SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

NAMIBIA TOURISM INVESTOR ROADMAP

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List of Acronyms and Abbreviations

ANTA	Association of Namibian Travel Agents
B&BAN	Bed and Breakfast Association of Namibia
BE	Black Empowerment
BON	Bank of Namibia
BTI	Barbados Tourism Investment
CARAN	Car and Rental Association of Namibia
CMA	Common Monetary Area
DBSA	Development Bank of Southern Africa
DOT	Department of Tourism
EDF	European Development Fund
EIA	Environmental Impact Assessment
EU	European Union
FDI	Foreign Direct Investment
FENATA	Federation of Namibian Tourism Associations
GNI	Gross National Index
GON	Government of Namibia
HAN	Hotel Association of Namibia
LAN	Local Area Network
MET	Ministry of Environment and Tourism
MLRR	Ministry of Lands, Resettlement, and Rehabilitation
NACOBTA	Namibia Community Based Tourism Association
NAPHA	Namibia Professional Hunters Association
NATH	Namibia Academy for Tourism and Hospitality
NGO	Non-governmental Organization
NIC	National Investment Center
NTB	Namibia Tourism Board
NVA	National Vocational Qualification
NWR	Namibia Wildlife Resorts
PATA	Pacific Asia Tourism Association
SADC	Southern Africa Development Community
SME	Small- and Medium-Enterprise
TAN	Tour Guides of Namibia
TDP	Tourism Development Program
TSA	Tourism Satellite Account
TVA	Tourism Value Added
UNWTO	World Tourism Organization
WTTC	World Tourism and Travel Council

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— EXECUTIVE SUMMARY

I. Overarching Issues

Comparative international indices as reflected in World Bank, United Nations, and various private data sources do not portray Namibia in a particularly favorable light for potential foreign investors. Furthermore, foreign direct investment (FDI) in Namibia has been declining in absolute and relative terms, and its value for the country is debated in some quarters of Namibian society. Concerned with such trends, and following the results of the first Namibia Roadmap, the Ministry of Environment and Tourism (MET), through the Namibia Tourism Board (NTB), requested assistance of the USAID-funded Southern Africa Trade Hub to conduct a Tourism Investor Roadmap study for Namibia. A two-person consulting team completed the in-country data collection during an intensive three-week period in February 2006.

Investment in tourism in recent years in Namibia has been in small- to medium-tourism enterprises, primarily in the accommodation sector, although larger investments have been made in the car rental market, with substantial purchases of vehicles to service the sub-sector.

Hotel sector investments have been in the major centers of Windhoek, Swakopmund, and Walvis Bay, and advanced plans have been made for development of a major retail, mixed-use and hotel complex in the center of Windhoek. Lodge development has tended to concentrate in the northwest, northeast, and central regions, predominantly in the "up-market" lodge sector.

In addition to investment in physical "superstructure," there is considerable investment in style, high-quality design, and ethnic content to create a "unique" Namibian experience or look. The recent branding exercise for the industry focuses substantially on the niche positioning of Namibia's attributes, and past lodge development fits precisely in this niche.

At the level of regulation and procedure, Namibia performs well in many sectors. In others, there is need for reform. Its foreign investment legislation, for example, is in need of modernization, and some laws have been amended rather than wholly revised, such as those governing close corporations. The system of incentives cries out for scrutiny and revision.

The main barriers to investor action include issues that pertain to: work permits, permanent residence, termination of employees, land reform and related tenure security, and the lack of national guidance in the zoning of tourism development within economic development.

II. Administrative Recommendations

The Regulatory Environment chapter (Chapter Two) condenses the traditional four chapters of an Investor Roadmap study into one chapter with four sections—Employing, Reporting, Locating, and Operating. This Namibia Tourism Roadmap includes a summary of findings and analyses written in the 2005 Investor Roadmap to become a self-contained document—not an appendix to the earlier study. Consequently, readers can find in The Regulatory Environment chapter virtually every salient policy and regulatory concern relevant to potential investment in Namibia's tourism sector.

This chapter, however, goes well beyond summaries of earlier findings. Where progress has been or is being made by the Government in alleviating regulatory constraints, it explains where and how. Where there are procedures specific to investment in the tourism industry, it describes them at the same level of detail as did the Investor Roadmap for the mining and fisheries industries. Finally, where newly acquired information sheds light on earlier findings, the chapter adds value to earlier analyses.

A. Employing

Clearly define the purpose of the business visa. The visa application form does not make clear what constitutes a business activity. While not an anomaly in international practice, the business visa is only necessary because the work permit does not encompass entry and exit conditions. Many countries issue a type of visa granting the right to work for a defined period of time, so that a single document serves immigration and work permit purposes. Namibia should consider this option.

Eliminate the requirement for investors to submit a comprehensive business proposal in the work permit application. The requirement that an investor submit a comprehensive business proposal to obtain a work permit is excessive. Health and security clearances should be retained but processed efficiently; a background check on the applicant's general bona fides is advisable.

The Department of Immigration at Home Affairs should incorporate communication with applicants into its procedures. The Home Office does not keep lines of communications open with the investor. The communication should provide an estimated time for completion, a registration number to identify a file, and a contact person for inquiries.

Home Affairs must reengineer and computerize its systems in the Department of Immigration. Several respondents to the Investor Roadmap research told of their files having been temporarily lost. Namibia faces no human or technological resource constraint to suggest that this department cannot modernize operations. The NTB has built a database and a Local Area Network (LAN) that could serve as a model.

The Namibia Investment Center (NIC) should set rigorous deadlines for turning applications over to Home Affairs. The NIC has a critical role to play in being an agent of efficiency to build a vital tourism sector and not a cause for delay when assisting foreign investors with permit applications. NIC should notify the applicant when the application has been turned over to Home Affairs.

Make the approval of permanent residence criteria clear, objective, and transparent. Salient examples include requirement that the applicant be of good character, not harmful to the welfare of the country. Eliminate criteria inherently subjective in nature, such as evaluation of the likelihood of an individual's assimilation into Namibian culture. Retain mandatory health certificates, police clearances, and evidence of financial liquidity.

Maintain the competitive advantages of the hiring process. While competitive, an unusual gap exists in Namibia between ease of hiring and difficulty of firing. While no current proposal threatens the advantages in hiring, groups such as the Namibian Employers Federation and, within the tourism industry, the Federation of Namibian Tourism Associations (FENATA), should maintain vigilance over its standing.

Seek effective measures to mitigate the delays and costs of firing. The complexity of the termination process adds costs to businesses, which are then passed on to the consumer, making Namibia's tourism sector decreasingly competitive. There should be a means to curtail access to the courts for both terminations based on redundancy and on misconduct. One avenue is through a reinforcement of an existing, but weak alternative dispute mechanism. Mediation and arbitration are not unknown in Namibia, and the measures that need to be taken have been amply documented.

Analyze the Labor Act of 2004 in light of the needs of tourism operators and accommodation establishments. The hospitality industry has scheduling requirements of employees that differ greatly from other service industries, keeping staff on duty during the 24-hour period. Private associations such as the Hotel Association of Namibia (HAN) and FENATA are well placed to conduct a straightforward analysis. A committee should also seek clarification with the Ministry of Labor and with one or more private labor attorneys.

Support implementation of the Act. Little appears seriously objectionable in the new Act except that the Ministry has failed to fully implement it. Once the tourism sector is satisfied that its requirements are met, or at least not violated, by the Labor Act of 2004, the MET, NTB, and the associations should push for its implementation as a ministerial ordinance.

Lower the threshold for relevant employers less drastically than proposed. Two reasons argue in favor of not reducing the threshold to firms with 25 employees. First, the number of Affirmative Action Reports will increase exponentially, clogging the review system. Second, the burden on small businesses will prove intolerable under the current requirements for producing the Affirmative Action Reports.

Make clear that Black Empowerment (BE) means *broad-based* and should be implemented with this in mind. Black empowerment, while enshrined in no legislation, has taken a seat in the boardroom of Namibian business in recent years. While essentially a program of social redress through employment, BE narrows the target group. FENATA's Transformation Charter makes the argument clearly and convincingly. Policymakers, beginning with the MET, should adopt similar language and concepts.

Reduce the emphasis on BE when it comes at the expense of other important concerns to the viability and growth of tourism. Currently, disadvantaged groups will not benefit from tourism unless the industry is allowed to grow. Reducing the emphasis does not mean discarding it.

Clarify the meaning and importance of BE. Only senior-level Government officials can fulfill this recommendation. The present tenuousness of the BE concept does a disservice to everyone save those few who have successfully exploited it for their own benefit. In the absence of action at the highest levels of the Government of Namibia (GON), the MET, NTB, and the NIC should take a concerted, transparent, and actionable position.

Analyze the equation involving BE and short-term acquisition of necessary skills for tourism development. Current training institutions, along with employer goodwill, will not suffice to build an indigenous skill pool. A proper balance must be found that allows social economic redress to advance without undermining one of Namibia's pillars of growth.

B. Reporting

Consider alternatives to annual re-registration of tourism facilities. Justification for licensing in the tourism sector needs to be voluntary and transparent. Annual re-registration should not be mandated for financial reasons. Licensing purely for revenue gains is endemic to developing countries and is among the least attractive features for foreign investors. Alternatives exist for reinforcing the NTB—all of them better than more frequent licensing. Periodic inspections for genuine quality control are justified and could be held every three to five years without implying actual re-registration.

Draft a new Foreign Investment Act. A new Act should contain unambiguous assurances of national treatment, specify sectors reserved for nationals, eliminate the threat of future nationalization, and abolish the status certificate in favor of transparent incentives open to those who meet established criteria. The new Act should take into account international best practices in leading, as well as in emerging, economies. It should also mention the four pillars of the Namibian economy, including tourism.

C. Locating

Emphasize clear and reasonable procedures for acquiring urban and municipal land. The security of land tenure in Namibia may be subject to misunderstandings. Foreign investors are likely to be confused by the fact that there is no formal ownership in communal lands and disputes are frequent. Advertisement of the benefits Namibia offers in this domain need not hide issues surrounding communal land. The NIC and the NTB together should combat perceptions grown out of misunderstandings. Namibia's attractiveness to foreign investors in tourism projects will improve if the security of ownership in municipal boundaries is outlined in promotional documents and campaigns.

Seek means to curtail fraud and surreptitious activities without barring foreigners from close corporations. Foreigners can acquire rural land through the purchase of farms registered as close corporation, which eschews certain tax payments, and keeps purchases of rural lands by foreign nationals concealed from authorities. This is one reason the MTI is debating limiting ownership of close corporations to Namibian nationals. It would be unusual, if not an anomaly, in the world of business policy to reserve exclusively for nationals the only form of limited liability suited to small- and medium-businesses. Small-scale businesses held by resident foreigners could add significantly to tourism growth in Namibia.

Implement recommendations leading to integrated land-use planning that enhances tenure in communal lands. The GON has already received recommendations to which the present document cannot fruitfully add. "The Identification and Removal of Barriers to Acceptable Tourism Development on Communal Land in Namibia," cited above, is an advanced starting point for concrete steps forward.

Implement the Environmental Management and Assessment Act of 2005. Implementation ordinances should provide guidance to use of the legislation.

D. Operating

Compile information on exchange control requirements and allowances, and make it available to the public. The subject of exchange controls is of singular importance to the evolution of tourism as a pillar of economic growth. The Ministry of Finance has delegated administration of exchange control to the Bank of Namibia (BON). The Bank of Namibia (BON) does not directly deal with the public in matters of exchange control; it is, therefore, unlikely to compile a document on exchange control requirements for the general investor. The Ministry of Trade and Industry (MTI) has been given overall responsibility for guiding the FDI process and is in a good position to produce something similar for the investor on behalf of the MOF and the BON.

Summon a forum of foreign investors to probe the inconsistency in treatment at the commercial banks and the BON. It is important to probe beyond the anecdotal evidence and discover where inconsistencies arise. The Namibian Employers Federation and FENATA could be encouraged by the NIC and the NTB to work on this issue.

The MTI should be encouraged to move ahead with a fundamental revision of the Foreign Investment Act. It will be imperative to compare the putative advantages conferred under the Certificate of Status with the remittances policies already in place. The best option in view of international best practice is to make currency controls as light as reasonable for the economy and to extend them to all FDI. If this alternative remains out of reach in the political environment today, then the meaning of Status Investor should be made clear and sufficiently attractive to encourage its pursuit.

Combat the notion of net loss of foreign currency through tourism. The NTB, in coordination with the Department of Tourism (DOT) at the MET, should lead this struggle. First, use should be curtailed—in discussion and in print—of the word *leakage* in this context. Next, how the issue fits, if it does, with the requirements on repatriation of monies earned under the invisible exports should be understood. Finally, the accumulation of data will demonstrate simply and clearly the net gain of tourism for Namibia's economy.

III. Institutional Recommendations

This section departs from the conventional description and analysis of procedures presented in the previous chapter. As a sectoral analysis, the Namibia Tourism Roadmap includes a different approach from the cross-sectoral recommendations of an Investor Roadmap to focus on the institutional environment relevant to investment in the tourism industry. Priority recommendations related to the institutional framework supporting tourism development in Namibia are outlined below.

The NTB or the Ministry should seek an agreement with a recognized economic research institute to carry out market research relevant to tourism. It is imperative that data about the economics of tourism in Namibia be current, reliable, and well presented. It is equally important that limited promotional resources be directed toward markets most promising of returns. The best alternative to in-house capacity to undertake research is to outsource the activities.

Reconsider merging regulation and promotion within the NTB. In many countries, a Ministry of Tourism will act as the regulatory agency while a Tourism Board, often with significant private sector input, acts as the promotional agency. Namibia should consider adopting a similar model so that the NTB can avoid being caught in conflicts of interest and operating at cross purposes.

Avoid increasing the periodicity of registration for reasons of insufficient funding. At present, accommodation establishments and scheduled businesses register only once unless they alter the classification of the establishment by expansion or additional activities. The fees for registration are reasonable and accepted by investors. Annual re-registration of businesses with additional fees risks undermining this optimism and the industry's collaborative support of NTB. Periodic reports from accommodation and scheduled businesses will be a means of collecting data on occupancy rates, use of services, trends of tourists, and so forth.

Establish an inter-ministerial commission to resolve the status of the Namibian Wildlife Resorts (NWR). Chaired or directed by the Prime Minister, a commission comprising representatives from the ministries of tourism, finance, trade, and lands should resolve the major constraints facing the NWR today. The longer the NWR awaits resolution, the more damage will be done to the country's reputation, as tourists abroad file complaints about unmet expectations in the parks.

Let the NTB initiate and lead a debate on the nature of tourism that Namibia should pursue. Policymakers appear unconvinced that the high-spending/low impact tourist is the most promising profile for the industry's development. While many private investors prefer this demographic of a tourist, their opinions are not unanimous. Promoting diversification in types of tourism is likely to become the official policy in the country.

Do not allow BE imperatives to create a policy imbalance with other pressing needs of the industry. The tourism sector should shoulder its portion of responsibility in advancing the position of black Namibians and other disadvantaged segments of society. The NTB, however, should assume responsibility for ensuring that the importance of marketing, promotion, and research is not diminished by responsibilities towards black empowerment.

Proactively involve the MTI, especially with regard to the NIC, in attracting foreign direct investment in tourism. Under such a structure, the two concerned ministries work together to develop policies and strategies for promoting foreign investment in tourism, while the NTB and the NIC collaborate on programs and resources. FENATA continues to be the principal—but not the only—voice of the private sector working with NTB. Most urgent is to bring the NIC and NTB together to generate effective synergies for growth of tourism.

IV. Economic Recommendations

The recommendations below derived from the Economic Environment Chapter (Chapter 4) relate to measuring the value of tourism, using outcomes to define direct and indirect contributions and to derive better value from tourism stays in Namibia. These are important considerations for investors as well as for GON and the NTB, as they attempt to define the most efficient fiscal, strategic, and marketing plan.

The leadership should agree on acceptable parameters for Namibia for measuring the value of tourism. With the MET chairing the effort, the NTB and NWR, in consultation with the private sector, should institutionalize the methodologies and processes for collecting, analyzing, and presenting data on tourism. This is a critical issue for investors, since it impedes their ability to assess potential returns. The MET must actively engage other agencies, especially the ministries of finance, trade, and labor as well as the Namibia Investment Center.

Convene workshop to focus marketing activities. To ensure that marketing activities do not fall behind global and regional growth in tourism, the GON should convene a high level workshop of tourism experts and economists to analyze the TSAs in view of marketing needs. This would enhance the ability of the NTB to work deeper in the priority markets as clearly laid out in its Marketing Plan, and it will allow the rapid development of the capacity of the NIC to facilitate investor research and marketing. It will also permit the MET to plan and implement tourism development programs in line with demand research outputs.

Advertise tourism impact on employment. The MET and NTB should find means to ensure as broad a dissemination as possible of the positive impact tourism generates on employment. Promotional material and public conferences are venues for emphasizing the employment created by tourism both globally and locally. This is also the place to advertise FENATA’s Transformation Charter while not necessarily disseminating the entire text. The important public relations aspect of the effort is to demonstrate that the leadership of the tourism industry is not seeking employment generation in the absence of enhanced social justice.

Address skills gap. The NTB and MET should work with GON counterparts to facilitate developing a supply of workers with the requisite skills needed to sustain and grow the tourism industry in Namibia. The issue of a skills gap must be addressed with neither reticence nor excessive patriotism, since long-term economic welfare should be more important than short-term political considerations. In order to initiate the required change in pace of growth of the industry, induce incremental returns to the economy, and grow both absolute tourist volume and market share, Namibia needs to implement a skills development plan for tourism.

The NTB, MET and FENATA should agree on and publish definitions of “tourist” and “tourism.” This measure should, in fact, precede the development of a robust model for assessing the value of tourism in Namibia. Subsequently, the NTB should re-design the border Entry and Departure form to reflect data collection requirements that correspond to the needs of its Market Research Department and that reinforce the contribution tourism research can offer to policy making. A coherent and industry-developed set of definitions would aid substantially in understanding tourism contributions.

V. Investment Recommendations

The purpose of these recommendations is to help create an environment to underpin the marketing effort to attract investors, with linkages to financing local-level investment, complementing the regulatory processes, and supporting the economic rationale identified. Priority recommendations related to investment in tourism are noted below.

Conduct incentives study. The GON should design a set of appropriate fiscal and non-fiscal incentives to attract international investors to the tourism sector of Namibia. The fiscal incentives will apply only to registered businesses—those that work directly and exclusively in the tourism sector. Most of these will probably fall within the accommodation industry.
The enactment of fiscal incentives should not precede priority reform in other areas of the investment environment. Contemporary thinking suggests that considerations beyond tax breaks need to be balanced in the structure of the investment development environment.

The NIC, Central Bank, and the MET should agree on a set of SME development financing products. Much of potential investment in tourism and local economic development utilizing tourism will, very likely, lie within rural areas, and this can only be a good thing from the perspective of empowerment, employment, and community integration. As part of the feasibility study process of new business investment opportunity, the Government should be in a position to identify and promote streams of availability of finance for local and international SME investor potential as part of the incentives package.

The Government should conduct a thorough review of its land reform policy with regard to tourism. This review should be from the perspective of facilitating linkages to the zoning process and to marketing and communications. As discussed earlier, protection of property rights has emerged from independent sources as being of high priority when financiers are considering supporting a tourism development proposal. Equally, it has emerged in Namibia during the research phase for this Roadmap as being one of the most often cited perceived barriers to further investment by Namibian entrepreneurs. The term "perceived" is relevant, as it appears as if communication of the policies, by MTI and the MET, and their parameters and applicability may be more the issue than the policies themselves.

The Government should fast track a permanent solution to the fuel supply and storage problem. It is clearly understood that continuity of supply of aviation fuel is of major concern for the Government and that the implications are well known. It is raised in this report because of the special nature of distribution of tourists in the Namibian environment, and since the small air charter business is a major sector totally reliant on fuel for its existence. At the same time, the aviation business is the highest supply sector for value tourists and business arrivals, closely followed by the car rental business. Thus the aviation sector is highly vulnerable and must be protected from fluctuations in both supply and price.

VI. Tourism Development Recommendations

The recommendations summarized below are derived from an analysis of the roles played by the public and private sector in defining, guiding and supporting the expansion of tourism, and Namibia's current marketing strategy and institutional framework for promoting the sector.

A. The Tourism Development Product

The MET should lead the effort to develop a national tourism policy that can be operationalized as strategy. One of the first initiatives will be to put the National Tourism Policy into final form. It is not entirely necessary that the policy be identical to the final format of the draft document. What is essential is that any policy be meaningful in terms of implementation. As it stands now, the draft document caters to every interest group and is almost meaningless in terms of a practical strategy. It would be preferable to use the document, among others, to craft a few statements that guide the NTB, the NWR, and the NIC in nurturing the growth of a sound tourist industry that galvanizes the dynamism of investors.

The MET should produce a new investment portfolio for tourism and an appropriate support website. Existing communication resources (portfolio and websites) are close to ten years out of date. All redundant opportunities should be purged from the website and a message posted to the effect that the site is being updated. The message should also provide the name and contact address of the webmaster responsible for the new design. Ideally this work should be a collaborative effort between the MTI and the MET.

The NTB and the NIC should form a strategic alliance to support the process of evolving a responsive communications link for servicing potential investors. At the same time, they should remain in communication with FENATA, independent tourism associations, and even the unaffiliated private sector. They must nurture a strong and professional customer service process. Only then can Namibia convey a modern, fully professional image in the marketplace.

The GON should apply to the EU for EDF-10 support for tourism product diversification. The EU presents the most opportune possibilities for short-term support, for which Namibia is eligible. EDF-10 is imminent and therefore rapid action is required. In the interim, work should begin as soon as possible to identify priorities for product diversification and develop a project dossier ready for application for funding support.

B. Marketing Namibia

In coordination with the NTB, the NIC should develop a ten-year strategic marketing plan targeting both regional and international investors. Regional investors will come from the SADC region and may be actively engaged in direct or indirect forms of tourism business. They may own or manage hospitality operations or operate aircraft, for example, and be looking for expansion opportunities in Namibia. International investors are those outside of the region who are looking for business opportunities, either as a corporate entity, such as large hotel groups, or as an individual entrepreneur looking to expand into the travel and tourism industry.

