby allowing the initial applications for loans to take place during the first year of MCA operation and for loans to commence at the onset of Year 2.

#### **Component 4 – Empowerment and Capacity Building**

The colonial and apartheid history of Namibia combined have produced serious impediments to substantive involvement and ownership of tourism operations by previously disadvantaged Namibians. Similarly, this has resulted in a shortage of qualified tourism staff to drive the proposed rapid expansion of the Namibia tourism sector. This situation must be quickly rectified if the planned MCA investment to rapidly expand the tourism sector is to succeed. The establishment of the Tourism Council and development of Tourism House will greatly enhance sector coordination and facilitate implementation of the Tourism Transformation Charter. Sponsorship for training of disadvantaged Namibians through NATH, NAPHA, and other tourism institutions will fast-track the empowerment and capacity building efforts. Concomitantly, the mentorship program will provide dedicated support to select tourism enterprises, providing an increased likelihood that tourism enterprises owned and operated by previously disadvantaged Namibians succeed.

#### **Economic Assessment**

The MCA tourism component embraces a selected series of investments in the tourism sector that will maximize the contribution of tourism to economic growth and poverty reduction in Namibia. Several subcomponents are involved. The primary intervention will be to invest in the asset base, which underpins the sector, so that *resource development and management* will be enhanced. In order to ensure long-term sustainable growth in the tourism sector, several linked interventions are also included, namely the *removal of barriers to tourism development, improved marketing of Namibian tourism products, and empowerment and capacity building*.

These interventions are complementary in that **all are jointly necessary** to achieve the desired impact of enhanced economic growth and poverty reduction.

The economic analysis employs a cost-benefit approach, where the costs are the MCA investment (grants), and the benefits embrace the resulting increase in national income. Of secondary consideration is the distribution of this national income as far as it contributes to the reduction of the poverty gap. The analysis follows the MCC's "Guidelines for economic analysis" as revised on June 12, 2006.

#### **Methods and Assumptions**

##### Available data sources

The analysis draws on an extensive set of related empirical analyses that have been done, primarily through the Environmental Economics Unit (EEU) in MET, on the micro- and macro-economics of tourism investments in Namibia.

Basic micro-economic enterprise models have been developed by the EEU, using empirical data for a number of activities in tourism and wildlife utilization and these form the basis for the macro economic cost-benefit analysis. The models have been described by Ashley and Barnes (1996), Ashley and Garland (1994), Terry et al. (1994), Barnes (1995), Barnes and de Jager (1996), Barnes and Humavindu (2003), Barnes et al. (2001), and Barnes et al. (2002a). They have been developed for investments in tourism lodges, hunting lodges, camping sites, craft production, tourism-based wildlife estate development, community-based management of tourism and natural resources, and other wildlife related developments.

The models are budget and cost-benefit spreadsheets based on empirical data gleaned from investors. They measure annual net returns, internal rates of return, and net present values (NPVs), among others. They provide measures of *private* profitability, and *economic* measures of incremental change in gross and net national income (value added). The economic measures are shadow priced according to a set of criteria developed by Barnes (1994). The analyses consistently show that tourism enterprises generate positive private internal rates of return between 4 and 20%, and economic rates of return between 13 and 63%. The lower returns occur on private land where capital costs of land conversion tend to be high. Community-based activities (conservancy investments) generate project financial rates of return of between 8 and 16%, private rates of return to communities of between 40 to 220%, and economic rates of return 22 to 131%.

The EEU has also conducted a number of demand analyses in the tourism industry, where tourists' expenditures have been used to compute the national income generated from tourism activities. These studies have also been used to estimate consumer surpluses associated with tourism trips. Here the results of Barnes (1996), Barnes et al. (1999, 2002b), Krug (2003), Söderström (2002), Nyssölä and Ågren (2002) have been used. Another source of data on tourism expenditures has been periodic visitor exit surveys conducted by the Directorate of Tourism<sup>29</sup>. Tourist trip expenditures, within Namibia, range from NAD3,500 for domestic tourists, to NAD6,000 for southern African foreign visitors, to NAD21,500 for overseas tourists. Nature-based tourists' consumer surpluses, measured using contingent valuation, ranged between 19 and 35% of trip costs.

Some studies have been conducted to assess and discuss the impacts of tourism-based community natural resource management initiatives, on the livelihoods of poor rural households. Ashley (1995), Ashley and Jones (2001), Ashley and LaFranchi (1997), Suich (2003), Suich and Murphy (2002), Barnes et al. (2002a) and Bandyopadhyay et al. (2004) provided evidence of the additive and complementary nature of tourism in rural communities' income, in the Namibian CBRNM Programme. However, detailed, quantitative, empirical evidence on the extent of the impact of tourism on poor household economies is scanty.

