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NAMIBIA

THE IMPACT OF TRAVEL & TOURISM
ON JOBS AND THE ECONOMY



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Correct as at 9 August 2006

WORLD TRAVEL & TOURISM COUNCIL

THE WORLD TRAVEL & TOURISM COUNCIL (WTTC) IS THE BUSINESS LEADERS' FORUM FOR TRAVEL & TOURISM, WORKING WITH GOVERNMENTS TO RAISE AWARENESS OF THE IMPORTANCE OF THE LARGEST GENERATOR OF WEALTH AND JOBS WORLDWIDE.

With a membership consisting of the chief executives of more than 100 of the world's leading companies, WTTC has a unique mandate on and overview of all matters related to success in Travel & Tourism

WTTC is delighted to have collaborated with the Namibia Tourism Board to produce this report – sponsored by Air Namibia, ComMark Trust, the Embassy of Finland and Leading Lodges of Africa – which provides the first simulated Tourism Satellite Account for Namibia.

Researched by WTTC, together with our partners Oxford Economic Forecasting, this report quantifies all aspects of Travel & Tourism Demand, from personal consumption to business purchases, capital investment, government spending and exports. It then translates this information into economic concepts of production, such as gross domestic product (GDP) and employment, which can be compared with other industries and the economy as a whole to provide credible statistical information that will assist in policy- and business decision-making.

The Namibia Government is just now beginning to understand the important role Travel & Tourism can play in the country's future economic development. Indeed, the industry is already an important contributor to GDP and employment. In 2006, the broader Travel & Tourism Economy is expected to contribute 16.0 per cent of the country's GDP and should account for nearly 72,000 jobs, representing 17.9 per cent of total employment. Furthermore, over the next ten years, Travel & Tourism in Namibia is forecast to achieve annualized

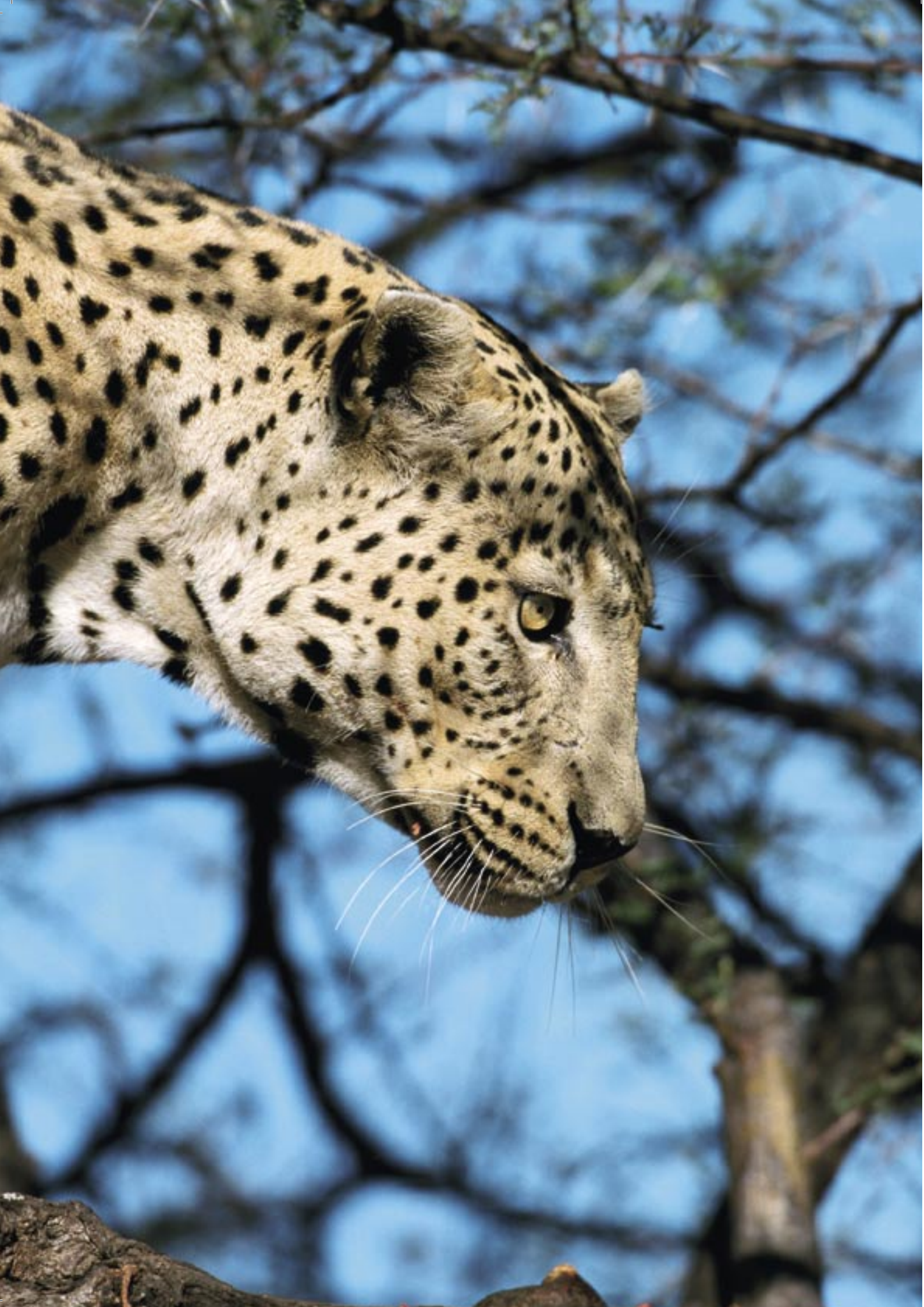
real growth of 7.9 per cent, in terms of GDP, compared with only 4.4 per cent in the Sub-Saharan Africa region, taking the share of Travel & Tourism GDP to 22.9 per cent in 2016.