The marketing capability at the NIC should be institutionalized, supported, and coordinated with the NTB for tourism investment. The international marketing activities of the NIC and the NTB should be rationalized with respect to tourism. Substantial economies of scale can be achieved by eliminating duplication of resources in the markets. The NTB has the primary responsibility for positioning the destination for tourism and has committed a high proportion of its budget to developing and maintaining a network in accordance with its strategies for any particular market. This is well elucidated in the NTB Business Plan. The NIC could work closely with the NTB in its activities with the same marketing representatives. The objectives, strategies, and resources required for the NIC to coordinate effectively with the NTB must be identified.

Identify the top priority markets and stick to the strategy. In a strategic context, it makes sense to have a timeline for development of investment marketing (recommended as the ten-year plan earlier). The logic follows a business principle of making existing markets pay better before expanding into new markets. Substantial investment in time effort and money has already been spent in building receptiveness in existing tourist markets for Namibia, and existing markets are therefore a more realistic opportunity from which to reap rewards. Where the costs of doing international promotion seem prohibitive, focusing strictly on those markets that careful analysis indicates as promising the best returns makes sense.

Forge strategic commercial partnerships with relevant private sector players. For tourism to consolidate and build on its fourth pillar status, and for the sector to continue to grow its relative contribution to GNI, GON must act on its commitment to the sector. Critical to that action, marketing campaigns must ensure that all measures are taken to bring Namibia to the attention of potential investors on a regular, frequent, and professional basis. It is the primary stimulus to bringing Namibia to the attention of potential investors and the catalyst to assisting in having them put Namibia into their shopping basket. The Government cannot do this alone, even adding both the NTB and NIC efforts. FENATA provides a strong arm, but it does not represent all private-sector resources. Developing the strategic plan must embrace all potential resources of private entrepreneurship.

– CHAPTER ONE

- **PROJECT CONTEXT**

In 2005, upon request from the Namibia Investment Centre, the USAID-funded Southern Africa Trade Hub in Gaborone supported an effort to produce an Investor Roadmap for Namibia. The Trade Hub in Gaborone serves as a vehicle for providing technical assistance to client countries throughout the region. Its emphasis rests primarily in promoting trade, competitiveness, and the enabling environment for private enterprise. Sound policy and regulatory systems for attracting foreign direct investment (FDI) fall squarely into the primary avenues of the Trade Hub's interventions, and the main instrument for documenting and analyzing a country's attractiveness for FDI is the Investor Roadmap.

An Investor Roadmap involves a comprehensive analysis of the general and specialized procedures that constitute public-private regulatory interaction. It is at once a detailed descriptive document, an analytic tool, and a catalyst for meaningful change. While some of the administrative and procedural barriers that the Roadmap identifies may seem to be mere nuisances at first glance, taken as a whole they can become overwhelming, thereby raising the cost of investment, lowering rates of formal business establishment, and diminishing national competitiveness.

Typically an Investor Roadmap follows a methodology that segments the critical path of business start-up and operations into four Process Group Areas: *Employing, Reporting, Locating*, and *Operating*.

- Employing: securing visas, obtaining residency and work permits, procedures for hiring and dismissing employees, compliance with employment regulations, and settling labor disputes.

- Reporting: registering business entities, obtaining business licenses and permits, and acquiring incentives.

- Locating: buying and leasing land and facilities, developing a site, obtaining utility hook-ups, and complying with environmental legislation.

- Operating: registering for and paying taxes, importing and exporting, adhering to mandatory standards, and complying with currency controls.

The 2005 Namibia Investor Roadmap adhered to this typology and, following instructions from the National Investment Center (NIC), included a detailed study of the mining and fisheries sectors.

In September 2005, the NIC distributed the draft Roadmap report broadly within government and the private sector and sponsored a formal presentation of the conclusions and recommendations of the research. Through the dissemination of the draft report and the formal presentation, the Investor Roadmap was well received by the relevant community and generated considerable interest in follow-on activities. The Namibia Tourism Board (NTB), along with the Ministry of Environment and Tourism (MET), accompanied the presentation and subsequently made a request of the Southern Africa Trade Hub to support a similar exercise focusing specifically on the tourism sector. The Trade Hub granted the request, and the field work for the new Namibia Tourism Investor Roadmap commenced in January 2006.

- **THE NAMIBIA TOURISM INVESTOR ROADMAP**

In an important retreat of the Cabinet of the Government of Namibia (GON) in November 2005, tourism was elevated to the position of the fourth pillar of the Namibian economy, along with mining, fisheries, and agriculture. This official determination grew out of an emerging appreciation of tourism's contribution to the economy and of its future potential, eloquently and forcefully expressed in the Government's *Vision 2030*. The World Tourism and Travel Council will prepare a Tourism Satellite Account (TSA) for Namibia in mid–2006, and Windhoek will host an important European Union—Southern Africa Development Community (EU–SADC) tourism meeting in October of this year. It is in this context of the recognized and growing importance of the industry to Namibia that the Tourism Roadmap was commissioned and undertaken.

The methodology followed for the Tourism Roadmap was similar to that of the regular Investor Roadmap: a specialized consulting team, working with the client agency, researched all available regulatory and policy documents as well as studies and data sets. The consultants conducted over sixty one-on-one interviews with representatives of a wide range of public and private organizations. The organizations represented included line ministries, trade and industry associations and federations, and labor unions. Also widely consulted were men and women who owned, managed, or worked in private businesses serving tourism. The consulting team held five round table discussions and focus groups.

The issues identified in the Tourism Roadmap Report are extensive and represent an accounting of constraints based on available data and the points of view of individuals with knowledge of tourism in Namibia. The Roadmap analysis draws from three main sources: a) the expressed perception of barriers, as voiced by the private sector; b) an assessment of procedural efficiency; and, where appropriate, c) a comparison of procedures and practices in Namibia with international best practice. The recommendations in the report are designed to be practical and based on international experience in administrative and marketing reform. They should not, however, be considered definitive. The recommendations are best viewed as proposals for implementing change and should be reviewed and revised to suit local conditions, including political realities and resource constraints.

This draft report was prepared by a two-person consulting team that conducted a three-week assessment mission in Namibia during February 2006. Team members were Donaldo Hart and Peter Nizette. They benefited greatly from the knowledge and helpfulness of their counterparts at the NTB.

- **STRUCTURE OF THE REPORT**

Although the Tourism Investor Roadmap draws upon the 2005 Namibia Investor Roadmap, it is written as a stand-alone document. While specific to the tourism industry, it presents many regulatory constraints common to all FDI, and thus, in instances, is repetitive of the earlier study. Even though the 2005 Roadmap may serve as a useful document for occasional cross-reference, the Tourism Investor Roadmap is self-contained and intended to be read as an integral report.

The structure of the Tourism Roadmap differs somewhat from that of Investor Roadmaps. It collapses the four main chapters of the latter into a single chapter entitled “The Regulatory Environment,” comprising four subsections addressing each process area: employing, reporting, locating, and operating. It then presents two chapters on the economic and investment environments specific to tourism, and a final chapter which look towards the future evolution of the industry in Namibia. Finally, the annexes list all persons and organizations interviewed, provide a product audit, and present a summary matrix of recommendations.

The exchange rate used in this report is N$6.6 to $US1.0

– CHAPTER TWO: THE REGULATORY ENVIRONMENT

- **INTRODUCTION**

In this Chapter, the four subchapters that follow constitute the main body of a traditional Investor Roadmap Report, such as the one prepared for the Namibia Investment Centre from June to August 2005. This Tourism Roadmap, however, condenses the traditional four chapters into a single chapter with four sections. Each of the four subheadings—Employing, Reporting, Locating, and Operating—includes abridgments of findings and analyses first written into the 2005 Investor Roadmap. This study includes them so that the Tourism Roadmap may be a self-contained document, not an appendix to an earlier study. An interested party can find in this chapter almost every salient policy and regulatory concern relevant to potential investment in the tourism sector of Namibia. The findings and analyses are abridged because any reader wishing to understand them in greater detail has easy recourse to the full text of the 2005 Investor Roadmap as drafted for the NIC.

This chapter, however, goes well beyond summaries of earlier findings. Where progress has been or is being made by the Government in alleviating regulatory constraints, it explains where and how. Where there are procedures specific to investment in the tourism industry, it describes them in detail, as did the Investor Roadmap for the mining and fisheries industries. Finally, where newly acquired information sheds greater light on earlier findings, the chapter adds value to earlier analyses.

Each subheading of the Regulatory Environment follows a similar and parallel structure to others in this chapter. They begin by describing the scope of the discussion, then proceed to illustrate the competitiveness ranking of Namibia among selected countries, summarize the analyses and recommendations of the Investor Roadmap, and describe new findings and major recommendations for this Tourism Roadmap.

The competitiveness ranking draws its data from the World Bank's *Doing Business in 2006*. In several tables, Namibia's ranking is compared to that of three countries competing for tourism investment in the SADC region—one in East Africa, and two leading destinations among high-income economies. As the information that follows will demonstrate, Namibia is reasonably competitive in its region but has considerable room for improvement to its regulatory environment when compared to OECD countries. In 2005, Namibia ranked 33 out of 155 countries, or nearly in the top quintile, in overall ease of doing business.

Table 2.1: Ease of Doing Business

Country	Ranking
Singapore	2
United Kingdom	9
South Africa	28
Namibia	33
Botswana	40
Tanzania	140

Source: *Doing Business in 2006.*

- **EMPLOYING**

This section covers policies and procedures related to business and residence visas, work permits, hiring workers and terminating employment, and affirmative action regulations,

A. Business Visas, Work Permits, and Permanent Residence

1) Description, Procedures, and Fees

Visas, work permits, and residence permits, regulated by the Immigration Control Act of 1993, are issued by the Department of Immigration of the Ministry of Home Affairs. Visitors from most EU, North American, and SADC countries require no visa for tourist entry.[1]

The *business visa* is required for any entrant coming to Namibia with a business or commercial purpose. A potential investor coming just to talk with the NTB about opportunities in the tourism sector would—at least theoretically—require a business visa. Irrespective of length of stay or country of origin, consultants need business visas, even if hired and paid overseas. The business visa can be obtained at any Namibian consular office. It does not confer the right to any remunerated employment within Namibia; that is the purpose of the work permit.

A *work permit* allows a non-Namibian to conduct work for compensation in Namibia. An applicant may be an employee or an independent businessperson. The permits are either short-term (three to six months) or long-term (one year or more). Only the Ministry of Home Affairs can issue the permit; embassies do not have this authority. In the case of foreign investors, Home Affairs advises the interested party to apply through the NIC. A foreigner—including nationals of SADC countries—coming to Namibia to help manage a wildlife resort for six months, for example, would be required to have a work permit before commencing the assignment. The work permit is rarely given for periods exceeding two years.

[1] The full list of exempt countries is available at www.mfa.gov.na.

Residence permits confer the right on a foreign national to live permanently in Namibia; they do not confer Namibian nationality. A deed of surety is required for those applicants who will not be employed during their residency, which is the case for many older Europeans who choose Namibia for retirement. Applicants intending to launch a business are required to submit a business proposal. According to officials at the Department of Immigration in the Ministry of Home Affairs, a foreign person who invests US$500,000 can be approved on that basis alone, as long as the individual meets other specified criteria, such as health and police certifications. Because work permits are not automatically renewable, a foreign investor who owned a lodge, for example, and who wished to live in it permanently or to spend a substantial part of a year managing it would certainly want to acquire the residence permit.

The documentary and procedural requirements for obtaining both work and residence permits are similar and extensive.[2] The fee for a short-term permit—usually not of interest to business investors—is N$230 ($35) for three months; a fee of N$500 ($77) is required for both six- and twelve-month permits. The cost to submit an application for permanent residence is N$40 ($6). The fee for the permit, once approved, is N$7,130 ($1,097) per individual or per family.

2) Analysis

The work permit is critical to sustain and expand tourism in Namibia. Investors and managers consistently declaim a paucity of both management and service skills in Namibia to meet the demands of the industry. These skills must be partially acquired from other countries, including SADC neighbors, for an indeterminate time. Despite the need, investors cite difficulties in obtaining work permits for themselves and their employees as a major obstacle to business efficiency and as a potential deterrent to FDI in tourism. They are less vociferous about permits for permanent residence, but they acknowledge that difficulties and delays in obtaining these also constitute obstacles to investors. Because the fee schedules are not punitive, however, investors do not regard cost as a barrier.

Alleviation of the problems surrounding work and residence visas lies outside the portfolio of the MET. Nonetheless, it is important that policymakers in the MET, supported by the NTB and the tourism associations, work with their government counterparts to address regulatory and administrative issues obstructing progress in this domain. Because the Namibia Investment Centre has a vital role to play in expediting permits for investors, it should be a partner to the MET and the NTB in pursuing the discussions. The following concerns offer a partial but representative list and a suggested means of initiating an inter-ministerial dialogue.

Issues

The purpose of the business visa is poorly defined. The visa application form does not make clear what constitutes a business activity. If, for example, a visitor on safari became interested in investment opportunities, would he be required to apply for a business visa to hold meetings with the MET or other agencies?[3] Although a minor issue, lack of clarity raises a note of caution among investors. The business visa simply does not exist in advanced countries and most tourism destinations.

[2] These requirements are listed in detail in the 2005 *Investor Roadmap*.
[3] The issue is not just theoretical: for both the FDI Roadmap and the tourism study; one consultant was delayed at immigration because he did not have the business visa while the others passed through without comment.

The requirement that an investor submit a comprehensive business proposal to obtain a work permit is excessive. Comprehensive business proposals are intended for lending institutions. Government agencies rarely have internal capacity to evaluate business plans, and this requirement is likely to delay granting permits and to become a deterrent to building the tourism industry as a growth component of the economy.

The Home Office does not keep lines of communication open with the investor. Once an application has been submitted, the investor has no means to learn the status of his submission. Incertitude and opacity of process are no friends of the investment community; a reputation of non-transparency hurts a country's chances of attracting competitive investment.

Investors' and employers' experience shows that applicants' paperwork is often temporarily lost at the Ministry of Home Affairs. Several respondents to the Investor Roadmap research told of their files having been temporarily lost.

The NIC's internal procedures for facilitating the work permit are sometimes inefficient. The NIC has a critical role to play in helping build a greater, more vital tourism sector for Namibia. It should be an agent of efficiency, and not a cause for delay when assisting foreign investors with their permit applications.

Criteria for permanent residence are highly subjective. Salient examples include requirements that the applicant be of good character, likely to assimilate with the inhabitants of Namibia, and not harmful to the welfare of the country. The problem is not with the underlying motivation of the criteria; it is with the arbitrariness in evaluating them. Such highly subjective criteria provoke delays in granting the permit.

Recommendations

Define the purpose of the business visa. The business visa is only necessary because the work permit does not encompass entry and exit conditions. Many countries issue a type of visa granting the right to work for a defined period so that a single document serves immigration and work permit purposes. Namibia should consider this option.

Eliminate the requirement for investors to submit a comprehensive business proposal in the work permit application. Health and security clearances are indispensable, and a background check on the general bona fides of the individual is advisable. Requiring a detailed proposal, however, is not recommended.

The Department of Immigration at Home Affairs should incorporate into its procedures regular communication with applicants. The communication should provide an estimated time for completion, a registration number to identify their file, and a contact person.

Home Affairs must reengineer and computerize its systems in the Department of Immigration. There is in Namibia no reason related to human or technological resources that this department cannot modernize its operations so that paperwork is not lost. The NTB has built a database and a Local Area Network (LAN) that could serve as a model.

The NIC should set its own rigorous deadline for turning applications over to Home Affairs. NIC should notify the applicant that this has been done so that the applicant can easily track approval progress.

Make approval of permanent residence criteria clear, objective, and transparent. Eliminate subjective criteria, such as evaluation of the likelihood of an individual's assimilation into Namibian culture. Retain mandatory health certificates, police clearances, and evidence of financial liquidity. Other non-subjective criteria may be added, such as knowledge of Namibian history and government structure, but these should be ascertained through a standardized mechanism.

B. Employment: Hiring and Terminating Workers

1) Description

As illustrated in the following chart, Namibia, while competitive in the overall employment index, has an unusual gap between its rankings in hiring and in firing workers.[4] Note that a score of zero indicates the lowest level of difficulty.

Table 2.2: Hiring and Firing Employees

Country	Difficulty hiring index	Difficulty firing index	Rigidity of Employment Index
All OECD	30	27	36
Singapore	0	0	0
UK	11	20	14
Namibia	0	60	27
Botswana	11	40	30
South Africa	56	40	52
Tanzania	67	80	69
All Sub-Saharan Africa	48	48	53

source: *Doing Business in 2006*

No prescriptions define the hiring process in Namibia, and no procedural obstacles impede its ease and rapidity. An employer may engage a worker on-the-spot, and no written agreement or contract is required. In addition, Namibian law permitting fixed-term contracts specifies neither minimum nor maximum terms.

Firing, as the rankings in the table demonstrate, is another matter altogether. Termination of employment is defined typologically and is governed by rigorous legislation. The labor law defines four types of termination:[5]

- Automatic termination;
- Termination on notice;
- Termination for redundancy;
- Unfair dismissal.

[4] Labor and employment are governed by the Labor Act No. 6 of 1992 until the new Labor Act of 2004 is fully implemented.
[5] The Labor Act of 2004, sections 29–33.

In the case of wrongdoing, for example, the process of dismissal follows several steps:

- The employer provides written notice to the employee with reasons for termination;
- An internal hearing committee is formed;
- Employer and employee provide evidence supporting their cases;
- The committee makes a decision on the case; and
- If, after the decision, the employee remains dissatisfied, he takes the matter to the Labor Court.

Issues

Ease of hiring is a competitive advantage for Namibia. As the table above illustrates (compare, for example, Tanzania with the UK), there is a correlation between economic development and the rigidity of employment. While Namibia presents obstacles to dismissal of employees, it permits ease and rapidity in the hiring process. For the tourism sector, as for other economic sectors, the ability to contract a needed employee facilitates business and diminishes costs.

Difficulty of termination raises the cost of doing business. The complexity of the termination process allows an undesirable employee to affect the company for an excessive period of time. Dismissed employees can take their case to the labor court, whatever the reasons for firing and however sound the evidence against them. Once hearings have begun, the termination procedures can take days or weeks, and may be inconclusive. Costs to businesses are passed on to the consumer, and labor costs are no exception. For the tourism sector, where evidence indicates that Namibia is becoming decreasingly competitive in pricing, the negative effect of termination costs could have an impact on the industry's future.

Recommendations

Maintain the competitive advantages of the hiring process. While no current proposal threatens this advantage, groups such as the Namibian Employers Federation and, within the tourism industry, FENATA, should maintain vigilance over its standing.

Seek effective measures to mitigate the delays and costs of firing. There should be a means to curtail access to the courts for both terminations based on redundancy and on misconduct. One avenue is through a reinforcement of an existing, but weak alternative dispute mechanism. Mediation and arbitration are not unknown in Namibia, and the measures that need to be taken have been amply documented.[6]

C. Labor Hours

1) Description

Under both the new and old Labor Acts, ordinary hours of work are limited to 45 hours per week. The old Act, which is still in effect, limits the maximum ordinary hours per day to nine, whereas the Labor Act of 2004 is silent on maximum daily hours.

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[6] See Clement Daniels *et al*., "Dispute Resolution in Namibia," published in *Continuity and Change* (Windhoek: Gamsberg MacMillan, 1997).

Overtime is limited to a maximum of three hours per day and ten hours per week. Since the Act prohibits an employee, even with consent, to work in excess of 12 hours per day, there remains room for flexibility. Sundays may be declared ordinary working days, meaning that an employee receives his customary wages for regular hours worked. Overtime on Sundays, however, must be remunerated at twice the regular rate, even if the day is considered an ordinary working day. Overtime on other days is paid at 1.5 times the regular rate.

Night work refers to any work done between 20h00 and 07h00. Night work is compensated at 1.06 percent of the regular hourly rate. If, however, the night work constitutes overtime, then a 6 percent increase is made to the overtime rate.[7]

2) Analysis

The hospitality industry has scheduling requirements of employees that differ greatly from other service industries. Restaurants often have late-night hours, and hotels must keep some staff on duty during the 24-hour period. Most scheduled businesses in the tourism industry also require some personnel on duty during other than customary times.

Tourism investors speak with concern that the new Labor Act fails to address the needs of the industry, that in fact the Ministry has ignored appeals from the tourism sector to increase flexibility of hours. During the course of the present research, however, no documentation emerged that spelled out the industry's needs, and the draft *National Tourism Policy for Namibia* makes no mention of the subject.

There is little that appears on the surface as seriously objectionable in the new Act—except that the Act has yet to be implemented.

Recommendations

Analyze the Labor Act of 2004 in light of the needs of tourism operators and accommodation establishments. Private associations such as HAN and FENATA are well placed to conduct a straightforward analysis. A committee should also seek clarifications with the Ministry of Labor and with one or more private labor attorneys.

Support implementation of the Act. Once the tourism sector is satisfied that its requirements are met, or at least not violated, by the Labor Act of 2004, the MET, NTB, and the associations should push for its effective implementation as a ministerial ordinance.

[7] A good comparison of the old and new Acts with regard to wages is found in the *Namibian Labour Lexicon Vol 2* (Windhoek: Namibian Institute for Democracy, 2004), pp. 62-64.

D. Social Programs: Affirmative Action and Black Empowerment

1) Affirmative Action

The Affirmative Action Act of 1998 designated the following groups of Namibian citizens as *previously disadvantaged persons* and, in consequence, as the target group for the preferential treatment conferred by the legislation:

- racially disadvantaged persons;
- women; and
- the physically disabled.

Employers with fifty or more employees are obliged by law to comply with the Affirmative Action Act. Compliance means demonstrating efforts to reach specific targets in the employment of previously disadvantaged persons as reflected in mandatory Affirmative Action Reports. Reports must be submitted annually and comprise the following elements:

- A Statistical Report;
- An Affirmative Action Plan;
- A Summary of goals, benchmarks, objectives;
- Names of non-Namibian employees and their understudies; and
- Records and documents used in preparation of the reports.

The procedures for preparing the report are stipulated clearly in the legislation, as is the format of seventeen detailed tables.

2) Black Empowerment (BE)

BE has no statutory existence in Namibia. In contrast to South Africa, where much of the inspiration for BE comes from, Namibia's legislation makes no mention of the concept. Under the Affirmative Action statutes, black Namibians enjoy equal status with the other two previously disadvantaged groups, which comprise women and handicapped people of every race and ethnicity, including white European.