The enterprise models described above have been used as building blocks to measure the aggregate benefits in various economic and policy analyses. Thus, Barnes (2001, 2002), Barnes and Ashley (1996), Novelli and Humavindu (2005) Barnes and Humavindu (2003), Barnes et al. (2001) and Novelli et al. (2006) provided results showing the importance of giving priority to tourism in economically efficient land allocation in many parts of semi-arid southern Africa. These analyses point to the finding that in areas of better tourism potential, tourism can provide private and economic return up to 12 times higher than those of competing land uses. The distribution of such areas tends to be patchy, however, reinforcing that tourism is complementary rather than competitive in the spectrum of land use options.

A social accounting matrix (SAM) model of the Namibian economy has been recently developed, based on the 1991 national income and expenditure survey<sup>30</sup>. This is an input-output model with which it is possible to calculate economic multipliers and the income effects of policy changes. The model has been used by Turpie et al. (2004, 2005) to calculate the income multiplier for protected area tourism and calculate the total impact of this tourism on gross national income. It has also been used by Samuelsson and Stage (2006) to measure the impact that trophy hunting tourism has on the national income. For nature-based tourism activities, the national income multiplier has been measured at

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<sup>29</sup> TPPMIU, 1997; SIAPAC, 2003

<sup>30</sup> The SAM will be updated in due course with the 2004 National Household Income and Expenditure Survey (NHIES) results, which were only recently published.

between 1.86, and 2.56. Turpie et al. 2004, used the SAM to determine that 21 to 24% of national income generated by protected area tourism accrued to low income households.

Another important source of data at the macro-economic level has been the tourism satellite accounts (TSA) developed in MET. A preliminary set of accounts was developed in 2001 by the EEU<sup>31</sup>. An expanded and upgraded TSA is currently being finalized in the NTB<sup>32</sup>. The TSA are based on extraction of national accounts data on tourism, providing data on the size of the tourism industry, its components, and its characteristics. It also makes use of the social accounting matrix for measuring tourism's impacts on the broader economy. This provides empirical evidence of the income multiplier.

### Assumptions

The measurement of the incremental income benefits that will result from the MCA investment in tourism is based on the expected increase in tourist arrivals and the resulting associated tourism expenditures in Namibia. In the identification of these benefits the tendency has been to ERR on the conservative side. The project can be expected to result in a significant increase in the growth of tourism over the next 30 years. This will be due to the fact that the project will be ensuring sustainability in the tourism natural asset base, which is currently deteriorating due to under investment. But most importantly, it will be removing current barriers to the development of tourism in and surrounding the protected areas, and unlocking undeveloped tourism potential.

International tourist arrivals grew by 16% per annum between 1991 and 2000, and this is reflected in the gross output of the tourism industry grew at 14% per annum between 1991 and 1996<sup>33</sup>. Since 2000 growth has been much reduced due to factors such as international terrorism and currency exchange rate movement<sup>34</sup>. A growth rate of 2.9% per annum for the period since 2000 has been measured through the Directorate of Tourism visitor statistics<sup>35</sup>. For the TSA<sup>36</sup> this rate is used to predict growth over the next 20 years. It could be expected that the growth rate for international arrivals will resume high growth rates similar to those of the 1990s. For this investment, the interventions will facilitate an estimated growth rate for international arrivals of 5.7% during the MCA investment period. Thus an investment-attributable growth rate of 2.8% has been applied in the economic analysis.

Data is available from several surveys (noted above) for average domestic, southern African, and overseas, nature-based tourist numbers and the expenditures of tourists in these segments in Namibia, per tourist trip. Based on visitor surveys, an estimated 36% of their Namibian expenditures are spent on accommodation services. The remainder is spent on linked services such as independent restaurants and bars, road and air transport, guides and travel agents, recreation and shopping. The value added generated within the tourism service providing establishment, as a result of these expenditures, can be measured using the enterprise models developed by the EEU. Most of the models are of accommodation type enterprises, and the value added to gross output ratios for the linked services has to be imputed. For this the results of a study in Botswana<sup>37</sup>, where empirical data from a range of tourism establishments was obtained, were used. Generally the estimated value added to output ratios range between 44% for up-market lodges and 76% for simple community run campsites. For this investment a blended value added ratio of 48% of output was used.

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<sup>31</sup> Poonyth et al. 2002; Suich 2002

<sup>32</sup> WTTTC, 2006, pers. comm.

<sup>33</sup> Suich 2002

<sup>34</sup> Turpie et al. 2004

<sup>35</sup> S. Swiegers 2006, pers. comm.

<sup>36</sup> WTTTC 2006, pers. comm.