3) Analysis

The Affirmative Action monitoring system is probably more detailed and complex than serves the interest of the program. Although few investors contest the value of the program's objectives, they indicate that compliance through the Affirmative Action reports is burdensome. Some larger firms dedicate one or more staff in the HR department exclusively to advancing the company's Affirmative Action commitments and to preparing the reports. There is no on-line reporting. The Government currently is considering a proposal to extend Affirmative Action compliance obligations to businesses with 25 or more employees.

Black empowerment, while enshrined in no legislation, has taken a seat in the boardroom of Namibian business in recent years. While Affirmative Action is essentially a program of social redress through employment, BE narrows the target group and emphasizes ownership. Companies and, in some sectors, trade associations have drafted BE charters in anticipation of legislative action. The umbrella association for tourism, FENATA, prepared a Transformation Charter emphasizing broad-based black economic empowerment. The charter was blessed by the NTB and adopted by the FENATA membership in 2004. FENATA leadership has described the preparation and aggressive promotion of the charter as essentially pre-emptive action to ensure that members in the tourism sector would not be caught unprepared by Government action.

Local investors and policymakers comment diversely on BE. It is sometimes regarded as movement doing belated justice to those who most suffered under apartheid and who sacrificed most in the struggle for independence. At other times it is viewed as flawed because it is contributing more to the wealth of a class of black Namibians already amply empowered. Some respondents believe that legislation is imminent and inevitable; others believe it will not become a Government program for a few years, if ever.

Additionally many influential private investors and entrepreneurs in Namibia have commented that they are indeed intent on assisting the Government in its pursuit towards Vision 2030 voluntarily. And that the process of both empowering local employees and contributing to livelihood change towards poverty reduction is as much a part of their business as profitability; that creates the wealth to instigate deeper and wider empowerment processes.

Issues

Affirmative Action compliance and reporting obligations may be extended to businesses with only 25 employees. Such a measure could place a real burden on small companies. It could equally prove counterproductive in terms of the purpose of the Affirmative Action reports, which is effective monitoring of socioeconomic progress. The Affirmative Action Committee is already stretched to limits in handling the reports it receives from businesses with 50 or more employees. If it cannot analyze the reports effectively, real monitoring could give way to a checklist of counting completed tables. For the tourism sector, the current compliance level of fifty employees affects only the larger hotels and lodges; a majority of tourism-related businesses—accommodation and others—employ fewer than fifty persons.

As currently and largely informally implemented, BE enriches the already empowered. Because BE is conceived as an ownership program, businesses wishing to demonstrate compliance have sold a percentage of shares to BE groups. The result is often non-productive portfolio investment with no extension of wealth or knowledge to disenfranchised black citizens. Potential investors will feel they have to calculate the costs of equity sharing into their business plans. These costs will be passed on to consumers when possible; in the tourism sector the consumer is the tourist, many of whom plan vacations by comparing costs of similar destinations, and Namibia is seen as an expensive destination by many.

BE compliance is eclipsing other pressing concerns in the tourism sector. If one judges by its charter, memoranda to members, and other writings, FENATA has consecrated more time and space to broad-based black empowerment than to any other issue, including destination marketing. The Tourism Council—a forum through which all parties involved in the tourism industry meet periodically to discuss issues—has in its informal statutes six responsibilities, five of which are directly related to BE.[8] The fact is that a social program with no legal content, that may or may not become law, is dominating the tourism agenda.

[8] The Tourism Council is at present supported by FENATA. It is discussed below in the chapter on Institutions.

BE, as currently presented, will be a source of insecurity to potential foreign investors in tourism. The reason for discomfort does not lie in objectives attributed to the program; it lies in the utter absence of clarity. If Namibian businesspeople feel confused about the direction, status, and requirements of BE, foreign investors will be extremely cautious before committing to an investment.

BE presents an additional challenge to addressing shortage of skills in the tourism industry. Compliance with both Affirmative Action and BE may in some instances complicate the real needs of tourism businesses to employ people with the skills needed to satisfy their customers.

An effective BE, *per se*, has little basis for efficiency without simultaneously reducing the literacy quotient and improving education in Namibia. Research for this roadmap suggests that most existing investors are informally implementing BE because it is good for business. At the same time, however, there is continued frustration over the substantial capacity and skills gaps relative to the needs of the industry. This is both stated and acknowledged at senior government levels.

Recommendations

Lower the threshold for relevant employers less drastically than what is proposed. Two reasons argue in favor of not reducing the threshold to firms with 25 employees. First, the number of Affirmative Action Reports will increase exponentially and will be likely to clog the review system. Second, the burden on small businesses could prove intolerable under the current requirements for producing the Affirmative Action Reports.

Make clear that BE means *broad-based* and should be implemented with this in mind. FENATA's Transformation Charter makes the argument clearly and convincingly. Policymakers, beginning with the MET, should openly adopt similar language and concepts.

Reduce the emphasis on BE when it comes at the expense of important concerns to the viability and growth of tourism. Currently disadvantaged groups will not benefit from tourism unless tourism grows. Reducing the emphasis on BE does not mean discarding it.

Clarify the meaning and importance of BE. Only government officials at senior levels can fulfill this recommendation. The present tenuousness of the BE concept does a disservice to everyone save those few who have successfully exploited it for themselves. In the absence of action at the highest levels of government, the MET, NTB, and the NIC should find a concerted, transparent, and actionable position.

Analyze the equation involving BE and short-term acquisition of necessary skills for tourism development. It is unrealistic to say or expect that current training institutions, along with employer good will, will suffice to build an indigenous skill pool. A proper balance must be found that allows social economic redress to advance without undermining one of the pillars of Namibia's growth.

- **REPORTING**

This section covers the policy, administrative, and procedural aspects of establishing a business in Namibia and securing the requisite licenses and permits to begin trading. The primary concern is with the foreign investor; yet nearly all of the procedural requirements are equally relevant to the domestic businessperson. Because the foreign investment code may be a starting point in the research of external investors who want to explore opportunities in Namibia's tourism industry, the section will begin with a discussion of that legislation. It will explain the various types of business entities available to an investor and will then cover company registration and mandatory licenses.

A. The Foreign Investment Act

1) Description

The Foreign Investment Act of 1990 guarantees nondiscriminatory conduct towards foreign nationals and their businesses. The Act contains, however, a provision allowing the Minister of Trade at any time to reserve specific sectors exclusively for Namibians. But the primary objective of the Foreign Investment Act is to define the terms of "Status Investments," reserved only for foreign nationals with assets of a certain value and in which a series of criteria related to Namibia's development objectives, employment and training, and foreign exchange are deemed to be met. The bearer of a Certificate of Status Investment is eligible for benefits regarding access to and transfer of foreign currency.

2) Analysis

Issue

The Foreign Investment Act, drafted in 1990 and amended in 1993, has been rendered obsolete by Namibia's own liberalization of foreign exchange controls.[9] It is deficient in not specifying sectors reserved for Namibian nationals—a ubiquitous practice in OECD as well as in developing countries. It confuses potential investors with its ambiguous promises and internal contradictions. The IFC made similar comments on the Act in a study of regulatory barriers tens years ago.[10]

Recommendation

Draft an entirely new Foreign Investment Act. A new Act should contain unambiguous assurances of national treatment, specify sectors reserved for nationals, eliminate the threat of future nationalizations, and abolish the status certificate in favor of transparent incentives open to all who meet the established criteria. The new Act should take into account international best practices in leading as well as in emerging economies. It should also mention the four pillars of the Namibian economy, to include tourism.

B. Business Registration

Regarding the establishment and registration of new business, Namibia presents neither formidable obstacles nor exceptional ease of process. The chart below places Namibia in a middle according to the World Bank's ranking system.

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[9] See a presentation of regulations in *Doing Business in Namibia* (Windhoek: Price Waterhouse Coopers, 2003), pp. 28–34.
[10] "Namibia: Administrative Barriers to Investment," (Washington, DC: World Bank, 1996).

Table 2.3: Starting a Business

Country	Procedures	Time in Days	Cost as % GNI/capita
All OECD	7	20	7
Singapore	6	6	1
UK	6	18	1
South Africa	9	38	9
Namibia	10	95	19
Botswana	11	108	11
Tanzania	13	35	161
All Sub-Saharan Africa	11	64	215

source: *Doing Business in 2006*

1) Business Types and Registration

MTI regulations allow a diversity of business structures ranging from sole proprietorships to public shareholding companies. Investors in the tourism sector are attracted almost exclusively to public or private shareholding companies, as defined in the Companies Act of 2004,[11] or in a limited liability entity called the close corporation. The latter, defined in the Close Corporations Act of 1988, is far easier to constitute and is particularly attractive to Namibians and foreign residents. Most—but by no means all—small resorts, guest houses, and lodges are registered as close corporations.

Electronic registration of firms is unavailable in Namibia. All investors must at some point present themselves personally or through an attorney at the Registrar of Companies at the MTI. Close corporations can be established without the assistance of an attorney, but companies cannot. Interested parties can find information on the required procedures at either the MTI or the NIC or on the MTI website.[12] At this stage investors in the tourism sector follow precisely the same procedures as any other investor.

2) Analysis

Issues

There is an increasingly serious deliberation on limiting the close corporation to Namibian nationals. If followed through, future legislation could bar foreigners from a flexible limited liability entity eminently suited to small and medium firms. Depending on how the legislation is written, it could have an impact on permanent residents who do not claim nationality.

The procedural and documentary requirements for setting up a company are excessive. While neither of these represents an obstacle to business formation, their complexity will defy efforts to create a straightforward Internet-based system of registration, which nearly all OECD countries currently offer and which is the global best-practices trend. Foreign investors in tourism increasingly look first to the Internet for information, documents, and procedural facilities.

[11] The new Companies Act—improved and modernized over the former legislation—is still awaiting implementation.
[12] The 2005 FDI Roadmap presents the procedures in extensive detail along with commentary and analysis. The MTI publishes a helpful brochure, "How to Register a Business in Namibia."

The Registrar of Companies is hobbled by the absence of a computer to store new and check existing names and to document electronically any aspect of the registration process. While the office functions efficiently at present, expansion in business formation in tourism of any other economic sector will threaten to clog the system.

Recommendations

The MTI should seek an alternative to strict limitation of the close corporation to Namibian nationals. The perceived abuses of the close corporation—ease of land transfer without registration, ease of entry for foreigners seeking to set up a front business for other interests—can be addressed by other means. Disallowing non-nationals access to a simple limited liability company is inconsistent with best international practice.

As earlier proposed in the *Namibia Investor Roadmap*, the MTI should submit the procedures in the Registrar's Office to process reengineering. The exercise must be conducted by experts in process reengineering who have broad experience in business registration and licensing.

Computerize first the name registration system. Partly as a result of the *Namibia Roadmap,* the MTI has begun planning full computerization of the ministry. However, a desktop computer with a spreadsheet program would create exponential efficiencies in the Registry.

C. Tourism Licenses and Permits

The World Bank rankings for securing licenses to trade place Namibia relatively unfavorably.

Table 2.4: Obtaining Licenses

Country	Procedures	Time in Days	Cost % income/capita
All OECD	14	147	75
Singapore	11	129	24
UK	19	115	70
South Africa	18	176	38
Botswana	42	160	299
Namibia	11	169	892
Tanzania	26	13	2910
All Sub-Saharan Africa	20	252	1597

Source: *Doing Business in 2006*

As revealed in Table 2.4, neither numbers of procedures, nor the time to get licenses, is worse than mid-range. Namibia's costs, however, appear excessive. This table is probably not representative of the tourism sector, where both costs and delays, according to respondents and the regulations, are reasonable by all standards. Because licensing requirements for most businesses are light in Namibia, the figures in the table are likely to have been skewed by the mining and fishing industries, which do impose considerable licensing burdens.

1) Regulated Businesses

The Namibia Tourism Board Act of 2000 established the regulatory framework for the tourism industry. In 2004, the MET's Notice number 3,235 in the Gazette, "Declaration of Tourism Regulated Sectors," provides details and the implementation ordinances for registration and regulation of all tourism related business. The Act and the Notice place businesses into one of two categories: Accommodation Establishments and Regulated Businesses.

Accommodations comprise ten types:

- Backpacker hostels
- B&B establishments
- Campsites
- Camping and caravan parks
- Guest farms and houses
- Hotels and hotel pensions
- Lodges
- Self-catering establishments
- Tented camps and tented lodges.

Regulated Businesses are also ten in number:

- Activity operators
- Air Charter operators
- Booking agents
- Conference-centre operators
- Foreign tour operators
- Shuttle and transport service operators
- Tour facilitators
- Tour and safari operators
- Trophy-hunting operators
- Vehicle rental operators.

2) Registering a Tourism Business

The NTB handles the registration process for all scheduled businesses. Full information on requirements is available in the official Notice and, with greater clarity, in three pamphlets published by the NTB: "Namibian Tourism Standards" parts 1, 2, and 3 (part 4 covers the tourism levy). Registration is mandatory for all businesses in the two categories listed above. Although a company may exist without the registration, it cannot open for trade until it has completed the process and been granted its certificate. Registration is one-time only.

Fees for registering fall into two categories: application and registration. The former must be paid upon submission of an application; the latter upon approval. For accommodations, application fees range from N$200 (US$33) for a single-unit guest house to N$12,000 (US$2,000) for a resort with sixty rooms or more. Registration fees range from a minimum of N$50 ($8) to a maximum of N$3,000 (US$500). Even the largest and most luxurious resort will not pay fees in excess of N$15,000 (US$2,500). Fees for regulated businesses fall within the same range as for accommodations. The exception is for foreign tour operators, who must pay an application fee of N$10,000 (US$1,666) plus N$500 (US$83) for each vehicle with no maximum limit. Regardless of the investor's category for registration, he or she must acquire the requisite documentation and complete the registration procedures at the NTB.

a) Documentation Requirements

Irrespective of the type of business, most applicants are required to submit:

- Certificate of incorporation issued by the Registrar of Companies
- Right of occupancy of premises
- Statement of services to be rendered
- Evidence of liability insurance where applicable
- Other permits required for type of business, e.g. health or liquor licenses.

Depending on the nature of the business, an Environmental Impact Assessment (EIA) may be required. The EIA is discussed below in the section on Locating.

b) Procedural Requirements

An application for registration certificate follows a series of straightforward steps:

Step 1) The Investor brings details of investment project to the NTB. He meets with the Registry Clerk who: (i) determines classification of regulated business according to Investor's plans; (ii) provides NTB with a brochure with details of classification and registration requirements; (iii) gives the Investor a registration form, which includes a list of required documents; and (iv) explains fee calculations and provides the written fee schedule.

Step 2) The Investor returns to NTB with a completed registration form, with certified copies of required documents (this can be done by mail). At this point, the clerk examines the investor's submission for completeness and enters basic information into the database.

Step 3) The Investor pays (or mails) required fee at the cashier window, where the Cashier delivers (or mails) a receipt and a letter of acknowledgment to investor; enters the payment into the database; and places the application with a copy of the receipt in Investor's folder.

Step 4) The Investor receives notification of approval and asked to make full payment, if still outstanding. He makes payment directly at the NTB office or through the banking system.

Step 5) The Investor receives the certificate.

The time between the first step and completion of the second step depends entirely on the investor's expeditiousness in gathering and certifying documentation. From submission of complete application to approval, the average delay according to NTB is two weeks in the Windhoek area, but can reach two months if the project is located in remote areas. This disparity is due to Steps 3 and 4 when an inspector physically visits the site.

3) Analysis

Licensing of tourism businesses in Namibia is grounded on the most solid reason for any permitting process: protection of the consumer—in this case the tourist—and establishment of standards that benefit the industry. Investors appear to give broad support to the *raison d'etre* of the registration and have no formal objections to its implementation.

Namibia's classification of tourism businesses is unexceptionable and adheres to international norms. There is at present no reason to suggest changes to the taxonomy employed.

The fee structure is modest. For a one-room guest house, total fees represent less than 2 percent of the Gross National Index (GNI) per capita; based on the purchasing power parity, they are about 1.5 percent. This is an extremely small cash payment for any investor financially capable of running an acceptable and viable business.

With regard to obtaining registration, several aspects deserve notice. First, the investor, or his or her representative, needs to appear only once at the NTB. Other steps may be handled by mail, and respondents have affirmed that application via post is somewhat slower but no less certain. Second, most steps are internal to the NTB, and many involve entry into a secure database which functions on a LAN. Finally, there are no supernumerary requirements in the process and no gaps in information.

Issues

The NTB is considering mandating annual registration renewal. The strongest argument in favor of this requirement seems to be increased revenue to the NTB. Several reasons argue against this change. First, if the annual renewal is based on revenue motivations, then the justification for licensing in the tourism sector will become less transparent. Second, if the industry perceives that annual registration is a means to increase NTB's income, investors' voluntary compliance will diminish, with the consequence that enforcement will have to be strengthened and cooperation between the NTB and its clients will suffer. At present, just to implement annual registration, the NTB is stretched to its human-resource capacity limits. To enforce annual re-registration, the NTB will have to increase the number of inspectors, or compromise the quality of the work being done, and the NTB's regulatory enforcement function will begin to assume far greater importance than its principal function of destination marketing. Finally, changes to the regulatory environment can easily affect potential investor confidence, both foreign and domestic. Predictability of rules and costs is a high priority for business.

Recommendations

Consider alternatives to annual registration. It should not be mandated for financial reasons. Licensing purely for revenue gains is endemic to developing countries and is among the least attractive features for foreign investors. There are alternatives considerations for reinforcing the budget of the NTB, all of them better than more frequent licensing. Inspections for genuine quality control reasons are justified and probably need to be mandated. Such inspections could be on a periodic basis of every three to five years and need not imply actual re-registration. Their cost can be borne by the industry.

- **LOCATING**

This section covers the acquisition of property in Namibia by investors in the tourism industry. It also addresses legislation for environmental protection.

Approximately 37 percent of Namibia's land is owned by the state, much of which is inhabited by subsistence farmers and traditional communities, and 43 percent is in privately held, large farmsteads.[13] The remaining land is either private land within municipal boundaries or land which has been restricted for specific purposes. While privately held land is secure of tenure and its sale, transfer, and registration are relatively straightforward, the issues around communal land are more complex. It is certainly these issues that lower Namibia's ranking in the World Bank's system of comparative evaluation.

Table 2.5: Registering Property

Country	Procedures	Time in Days	Cost % Property Value
All OECD	5	32	5
Singapore	3	9	3
UK	2	21	4
South Africa	6	23	11
Botswana	6	69	5
Namibia	9	28	9
Tanzania	12	61	12
All Sub-Saharan Africa	7	118	13

source: *Doing Business in 2006*

A. Acquiring Land

1) Acquiring Private Land in Municipal Boundaries

An investor seeking property within municipal boundaries can complete a zone search in under an hour at the municipal offices.[14] Once negotiations are underway, the buyer obtains a Clearance Certificate from the city Cash Office indicating that the land is free of debt obligations.

The next mandatory process is for the title transfer to be registered with the national Lands Registry, and in Namibia it is compulsory for an investor to retain a lawyer to prepare and notarize certain documents. A conveyancer, who collects the required taxes and fees from the investor, presents the following documents on the investor's behalf:

- Bank guarantee or proof of deposit of funds;
- Passport or official Namibian identification card;
- Marriage certificate, if applicable; and
- Local certificate of incorporation, if applicable.

The result of the deeds registry process is to receive a copy of the property deed with an official registry signature, date, government stamp, and document number.

[13] Southern Africa Institute for Environmental Assessment, *Environmental Impact Assessment in Southern Africa,* pg. 150.
[14] This process is based primarily on procedures in Windhoek. Slight variances among cities are likely.

In all, an investor can expect to pay an average of 6.5%-10% of the sale price in attorney's fees and transaction taxes, including transfer duty. In addition, the sale of commercial and industrial property attracts a VAT tax of 15%, but this can be claimed back if the purchaser registers with the tax authorities. Lawyers' fees are prescribed by law and range from N$800 (US$123) for property under N$20,000 (US$3,077) in value to more than N$6,000 (US$923) for property over N$500,000 (US$76,923). Registering a deed of transfer costs N$300 (US$46.15) and obtaining a certified copy of a deed costs N$225 (US$34.61).

The examination process typically takes seven or eight working days, according to Land Registry officials.

2) Acquiring Municipal Land

An investor in the tourism sector may wish to purchase land owned by the municipality. The Local Authorities Act of 1992 articulates the powers and responsibilities of municipalities in Namibia. While municipalities occasionally offer land for sale through public tender, most investors will follow the procedures for unsolicited purchase. The following are the main steps for acquiring municipal land in this manner. They may vary somewhat among municipalities.

Step 1) The investor sends a written request specifying the proposed use and the zoning required. Following this request, the city responds in writing describing land available that corresponds to the zoning needs specified. .

Step 2) The investor chooses a plot and prepares a development proposal and a site development plan along with the price he or she is prepared to offer.

Step 3) If indicated by city guidelines, an investor will be required to obtain an EIA prior to completing the sale. The technical committee will then make a recommendation to the City Council's Management Committee whose recommendations are submitted once a month to full Council. Among the Council's criteria for making a decision are the feasibility of the project, potential for job creation, and offer price for the land.

Step 4) Once a land sale is approved by the City Council, the investor must advertise twice in the local media and allow for a public objection period of ten days.

Step 5) If there is no objection, the investor will execute the sale by signing a contract with the City Council and paying a deposit for the land. (After furnishing the 10% deposit, previously disadvantaged persons are able to pay the balance of the purchase price in 36 monthly installments plus 5% interest.)

Step 6) The investor registers the sale in the local Deeds Office. The registration process takes about 14 to 15 days.

Step 7) Finally, the investor, through a conveyancer, registers the title deed at the National Title Deeds Registry in Windhoek.

3) Acquiring Land from the State

Land access from the state is governed by the Agricultural (Commercial) Land Reform Act of 1995 and the Communal Land Reform Act of 2002. The latter act governs the process for individuals, including foreigners, to obtain rights of usage under communal or traditional jurisdiction.

If an investor wishes to purchase public land for a tourism project outside municipal boundaries, he will negotiate with the Ministry of Lands, Resettlement, and Rehabilitation (MLRR). A foreign investor seeking to purchase a farm or rural land needs to obtain approval from the Minister. Foreign investors are prohibited from acquiring majority ownership of a close corporation farm business without prior approval from the Minister. If acquiring rural land that is still in government hands, in most cases, an investor will only be offered to lease the land; the period may extend to 99 years.

4) Acquiring Rural Land from a Private Owner

Not infrequently, both foreign and domestic investors seek to purchase privately owned land in rural areas for tourism projects. Once the interested party has identified the property and negotiated a preliminary sales agreement with the owner, he must get approval from the MLRR. The application must contain certain forms, available from the Ministry, and a business plan. The MLRR reviews the application and discusses it with other ministries if, for example, agriculture or tourism is involved or the applicant is a foreigner. If successful, the MLRR issues the investor a certificate of approval. The entire process takes about four months. Once approved, the sale may take place and the transfer and registry of title follows steps similar to those described above for other land transactions.

5) Acquiring Land Leases in Communal Conservancies

Conservancies have been established to find solutions to the management of natural resources in lands held by several owners or by subsistence farmers governed by traditional authorities. A communal conservancy consists of areas of communal land on which members have pooled resources to use wildlife sustainably.[15] Private investors can secure leasehold property from traditional authorities.[16] The lands are under the custodianship of traditional authorities, but there is no ownership of the land, either by the authorities, the farmers and inhabitants, or the conservancy.

Business use of communal lands requires the consent of local authorities as well as permission from the MLRR. Successful applicants receive a Permission to Occupy the designated land under a leasing agreement. No minimal terms are prescribed for the length of the lease.

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[15] See "Communal Area Conservancies in Namibia" (Windhoek: The Ministry of Environment and Tourism, n.d.) and "Namibia's Communal Conservancies" (Windhoek: NASCO, 2005).
[16] The Nature Conservation Amendment Act of 1995 gave legal personality to conservancies.

B. National Environmental Approval

1) The Regulations

As explained in the sections above, registering, or obtaining authorization for the sale and transfer of land can trigger requirements for an EIA. Investors in tourism projects enjoy some advantage in securing environmental clearances because their line ministry, the MET, is also the authorizing agency. Investors in other sectors must proceed through their respective line ministries, and this can slow the process.

Environmental clearance and the EIA process will be governed by the Environmental Management and Assessment Act of 2005 as soon as the legislation is implemented by ministerial notification.[17]

The Act contains a list of scheduled activities requiring environmental clearance. Clearance does not imply a requirement for an EIA. For the tourism investor, scheduled activities may include:

- Construction of tourism facilities and associated structures, including all-wheel drive trails;
- Rezoning of land for nature conservation;
- Clearance of forest areas, reforestation, and afforestation.

Under the Act, the Minister will appoint an Environmental Commissioner whose duties include, *inter alia*, receipt of applications for projects, determination of the need for an EIA, review of the assessment process, advising the minister on issuance of a certificate.

2) The Clearance Process

An investor in the tourism sector who intends to commence a project listed as a scheduled activity—that is, any business referred to in the 2004 notice number 3235 in the Gazette—must submit to the Environmental Commissioner an application for an environmental clearance certificate. The application must be on a prescribed form and accompanied by a description of the intended activity.

The Environmental Commissioner registers the application, notifies relevant parties, and convenes, if necessary, a review committee. Following the review, the Commissioner may recommend that the Minister issue a clearance certificate, or a certificate with conditions attached, or require an EIA. Only the Minister may issue the certificate.

If the Environmental Commissioner recommends an EIA, the decision must be communicated to the Minister and the investor, along with an explanation of the form, scope, and content of the assessment. The Ministry does not prescribe the entity charged with carrying out the assessment. The entity need not be a Namibian firm, but it must present its qualifying credentials. The nature of these credentials is not, however, explicitly set forth.

[17] Policies and procedures herein follow those in the 2005 Act.

If the Environmental Commissioner deems the EIA satisfactory as submitted, he may recommend to the Minister issuance of the clearance certificate; otherwise he may ask the proponent of the project for additional information or analysis.

Issues

The security of land tenure in Namibia may be subject to misunderstandings. Investors in the tourism sector express satisfaction with the procedures and costs of land acquisition, transfer, and registration, and they are in general agreement that land tenure within municipal boundaries is secure. This security of tenure may be partially obscured by genuine concerns surrounding rural and communal lands. Foreign investors are likely to be confused by the issues and question overall security of land tenure in Namibia. Their confusion arises from the fact that, as explained below, there is no formal ownership in communal lands and disputes over rights and boundaries in these areas are frequent. Also acquisition of rural land is not nearly as straightforward as property transfer in municipalities: it requires ministerial and communal authorizations.

The transfer of land ownership through the sale of close corporations is under scrutiny by the GON. One way foreigners can acquire rural land is through the purchase of farms registered as close corporations. This transfer eschews certain tax payments and keeps the purchase of rural land by foreign nationals concealed from authorities. This is one reason that the MTI is debating limiting ownership of close corporations to Namibian nationals.

Security of rights in communal lands is questionable in various aspects. Communal law is customary, unsystematic, and largely unwritten. Enforcement is often questionable. There is no land ownership. Leasehold rights must be authorized by both traditional authorities and the MLRR. Any lease longer than ten years must be submitted to a special approval process within the Ministry, as must any lease for property exceeding 50 hectares. These and other factors—such as the possibility of a second lease being awarded without respect to boundaries—give rise to strong perceptions that land tenure in community areas and conservancies is tenuous. Foreign investors will be extremely hesitant to commit to a project under these conditions.[18]

Recommendations

Emphasize the ease of procedures for acquiring urban and municipal land. Advertisement of the benefits Namibia offers in this domain need not hide the issues surrounding communal land. Both the NIC and the NTB should make an effort to combat perceptions grown out of misunderstandings. It will enhance the attractiveness of Namibia to foreign investors in tourism projects if the security of ownership in municipal boundaries is made clear in promotional documents and campaigns.

Seek means to curtail fraud and surreptitious activities without barring foreigners entirely from close corporations. It would be unusual, if not an anomaly, in the world of business policy to reserve exclusively for nationals the only form of limited liability firm ideally suited to small and medium business. Relatively small-scale businesses held by resident foreigners could add significantly to the growth of tourism in Namibia.

[18] This discussion owes heavily to the excellent, incisive study, "Identification and Removal of Barriers to Acceptable Tourism Development on Communal Land in Namibia," by Peter John Massyn et alii (Windhoek: MAFISA, 2004).

Implement recommendations leading to integrated land-use planning that enhances tenure in communal lands. The Government has already received recommendations to which the present document cannot fruitfully add depth. "The Identification and Removal of Barriers to Acceptable Tourism Development on Communal Land in Namibia," cited above, is an advanced starting point for concrete steps forward.

Implement the Environmental Management and Assessment Act of 2005. At the same time, implementation ordinances should provide guidance to use of the legislation. The ordinances should specify those industries in which an EIA is mandatory, should provide a full legal framework for penalties and appeals, and should offer guidelines for cases in which a simpler, scoping study is sufficient in lieu of a full EIA.

- **OPERATING**

This section will focus exclusively on exchange controls, a subject of singular importance to the evolution of tourism as a pillar of economic growth for Namibia. The Operating chapter of the 2005 Investor Roadmap for Namibia includes ample coverage of income tax payments and customs controls. Nothing has changed in these areas since the dissemination of that report, nor is there any aspect which is of unique concern to tourism investments.

A. The Regulatory Context

Exchange Control in Namibia is regulated by the:

- Currency and Exchanges Act of 1933;
- Exchange Control Regulations, 1961, Orders and Rules, as amended;
- Common Monetary Area (CMA) Multilateral Monetary Agreement;
- CMA Bilateral Monetary Agreement;
- Bank of Namibia Act of 1997, Section 46.

The Minister of Finance has delegated to the Bank of Namibia (BON) all the powers for carrying out the day-to-day administration of Exchange Control.[19] The BON has, in turn, delegated several of the exchange control functions to specially appointed commercial banks to act as Authorized Dealers in foreign exchange. The BON's Exchange Control Rulings are issued to Authorized Dealers; the Rulings are not made available to the public.

Investors, including those with interests in the tourism sector, fall into three categories of residential status defined by Namibia's exchange control regulations: permanent residents, temporary residents, and nonresidents.

1) Foreign Currency Accounts

Both permanent and temporary residents of Namibia can open foreign currency accounts with an authorized dealer in Namibia. Temporary residents in the tourism sector would include, for example, foreign nationals with work permits to serve as managers in hotels or other accommodation establishments. Nonresidents who are nationals or permanent residents of any of the other CMA countries (South Africa, Swaziland, and Lesotho) are also allowed to

[19]In terms of Regulation 22(E) of the Exchange Control Regulations 1961.

hold foreign currency accounts in Namibia. Individuals falling into this category could include, as an example, South Africans who have ownership in a tourism business in Namibia but who reside in South Africa.

Permanent residents of Namibia may not maintain bank accounts outside the CMA. However, Namibian natural persons may invest abroad up to an amount of N$750,000 (US$115,385) and may retain in foreign accounts abroad income earned from such investment. Temporary residents may maintain accounts abroad.

2) Remittances and Repatriation of Capital[20]

All foreign exchange transactions must be handled by Authorized Dealers under the regulations established by the BON.

Any company with over 75 percent non-resident ownership, which has borrowings in the Namibian financial market must obtain approval prior to remitting dividends or profits. Other companies may remit profits and dividends freely, once the relevant taxes have been deducted.

Technical and management fees, along with royalties, may be transferred abroad with approval from the authorized dealer. Similarly, directors' fees to nonresidents may be transferred with approval.

Proceeds from the sale of assets in Namibia owned by nonresidents are freely remittable; alternatively, the proceeds may be used by nonresidents for investment purposes within the CMA member countries. This facility is likely to be of relevance to certain categories of investors in the tourism sector.

Temporary residents—for example, foreign nationals with work permits to serve in a business in the NTB's schedule—may deal freely with their foreign assets as long as they do not put them at the disposal of any third party within the CMA. They are not required to remit to Namibia any income earned on such assets.

Foreign national with work permits may transfer outside of Namibia a reasonable proportion—normally two thirds—of their local earnings;[21] on completion of their stay, they may remit abroad all of their savings accumulated during their tenure in Namibia. Temporary residents are allowed to transfer their gratuities, leave pay, and bonuses provided there is substantiating documentation confirming that the funds do in fact represent amounts earned in Namibia.

Income earned abroad and foreign capital introduced by private individuals resident in Namibia may be retransferred abroad, provided the Authorized Dealer is satisfied that the income and/or capital had previously been converted to Namibian currency.

3) Foreign Direct Investment

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[20] Much of the discussion in this section is drawn from "Doing Business and Investing in Namibia," Pricewaterhouse Coopers (Windhoek: Pricewaterhouse Coopers, 2003), pp. 28–34. It is unusually difficult to obtain formal governmental policies on capital controls. Thus, e.g., "normally two-thirds" refers to practice rather than to strict regulation.

[21] These transfers must occur outside of the CMA member states.

There are no restrictions on inward capital transfers for investment purposes. Such transfers include establishment of branches and subsidiaries, the acquisition of equity (controlling or non-controlling) in existing Namibian companies, and the increase to capital of local subsidiaries.

4) Other Income (Invisible Exports)

Residents in Namibia are obliged to repatriate amounts due to them by nonresidents and to sell such amounts to an authorized dealer for exchange into Namibian Dollars. These foreign currency transfers include dividends, interest, profits, salaries, wages, directors' fees, and commissions.

B. Analysis

Issues

Currency exchange regulations are complex and not readily accessible. There is no readily available guide or brochure that sets forth foreign currency account and currency exchange regulations for the investor. Although current investors are generally satisfied with exchange control regulations in Namibia and with the efficacy of remittance mechanisms, new investors have no access to a clear explanation of the rules.

The Namibia Investment Centre reports inconsistency in the treatment of investors at the commercial banks. The Authorized Dealers do not provide investors with any copy of their regulations. Some investors apparently have greater ease in obtaining foreign currency or in effecting transfers than others. The NIC has been unable to determine the reasons for the apparent inconsistencies.

The usefulness of the Certificate of Status Investment is unclear. The Certificate of Status Investment is provided for in the Foreign Investment Act. Its principal benefits all relate to the certificate bearer's enhanced access to foreign currency and greater facility of remitting profits, fees, royalties, and dividends. The NIC considers the Act to have been rendered obsolete by progressive liberalization of currency controls since its enactment in 1990. The NIC also reports that many, possibly a majority, of new foreign investors show no interest in obtaining the Certificate of Status. Despite the liberalization of controls, however, there is some evidence that officials at the BON and at some of the Authorized Dealers apply different rules to Certificate holders than to other foreign investors.

A widespread perception of foreign exchange "leakage" is detrimental to the tourism sector. There is in Namibia a prevalent notion that the tourism industry is responsible for a loss of foreign currency. This perception, especially strong in official circles, emerges from the fact that foreign tourists sometimes pay a large percentage of their lodging and tour costs to travel businesses abroad. On occasion these receipts may go entirely or partially into the foreign accounts of persons who own businesses in Namibia and are either domiciled abroad or are permanent residents of Namibia. The common use of the word *leakage* is both unfortunate and inaccurate, since it implies a net loss of whatever is leaking. Two facts deserve consideration: First, the practice of paying for lodging and other bookings in ones home country is standard and will only increase; second, even the tourists who have made most of their payments abroad still make expenditures once in the country of destination.

They pay for meals in local restaurants, take taxis, purchase handcrafts, give tips, and make phone calls. Whatever they have paid for prior to arrival, their presence in Namibia represents a net gain of foreign currency. It is most certainly neither a loss nor a leakage. Nonetheless, this misperception can lead to suspicions and policies that run counter to the growth of tourism in Namibia and, for that reason, counter to the economic interests of the country.

Recommendations

Compile information on exchange control requirements and allowances and make it readily available to the public. The BON does not directly deal with the public in matters of exchange control; it is therefore unlikely to compile a document on exchange control requirements for the general investor. The Ministry of Trade and Industry has been given holistic responsibility for guiding the foreign direct investment process and has produced a useful pamphlet outlining requirement for the establishment of a company. It is in a good position to produce something similar for the investor on behalf of the Ministry of Finance and the BON.

Summon a forum of established foreign investors to probe the question of inconsistency in treatment at the commercial banks and the BON. It is important to get past the anecdotal evidence and discover where inconsistencies arise. The Namibian Employers' Federation and FENATA could be encouraged by both the NIC and the NTB to work together on this issue.

The Ministry of Trade and Industry should be encouraged to move ahead with a fundamental revision of the Foreign Investment Act. This recommendation echoes a similar one in Section III of this chapter. It will be imperative to compare the putative advantages conferred under the Certificate of Status with the remittances policies already in place. The best option in view of international best practice is to make currency controls as light as reasonable for the economy and extend them to all foreign direct investment. If this alternative remains out of reach in the political environment today, then the meaning of Status Investor should be made very clear and should be sufficiently attractive to encourage pursuit of it.

Combat the notion of net loss of foreign currency through tourism. The struggle should be led by the NTB in full coordination with the DOT at the Ministry. It should have the kind of coherence seen in the branding manual produced for the NTB: all parties in the tourism sector should be led to understand the issue and to speak consistently. A first step is to curtail the use, in discussions and in print, of the word *leakage* in this context. [22] Next is to understand how the issue fits, if it does, with the requirements on repatriation of monies earned under the concept of invisible exports (see paragraph A 4 above). The next step is the accumulation of data that demonstrates simply and clearly the net gain of tourism for Namibia's economy.

[22] A good place to start is with the draft *National Tourism Policy for Namibia* (June 2005 version), which accepts the term, if not the allegations, uncritically.

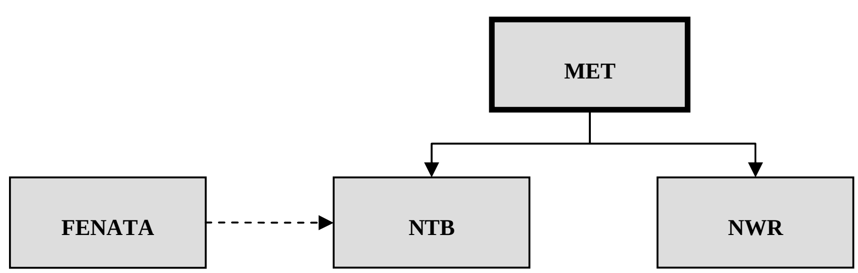
– CHAPTER THREE: THE INSTITUTIONAL ENVIRONMENT

This chapter covers the principal institutions affecting the policy, regulatory, and promotional aspects of tourism, as well as the leading private federation. It is important to note the institutional framework for tourism development and regulation and comment on ways in which the various institutions involved could work together to better improve tourism development in Namibia.

- **THE INSTITUTIONS AND THEIR ROLES**

The immediate institutional locus of tourism comprises those organizations for which the regulation, promotion, or management of tourism constitute a principal mandate. Three public sector organizations are at the heart of this network; one nonprofit association is also, arguably, part of the group. A structural chart follows:

Chart 3.1: The Core Institutions



The MET is the overall regulatory agency; the Namibian Tourism Board (NTB) has primary responsibility for marketing Namibia as a tourism destination; NWR manages public resources such as parks and resorts; and the FENATA advocates for policies on behalf of its private-sector membership.

A. The Ministry of Environment and Tourism (MET)

The MET is the line Ministry for all investors in the tourism sector. It has the following technical directorates:

- Scientific Services
- Gambling
- Parks and Wildlife Management
- Environmental Services
- The Department of Tourism (DOT)

Environmental Services is especially important for investors insofar as that department issues the Environmental Clearance Certificate.[23] The DOT embraces three subdivisions: Tourism Development; Policy, Planning and Management Information; and Community Based Tourism.

The most important policy document for tourism today is the year 2000 Act establishing the NTB. As with the Act establishing the NWR or the Act (in draft) for the Environmental Commissioner, the MET is the guiding agency and its minister issues the implementation directives. Senior officials from the ministry sit on or chair both NWR and NTB boards.

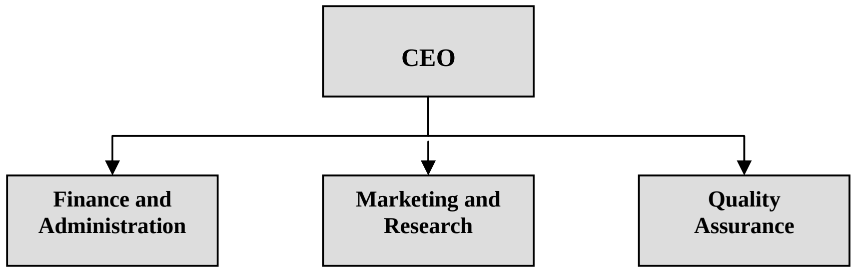
B. The Namibian Tourism Board

A statutory body with a board of directors created in 2000 by an Act of Parliament, the NTB is a public institution. The Minister appoints each of the five members of the Board and, from among the appointed members, nominates the chairperson. The board then appoints a Chief Executive Officer, who must be approved by the Minister. At present the Deputy Director of Tourism from the MET is Chairman of the Board.

As stipulated in the Act, the functions of the NTB are several and may be categorized into functions of marketing and promotion, registration, and standards, as well as functions related to policy. The policy roles involve implementation of the Act and advisory responsibilities to the Minister. They are carried out at the level of the CEO of the Board. The other functions are divided between the Marketing and Quality divisions of the NTB, whose organization chart follows:

[23] See the earlier chapter on "The Regulatory Environment" for a full discussion of clearance and of the EIA process.

Chart 3.2: The Namibia Tourism Board



The Marketing and Research Division has responsibility for the core mandate of the NTB: the promotion of Namibia as an internationally competitive tourism destination. Although its market research function has not yet begun, it has been active in promotional work. In addition to its office in Windhoek, open five days per week to the public, it maintains liaison offices in Frankfurt, Germany and in Cape Town, South Africa. It closed its London office for budgetary reasons but maintains an agent in the city. The NTB has produced several brochures including a branding brochure intended to harmonize Namibia's image and basic message among all tourist businesses in the country.[24]

The Quality Assurance (QA) Division has a primary regulatory enforcement function. It houses the office that grants the Certificate of Registration for all businesses classified as regulated businesses by the NTB and in accordance with the 2004 MET ordinance, *Declaration of Tourism Regulated Businesses*.[25] It determines the specific classification of any given entity, orients the investor, inspects the premises, and issues or denies issuance of the Certificate. It collects fees for the process. The QA Division is also the branch of the NTB that carries out grading of accommodation establishments in accordance with the Namibian system. Finally, QA has a Human Resources Development office whose responsibilities are to fulfill two of the functions of the Act, to:

- Promote the training of persons engaged in the tourism industry to ensure that they are adequately trained to provide services pertaining to that industry; and
- Give advice and guidance to persons engaged in the tourism industry.

To fulfill these functions, QA is in regular contact with the Polytechnic Institute, other training institutes, and has published a career guide for persons considering service in the industry as a career path. In addition to its internal administrative duties, the Finance Division collects the tourism levy.

C. Namibia Wildlife Resorts (NWR)

The NWR was established by an act of Parliament in 1999 as a parastatal organization wholly owned by the Government. It has a board of directors chaired by an official from the

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[24] *Branding Namibia: a Practical Guide* (Windhoek: The Namibia Tourism Board, n.d.).
[25] See the full description of the registration process in Section C.3) of Chapter <>: Licenses in the Tourism Sector.

Ministry of Finance; the board selects the management staff. The NWR is subsidized by direct budgetary allocations from the Ministry of Finance.

NWR's function is management of property and assets belonging to the Government and related to the tourism industry.[26] The organization has user rights but not ownership of the properties it manages. Accordingly, NWR runs all twenty-two resorts in the several national parks in which they are situated. The resorts fall into three categories: (i) wildlife reserves; (ii) natural attractions, such as dunes and warm springs; and (iii) national parks situated on the coast offering only seasonal attractiveness. The three resorts in Etosha National Park and two or three others are the only ones bringing in significant revenue, and their income cross-subsidizes the remaining locations.[27] NWR hires, trains, and manages the staff that runs the resorts and maintains the parks.

NWR runs a central reservation system in Windhoek with offices open to the public during normal business hours.