<sup>37</sup> FGU-Kronberg 1988

The enterprise models measure *incremental* national income (value added) at shadow prices. Thus they measure how much the introduction of the activity changes the national income. The Namibian economy is relatively free of distortions, so that shadow pricing adjustments are, as a rule, made only with regard to the costs of unskilled and semi-skilled labor (a factor of 30% on wage cost has been applied), the prices of tradable goods (a factor of 1.06, to account for excess demand for foreign exchange has been applied), and the elimination of transfers (subsidies and taxes affecting the enterprise, other than fees for services). The opportunity cost of capital has been accounted for, in a real discount rate of between 6 and 10%. The commonly used rate has been 8%. The discount rate used for this ERR analysis is 10%. The economic analysis is done in constant terms, and the discount rate is a real one. Thus a discount rate of 10% is compatible with the current commercial lending rate of some 13 or 14%, which accounts for inflation.

The benefit-cost model for the project extends over three time periods, namely, 10, 20 and 30 years. Costs in the form of MCA Namibia investments (grant expenditures) are spread over the first five years. MCA costs are not shadow priced. Anticipated recurrent costs arising from selected investments are also included and extended through the analysis period. Thus, where project expenditures result in fixed assets, a recurrent cost of up to 5% of the capital expenditure is inserted thereafter during the project period. Some recurrent costs are inserted to ensure continuity of non-fixed asset expenditures, for example, the expenditures on marketing are given a following recurrent cost of 5% of the initial expenditures. Generally insertion of recurrent costs arising was discretionary and depended on the type of initial project expenditure. The benefits include the stream of incremental national income attributable to new tourism expenditures over the analysis period. These are both direct value added and indirect calculated using a tourism income multiplier of 1.86, derived from Namibia's SAM model. Two basic analyses are done, one using only direct value added benefits resulting (the 'lower bound' model), and the other using the total (direct and indirect) value added benefits resulting (the 'upper bound' model). Capital (project) costs are entered in the year when they occur, as are any capital replacement costs (for example for equipment, vehicles, fences), necessary to maintain assets during project period. Depreciation or appreciation of assets is accounted for in a residual value in the final year of analysis.

The economic worth of each subcomponent is analyzed separately, as well as that for the whole project. Benefits attributed to each subcomponent are mutually exclusive, and are thus not double counted in the whole project analysis.

Project expenditures are expected to result in some growth in wildlife stocks and the value of these assets is included in the economic analysis. The value of wildlife stocks is calculated according to natural resource accounting convention, where the asset value is the present value of the expected stream of future economic rents from the stock. Consumer surplus is included in the benefits, but only that for domestic tourists, measured by Barnes et al. (1999) at 28% of trip costs. Some benefits in terms of wildlife species production and sale are included in the resource development and management subcomponent. Benefits are also included for rentals for the Tourism House development that is planned for the Empowerment and Capacity Building component.

The model measures the ERR and the NPV of the project. Components are analyzed separately to assist with planning, but since they are considered to jointly contribute to the project objective, the overall rate of return is considered important. The degree to which the income generated due to the project accrues to low-income households is estimated, using data from the enterprise models and the SAM.

## Economic Assessment Findings

Table 4.2 shows the results of the economic analysis. The economic rates of return for all subcomponents, and the whole project, are above the 10% cut-off rate after 30 years and for both the lower and upper bound analyses. As all subcomponents are designed to be complementary, it is the whole project result that is critical.

**Table 4.2: The ERR measured in the Economic Analysis**

	ERR 10 years	ERR 20 years	ERR 30 years
<b>LOWER BOUND – DIRECT VALUE ADDED ONLY</b>			
<b>LB WHOLE PROJECT</b>	<b>17.2%</b>	<b>20.3%</b>	<b>22.1%</b>
Resource Development and Management	5.6%	9.1%	13.6%
Marketing	90.5%	90.8%	90.8%
Barriers	12.7%	10.4%	12.9%
Empowerment and Capacity Building	9.5%	18.9%	20.6%
<b>UPPER BOUND – TOTAL VALUE ADDED</b>			
<b>UB WHOLE PROJECT</b>	<b>45.3%</b>	<b>45.9%</b>	<b>46.1%</b>
Resource Development and Management	15.0%	16.9%	19.3%
Marketing	213.1%	213.1%	213.1%
Barriers	28.3%	27.8%	28.2%
Empowerment and Capacity Building	16.7%	23.9%	24.9%

Specific illustrations of the effect of the project on job creation and poverty alleviation are presented elsewhere in this document. It is also possible to illustrate how the economic income (the contribution to national income) generated by the project affects the incomes of low-income segments of society, and also how jobs for these elements are created. Table 4.3 shows the macroeconomic impact that the value-added generated by the project can be expected to have on low-income households in Namibia. The SAM model was used to extract these values. Thus, the amounts of this accruing to low income members of society were extracted from the expected annual total (direct and indirect) income (value added) generated in the last year of the analysis (year 30). Of the USD71.8 million generated in this year, some 21% accrues to low-income households in the form of wages, mixed income and rentals and royalties resulting from joint ventures. A further 17% of the income accrues to GRN, some of which will likely be redistributed toward poverty alleviation ends. These values are favorable in the context of the broader economy, and show that, contrary to popular belief, tourism investments do have a significant impact on poverty.