It is common knowledge across the entire tourism industry of Namibia, whether public or private, that the NWR has by and large failed in its mandate to manage the assets in its portfolio efficiently and effectively. The reasons for this serious shortcoming lie in the history of the parks and resorts themselves, in MET's management preceding the founding of NWR, and in the initial funding and staffing. The fact is that NWR remains seriously in arrears in its tax obligations,[28] the resorts it manages are—with the arguable exception of the three in Etosha—in various stages of disrepair, and the quality of service offered to the consumer is below international standards and pales before that offered by many private lodges established on the periphery of the national parks.

No one is more keenly aware of these issues, or more eager to find a solution to them, than the current and largely new NWR management itself. Outsourcing some or all of the management functions to one or more private companies is a subject of widespread discussion.

D. Federation of Namibian Tourism Associations (FENATA)

The Federation of Namibian Tourism Associations is an umbrella organization for eleven trade associations serving tourism in the country. In addition to its individual company membership, totaling over 1,400, FENATA brings together the following groups:

- Association of Namibian Travel Agents—ANTA
- Bed and Breakfast Association of Namibia—B&BAN
- Car and Rental Association of Namibia—CARAN
- Hospitality Association of Namibia—HAN
- Namibia Community Based Tourism Association—NACOBTA
- Namibia Professional Hunters Association—NAPHA
- Namibia Academy for Tourism and Hospitality—NATH
- Tour Guides Association of Namibia—TAN

[26] No privately owned resorts are allowed within national parks, although there are concessions to operate with short-term leases.
[27] Without a review of the financial statements, one cannot affirm that even these resorts alone are actually profitable.
[28] Because NWR is a public company even tough a parastatal, technically it must pay taxes to the Government. This is not the case with the NTB, which was never set up under the laws of the Company Act.

- Tour and Safari Association—TASA
- Tourism Related Namibian Business Association—TRENABA

FENATA has become in effect the private sector partner of the NTB. Its self-proclaimed mission is to speak for a united constituency and to bring the issues of its members to a national platform.[29] Accordingly, the organization played a significant role in shaping the regulations that were put into effect with the promulgation of Government Notices 136–139 in 2004.

FENATA's most salient single contribution in terms of policy appears to have been its recent Transformation Charter, ratified by the federation's membership in late 2004. The Charter is a policy of broad-based black economic empowerment for the tourism industry.[30]

E. The Tourism Council

The Council has no juristic or other formal existence. It is in effect a forum, filling a perceived vacuum and allowing all parties involved in the tourism industry to meet and discuss issues of concern. FENATA contributes to the Tourism Council, supporting it with a temporary secretariat and co-chairing its board with the NTB and the MET. The Council's first meeting occurred in February 2005. The Council is invested with the following responsibilities:

- Follow-up on the Charter
- Establish guidelines for compliance with the Charter
- Provide research and data for implementation of the Charter
- Monitor compliance with the Charter
- Provide advice to the industry on BBEE program implementation
- Provide updates on developments with the pending national BEE policy
- Promote and implement national tourism awareness programs[31]

The future of the Tourism Council remains in doubt owing to uncertain financial support.

F. Other Organizations

If the MET, NTB, NWR, and FENATA lie at the heart of the tourism industry—with FENATA representing the Government's privileged partner from the private sector—numerous other organizations are critical to the success of tourism and to regulations directly affecting it. These are discussed briefly below.

1) The Namibia Investment Centre

A Department of the Ministry of Trade and Industry, the Namibia Investment Centre is charged with the overall promotion of new investment, especially foreign direct investment, for the country. It engages in internal and external promotional activities, facilitates entrance for new investors, and coordinates with other ministries, not least of which is Home Affairs.

[29] This mission is expressed in an internal communication to its membership, "The Role of FENATA and its value to its Association Members and the Tourism Industry."
[30] Various industries and even certain companies have drafted BE charters. The first to have done so was NamPower.
[31] From a widely disseminated e-mail message from the NTB dated February 6, 2006.

The executive director of the NIC sits on the board of the NTB. Other than that formal presence, there is little coordination or synergy between the organizations.

2) The Ministries of Lands, Finance, and Home Affairs

The Ministry of Land, Resettlement, and Rehabilitation (MLRR) establishes a number of norms and regulations for the ownership, sales, and usage of both private and public land. In rural and communal areas of great importance to the growth of tourism, especially in the north of Namibia, the MLRR has promulgated a number of directives affecting parks, resorts, and concessions.

The Ministry of Finance has a seat on the board of the NWR and allocates public funds to the MET, the NWR, and the NTB. Its view of the economic value of tourism to Namibia will have a direct impact on the budgetary levels the line agencies receive.

The Ministry of Home Affairs is important to the tourism industry because only it can expedite, slow, or deny work permits needed to bring in qualified personnel to supplement the management and service skills that are in short supply in the domestic work force. The immigration services report to Home Affairs and process visas of entrants into Namibia, including tourists.

- **ANALYSIS**

Issues

The Market and Research Division of the NTB operates at only 50 percent capacity. Thus far it has focused almost exclusively on promotion. The market research realized to the present has been carried out by consultants under external funding or through FENATA. Some of the research suffers from flawed methodology, lack of coherent purpose, and irregularity.[32] Data from blatantly flawed research are far worse than no data whatsoever, as they can lead to undesirable policies and they undermine confidence in the institutions responsible for their dissemination. Senior officials in the Government openly question revenue and job creation figures from tourism that are in circulation. Furthermore, the choice of preferential foreign markets for allocating NTB and MET promotional resources appears to be guided by combinations of tradition, sentiment, and guesswork rather than by the results of hard analysis.

The NTB's mandate carries the potential for internal conflict and external diminished support. The NTB was accorded both promotional and regulatory mandates by the 2000 Act of Parliament. At the present time, the NTB appears to enjoy a repository of good will among investors and within the tourism industry at large. However, mixing together the role of industry advocate and regulator will likely diminish the NTB's good image and create conflicts of interest. International best practice suggests that the two distinct roles of promotions and oversight should be institutionally separate.

Increasing fees and registration procedures will create ill-will among tourism companies. Investors understand the need for obligatory registration, discipline over

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[32] The findings of the *Namibia Visitor Exit Survey,* conducted in 2002 for the MET, are highly unreliable owing to sampling errors and exaggerated levels of non response that are not corrected for.

standards, and quality control. They also accept the need for registration fees and bed levies as a means to support the quality control and, especially, the promotional outreach of the Board. Nonetheless, any significant increase in fees assessed of private businesses without evident, commensurate returns to the industry is likely to provoke resistance. If, for example, mandatory registration is made annual, and the reason for doing so is perceived by the industry to be solely for the sake of increased revenue to the NTB, the good will towards the Board may begin to erode. There is an additional consequence. Fees assessed of businesses are passed on to the consumer. This is precisely the case with both the VAT and the bed levy. Costs passed on to the consumer raise the price of the tourism experience in Namibia.

The superb branding manual produced under NTB funding may be falling short of intended impact. Branding manuals and guides are most commonly produced for a single company. *Branding Namibia: a Practical Guide* has as its intended audience not just the NTB but private operators across the board in Namibia, whether in accommodations or in other regulated businesses. The purpose of the manual is to encourage a consistent message about the tourism experience in Namibia—consistent in narrative, in colors, even in typefaces. There is little indication that the concepts have been broadly adapted.

NWR's problems are not yet widely seen as a national priority. One frequently hears statements like, if NWR falls apart, tourism in Namibia will collapse. The statement is misleading, since NWR is used as metonymy for the resorts and parks under its management—above all the Etosha park and the resorts within its boundaries. Although Namibia offers several commanding natural attractions, the wildlife of Etosha remains its greatest calling card. While Government officials and its own senior staff tentatively accept the concept of privatizing NWR, the Government is unequivocal in regard to ownership of the assets: they will not be sold, and they will not be transferred to NWR. Furthermore, according to the Ministry of Finance, appropriate policies for the divestiture of a public company are not in place, so there are tangible obstacles to the privatization and sale of NWR. The removal of these barriers will require formulation of new policy and a subsequent act of parliament, a dilatory process at the least. In the meantime, substandard service at the resorts, inconvenient park closing times, the closure of NWR offices during Saturdays and Sundays, the slow degradation of physical assets, and high costs of entry for tourists undermine the NTBs efforts to promote tourism in Namibia.

FENATA has a powerful voice but may not always express the best interests of tourism development in the long term. FENATA is a competently managed organization with considerable influence within the MET and the NTB. It functions as an effective representative of its membership. On the positive side, that membership has a strong vested interest in expanding tourism in Namibia; it also has a normal vested interest in protecting its own businesses against challenging competition. There is a debate in the country over the kind of tourism that Namibia should promote—even accept. Traditionally the consensus has been in favor of high-value, low-impact tourism. Numerous policymakers are beginning to question if this configuration represents the best interests of the country, the best opportunity for tourism to fulfill its promise as a fourth pillar of the economy. It is only natural that currently viable businesses established to receive the high-end tourist are wary of a change in the demographics of visitors that could divert revenues from their own investments. FENATA's support for its membership may in some instances run counter to national policies that could boost tourism revenue nationally.

Black economic empowerment has loomed large over the tourism sector to the detriment of other priorities. During the past two years, FENATA seems to have devoted most of its efforts to drafting and promoting the Transformation Charter, a document outlining the FENATA membership's commitment to broad-based black economic empowerment. The charter calls for businesses in the tourism sector to work on seven fronts to advance BE:

- skills development;
- apprentice and internships;
- employment equity;
- ownership;
- preferential procurement;
- enterprise development; and
- socially responsible programs.

While for the moment compliance with the Charter is voluntary, FENATA is lobbying the GON to make compliance mandatory. If it succeeds, its paid-in members will enjoy an advantage of preparedness over those businesses which have largely ignored the movement.

The Tourism Council, which could not exist without FENATA support, has seven explicit responsibilities—six of which are related to implementation of BE through the Transformation Charter. The seventh focuses on promotion and awareness programs.

Inherent in the emphasis given BE is a risk that other activities of fundamental importance to the growth of tourism will be left with less attention than they deserve. The tourism industry has no greater responsibility than any other segment of Namibian society to advance black economic growth. This is not to say it has no responsibility. But there will accrue no economic benefit to any Namibian if the sources of revenue do not increase, and there is at the least the potential for counterproductive results if Namibia insists on rapid promotion of economically disadvantaged persons at a time when the entire tourism industry is struggling to deal with a serious shortage of essential skills.

Little synergy exists among the institutions responsible for attracting increased investment in tourism. Several investors and officials interviewed note that coordination among the NIC, MET, and NTB is poor in relation to promoting and facilitating inward investment in tourism. When investors come to Namibia, they are not given sufficient guidance. It has been said that NIC staff do not know enough about tourism and NTB and MET staff do not know enough about general investment requirements, but they do not effectively collaborate to help an investor get the information he or she needs. The Executive Director of the NIC sits on the NTB board, but working relations have not been galvanized into programs that combine the aptitudes of both organizations. Both entities are statutory and public, but the NIC is a department of the Ministry of Trade and Industry while the NTB enjoys greater autonomy and is expected to be responsible for contributing to at least a part of its budget. Both have a responsibility to promote Namibia as an attractive country for foreign direct investment. The NIC's priorities lie in the four pillars of growth, one of which is tourism; the NTBs lie in tourism alone. Both the NIC and the NTB participate in trade shows abroad and both maintain agents in strategic posts overseas. Both organizations are pleading for additional staff in order fully to implement their mandates.

Recommendations

The NTB or the Ministry should seek an agreement with a recognized economic research institute to carry out market research relevant to tourism. Data about the economics of tourism in Namibia must be current, reliable, and well presented. It is equally important that limited promotional resources be directed towards markets most promising of returns. The best alternative to in-house capacity to undertake research is to outsource the activities, at least the first time, allowing for NTB staff to learn from the contractors. In fact, even if the NTB had in-house staff to carry out market research, the need for external consultants, analysts, and enumerators would not vanish. Outsourcing research on an *ad hoc* basis is inadvisable for two reasons: the quality of work is likely to vary, and there will be a lack of coherent vision for the results and use of the work. Any agreement with an external firm to conduct surveys and other research should be specific in matters of methodologies, data storage, analysis, reporting, and presentation. If the NTB lacks either competence or time to craft the details of an agreement, it should hire a consultant with expertise in quantitative and qualitative surveys as well as in Internet-based research activities. Windhoek can provide adequate expertise to respond to such needs, and the SADC market offers numerous choices of research institutes.

Reconsider merging regulation and promotion within the NTB. In many countries, a Ministry of Tourism will act as the regulatory agency while a Tourism Board, often with significant private sector input, acts as the promotional agency. Namibia should consider adopting a similar model so that the NTB can avoid being caught in conflicts of interest and operating at cross purposes.

Avoid increasing the periodicity of registration for reasons of insufficient funding. At present, accommodation establishments and scheduled businesses register only once unless they alter the classification of the establishment by expansion or additional activities. The fees for registration are reasonable and accepted by investors. Investors in fact have expressed optimism that the fees and bed levies will allow the NTB to expand its promotion of Namibia to more overseas markets, and current businesses will perceive benefits from their contributions. Annual re-registration of businesses with additional fees risks undermining this optimism and the industry's collaborative support of NTB. Periodic reports from accommodation and scheduled businesses will be a means of collecting data on occupancy rates, use of services, trends of tourists, and so forth. Such reports should be simple and clear and never be used to extract money from the businesses. If they are used, or are perceived to be used as such, respondents will withhold or distort data for self-protection.

Re-registration on a more infrequent basis, however, is not unreasonable. The ideal periodicity for re-registration is between three and five years. There should be no additional application fee and the re-registration fee should be equal to or less than the original. To keep administrative costs down, inspections need not be carried out on all businesses. The Quality Assurance and Inspectorate Division of the NTB should be viewed by the industry as its partner the way the Market and Research Division is. The bottom line is that funding from clients must not reach a point where the NTB becomes perceived as a burden rather than a partner in the tourism sector.

Establish an inter-ministerial commission to resolve the status of the NWR. Chaired or directed by the Prime Minister, a commission comprising representatives from the ministries with tourism, finance, trade, and lands can resolve major constraints facing the NWR today.

The problems the NWR faces are well known in the GON, and there is broad consensus that some form of outsourcing or divestiture is required. There is also agreement about the importance of the issue but less so in regard to urgency. The longer the NWR awaits resolution, the more damage is done to the country's reputation as tourists abroad file complaints about unmet expectations in the parks. The Ministry of Trade and Industry is helping the NWR financially to complete its business plan. There is no reason a commission cannot be established before the business plan is finished.

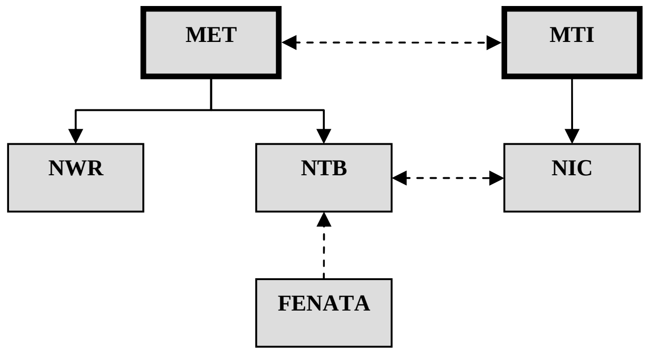
Let the NTB lead a debate on the nature of tourism that Namibia should pursue. Policymakers appear unconvinced that the high-spending/low impact tourist is the most promising profile for the industry's development. While many private investors prefer this demographic of tourist, they are not unanimous. The desirability of promoting diversification in types of tourism, in fact, is likely to become official policy.[33] Decisions on the subject will have far-reaching impact, and will influence the direction of human and financial resources within the MET and the NTB. They also should be guided by international successes and failures beginning in the Southern Africa region. The decisions are too important to leave either to partially informed policymakers in GON or to private interests with an understandable proclivity to retain the status quo. All parties should be provided with international case studies and economic data—information which is readily available.

Do not allow the imperatives of black empowerment to create a policy imbalance with other pressing needs of the industry. FENATA had good reasons to draft and promote the Transformation Charter: it bespeaks sound social and ethical policy, and was a wise pre-emptive action and good public relations strategy for an industry accused of being white dominated and closed. The tourism sector should shoulder its portion of responsibility in advancing the position of black Namibians and other disadvantaged segments of society. In lobbying the Government for promulgation of BE policy, however, FENATA would appear to have exceeded its representational mandate. In drafting the functions of the Tourism Council in a way that six of the Council's seven responsibilities are furthering the cause of BE, it has generated a disequilibrium of functions that may not be in the best interest of the tourism sector or, eventually, of the socially disadvantaged persons who stand to benefit from its growth. No irreversible damage has been done. The NTB, however, should assume responsibility for ensuring that the importance of marketing, promotion, and research is not diminished by responsibilities towards black empowerment.[34]

Proactively involve the MTI, especially with regard to the NIC, in attracting FDI in tourism. The chart at the beginning of this chapter illustrated the core institutions of tourism. A slightly expanded organizational chart may look like chart 3.3 below:

[33] In its fourth draft, *A National Tourism Policy for Namibia* (June 2005) retains the original language of the first edition in which it advocates consideration of the immediate and the long-term value of lower spending, more adventurous tourists.
[34] Earlier drafts of the *National Tourism Policy for Namibia* presented worded warnings about this disequilibrium. For example, the February 2005 draft said, "It must be noted that there are conflicts between the aim of increasing the participation of Namibians, particularly those from previously disadvantaged groups, and of developing tourism through encouraging foreign investment . . . constraints on ownership and control are likely to have inhibiting effects on foreign investment in tourist facilities." The most recent draft (June 2006) warns against promoting BE "at the expense of reduced product quality or inadequate service standards."

Chart 3.3: Expanded Tourism Structure



In this structure, the two concerned ministries work together to develop policies and strategies for promoting FDI in tourism, while the NTB and the NIC collaborate on programs and resources. FENATA continues to be the principal—but not the only—voice of the private sector working with NTB. If this concept gains the agreement of several parties, the next step will be to develop a logical or strategic framework in which strategic objectives and a series of intermediate results are laid out such that each party's contributions and responsibilities become clear. The most urgent, nonetheless, is to bring the NIC and the NTB together in ways that generate synergies for the growth of tourism. The NTB should assume the lead in generating external interest in tourism investment, while the NIC would then facilitate the actual investment.

A second change would involve increased communication and cross training among NIC, NTB, and MET staff. Each agency should be clear what the role of the other is and agree about when and how potential investors are passed from one agency to the other. This will involve NIC staff learning a bit more about the dynamics of tourism in Namibia and MET and NTB personnel learning more about general investment requirements. The two Namibia Investor Roadmaps can be a vital training tool for all agencies in this endeavor.

— CHAPTER FOUR: THE ECONOMIC ENVIRONMENT

This chapter describes the economic indicators of tourism in Namibia, assesses the sector's contributions to the country's overall economy, puts tourism into regional and global perspectives, and identifies the limitations of current data for budgetary and strategic planning.

- **NAMIBIA'S VISION FOR TOURISM**

The groundwork document for long-term planning in Namibia is the Government's *Vision 2030*, a comprehensive strategy study that sets the direction for economic and social development for the forthcoming twenty-five years. *Vision 2030* is bullish on tourism. The Executive Summary depicts tourism as Namibia's sector of greatest promise. *Vision 2030* notes that while in all countries contributing data to the World Tourism Organization (UNWTO), a specialized United Nations Agency, the number of international arrivals grew by 2.7 percent in 2002; in Namibia it grew by 12.9 percent. It further notes that, globally, tourism accounts for one in twelve jobs and in some countries for a much higher percentage. Since 1993, the year of Namibia's independence, tourist arrivals in the country grew from 254,978 to 757,201, a factor of nearly 200 percent. For all of these reasons, *Vision 2030* states with confidence that tourism "has more potential as a sustainable industry than any other form of economic development in Namibia."

- **THE ECONOMIC DATA**

A. The Sources of Data

Since 2000 there have been several internal efforts to quantify the value of tourism in Namibia. In addition to two influential internal studies, [35] UNWTO collects a broad range of

[35] The two most influential of these efforts are Helen Suich, "Development of Preliminary Tourism Satellite Accounts for Namibia," (Windhoek: Ministry of Environment and Tourism, 2001) and Robert Sherborne, "The Economic Performance of the Tourism Industry in Namibia—on the Trail of a Big but Elusive Beast," (Windhoek: FENATA, 2005).

tourism statistics and information on tourism from its member countries, who submit the data from their national accounts. The World Tourism and Travel Council (WTTC), working with UNWTO data, makes detailed calculations based on countries, regions, and the global economy; it also creates TSAs as a paid service to countries upon their negotiated request. Namibia's last formally prepared TSA was in 2004, and an update is underway with results expected in mid-2006.

The WTTC began developing the methodology for the TSAs in 1991, updating information annually with a research team at Oxford Economic Forecasting. The TSAs have become the United Nations' standardized measurement of tourism's economic impact on an economy's personal consumption, business spending, capital investment, government expenditures, gross domestic product, and employment.

In accordance with generalized practices in industries that normally figure into the lines of national accounts—which is not the case for tourism, a sector that draws upon and contributes to numerous, sometimes disparate industries—the WTTC calculates both direct and indirect value added and employment for tourism. Indirect value added and employment include upstream economic contribution from supply-side sectors that are not classified as tourism industries. Fuel, catering, and laundry companies are only a few examples of businesses that benefit significantly from tourism demand, but manufacturing, construction, and government services also participate in the broad universe of businesses and services that contribute to the total value added of tourism. Except where specified otherwise, the figures presented in this chapter represent total value or employment, thus comprising both direct and indirect values. Given the traditional underestimation of the value of tourism in Namibia, the total figures almost certainly offer a more accurate estimation of the industry's importance to the national economy. All charts and tables presented below are based upon these more comprehensive calculations, for Namibia as well as for the economies selected for comparison. The data is drawn from the WTTC's recorded figures and annual estimates.

B. Macroeconomic Data

1) Contribution to GDP and Estimated Growth

The aggregate figures for the tourism sector in Namibia are positive. The WTTC estimates that in 2006, tourism will account for N$6,286 million (US $952 million) in revenue to the economy, representing a 10.7 percent contribution to GDP. The sector's growth is estimated to be 11 percent for 2006 and 5.4 percent annually for the next ten years, bringing total revenues from tourism to US$1.75 billion by 2016. The following charts illustrate Namibia's comparative position with two SADC competitors, sub-Saharan Africa (SSA), and the world tourism economy in terms of the sector's contribution to GDP and annual growth projections for the tourism sector through 2016.[36]

[36] These are WTTC estimated figures for 2006. It is important to note that the estimated GDP percentage represents tourism as a whole economy, not simply the industry's direct contribution, which is lower by several percentage points.