**Table 4.3: Expected MCA Investment total Impact on Poverty**

Estimated total impact on poverty	USD'000	%	Jobs
<b>Total income (value added) in year 30</b>	<b>71,834</b>	<b>100.0%</b>	<b>6,512</b>
Wages - unskilled workers	11,493	16.0%	1,172
Mixed income - traditional agriculture	2,873	4.0%	208
Rentals/royalties to communities	718	1.0%	52



## Environmental Assessment

The investment involves promoting tourism in Namibia, particularly through community-based projects and joint ventures between communities and the private sector. This helps to address the need for development capital while ensuring that much of the economic benefit is distributed to the communities.

There is no doubt, that tourism in Namibia is already a significant contributor to the economy and the potential exists for a much greater contribution from this sector. Tourism can also be a major motivating factor for conservation. It provides an economic incentive for conserving wildlife and scenic beauty. Community involvement gives previously disadvantaged people a sense of ownership in wildlife and landscape conservation.

The investment proposal well demonstrates the potential benefits of growth in this sector.

In relation to scarce water resources, tourism produces the highest possible economic return for each cubic meter of water used.

Tourism, perhaps more than any other sector relies on the conservation and wise management of natural resources. This implies a high level of skill both in wildlife management and in the hospitality fields. Namibia has a reasonably good record of conservation in its formal Parks, and in tourist lodges and establishments that have been established for many years. Much of the wildlife in Namibia exists outside of formal parks. However, the expansion of wildlife programs, and the development of lodges will give rise to enormous demands for upskilling in the wildlife management and hospitality fields.

In the long term, tourism development that is poorly managed, can degrade the resource base on which it is based – in Namibia’s case the wide open spaces, wilderness character and wildlife habitats.

The CBNRM program is well motivated and it makes both economic and environmental sense. However, there are some broad concerns in relation to socio-economic and bio-physical impacts as follows:

- The joint-venture model for lodge development between private investors and communities is a very new development in Namibia, and is still “in the honeymoon stage”. It is not yet tried and proven. Despite this there is political pressure in some quarters for all lodge developments to follow this model – and even for old established lodges to convert to the CBNRM model. However, lessons learned from both ecology and economics indicate that a variety of strategies should be employed, rather than “putting all eggs in one basket”. Those lodges and concessions with good environmental and economic track records should be left to continue to make the contribution to Namibia’s tourism sector and set the standards of excellence that are required to promote tourism internationally.
- If partnerships turn sour for any reason, or communities demand greater and greater stakes, these joint ventures could fail. Such failure would be detrimental to the community involved, the financial partners, and the image of tourism in Namibia (a lose-lose scenario). Therefore “monocultures” should be avoided, and successful lodges not based on the community model, should also be allowed to co-exist as these make a significant contribution to the economy and levels of skills in the industry.
- One aspect of conservancies that needs to be safeguarded is the need for continual review of how much of the conservancies’ income from tourism and hunting needs to be “ploughed back” into the environmental management of an area. Lessons have been learned from Tanzania, for example, where inadequate resources are applied to the

management of Mount Kilimanjaro, where environmental degradation is rapidly becoming evident.

- The need for gradual shifts in Park Management philosophy to accommodate the needs of neighboring communities is acknowledged in the investment proposal. A cautionary remark is also needed here. Historically, wildlife conservation in Parks has been run on science-based management strategies. In the interests of long-term sustainability and attractiveness to tourism, the science-based management approach should not be forgotten in the process of broadening the Park Management philosophy to meet the needs of poverty alleviation. There is a real risk that long term conservation priorities can be sacrificed to short term needs for poverty alleviation. All development strategies must take a long term view.

Notwithstanding the above concerns, if tourism development is well conceived and managed, this sector can potentially make a significant contribution to the growth in the country's economy. Moreover, via community involvement the benefits of growth can also be more equitably distributed than was the case historically.

### **Specific Environments**

The programme proposal focuses on four geographical areas for tourism development:

- I. Etosha-Skeleton Coast National Park-Kunene River Complex
- II. Etosha North-South-East Complex
- III. North-East Parks Complex
- IV. Fish River, Lüderitz, Mata-Mata Complex.

These four complexes incorporate very different geographical areas and varied environments, which makes generalization about environmental impacts difficult. However, in general, the drier western parts of the country (Namib Desert) are ecologically the most sensitive.