Chart 4.1: Tourism as a Percent of GDP

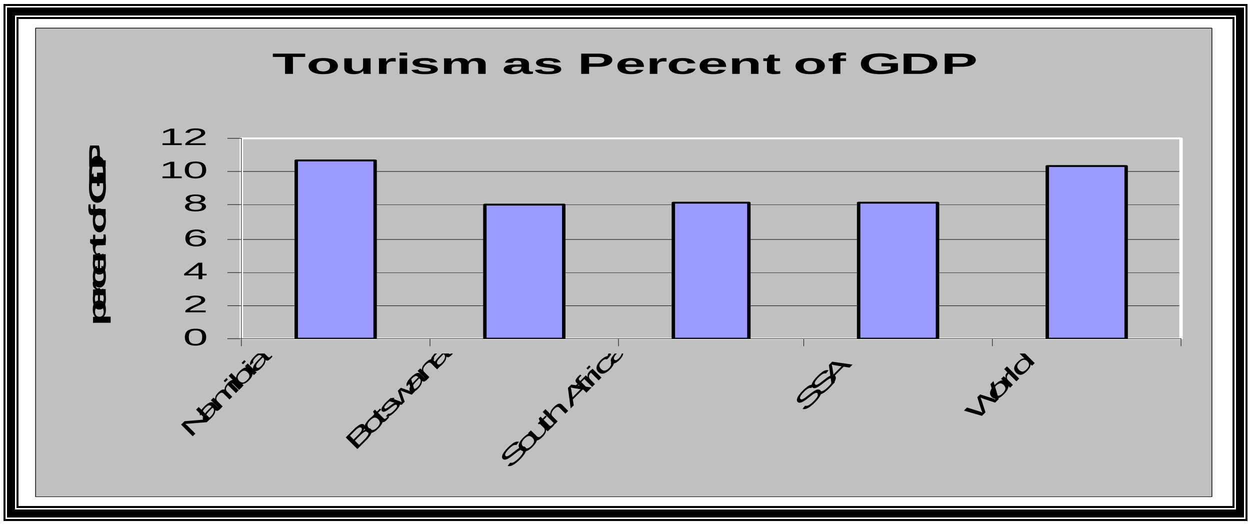
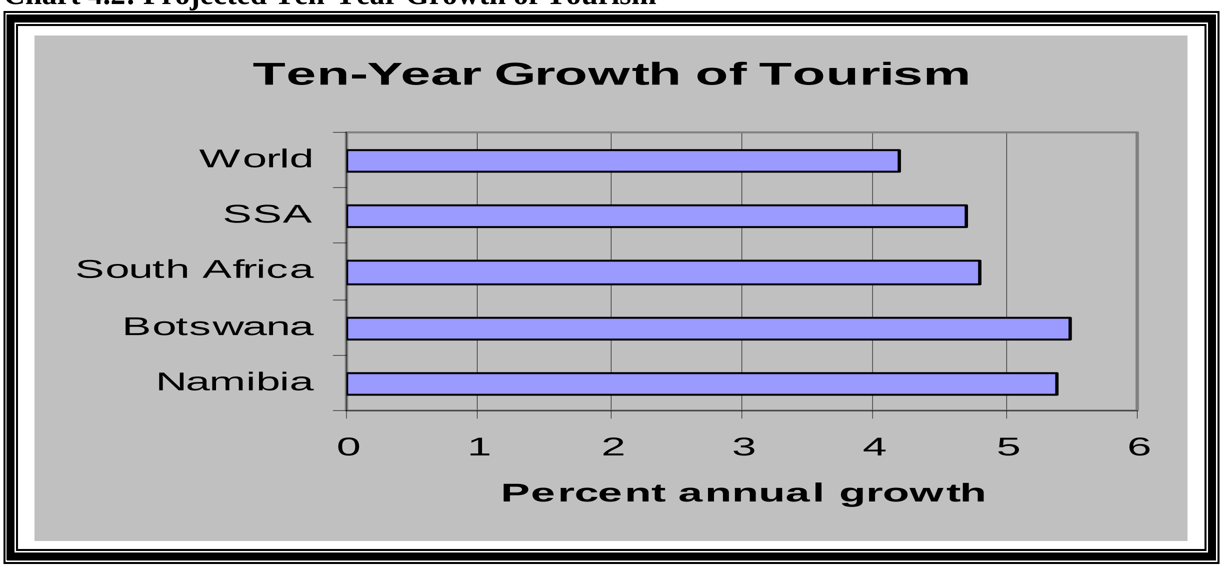


Chart 4.2: Projected Ten-Year Growth of Tourism



2) Contribution to Exports

Tourism revenues from foreign visitors are net contributions to export earnings. Globally, tourism is estimated to generate well over one and a half *trillion* dollars in export earnings in 2006. South Africa is expected to earn US $10.3 billion from tourism exports in 2006 and Namibia some US $452 million. Namibia's anticipated export earnings from tourism as a percentage of its total exports will be over 18 percent, significantly higher as a percentage than South Africa or the region, as the table below illustrates.

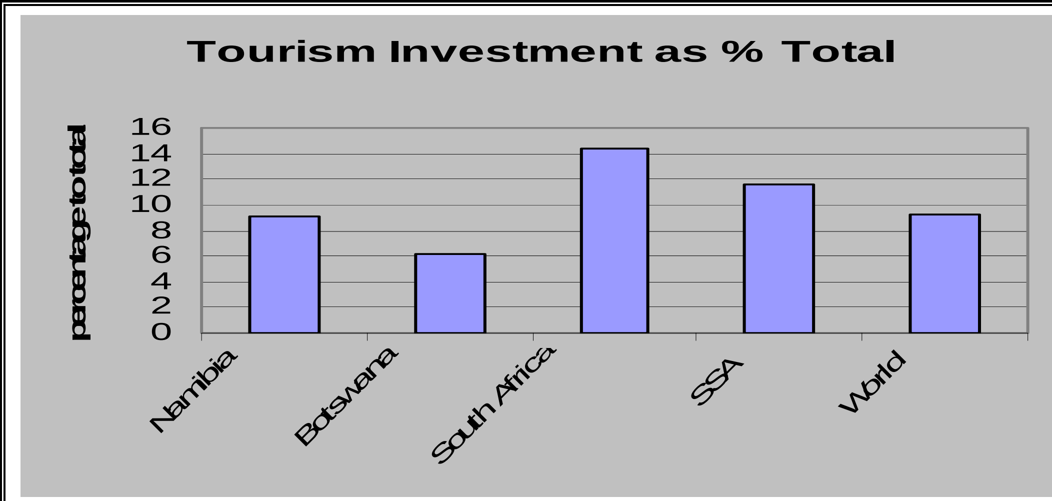
Table 4.1: Tourism Exports as % Total Exports 2006

	Namibia	Botswana	South Africa	Sub-Saharan Africa	World
% Tourism Exports	18.2	13.8	13.9	11.7	11.8

3) Contribution to Capital Investment

Tourism requires infrastructure, and consequently the direct investment in buildings, parks, roads, hotels, and other infrastructure related directly to the success of tourism is usually significant. Worldwide, tourism in 2006 is expected to account for over one trillion U.S. dollars from both public and private sectors. Again, the percentage figures are more illustrative than absolute numbers, since economies vary so greatly in size that comparative performance based on raw numbers is virtually meaningless. Namibia's expected capital investment in tourism for 2006 of US$125 million appears paltry but is not unexpressive as a percentage of total capital investment for the year, only slightly below the global average. The chart below offers comparisons among diverse economies.

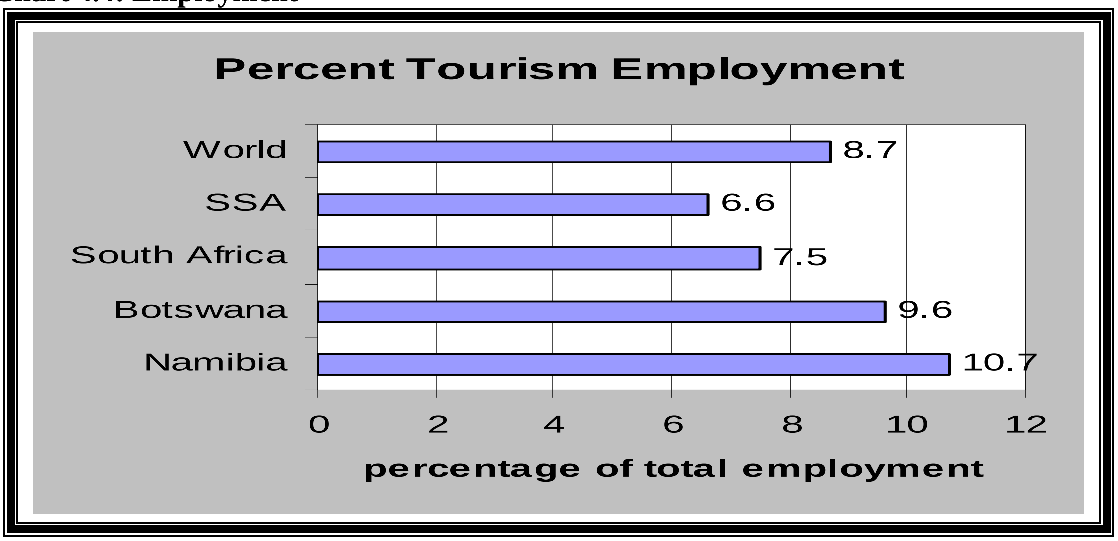
Chart 4.3: Tourism Investment



C. Tourism and Employment

Tourism creates jobs directly within the industry and it also indirectly generates secondary employment through a multiplier effect.[37] The figures presented here are those of the WTTC and represent total tourism job creation as a percentage of total employment in the country. In Namibia tourism is currently estimated to provide 63,000 jobs, over 10 percent of total employment in the country. In the chart below, Namibia has a higher number of employees in the tourism industry as a percentage of its total employment than any of the other countries or groups.

Chart 4.4: Employment



D. The Tourism Budget

The tourism budget represents the total annual government expenditures to the sector. According to the 2006 WTTC estimates in the Satellite Account, the GON is expected to have spent approximately N$440 million (US $67 million) for tourism. This figure translates into 3.7 percent of total GON expenditures. While Namibia's percentage of budgetary allocation to tourism is slightly below the global average, it fares well in the region and on the continent.

Table 4.2: Percent Government Expenditure for Tourism

	Namibia	Botswana	South Africa	SSA	World
Govt allocation	3.7%	2.3%	0.5%	1.8%	3.8%

[37] The complex means of calculating total tourism employment can be found in "Measuring the Role of Tourism in OECD Economies: OECD Manual on Tourism Satellite Accounts and Employment Module," (Paris: OECD, 2000).

- **ANALYSIS**

Issues

The debate over the value of tourism compromises effective commitment to the sector. The issue of what value tourism adds to the Namibian economy is related to the achievement of the Government's goals, as the GON has added tourism to the national accounts as a primary sector for economic forecasting and planning. Nonetheless, the debate over the value of tourism to Namibia's economy continues actively within government. The main reason for the difficulty in arriving at a broadly held consensus on the subject is that tourism has not been seen as an identifiable sector, like mining or agriculture. Since the beginning of the first Tourism Development Program (TDP1), there have been several efforts to qualify and quantify the issue. Precisely because tourism is not a single industry, governments in much of the world have not apportioned budgets in any way that is coherently related to income from the sector.

Overall, contribution to GDP is the most useful information for assessing the value of tourism to the economy. The value added of tourism comprises the expenditures made directly by tourists (tourism spending) plus the value accrued from supplying tourists with goods and services (which further includes wages and taxes). Although tourism expenditures made abroad constitute a part of the value added so long as they are repatriated, expenditures that remain abroad do not. Nonetheless, as suggested earlier in this report, the monies which do not arrive in Namibia should not be considered leakages, since they are no more a drain from the treasury than they are a contribution. They should not be viewed as lost revenue in any other than a marketing sense.

Calculations from a number of sources[38] suggest that there is still confusion and lack of agreement not only of the value of tourism to the economy but also, and more worryingly, lack of consensus as to which disaggregated components should be included and to what extent. Tourism ratios, or the proportionate contribution of tourism to other sectors, are critical in determining the value accurately. In the first attempt in 2001 to define tourism's value to the economy for the years 1991, 1992 and 1996 the DEA identified that the Australian tourism industry was most similar to Namibia and thus elected to use those ratios. In the interim period a number of other attempts have been made to get closer to the actual value with varying success.

The following chart has been compiled for FENATA[39] in an attempt to draw a realistic overview of the value of tourism to Namibia. It is to be noted that the chart reflects only the hotel and restaurant sectors as captured by the National Accounts and the Central Bureau of Statistics. However, as these two sub-sectors of the industry traditionally have the largest share of expenditures, the figures are good enough to show the relationship between tourism value added (TVA), the net fiscal contribution to the sector, and the proportion of National GDP of the sector. The chart demonstrates the relationship between total tourism expenditures on the trips with total expenditures in Namibia and then demonstrates the value added of tourism to the economy; that is the real value retained in Namibia and represents this as a percentage contribution to GDP. It seeks to demonstrate the significance of tourism

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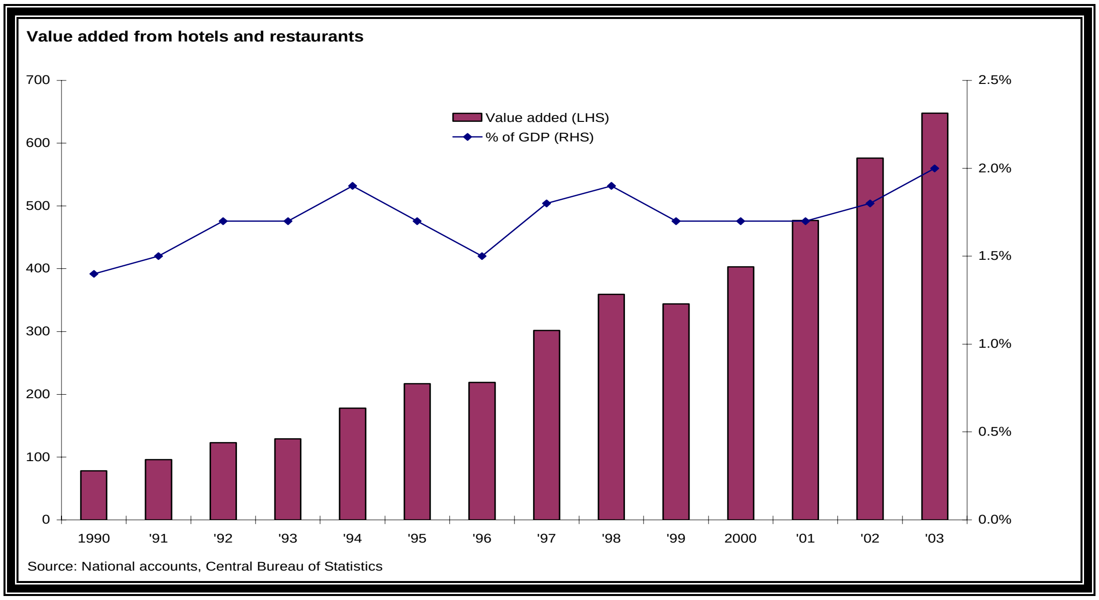
[38] WTTC 2004 Travel and Tourism Economic Research, MET 2002 Exit Survey, MET 2004 Statistical Report, "The economic performance of the tourism industry in Namibia," 2005, and the DEA discussion paper N° 73.

[39] "The economic performance of the tourism industry in Namibia," 2005

as an economic driver that can play an increasing role as an individual sector. Note, however, that these figures use direct contribution only to GDP, not total contribution. It is the proportions and the growth that are illustrative. Note that the left column represents the value of contributions in Namibian dollars.

Chart 4.5: Tourism Value Added and GDP– Hotels and Restaurants



The growth in value to Namibia has been achieved with diminishing budgets for destination marketing. The NTB is achieving results in regard to its budget in cooperative marketing and obtaining excellent results, but this partial success is depleting its resources for other responsibilities, such as product development and institutional objectives, where at the same time, the MET is losing ground in product development through lack of funding.

The MET reports that Namibia's share of total tourism arrivals to Sub-Sahara Africa has fallen from a high in 1992 of approximately 1.75 percent to approximately 1.2 percent in 2002. Experience suggests that commensurate increases in Government spending for product development and destination marketing activities produces *incremental* arrivals from existing markets and allows extension marketing to diversify its markets, with all the downstream benefits also gaining incrementally.

The tourism sector's contributions to employment in Namibia are not widely understood. There is ongoing discussion as to how the tourism sector can contribute to the national goals of employment growth, social equity, and poverty reduction. To the extent that the WTTC's estimates are accurate, and whether one measures only direct employment at 5.5 percent, or total employment at 10.8 percent, tourism accounts for a significant part of job creation in Namibia.

Skilled labor shortages constrain growth of the sector. Current and future labor supply in Namibia bears a close relationship to small- and medium- businesses. In the tourism sector, estimates suggest that upwards of 70 to 80 percent of business takes place in small- and medium-enterprises (SMEs). But labor supply also bears a close relationship to the skill sets required for the industry. As this report suggests elsewhere, the indigenous Namibian work force does not possess enough people with the skills sets and capacity to meet the current, let alone future, needs of SME development in tourism.

Namibia has a severe shortage of middle and upper management capacity for the hospitality sector. Respondents interviewed were nearly unanimous in reporting both a skills gap in the areas identified compounded by an attitudinal problem in which hospitality staff often display an indifferent attitude to their job and their customers.

The combination of low education quotients and high HIV rates in the prime worker age groups will lead to an increasing shortage of skilled workers in Namibia. Further, the time taken to train an individual in hospitality and management is typically three to five years, and workers must gain experience before they can deliver satisfactory results for employers.

Lack of proper and broadly agreed definitions of tourism have complicated assessment of its economic and social contributions. Disaggregating tourism to the downstream supply chains is as critical as measuring direct impact from the industry. Fundamental to effective disaggregation—or encompassing *total* tourism impact—is defining tourism properly in the first place. Unfortunately, considerable and unnecessary disparity on the subject exists, within the industry, but especially in the civil service.

The MET, for instance, discusses both visitor arrivals, foreign arrivals, and tourists and then identifies the appropriate subcategories related to visiting friends and relatives, business, holiday/leisure, and other. Another confusion affecting interpretation of tourism arrivals is that sometimes total arrivals are counted as tourists and sometimes only leisure or business tourists are counted. While this is not a critical issue, what is important is that the value component of tourism is clearly identified.[40]

There is, for example, anecdotal evidence that cross-border day traders and possibly livestock herders are counted in the visitor arrivals statistics and represented as tourists. The value of such measurement should be questioned and a meaningful solution found. This suggests that the data collection, statistical analysis, and visitor survey techniques require a close look, and possibly review, in the near future, especially with the evolving research capacity at the NTB, as this data will be important for the NIC in identifying existing visitor profiles. The lines of responsibility and links of compatibility should be identified. The TSA may be the stimulus for this effort, as it will provide a clear insight to the critical data to be captured from statistics and research to derive meaningful outcomes. These data in turn will enable government, the NTB, and the private sector to make informed decisions in fiscal, strategic, and marketing planning.

The Government's budgetary allocation to tourism, through the MET, NTB, and NWR, is sometimes estimated low and, at others, as consistent with global averages. The WTTC estimates a budgetary allocation to tourism of 3.7 percent for 2006. The last year in which data on the GON's expenditure for tourism was presented as actual rather than estimated was 2001 and was estimated at 3.5 percent. These figures are in stark contract with others' calculations. One study alleges that government spending on tourism was relatively constant at 0.6 percent from independence until 1997, when it dropped significantly and is

[40] WTO statistics suggest that leisure and business arrivals—hat is the majority of visitors contributing expenditure value to the economy—constitute approximately 50% of total visitor arrivals. This coincides with estimates gathered in Namibia during the research phase for this project.

now at 0.2 percent of total spending. Such gaps cannot be explained by minor differences in interpretation and can have a substantial impact on policy recommendations.

Recommendations

The leadership should agree on acceptable parameters for Namibia for measuring the value of tourism. With the MET chairing the effort, the NTB and NWR, in consultation with the private sector, should institutionalize the methodologies and processes for collecting, analyzing, and presenting data on tourism. It is not an easy process, as there are varying approaches which use a combination of demand analysis surveys, industry data (lodging, transportation, etc.), economic data (national accounts), and input–output matrices. There are no established equations or systems for developing a TSA other than proprietary ones, although the UNWTO's *The Tourism Satellite Account – Recommended Methodological Framework* offers a good review of output and basic TSA structure. In the Namibian context, regular, accurate, and reliable data on tourism are deficient. This is a critical issue for investors, since it impedes their ability to assess potential returns. All parties involved with the ongoing 2006 TSA should avoid an uncritical approach to the provision of data and should take advantage of this important study to understand its parameters and methodologies. The MET must actively engage other agencies, especially the ministries of finance, trade, and labor as well as the Namibia Investment Center.

Convene workshop to focus marketing activities. To ensure that marketing activities do not fall behind global and regional growth in tourism, the GON should convene a high level workshop of tourism experts and economists to analyze the TSAs in view of marketing needs. The purpose of the workshop would be to agree on the status of tourism as a primary economic sector and to ensure budget allocations that will enable the NTB to conduct market research and promotional activities commensurate with expected industry growth. This would enhance the ability of the NTB to work deeper in the priority markets as clearly laid out in its Marketing Plan, and it will allow the rapid development of the capacity of the NIC to facilitate investor research and marketing. It will also permit the MET to plan and implement tourism development programs in line with demand research outputs.

Among the subjects reviewed in the workshop should be the opening and closing times at the National Parks. The economic issue is that the financial impact of tourism in Namibia could be substantially increased by extending opening times of National Parks, particularly at Etosha. The marketing issue is that a high proportion of visitation to any destination is motivated by word of mouth. This review should be conducted in co-operation with the private sector and should be designed to ascertain the added value to be gained from opening and closing at times closer to the needs of the tourist.

Advertise tourism impact on employment. The MET and NTB should find means to ensure as broad a dissemination as possible of the positive impact tourism generates on employment. Promotional material and public conferences are venues for emphasizing the employment created by tourism both globally and locally. This is also the place to advertise FENATA's Transformation Charter while not necessarily disseminating the entire text. The important public relations aspect of the effort is to demonstrate that the leadership of the tourism industry is not seeking employment generation in the absence of enhanced social justice.