The Skeleton Coast National Park – Kunene River complex is of considerable environmental concern as an area that is particularly susceptible to environmental destruction through tourist activity. Off-road driving causes severe damage to soil profiles and lichen fields, which are the basis of the food chain for many species of unique creatures in the desert. It is recommended that tourists should only be allowed to enter such sensitive areas if accompanied by a trained guide, and only via pre-approved tourist routes – to prevent uncontrolled off-road driving.

However, the hyper arid regions in the west of Namibia are by no means the only area of concern. Each project, and each region, should be considered on its merits. All tourist developments should be subjected to an EIA process. An EIA process should be used as a decision-making tool in the process of site selection, and route selection. Site selection (e.g. for lodges) should take into account (by means of specialist component studies) the following amongst other things: -

- Availability of reliable and sustainable groundwater supplies.
- Impacts on vegetation and wildlife.
- Archaeological and rock art sites must be avoided (under the Heritage Act).
- Susceptibility of the soil substrate to disturbance.
- Impacts of access routes, water supply pipelines and power lines if applicable.

In general, according to the recommendations of the Northwest Tourism Master Plan, the most sensitive environments and wilderness areas should have no permanent human-built structures and should only be accessed on foot with a guide. Slightly less sensitive environments may permit lodges, which provide a good economic return relative to the degree of environmental impact. The least sensitive environments may permit camping, as this generates relatively higher impacts and lower revenues. The same principles should be applied to other regions.

### **Need for EIAs**

EIAs (albeit on a small scale) and EMPs should be carried out for at least the following activities to assess the potential for negative environmental and socio-economic consequences prior to project implementation: -

- lodges (e.g. location, road access, archaeological implications, water usage, energy management, waste management, and tourism management),
- tourism road developments (e.g. location and placement, impacts on rare and/or threatened species and wildlife migration corridors, negative and positive socio-economic consequences from road establishment),
- game camp establishment (e.g. potential impacts to rare and / or endangered species or habitats of high endemism, potential positive or negative social and economic impacts to local residents, vulnerability to wildlife and/or livestock borne diseases),
- establishment of game waters (e.g. acquisition of endorsement by community residents, zoning of associated areas as wildlife core areas to ensure livestock are not settled on new water points, thereby leading to rangeland overgrazing, implementation of sustainable water usage system), and
- game translocations (e.g. maintenance of species genetic integrity, adherence to historical range and habitats).

Failure to conduct prior assessment can result in serious negative impacts e.g. Twyfelfontein, where one of Namibia's most significant archaeological and rock engraving sites has been desecrated by a lodge, and the Spitzkoppe, where uncontrolled camping is having serious negative impacts. This degrades the very assets that attract tourists, resulting in unsustainable development.

### **Environmental Management Capacity of Namibia**

MET is the lead agency in overseeing environmental legislation and adherence to environmental safeguards during the design and implementation of large-scale development activities. An EIA Unit is housed within MET's Directorate of Environmental Affairs. This Unit has a screening and monitoring function to ensure that EIAs are conducted when needed and are carried out with integrity. Consequently, most EIAs are outsourced to qualified EIA specialists. In addition, the services of the Southern Africa Institute for Environmental Assessments (SAIEA) are often employed to assist with the design and review of EIAs/EAs.

The EA Policy of Namibia requires that EIA be completed for the following activities of relevance:

- *Commercial tourism and recreational facilities (e.g. rest camps)*
- *“Any government policy, programme or project on the use of natural resources” (this would include hunting concessions)*

The following provisions may also be applicable at some stage:

- *“Land acquisition for national parks, nature reserves, marine reserves, protected natural environments, or wilderness areas”*
- *“Cableways and cableway stations”*

It is therefore considered that all tourist lodges, and new access routes should be subjected to EIAs. Tourism developments are considered to be **Category A** activities: potential for significant adverse impacts. Following EIAs, outcomes-based, simple EMPs should be developed to manage the impacts of construction and operations, including such issues as water use, power supply and demand, and waste management and disposal. In most cases, the EIAs could be “small” but they must address all the relevant issues. Namibia’s recently launched *Eco Awards System* provides an excellent framework for achieving environmentally sustainable tourism. It is strongly advised that all new lodges strive to achieve a 5-Eco Award rating (this is the top score) as they will have the ability to “start from scratch”. Experience gained in the implementation of this system shows that establishments that plan correctly from day-1 have an excellent chance of getting it right. Establishments that were built many years ago have a greater challenge as they now have to re-design their infrastructure and systems to achieve the desired eco-rating.

Attention should also be given to strategic planning of tourism – along the lines of the North-West Tourism Master Plan. Such regional planning provides a framework, developed through public participation and consultation with conservation authorities and specialists, to identify zones of varying sensitivity to tourism development. This provides a measure of pre-assessment, and serves as a kind of policy framework within which planning of tourism ventures proceeds. It would also help to provide co-ordination, avoid areas being over-developed, which would destroy the wilderness feel of an area, and avoid over-utilization of water resources.

In the setting up of the Tourism Council, Tourism House, and the Transformation Charter, a Transformation monitoring program will be implemented through FENATA. Key inputs into the monitoring database will be the number of individuals trained in tourism, income and demographics of newly trained tourism employees.

### **Game Camps**

The establishment of game camps for the reproduction and distribution/restocking of wildlife species in depleted areas requires specialist experience by wildlife managers and veterinarians. It is recommended that an EIA and EMP should be compiled for all such developments. Such EIAs should not only take into account the sites for game camps but also areas where it is proposed to restock if significant numbers of animals are involved.

### **Social Assessment**

According to the preliminary report of the 2003/2004 Namibia Household Income and Expenditure Survey, salaries and wages is the main source of income for 25.7% of rural households while 48.0% of rural households reported subsistence farming as their main source of income. The only other main income source for more than 10% of households is pensions, which is the main source for 12.1% of rural households. The report further shows that 50.1% of households in the rural areas has no access or ownership of cattle and 46.9% does not have access to or own any goats. At the same time 74.7% of rural dwellers had access to a field for crops.

These statistics show the precariousness of rural livelihoods with many rural households dependent on their crop fields for survival in an arid environment with high rainfall variability.

This supports the PPA findings, which showed that rural livelihoods are highly dependent on natural conditions, are largely subsistence in nature, do not allow for much access production and in actual fact often leaves households food insecure for a three month period before the crops for the next year is harvested. They face many threats, which further reduce food security in these rural communities.

The development of communal area conservancies introduced a new source of livelihood for the rural communities that are members of these conservancies. Yet they take quite a long time to be established and to grow to a point of maturity where conservancies become financially viable and self sustainable. Some conservancies in Namibia have progressed to this point and today contributes to the direct flow of cash into the communities that are members. As an expansion to the conservancy activities, partnerships were formed with private entrepreneurs and concessions were allocated for lodge developments in some conservancies. This proved even more profitable and bed-night levies are paid to the conservancies in which such lodges are located. Lodge developments contributed significantly towards the sustainability of the conservancies.

This proposed intervention aims to capitalize on past successes in this field and would bring benefits in terms of direct cash inflow to the communities through bed night levies as well as facilitate and increase in the number of tourists that would visit these areas with the resultant economic spin-offs to the local communities in particular and the country as a whole. Rural livelihoods will further be augmented through employment creation at the lodges. If each new lodge contributes 1 new employment opportunity per room and each has 24 rooms, an additional 864 employment opportunities will be created through the intervention. The provision of equity to the conservancies within which these lodges are to be developed would further enable rural communities to share in the profits generated by the lodges and would further contribute to improved levels of well being in such communities. Benefits are likely to accrue to the wider community and both gender groups. Employment at the lodges is mostly taken up by women while both better off and poor groups in the community would benefit from the profits and bed night levies from the lodges. However, the management and equitable and fair distribution or utilization of the profits and income from these activities should be carefully controlled and managed to ensure transparency, accountability and fairness. This had been a problem before in some conservancies and checks and balances must be put in place to prevent any possibility of fraud and misappropriation of community funds.

### **Establishment of Tourist Information and Business Hubs**

The prime objective of the establishment of tourism information centers and business hubs is to promote regional tourism, highlight attractions and provide rental space for other tourism related operations. The main benefit that is likely to accrue from this intervention is employment creation through the growth in tourism in Namibia. It is a strong growth sector and with such regional hubs will stimulate economic development and employment creation at regional level. The involvement of women in tourism and tourism related art and craft activities is strong and they will benefit substantially from this as a gender group.

### **Bush Access and 4x4 Game viewing Tracks**

Improving access to conservancies and parks develops tourism variety and should contribute to get more tourists into the park and conservancy areas. Higher tourist numbers means higher tourist expenditure on accommodation, guides and other products on offer and would make a further contribution to economic growth and employment creation in those areas. Linked to proper information and guidance from information dissemination at the tourist hubs this could significantly expand access and visits to these areas from self drive tourists and tour companies alike.