Address skills gap. The NTB and MET should work with GON counterparts to facilitate developing a supply of workers with the requisite skills needed to sustain and grow the tourism industry in Namibia. The issue of a skills gap must be addressed with neither reticence nor excessive patriotism, since long-term economic welfare should be more important than short-term political considerations. In order to initiate the required change in pace of growth of the industry, induce incremental returns to the economy, and grow both absolute tourist volume and market share, Namibia needs to implement a skills development plan for tourism.

In the near term, temporary import of labor can fill skills gaps and encourage a mentoring culture of great value to the future of the service industry.[41] This measure will mean revisiting the issue of work permit regulations. The private sector in Namibia and tourism employers elsewhere in the region are ready to work with the Government to devise an equitable solution whereby Namibians get better trained in a shorter timeframe on-the-job. A skill-development and rating scheme akin to the British National Vocational Qualification (NVQ) program could easily be applied here, and the results would be that the entrepreneur gets highly skilled staff in the immediate term, possibly limited to citizens of regional countries, and the decision to invest and/or invest further is made easier.

The NTB, MET and FENATA should agree on and publish definitions of "tourist" and "tourism." This measure should, in fact, precede the development of a robust model for assessing the value of tourism in Namibia. Subsequently, the NTB should re-design the border Entry and Departure form to reflect data collection requirements that correspond to the needs of its Market Research Department and that reinforce the contribution tourism research can offer to policy making. A coherent and industry-developed set of definitions would aid substantially in understanding tourism contributions.

[41] The Zimbabwe industry is envied around the region, and known around the world, as having exemplary hospitality skills, management skills and, critically, ranger/guide skills and thus would be an excellent source of temporary highly skilled labour that would be applauded in the key source markets.

– CHAPTER FIVE: THE INVESTMENT ENVIRONMENT

This chapter explores Namibia country-risk issues for potential foreign investors. Specifically, the chapter explores the need to market Namibia's advantages for investment, looks at the relationship between incentives and investment, and offers examples of best practice.

- **INTRODUCTION**

Investment in tourism in Namibia has remained consistent in recent years and has occurred largely in small- to medium-scale enterprises, with the bulk of investments in the accommodations business. A few larger investments have been made in the car rental market.

Investments in hotels have concentrated in the urban centers of Windhoek, Swakopmund, and Walvis Bay, while lodge development has tended to concentrate in the northwest, northeast, and central regions and has focused predominantly in up-scale niches. Non-Governmental Organizations (NGOs) and some private joint ventures, nonetheless, have made substantial contributions to community lodge development, positioning the quality between the middle and luxury markets.

Investors report that development in the up-market safari and wilderness niche holds the greatest promise for return on investment. This sector has been identified by the industry in the recent branding exercise as constituting Namibia's future; the NTB has established that there is substantial potential in their primary and secondary markets to validate this strategy.

- THE INVESTMENT ENVIRONMENT

A. Investor Confidence

On several world indices, Namibia rates well as a secure investment environment. As table 4.1 shows, however, Namibia rates highly only when compared to other African countries. The chart compares Namibia not only with direct competitor countries for the tourism business, but a section also compares Namibia against several countries in Asia and the Caribbean that are competitors for tourists seeking similar experientially-based leisure pursuits. Evolving the Namibia brand, as mentioned in the Institutional Environment chapter, has established that Namibia is firmly following a niche tourism strategy.

The positive outlook for Namibia rests on an aura of political stability that has accrued since independence, owing in large measure to the Government's commitment to introduce structures based upon democracy and good governance, as well as to its struggle against fraud and corruption. This reputation is increasingly recognized by the Southern African community and by the trading world at large.

Table 4.1: Comparative Investor Confidence Indices

Region or Economy	Disclosure Index	Director Liability Index	Shareholder Suits Index	Investor Protection Index
East Asia & Pacific	5.6	4.2	6.2	5.3
Europe & Central Asia	4.5	4.3	5.6	4.8
Latin Amer & Caribbean	4.1	3.8	5.7	4.5
Middle East & North Africa	5.5	4.7	3.5	4.6
OECD: High income	6.1	5.1	6.6	5.9
South Asia	4.1	4.6	6.4	5
Sub-Saharan Africa	5.4	4.6	5	5
Angola	5	6	6	5.7
Botswana	8	2	3	4.3
Kenya	4	2	10	5.3
Mauritius	6	8	9	7.7
Namibia	8	5	7	6.7
South Africa	8	8	8	8
Tanzania	3	3	0	2
Uganda	7	4	4	5
Zambia	10	4	8	7.3
Zimbabwe	8	1	4	4.3
Australia	8	2	8	6
Brazil	5	7	4	5.3
Egypt	5	2	5	4
India	7	4	7	6
Jamaica	3	8	5	5.3
New Zealand	10	9	10	9.7
Thailand	10	2	6	6
Source: World Bank - IFC. Doing Business - Protecting Investors				

B. Investment Incentives

1) Description

Many countries have successfully used investment incentives as leverage to attract investors in tourism. Research suggests that this process should be undertaken conjointly with national level government planning. Boxes 4.1, 4.2 and 4.3 demonstrate commitments made in three tourism destinations successful in attracting investors to the industry, illustrating best practices in tourism incentives.

Box 4.1: Tourism Incentives in Barbados

Barbados Tourism Investment Inc. (BTI) is the development agency of the Government of Barbados with special responsibility for promoting and facilitating investment in the tourism and hospitality sector in Barbados. It includes a special Act of Parliament, the Tourism Development Act of 2002. An extract from the very comprehensive website follows.

"Whenever you are considering an investment in a tourism and hospitality related project in Barbados, BTI will assist you by:

- Identifying investment opportunities.
- Identifying service providers - architects, attorneys-at-law, accounting firms etc.
- Providing information/data on the social, political and economic environment in Barbados.
- Explaining incentive legislation and the benefits available to investors in the tourism and hospitality sector in Barbados.
- Liaising with government departments and agencies.
- Reviewing investment proposals and advising as to their general acceptability within the context of the Sustainable Tourism Development Plan of the Ministry of Tourism.

The Tourism Development Act 2002, which replaces the Hotel Aids Act of 1956, significantly expands incentives for investment in the Tourism and Hospitality sector in Barbados beyond the traditional accommodations sector. Incentives are offered in the new Act to restaurants, recreational facilities and services, development of attractions that emphasizes the island's natural, historic and cultural heritage, and for the construction of properties in non-coastal areas.

Provision is made in the Act for investors in tourism projects to benefit from write off of capital expenditure and 150% of interest; there is also exemption from import duty, value added tax and environmental levy in respect of furniture, fixtures and equipment as well as building materials, supplies and equity financing."

Source: http://barbadostourisminvestment.com

Box 4.2: Tourism Incentives in Curacao

This Caribbean island's tourism authorities, both public and private, have been very successful in attracting tourism, and other investments in the recent decade. The process involves a Government agency working with the tourism Board within the approved boundaries of the strategic Tourism Development Plan to identify specific tourism zones, evaluate options for development that fit the shortfalls in required tourism infrastructure, and market these to potential investors. The Government has introduced a raft of incentives, both tax and other, to leverage its competitive advantage, as noted below.

Companies operating in certain industries may qualify for the following incentives:

- Exemption of import duties and economic levies on materials, goods required for construction, initial equipment – including expansion – of the enterprise' premises, packaging materials, machinery, raw materials, semi-manufactured articles, and accessories necessary for the industrial purposes.
- Exemption of land and occupancy tax for a period of 10 years.
- 2% corporate income tax – including all charges – on all profits induced by export.
- Exemption of personal income tax on income earned from dividends and other distributions of export profits, provided that the profit is distributed two years after termination of the financial year in which the profit is realized.
- Acceleration of depreciation of 1/3 of the purchase value of the business assets in the first fiscal year.
- Deduction of 8% of the total investment (new building: 12%) annually for the first two fiscal years.
- Indefinite carry-forward of losses incurred during the first four years of the business.
- Counseling, marketing and financial assistance in the development of export markets.

Source: http://www.investcuracao.com

Box 4.3: Tourism Promotion in Western Australia

The Western Australian Government is committed to making tourism development sites investor ready and to streamline the approval process for strategic development sites.

Such sites are identified through a process specifically related to strategic development priorities within in the planned economic development strategies of the State Government. Such priorities as employment needs, regional diversification strategies, tourism product demand identified through vigilant and robust monitoring of visitor preferences, and through a well identified branded niche in the Australian product range. Significantly, the identified brand for Western Australia is not that far removed from that of Namibia: *Fresh, Natural, Free, and Spirited.* All approved investment opportunities are encouraged to fit the niche and brand values.

Tourism development opportunities exist throughout Western Australia and the extremely well constructed website gives comprehensive and detailed assistance including well evaluated tourism development opportunities. Tourism Western Australia continually strives to source and inform investors about new investment opportunities as detailed on the website.

Western Australia differs from other governments in that incentives to encourage investors are by way of introduction to a series of State and National Government grant systems.

Source: http://www.westernaustralia.com

2) Analysis

Advising on the introduction of appropriate sectoral incentives requires detailed and specific study, which is beyond the scope of this analysis. However, some general principles can be articulated to guide the GON's thinking about if and what sort of incentives may be introduced to help jumpstart investment in the tourism sector. Investment incentives typically fall into the fiscal category. While tax holidays, exemptions, and special rates all offer inducements to investment, they may fail in their purpose if other aspects of the overall investment climate are not in place. Ghana has abolished tax holidays in favor of low general tax rates (for investors),[42] and other countries have followed similar examples. A recent study in the SADC region concluded the following:[43]

- Non-tax elements of the investment climate are more important than tax incentives in determining the level and quality of investment flows;
- The effect of incentives on productivity and efficiency is at least as important as the effect on the amount of investment;
- Investment tax incentives may work well in some contexts but poorly in others, as decisions about tax incentives must be country specific;
- The benefits of investment tax incentives are widely exaggerated, while the costs are often underestimated or overlooked altogether; and
- Capacity building to strengthen tax policy analysis should be a central priority.

At the 54th convention of the Pacific Asia Tourism Association (PATA), during discussions on the subject of incentives, the PATA president said:

[42] Biennial ESSA Conference, South Africa 2003
[43] Source: Effectiveness and Economic Impact of Tax Incentives in the SADC Region – November 2003

"Financiers (and investors) not only analyze the economical viability of the tourism business plan but also political stability, the economic growth rate, the enforcement of contracts and the protection of property rights… it [is] imperative for Governments to give incentives and high visibility to the investment as part of a strong policy commitment to tourism development."[44]

Issues

Absence of tourism incentives limits comparative appeal of the sector. There is a conspicuous, total absence of fiscal incentives for investment in tourism in Namibia. The absence is glaring, given the fact that a raft of incentives exists in published and electronic formats for manufacturing, merchandise export, and other industries.

Fiscal incentives may prove fruitless if enacted in an otherwise discouraging investment climate. Efficient bureaucracies, processing of visas for workers and managers, corporate establishment, and flexibility of company structures all weigh in the balance—as much as or more than fiscal incentives—when foreign investors consider a country. In Namibia's case, for tourism, a combination of incentives and improvements to the investment environment should be looked at for a prescribed period of time.

Recommendations

Conduct incentives study. The GON should design a set of appropriate fiscal and non-fiscal incentives to attract international investors to the tourism sector of Namibia. The fiscal incentives will apply only to registered businesses—those that work directly and exclusively in the tourism sector. Most of these will probably fall within the accommodation industry.

The enactment of fiscal incentives should not precede priority reform in other areas of the investment environment. Contemporary thinking suggests that considerations beyond tax breaks need to be balanced in the structure of the investment development environment. Namibia must resolve sluggish and inconsistent processing of work visas, certain aspects of land tenure in rural areas, access to forms of small, limited liability companies, and other potential impediments to direct investment as described in the Regulatory Environment chapter (Chapter 2) of this report.

C. Other Investment Measures

1) Financing for SMEs

Availability of financing for tourism projects can be elusive. "The key component to financing tourism projects is the public-private partnership. Although tourism is largely a private sector driven business, the government's role is indispensable. It is crucial to create a favorable environment to attract private investment in tourism…"[45]

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[44] Commentary from the 54th PATA conference and specific quote from Mr. Jean-Claude Baumgarten, President of the WTTC at the same conference.
[45] Mr. Jean-Claude Baumgarten, President of the WTTC at the 54th PATA Conference.

In Namibia, where national development goals focus heavily on job creation and the NTB Mission statement is explicit, the disadvantaged and rural communities are a high priority. SMEs make up in excess of 70–80 percent of the tourism economy, and there will be increasing necessity for equitable funding to be made available for joint venture partnerships.

In the mid–1990s, during the development of the feasibility studies for the SADC Spatial Development Initiatives for integrated development corridors across Southern Africa, the issue of the provision of suitable financing mechanisms for community tourism projects and for general SME business development was investigated. It is not known where this process is now, but there is anecdotal feedback in Namibia that there is active investigation into finding ways of stimulating SME growth with innovative methods of financing.

In the apparent absence of solutions to public sector borrowing and micro-financing for SME development for tourism, a combination of NGO and private sector intervention has emerged as key to successful tourism enterprise financing.

There are examples in Namibia, and elsewhere in Southern Africa, where the private sector has created joint ventures with local communities on community land to develop up-market tourism lodges. The same can be said, in Namibia, of NGO support to the same end. Two such examples are found in the Damaraland and Skeleton Coast regions with Wilderness Safaris and further in the North West of the country with the NACOBTA community tourism developments, both of which are showing substantial returns to the communities involved in terms of ownership of the business in the joint venture and of increased employment. In many of these examples, government involvement is minimal, where it is the private sector or the NGO has been primarily responsible for the provision of infrastructure and training in particular and, apparently, no involvement in the provision of or support for financing. The private sector and NGO have, reportedly, financed 100 percent of needs with no incentives.

As illustrated in Box 4.4, government involvement in the financing of tourism development is essential to successful development, whether by access to grants, write-off of capital expenditures, or other suitable offers.

Unfortunately, NACOBTA's increased reliance on donor financing has compromised its continued existence. In a cruel twist of planning, the excellent work of NACOBTA in instigating development action with sustainability as its central ethic has been severely constrained by the lack of planning for its own organizational sustainability. This is a salient lesson to be taken in to account for the future.

2) Security of Land Tenure

In the Regulatory Environment Chapter (Chapter 2) Section IV "Locating," the background to, analysis of, and recommendations related to land tenure for tourism development was covered in depth, including identifying the associated complexities.

Within the context of this chapter, a number of concerns were raised by the private sector in Namibia as regards security of tenure and the critical nature this plays in the decision to invest in the country. Much of the opportunity for investor involvement in Namibia subsists in communal land and in joint ventures with local communities on this land, but the issues around communal land are complex and poorly understood.

The concerns expressed revolve specifically around the issue of communal land. The investor would like to be assured of security of tenure in his assessment to invest. Security of land tenure is a major cornerstone of the decision-making process when substantial capital investment, and any accompanying loans, is concerned. The effect of Zimbabwe's land appropriations resonate loudly in the minds of potential investors who look at countries in Southern Africa. While this kind of threat seems to be remote in Namibia, it may be this phenomenon to which the ISA country report is referring when it identifies extremist influence in its country risk analysis.

3) Fuel Supply

The issue of continuity of supply of fuel is a source of major concern in the aviation sector and could have an impact on tourism investment in Namibia. One of the most significant players in the petroleum industry in the region, Engen, has withdrawn from the Namibia market completely. Shell is rumored to be set to follow suit. BP has closed a refinery in South Africa, causing a shortage of fuel distribution to Namibia. A storage facility at Walvis Bay has been condemned, according to local sources in Windhoek and a replacement storage facility at Eros in Windhoek is stated to be "capable of supplying less than two weeks of AvGas." The supply of Jet'A'Fuel has as recently as December 2005 caused Air Namibia to land in Angola *en route* to Europe to complete refueling as it could not complete this in Namibia. This situation is set to come to a head sometime in mid 2006.

The continuity of supply of aviation fuel is of major concern for the Government and the implications are well known. The special nature of distribution of tourists in Namibia and the jet sector and the small air charter business combined make this a sector particularly reliant on fuel. At the same time, the aviation business is the most valuable supply sector for up-market tourists and business arrivals, closely followed by the car rental business (where there is little or no fuel problem looming). Thus the aviation sector is vulnerable and must be protected from fluctuations in both supply and price.

This is a major concern. Any investor would need to rely on fuel, especially if getting to and from an accommodation establishment required the delivery of clients, goods, and other services by air. No investor will make commitments if there is doubt about continuity of supply of fuel.

Analysis

Issues

Availability of public sector finance for the sector is a major gap in stimulating the momentum of investment. Where the majority of opportunity is in the SME sector, presently the government relies completely on the stimulus by the private sector and NGOs to seek and mobilize funds for the complete development process, including in many instances the provision of infrastructure like utilities. Government does not provide support to stimulate the financing of investments.

The Namibian investor market positioning carries a high risk related to land reform. The government wishes to prevent absentee landlords from manipulating the system and compulsory purchase has been considered to eliminate this manipulation of otherwise unproductive land. It is common knowledge that landlords convert farm land to guest accommodations to circumvent compulsory purchase when use of the land has previously been for occasional leisure and hunting with little or no local employment. The whole concept of compulsory purchase is a potential disincentive for investors.

The precariousness of fuel supply potentially represents a high risk for investors. Continuity of supply through the storage system is causing substantial concern—primarily in the small aircraft aviation sector, although it has affected the operations of the long haul jet sector also. Reportedly, the main issue revolves around storage facilities and this is linked with the bulk supply from South Africa that is the only source of supply in the country.

Recommendations

The NIC, Central Bank, and the MET should agree on a set of SME development financing products. Much of potential investment in tourism and local economic development utilizing tourism will, very likely, lie within rural areas, and this can only be a good thing from the perspective of empowerment, employment, and community integration. As part of the feasibility study process of new business investment opportunity, the Government should be in a position to identify and promote streams of availability of finance for local and international SME investor potential as part of the incentives package.

The Government should conduct a thorough review of its land reform policy with regard to tourism. This review should be from the perspective of facilitating linkages to the zoning process and to marketing and communications. As discussed earlier, protection of property rights has emerged from independent sources as being of high priority when financiers are considering supporting a tourism development proposal. Equally, it has emerged in Namibia during the research phase for this Roadmap as being one of the most often cited perceived barriers to further investment by Namibian entrepreneurs. The term "perceived" is relevant, as it appears as if communication of the policies, by MTI and the MET, and their parameters and applicability may be more the issue than the policies themselves. Simply publishing policy is not enough. They must be disseminated to the appropriate audiences.

The Government should fast track a permanent solution to the fuel supply and storage problem. It is clearly understood that continuity of supply of aviation fuel is of major concern for the Government and that the implications are well known. It is raised in this report because of the special nature of distribution of tourists in the Namibian environment, and since the small air charter business is a major sector totally reliant on fuel for its existence. At the same time, the aviation business is the highest supply sector for value tourists and business arrivals, closely followed by the car rental business. Thus the aviation sector is highly vulnerable and must be protected from fluctuations in both supply and price.

— CHAPTER SIX: TOURISM DEVELOPMENT

This chapter addresses public and private sector roles in defining, guiding, and supporting the expansion of tourism in Namibia and presents the lineaments of a marketing approach to be developed through collaboration between the NTB and the NIC and their constituents.

- **INTRODUCTION**

Namibia is a world leader in enshrining environmental conservation in its constitution and creating a policy of government that embraces both natural and cultural conservation. The country also has elucidated principles underlying tourism development that emphasize low impact, low volume, and high value. The travel and tourism industry in Namibia generally subscribes to these principles and carries them through to product development and marketing. The strategy implicit in the principles does not, however, imply that growth of tourism in terms of increased numbers of arrivals should be curtailed, since well-documented research indicates that most areas catering for tourism in Namibia have spare carrying capacity or remain relatively undeveloped.

For investment marketing, the implications of the underlying strategy are:

- that development of future product must be diversified into areas of economic development that promise value to investors, and
- that marketing requires a cooperative effort by public institutions, civil society, and the private sector and a commitment of adequate resources by government.

- **THE TOURISM DEVELOPMENT PRODUCT**

Product differentiation is not an issue in Namibia, as the natural geography and cultural spread across the country answer well to tourist circuit development and tourist expectations, offering substantial diversity of experience. The Visitor Exit Survey of 2002 gives evidence of tourists' overall satisfaction in this regard.

A. National Tourism Strategy

1) Establishment of Priorities

International experience in tourism development teaches that governments must play the lead role in stimulating the private sector's interest and guiding its initial investments. The time to cultivate an effective strategic destination development process can last five to ten years.

The approach in which the public sector assumes the lead responsibilities—at least in the first phase—has two main advantages. First, it allows government to monitor and guide the type, style, and positioning of developments in accordance with its own economic, environmental, and social policies. Second, it allows the potential investor to make a fast-track assessment of opportunities relative to his or her own business development intentions and to be alerted to the priorities under which his or her investments will receive the greatest level of support.

The simple conclusion is that for a destination to have the best chance of success in attracting outside investment supportive of its development emphases, the government must first make the effort to identify its own strategy and priorities, and then make decisions as to which type of potential developments will promote its goals. The government then turns these priorities into an investment opportunity product with an appropriate portfolio of marketing tools.

This process has occurred to a limited extent in Namibia. In what appears to be the first attempt at an investment guide (undated but thought to be around 1995 or 1996), *Investment Opportunities in Namibia*, produced by the Ministry of Trade and Industry, offers in excess of 140 specific investment prospects. These opportunities were well researched as to cost, equity participation, economic rationale, and so forth. Seven of the opportunities were directly related to tourism, while a further 19 were related indirectly.

2) Public–Private Collaboration

Namibia's substantial tourism product has, to now, been exploited primarily by the private sector and civil society organizations working in the area of community development. The private enterprises involved in tourism have been motivated by a desire to satisfy customers in ways that offer a meaningful return on their investments; the NGOs focus largely on projects that promise job creation, SME development, and poverty reduction. Most would appear to be addressing the government policies of both cultural and natural conservation priorities enshrined in the constitution.