### **High value Game Camps**

Conservancies thus far only depended on income from hunting and lodge concessions and community based establishments. Game ranching as an income source has so far not been exploited fully. The intervention could potentially be highly profitable yet may have a significant influence on the livelihoods of the rural poor in these areas. The intervention requires substantial land take and it is assumed that subsistence farmers would not be allowed grazing and cropping rights in these game camps. Prior to implementation of this intervention adequate proof needs to be provided that the livelihoods lost through the land take related to this intervention could be replaced with equal or better benefits to those affected by the intervention. The intervention does, however, have the potential to far surpass current livelihoods derived from the same land tracts. The detailed implementation plan and sequencing for the intervention needs to be worked out in detail inclusive of bridging strategies that should ensure the survival of all community members who may be negatively influenced by it. An independent social impact assessment should be done prior to the implementation of this intervention.

### **Tourism and Natural Resource Management Service Centers**

This is a largely institutional intervention that is aimed at improving park management practices through co-management structures and facilities. The new co-management approach is assumed to be able to also address management and administration problems historically experienced in the parks and conservancy areas. These centers with staff and infrastructure could significantly improve benefits derived from the natural resource base, which accrue to the local communities.

### **Boundary Conflict Management**

One of the negative impacts of conservancy formation and the resultant recovery of wildlife numbers in the communal areas of Namibia has been human/animal conflict and the resultant cost to the subsistence farmers. Livestock were lost to predators and fields have been destroyed by wildlife. This has in some cases contributed to a lowering of levels of well being, which could not be compensated for by the conservancies where such losses occurred. This intervention aims to put in place an insurance scheme for subsistence farmers against such losses. A variety of methods are proposed including improved fencing quality, dedicated wildlife watering points and an insurance scheme that would enable farmer compensation for losses through wildlife related damage. There is an increasing need for this type of intervention. During the PPA in the Caprivi and Omusati Region for example, villagers expressed their understanding for the need to conserve wildlife yet felt that unless they are compensated for wildlife related damage and losses, they, the poor, are paying for the conservation efforts in the country. The intervention would thus greatly benefit the rural poor residing in the conservancies and bearing the brunt of increased human/animal conflict.

### **Enhanced Recovery of Natural Resource Assets**

Without adequate wildlife numbers and visibility, communal conservancies do not have much to offer and consequently not significant sources of income. For example, the Uukwaluudhi Conservancy in the Omusati Region has been trying to attract private investment through a lodge in the conservancy but were not yet able to lure an investor and they feel that the reason for this can be ascribed to there not being adequate wildlife numbers in their conservancy yet. The plan to bolster wildlife numbers from the MET park system would be capable of improving the tourism value of these conservancies and make it more attractive for tourists and investors alike. The groundwork has been done with regard to community commitment to conservation and trans-located wildlife would be safe in their

new homes. This intervention is likely to make marginal conservancies more viable and to contribute to the eventual direct benefit distribution to the local communities.

### **New Border Posts**

Similar to other marketing interventions, this intervention is likely to increase tourism flow through Namibia and particularly in the south of the country. It would spread the benefits of tourism development further to the south and allow those communities to also share in its benefits. The route to South Africa via the existing border posts can largely be seen as a “mobility corridor” and simply provides high speed access to the northern parts of the country and the few tourism attractions in the central and southern parts. By including Mata Mata and Sendelingsdrif, “activity corridors” are created and tourists are likely to regard the areas they would traverse as part of their holiday and not just a route towards a destination. It is likely to succeed in spreading tourists over a wider area and thus also the benefits from tourist expenditure and increased employment over a larger part of the country.

### **Marketing**

The intervention is likely to increase tourist visits to Namibia and, depending on its effectiveness, this could lead to many new tourist development opportunities with the resultant employment creation and contribution to economic development. No negative social impacts can be foreseen.

### **Lodge Capitalization Fund**

The proposed intervention will facilitate more private sector based commercial lodge developments in the communal conservancies with conservancies as joint venture partners or equity shareholders. It is likely to further improve the viability of conservancies in the process and will eventually lead to the direct financial benefit of conservancy members and communities. It would assist in employment creation in the rural areas and will have significant spin offs to rural households, particularly for women who are mostly employed in such lodges and tourist facilities. All benefits and impacts related to the lodge creation are also applicable for and strengthened by this intervention.

### **Incentive Based Training Packages**

The effective provision of quality tourist services is a prerequisite for effectively retaining clients and this intervention is likely to improve the ability of sectors in the tourism services provision industry to increase standards and provide a better service to guests, thereby ensuring not only that they will return but also market these service providers by word of mouth. In addition to the marketing and quality benefit, skills development of staff in the tourism sector will broaden the skills base and enable some staff to eventually also venture into the tourism industry as SME in the tourism industry. In this way participation is likely to be broadened to include more operators from and benefits to previously disadvantaged people. Involving the private sector in this intervention is likely to improve that chances of success since they would be fully committed to improve the quality of service they could provide, through this intervention.

### **Empowerment and Capacity Building**

The intervention is likely to transform the tourism industry in the sense that it would bring all the varied role players in the industry together in order to work together in empowering the previously disadvantaged and build capacity amongst local entrepreneurs to successfully enter into the industry. The supporting interventions such as the construction of a Tourism House, which would host the training activities, the training program for entrepreneurs and SMEs, the implementation of the National Tourism Strategy and the development and implementation of the tourism mentorship program are all likely to contribute to more local

people being able to successfully enter the formal tourism industry as quality service providers. In this sense it is likely that many such training beneficiaries will be women, and that the intervention would contribute considerably towards poverty alleviation either through likely increases in remuneration because of improved knowledge and skills or through income generated from participation in the tourism industry at a higher level than would have been the case without the training and capacity building intervention..

## Participation of Development Partners

Below is a description of recent activity by development partners in Namibia's tourism and environment sector. In summary, the interventions are largely focused on capacity development and institutional reform – as such, they complement the proposed MCA investment extremely well, ensuring that the opportunities for 'unlocking benefits' provided by MCA will be capitalized-on in a long-term, sustainable manner, bringing higher levels of returns to Namibia and its people.

- **EU:** The recently completed Namibia Tourism Development Project had a number of highly relevant outputs, which have contributed an excellent environment for such proposed investments: in particular, assistance to the NTB, the Hotel and Tourism School at PoN.
- **USAID:** Has been the longest standing development partner to the community conservation sector in Namibia. Commenced the funding of the Living In A Finite Environment (LIFE) Project in 1993 and will provide continued support through 2009. The primary focus of this project has been to build capacity in Namibian CBNRM service organizations to assist communities in the establishment and operation of conservancies.
- **WWF:** Has been a co-investor with USAID in the LIFE Project since 1993 to support community conservancies. Has also provided major financial support to conservancies in the Kunene and Caprivi regions through WWF funds originating from the United Kingdom.
- **GEF – WB:** Funding a major project focused on communal conservancies, with the aim of increasing capacity to manage resources in communal conservancies, and this fits well with the proposed MCA investments, supporting the development of rural management and governance structures vital both for negotiation with private sector operators, and also for ensuring benefits from such negotiations are effectively dispersed.
- **GEF – UNDP:** Funding a major project focused on protected areas management. Recognized as the foundation for a significant proportion of tourism activity in Namibia, more effective management of the protected areas will be achieved by addressing issues of capacity at institutional and systemic levels, which is again highly complementary to the proposed MCA investment package. The project is also piloting the regional 'complex' approach to implementation, and is reporting excellent preliminary results.
- **GTZ/KfW:** This is highly complementary to the GEF-UNDP project, aimed at improving management systems and infrastructure for protected areas. The focus is on institutional issues, staff accommodation and offices, etc. This complements the MCA investments, providing significant complementary support to resource management, while MCA unlocks potential for private sector investment.



## Risk Assessment

The tourism sector has been a solid performer since Namibia's independence in 1990, building an excellent foundation for the proposed MCA investment. The sector is building upon internationally recognized cutting-edge conservation policies and protected area systems, and is therefore poised to rapidly expand with strategic application of the MCA funds. Nonetheless, there are potential risks or threats to success.

The greatest threat to the MCA Tourism investment lies in international and/or national political instability. The tourism industry has repeatedly shown itself to be vulnerable to international events that destabilize economies or make tourists feel unsafe. Thus, international terrorism, wars, or unrest pose a threat to vigorous growth of the sector. Similarly, any events that would destabilize Namibia's political situation (i.e., the failed secession attempt in Caprivi in 1998) or reputation would also inhibit the growth of the sector. Political or economic stability created by an un-transparent land reform process (such as that applied in Zimbabwe) would have devastating impacts to the sector.

Some additional threats include: a) a strengthening of the Namibian Dollar against the US Dollar or Euro would make tourism visitations more expensive to foreign tourists, making Namibia a less financially attractive destination than some of its Asian competitors, 2) extended drought (such as the drought of the early 1930s) could have significant consequences to wildlife populations, reducing the quality of the Namibian tourism experience in some areas, and 3) the potential inability of the airline industry to absorb the anticipated increase in number of tourism visitations.

An additional potential threat to lodge viability in communal areas also hinges around the uncertainty of lodge lease arrangements. Presently, conservancies are receiving payments in the range of 6-10% of net lodge turnover (gross income less taxes and marketing costs). However, MLR has expressed a possible intent to charge the lodge operator a similar percentage against leasehold payment. Should this intent become real, then the attractiveness of lodge developments on communal lands in conservancies would no longer be viable.

Implementation of the MCA Tourism investment will also be logistically challenging, as the expenditure of more than NAD700 million in five years will require an extensive increase in sectoral planning and implementation capacity. Fortunately, most of the planned investments are building upon existing funding and implementation mechanisms.