Not by accident, private sector investment has close synergy with well-established trends in consumer attitudes in key source markets. Any relationship to national development priorities, however, is rather haphazard, especially in terms of an integrated and prioritized development strategy for the sector. In fact the only current tourism development strategy is that which is driven by the individual entrepreneur or, in the case of community development, a geographical priority based, to a large extent, on disadvantaged population density, mainly in the north and north west of the country.

In the context of the Roadmap, the community development process represents an excellent investment opportunity for a lifestyle type of investor. NACOBTA reports the ability of such investments to return good profits to the investor and the local communities, as well as a relative increase in employment for the communities. But this sort of investment is normally small and minimally profitable and unlikely to garner the interest of more substantial, especially foreign, investors.

In the absence of an integrated Tourism Development Plan, it is not surprising that there is a deficiency of zoning planning for tourism businesses at the national level. That said, there are approximately 16 regional or local area development plans in existence, most of which have been created under the auspices of NGOs and some private sector operators.[46] All are excellent documents in and of themselves, but each betrays a substantial, common shortcoming: the demand for the types of development being proposed is unsubstantiated, or very poorly substantiated. This is a major oversight and risks creating, for the local beneficiaries, expectations that may never come to fruition.

3) The Product Portfolio

Having ascertained development priorities and identified the zone-specific areas where tourism development will do most good to meet those priorities, the government would then need to focus these decisions in a coherent set of marketing tools. The most common and best used tool is a portfolio that is updated on a regular basis and is used as a sales tool as well as an instrument for pursuing initial enquiries.

The portfolio should at least address the issues of:

- where tourism development should be encouraged;
- what types of development would be suitable;
- what incentives, if any, could be considered for any area/opportunity;
- what drawings would be available for construction types suitable for the area;
- what levels of exclusivity could be accorded to an investor;
- what levels of funding would need to be considered; and
- what infrastructure—including utilities—is available or planned.

The portfolio can be a physical booklet, set of brochures, modular folder, CD ROM, website, or a combination of these. Present best practice suggests a combination of modular folder, CD ROM, and website. Booklets and brochures, while attractive, have a short shelf life and are expensive to produce.

B. Donor Support

Namibia has been the beneficiary of substantial donor aid in the two decades since independence. This support will continue for years to come, albeit with some likely down-scaling. In general, donor aid is geared to in-country development such as capacity building, training, SME development, product development (including financing of a community lodge by the EU in the last TDP), and marketing tools such as websites and brochures. Rarely are funds available for international marketing, although they have been in the past. The following overview is restricted to supply-side opportunities, for product development.

1) USAID

USAID has supported two major initiatives in tourism in the recent past. It has provided funding to the community development programs implemented by NACOBTA and also to a substantial training program for field guides with Wilderness Safaris. Financing of the NACOBTA initiatives has ended, however, and there are indications that the Mission in Namibia has engaged in substantial scaling back of aid.

[46] The WWF and NACOBTA have been the prime movers in this regard.

2) The World Bank

Present World Bank involvement in Namibia focuses on the provision of technical assistance to support the government's efforts to reduce poverty and address HIV/AIDS, build local capacity, and enhance management of natural resources. As of June 2004, the World Bank approved an activity with positive implications for tourism: the Integrated Ecosystem Management Project, funded at N$46 million (US $7 million).

3) The United Nations

The United Nations Development Program (UNDP) is active in Namibia, but its work includes no direct involvement in tourism. There may be an opportunity for the Government to access aid from the UNDP related to the issue of AIDS that is affecting the labor supply.

4) The European Union

The EU has been the largest donor supporting tourism development in Namibia since independence. Much of the current structure of tourism in the country is due to EU funding through two TDPs. Both NTB and NWR owe their creation largely to these programs.

Discussion with the EU in Windhoek suggests that a new European Development Fund (EDF) for Namibia (EDF 10) is being drawn up and that tourism may again be included. The EU has suggested that if Namibia would like tourism initiatives to be included in EDF 10, submissions should be rapidly submitted. EU budget line priorities for Namibia include Human Rights and Democracy, HIV/AIDS Prevention, and Environment in Developing Countries. The last of these is of interest to tourism, as specific sub-budget lines provide for financial and technical assistance to help people integrate environmental protection into their everyday life.

C. Analysis

Issues

Namibia lacks a coherent and comprehensive national strategy for the development of tourism. A draft *National Tourism Policy for Namibia* is now in its fourth revision. The original draft was extensive in coverage, well organized, and helpful as a framework for an operational policy. The present version has been somewhat diluted but remains useful as a reference for building a strategy for implementation. Nonetheless, the delays in its approval are likely to impede the development of a good operational strategy.

The investment portfolio at the NIC is outdated. There are no officially developed or published investment opportunities in Namibia. Further complicating this deficiency, the MET website has a number of purported opportunities that investors report to be outdated and, therefore, useless. The website of the Division of Tourism offers little to the potential investor and, as such, represents a disincentive to foreign direct investment. Not having the basic tools, such as a folder and a website, will actually discourage potential investors from initiating contact with the Government or the NTB.

Collaboration with the private sector in developing tourism has not been sufficiently embraced by the Government. The presence of FENATA in the investor marketing environment is strong and supportive of the process. FENATA, however, must above all act on behalf of its members; attracting and facilitating potential new investors is not a constituted role of the organization. In some instances attracting new investment could run counter to the interests of one or more members. Furthermore, the resources of the organization are, reportedly, stretched and, FENATA is under fire from a number of members who see their organization going off track at times with non-core activities. Other associations are members of FENATA, but they have their own voices and may not agree at all times with the Federation.

Synergies between the NTB and the NIC for marketing Namibia as a destination are barely functioning. The efficiency of the marketing network is critical to the effectiveness of the process of securing visibility, awareness, and ultimately investment, and there is little or no collaboration between the marketing capabilities of the NTB and the NIC, in spite of both organizations having a marketing network in international locations. Their collaboration in marketing Namibia is especially important in an environment where resources are scarce and must be spent where the best return on investment can be expected.

Donor funding is available, but donor agencies are increasingly looking for matching funds. Namibia is accustomed to securing funding for project and program support, but donors are looking to areas other than tourism for Namibia. Existing and planned activities in the health, education, and democracy, for example, typically have no linkages to tourism.

Recommendations

The MET should lead the effort to develop a national tourism policy that can be operationalized as strategy. One of the first initiatives will be to put the National Tourism Policy into final form. It is not entirely necessary that the policy be identical to the final format of the draft document. What is essential is that any policy be meaningful in terms of implementation. As it stands now, the draft document caters to every interest group and is almost meaningless in terms of a practical strategy. It would be preferable to use the document, among others, to craft a few statements that guide the NTB, the NWR, and the NIC in nurturing the growth of a sound tourist industry that galvanizes the dynamism of investors. The branding brochure is a fine example of what a few words and examples can accomplish in the way of offering consistency, image, and direction to a broad audience.

The MET should produce a new investment portfolio for tourism and an appropriate support website. Existing communication resources (portfolio and websites) are close to ten years out of date. All redundant opportunities should be purged from the website and a message posted to the effect that the site is being updated. The message should also provide the name and contact address of the webmaster responsible for the new design. Ideally this work should be a collaborative effort between the MTI and the MET.

To develop the portfolio, the MET should follow a two stage process. First the agency should conduct an appraisal of existing Regional Development and Local Area Development Plans. The outcome of the appraisal will represent the first phase of the Investment Portfolio and give the marketing team something to use as a selling tool before completion of the final portfolio. At least this enables Namibia to go confidently to the investor marketplace in a relatively short timeframe.

Next the MET/MTI partnership (with other Ministries when appropriate) should develop a well-defined, clearly structured Tourism Zone Plan. From this process, a set of development priorities will emerge and subsequently a set of demand-oriented investment opportunities. This will comprise the second phase of the official Investment Portfolio that is the marketing team's primary selling tool.

The NTB and the NIC should form a strategic alliance to support the process of evolving a responsive communications link for servicing potential investors. At the same time, they should remain in communication with FENATA, independent tourism associations, and even the unaffiliated private sector. They must nurture a strong and professional customer service process. Only then can Namibia convey a modern, fully professional image in the marketplace.

The GON should apply to the EU for EDF-10 support for tourism product diversification. The EU presents the most opportune possibilities for short-term support, for which Namibia is eligible. EDF-10 is imminent and therefore rapid action is required. In the interim, work should begin as soon as possible to identify priorities for product diversification and develop a project dossier ready for application for funding support.

- **MARKETING NAMIBIA**

A. General Principles

Places—cities, states, countries—seeking to grow tourism must conduct a series of assessments and address a number of critical questions before designing and launching a marketing campaign. First of all, some negative concerns must be satisfactorily reviewed. The following are classic examples and are relevant to Namibia:

- Tourists could cause environmental damage.

- Certain types of visitors could clash with local culture or, worse, introduce undesirable influences on that culture.

- Seasonal visitors could crowd out national tourists, or cause price rises that would exceed the spending patterns of nationals.

- Tourism could affect the employment market in undesirable ways, for example by creating distortions in employment that run counter to social or affirmative action programs.

Satisfactory resolution of these issues is essential to attracting investors, since they will be provided with answers to questions they would normally ask. When the issues have been resolved to the degree that strategic growth plans can proceed, an audit of the locality is an indispensable step. Such audits are rendered more difficult to undertake because the intuitive sense is that nationals already understand the characteristics of their society and general economy. A good audit will comprise several steps. It will establish clearly the demographics and economy of the targeted destinations and it will analyze the competition. For Namibian tourism, that competition is of course external, but in attempting greater diversification of internal destinations, the competition may become localized. A good audit will also conduct a SWOT analysis, setting out in the form of a matrix strengths, weaknesses, opportunities, and threats. Again, a SWOT analysis for Namibia should focus primarily on the country as a whole but should take into consideration several internal destinations, since they, too, will enter into promotional materials. All the information acquired becomes part of the package used to attract the serious foreign investor.

It is also imperative to segment tourist arrivals into at least two main categories: business and leisure visitors. One senior respondent lamented the fact that Namibia's capacity for business conventions is severely limited. Visitors who come for temporary business purposes like seminars and conventions are also classified as tourists, and with proper inducements many can be drawn into leisure tourism as well.

B. The NTB Marketing Plan

At the International Tourism Bourse in Berlin in March 2006, Air Namibia announced that the Namibia-Germany route would be the company's highest international priority for many years to come. The NTB's marketing plan, which is a part of its 2003-2008 Business Plan, echoes Air Namibia's priorities. While Europe in general receives the Plan's primary attention, the German speaking markets are in the lead position. The United Kingdom and South Africa also represent primary markets for the Namibian tourism development. These patterns are generally close to Namibia's trade patterns as well.

Table 6.1 highlights the NTB and industry markets for the period 2003-2008 along with the agreed strategy for each market. It shows that the predominant strategy is Market Penetration, a departure from the promotional strategy that was a hallmark of previous activities. In fact the move towards emphasizing market penetration over promotion signals a fundamental restructuring of the way of doing business by the NTB. It implies a belief in working more effectively through robust research and understanding of the markets.

Table 6.1 NTB and Industry Market Strategies, 2003-2008

MARKETS		2003-2008 STRATEGY
Primary	Germany, Switzerland and Austria	Maintain & grow
	United Kingdom and Ireland	Grow
	South Africa	Grow
	Angola	Explore and grow
Secondary	France	Explore and grow
	Belgium, Netherlands and Luxembourg (Benelux)	Explore and grow
	USA	Explore and grow
	Italy	Maintain and grow
Emerging	Source markets that do not fall under the above categories are considered emerging markets, though some may be valuable. The Board will engage with Namibian missions abroad to ensure that information is available. Spending money in smaller markets is not cost effective unless their potential is evident.	

In a small destination, with limited resources, this is the right strategy. It took three years up to 2004 to build momentum, but during the 2001-2003 period actions have successfully:

- reduced the reliance on the German speaking markets from a share of 53% to 45%;
- increased the share of arrivals from the UK market from 11% to 12%;
- increased the market share of arrivals from the Benelux countries from 8% to 9%;
- generated more than 7,000 incremental arrivals through cooperative marketing and other trade support;
- achieved return on investment ratios of NTB budget expenditures of between 1:30 and 1:82; and
- through the cooperative actions of South Africa, achieve incremental production of visitor arrivals approaching 600 with an ROI of 1:11.

In addition, substantial ROI has been achieved by leveraging public relations opportunities in the U.K., German language, and South African markets. In 2004, the NTB estimates that through this leverage, together with hosting carefully selected media, it has generated in excess of N$1.06 billion (US $16 million) of media coverage value.

C. Marketing Cooperation

In Namibia cooperating together to arrive at consensus on marketing priorities and to develop marketing strategies has been practiced with success in limited ways. The NTB has worked effectively with FENATA, and the successes reported are the fruit of this collaboration. The NTB has built a network of marketing and public relations representatives in key places and geared their orientation towards sales and generation of high-value publicity.

At the same time, the NIC reports it has activities in international markets but without a structured marketing plan. There appears to be a structural deficiency at the NIC in which a lack of capacity and resources are hampering the development of robust, well-researched plans and concomitant expenditures in the international marketplace.

For tourism investment marketing to succeed, there is substantial merit for the NIC to position itself in the same primary markets as the NTB and leverage the awareness penetration and momentum already created. This in turn will generate additional awareness of the Namibia message; it will also add credibility to the Government's message that the country has more to offer.

In the tourism industry, a direct symbiosis exists between government and the private sector: both have distinct roles in marketing the destination. The Government, on the one hand, provides adequate resources to the NTB to carry out its role; the private sector supports the NTB's strategic plans, including buying in to the branding, positioning, and marketing action plans. Through this cooperation, Namibia will project an image of a cohesive, integrated presence, creating a competitive edge as attractive to investors as to tourists.

- **ANALYSIS**

The more thorough the groundwork conducted in advance of implementing a promotional strategy, the more effective the strategy is likely to be. Investors prefer to know that the public or private agencies they will work with in a country have comprehensive knowledge of their market. Questions that must be asked, and answered, before a strategy is launched include:[47]

- How important is tourism to Namibia's economy?
- How can Namibia's market be segmented for tourist preferences?
- What are the risks an investor is likely to face?
- How is the tourism industry structured and managed?

Namibia, through the MET, the NTB, and assistance from the EU-funded TDP, has addressed some of these questions more fully than others.

Issues

An Industry Strategic Marketing Plan for tourism investment is a basic requirement. The NTB has an effective plan, but it is not comprehensive nor does it engage other agencies or extend through an appropriate timeframe.

The NTB and NIC are not functioning well in terms of coordination for marketing Namibia to the tourism investor. Even with well-structured processes and institutions – and fiscal enticements – unless there is a dynamic and progressive drive for targeted marketing, with well-researched and market demand oriented product development, success is likely to arrive haphazardly, defying good measurement of the campaign's effectiveness.

International marketing is extremely expensive, and some measures lie beyond the budget of Namibia. The costs of doing business in the international arena are high, and building economies of scale is critical to generating ROI. Furthermore, success rarely is immediately forthcoming, and unforeseen economic, political, and security issues may arise.

Government and industry in Namibia are not working seamlessly. *Ad hoc* forays into the investor world will only serve to discredit previous efforts. Poorly planned approaches will send a signal to the international, regional, and domestic investor that Namibia is not really a serious player. This must be avoided at all costs. Marketing is a fully integrated and, at times, expensive process that builds incrementally on successes.

Recommendations

In coordination with the NTB, the NIC should develop a ten-year strategic marketing plan targeting both regional and international investors. Regional investors will come from the SADC region and may be actively engaged in direct or indirect forms of tourism business. They may own or manage hospitality operations or operate aircraft, for example, and be looking for expansion opportunities in Namibia. International investors are those outside of the region who are looking for business opportunities, either as a corporate entity, such as large hotel groups, or as an individual entrepreneur looking to expand into the travel and tourism industry.

For the regional investor, the methods that will need to be considered include database development and distribution and advertising. There are many databases of tourism

[47] Adapted from Philip Kotler *et al*., *Marketing Places* (New York: Macmillan, 1993).

businesses in the region that may be either downloaded or purchased. Advertising in the region this can be relatively inexpensive but will need to be regular and constant.

For the international investor the rewards can be substantially higher and imply longer commitments, but this type of investor is harder to find and to convince. Thus the marketing strategy must be different and investment marketing financed differently. The cost in time in the marketplaces, funds, and expertise will be higher, with the prospects also of exponential returns over a longer period of time.

The Strategic Plan should be developed in the very near-term, if tourism is to contribute to the attainment of the goals of Vision 2030. A launch at World Travel Market (WTM) in London in November 2006 would be an excellent target for which to aim, thus securing maximum international publicity for the initiative and providing the momentum for a number of investor presentations and press conferences in Europe.

The marketing capability at the NIC should be institutionalized, supported, and coordinated with the NTB for tourism investment. The international marketing activities of the NIC and the NTB should be rationalized with respect to tourism. Substantial economies of scale can be achieved by eliminating duplication of resources in the markets. The NTB has the primary responsibility for positioning the destination for tourism and has committed a high proportion of its budget to developing and maintaining a network in accordance with its strategies for any particular market. This is well elucidated in the NTB Business Plan. The NIC could work closely with the NTB in its activities with the same marketing representatives. The objectives, strategies, and resources required for the NIC to coordinate effectively with the NTB must be identified.

Identify the top priority markets and stick to the strategy. In a strategic context, it makes sense to have a timeline for development of investment marketing (recommended as the ten-year plan earlier). The logic follows a business principle of making existing markets pay better before expanding into new markets. Substantial investment in time effort and money has already been spent in building receptiveness in existing tourist markets for Namibia, and existing markets are therefore a more realistic opportunity from which to reap rewards. Where the costs of doing international promotion seem prohibitive, focusing strictly on those markets that careful analysis indicates as promising the best returns makes sense. It makes sense as well to pool resources, evolve the ten-year plan for generic Namibia Investment Opportunity marketing, and service that plan through the NIC outlets with a renewed vigor consistent with the priorities and goals of the country.

Forge strategic commercial partnerships with relevant private sector players. For tourism to consolidate and build on its fourth pillar status, and for the sector to continue to grow its relative contribution to GNI, GON must act on its commitment to the sector. Critical to that action, marketing campaigns must ensure that all measures are taken to bring Namibia to the attention of potential investors on a regular, frequent, and professional basis. It is the primary stimulus to bringing Namibia to the attention of potential investors and the catalyst to assisting in having them put Namibia into their shopping basket. The Government cannot do this alone, even adding both the NTB and NIC efforts. FENATA provides a strong arm, but it does not represent all private-sector resources. Developing the strategic plan must embrace all potential resources of private entrepreneurship.

Annex B – Product Audit – summary matrix of regional investment opportunities

Region ? / ***Opportunity ?***	***CAPRIVI***	***ERONGO***	***HARDAP***	***KARAS***	***KAVANGO***	***KUNENE***	***OSHIKOTO***	***OTJOZONDJUPA***
Complete draft Management & Tourism Development Plans (note: expediting these will uncover demand rationale and thus investment opportunities)	Action required on analysing existing TDPs to extract and prioritise investment opportunies for recommended portfolio. <u>**Very high priority**</u> **STEP UP PROGRESS OF TRANS FRONTIER DEVELOPMENT PROCESS. NAMIBIA HAS SUBSTANTIAL COMPETITIVE ADVANTAGE IN THIS EXCITING REGION.** *Note: tourism aside, this region has substantial potential for 5 country regional distribution hub development and thus future investment potential.*	National West Coast Tourism Recreational Park	Namib Naukluft and critiically the Sossusveli Region. Luderitz area requires urgent plans for, primarily, conservation reasons but also to reveal investment opportunities.	Ais Ais & Fish River Canyon	Action required on analysing existing TDPs to extract and prioritise investment opportunies for recommended portfolio	Integrated Tourism Development Plan for this region with experiential linkages to border regions. Major concerns of unplanned development, visitor degradation of physical and cultural environment.		Integrated Tourism Development Plan opportunity incorporating all the experiential region to the Etosha border.
Finalise & Implement 'Cape to Namibia Routes Defelopment Plan (note: The planned route development process is well advanced and the plan will contain specific investor opportunities once the gap analysis is complete)				Regional. Open and equip alternative Southern border gates				
Conduct feasibility study for series of 'Heritage Trail's' (HT) cluster development programme focusing on Cultural Heritage and linkages to history and nature. <u>**The Marketing concept 'HERITAGE TRAILS OF NAMIBIA' can carry strong product appeal and complementary product to the wildlife component. Large opportunity for LED and SME development.**</u>		Feasibility for integrated Tourism Development Plan. Linkages between Erongo Mountains, Twyfelfontein and Brandberg.	Regional. Open Mata Mata gate. Region has substantial potential and reported major economic and social integration needs.	Link to Hardap. Twin & experientially linked Heritage Trails can be developed - leading to accommodation investment opportunites.		HT Expereintial linkages - Central Namib to Etosha via Otjivasandu. *Note: Opening of Gates at Springbokwasser and Ugab central to this strategy*	JVs possible for community development	Substantial opportunity for HT/tourism cluster development majoring on natural, cultural and geological features
Upmarket' accommodation - upper 3* and 4* (30 - 50 beds)			Mariental (linked with Hardap NWR upgrade) as Eastern gateway to Kgalagadi TFCA region + Sossusvlei etc.					
Luxury' accommodation (12 - 20 beds)	Feasibility required for well planned concession facility. Major area for integrated cultural and natural biodiversity.		Sossusvlei area		Feasibility required for well planned concession facility		Government should be very pragmatic in looking objectively at opening up 3 or 4 'top' lodge concessions in the Etosha. Financially it makes excellent business sense and would generate substaial eductaion and employment opportunities that the private scetor would be williing to finance	
			Also requires new access and opening up of 'new' dune areas to maximise investment & employment opportunities as well as ease congestion and thus optimise 'exclusiveness' experiences.			JV possibility with Kaokoveld communities	Excellent opportunity to substantialy rationalise the Etosha and environs tourism and employment potential. Particular emphasis would be in the West and North - away from the 'normal' 'mass' tourism of Etosha. NWR JV is also highly feasible.	

Government Investment required for optimum opportunity gain (green)

Private Sector Opportunity (blue)

note: 'upmarket' refers to very high quality of standards and service levels, not necessarily price. 'Luxury' refers to superior quality workmanship and materials, superior service and standards with commensurate pricing. The regional mix thus widens market appeal.

Annex D: Recommendations Summary Matrix

To be included in the final report