This contribution is significant, but the industry's potential for growth should not be taken for granted. As illustrated in the Policy Framework section of this report, significant challenges need to be overcome if Travel & Tourism's full economic and social potential is to be realized in Namibia. Recognition of the industry's importance from the highest levels of government and throughout the country, combined with long-term planning at the national and regional levels and adequate funding for tourism development, marketing and promotions, are imperative moving forwards. The establishment of the Namibia Tourism Board in 2001 and focus on tourism in Vision 2030 and the National Development Plan 3 are important steps in the right direction.

The report also sets out WTTC's recommendations on policies that we believe will help optimize the potential benefits of Travel & Tourism in Namibia – for business and local communities, as well as for the environment. As long as certain factors are assured, Namibia's Travel & Tourism could well exceed baseline forecasts. WTTC stands ready to support the adoption and implementation of these policies.



Jean-Claude Baumgarten
President, World Travel & Tourism Council



CONTENTS

| | |
|---|----|
| EXECUTIVE SUMMARY | 4 |
| REALIZING THE POTENTIAL | 7 |
| ECONOMIC IMPACT | 12 |
| GROWTH | 13 |
| NAMIBIA'S TRAVEL & TOURISM | |
| AN OVERVIEW OF RECENT TRENDS AND DEVELOPMENTS | 14 |
| TRAVEL & TOURISM SATELLITE ACCOUNT | |
| TOURISM SATELLITE ACCOUNTING | 22 |
| TSA CONCEPTS & STRUCTURE | 24 |
| TRAVEL & TOURISM'S ECONOMIC IMPACT | 26 |
| TOTAL DEMAND | 28 |
| EMPLOYMENT | 29 |
| GROSS DOMESTIC PRODUCT | 30 |
| CAPITAL INVESTMENT | 31 |
| PERSONAL & BUSINESS | 32 |
| EXPORTS | 33 |
| GOVERNMENT | 34 |
| THE POLICY FRAMEWORK | 35 |
| APPENDIX | |
| SATELLITE ACCOUNT TABLES | 58 |

EXECUTIVE SUMMARY

NAMIBIA HAS THE POTENTIAL TO BECOME ONE OF AFRICA'S LEADING TRAVEL & TOURISM ECONOMIES OVER THE NEXT DECADE, PROVIDING A SERVICE INDUSTRY COMPLEMENT TO MINING, AGRICULTURE AND FISHING FOR ECONOMIC GROWTH AND DEVELOPMENT. TOURISM IS ALSO EMERGING AS A REAL OPPORTUNITY FOR JOB CREATION, SOCIAL COHESION AND ECONOMIC GROWTH.

Traditionally driven by the well-established and active private sector, tourism has recently been identified in both *Vision 2030* and the *National Development Plan 3* as a priority sector by government and a key factor in 'Broad-based Black Economic Empowerment (BBEE)'.

However, if Travel & Tourism is to achieve its true growth potential, the public sector must strive to create a stable and supportive operating environment, based on the understanding that Travel & Tourism is a strategic economic development priority, which stimulates entrepreneurship and encourages investment.

Although the current estimates and baseline forecasts developed by WTTC and its research partner, Oxford Economic Forecasting (OEF), are generally positive, there is no room for complacency.

conditions for market confidence, dynamism and sustainability.

By recognizing Travel & Tourism's valuable flow-through effects for all sectors of the economy and the population – and having the sense of leadership to act on that recognition – the Namibian Government can help ensure benefits not only for those who travel, but also for the local communities they visit, and for their respective natural, social and cultural environments.

While the private sector can and must play an increasingly important role to develop quality products and competitive services geared towards rapidly changing demand, the government needs to show leadership by stimulating and facilitating investment, streamlining and clarifying regulations, and developing much needed infrastructure and human capital.

In line with the recommendations drawn up in

In 2006, Namibia's Travel & Tourism industry is expected to generate 3.7 per cent of total gross domestic product (GDP) and 18,800 jobs. The broader Travel & Tourism Economy is expected to be responsible for 16.0 per cent of total GDP and 71,800 jobs.

Looking forward, forecasts are positive, pointing to an average annual growth in Travel & Tourism Demand of 6.9 per cent over the next ten years. If this growth is realized, the broader Travel & Tourism Economy will contribute 22.9 per cent to Namibia's GDP by 2016.

Moreover, the potential impact could be even greater if the underlying policy framework is conducive to growth – ie if the government makes a commitment to work with other stakeholders to create the underlying

WTTC's *Blueprint for New Tourism*, all stakeholders must assume their share of responsibility for the sustainable development of the country's Travel & Tourism. What Namibia hopes to create is a new Travel & Tourism vision and strategy involving public-private sector partnership – between all levels and sectors of national and local government, as well as between government and the Travel & Tourism industry, academia and other stakeholders. Only in this way can today's challenges be turned into opportunities.

REALIZING THE POTENTIAL

WHILE THE BASELINE FORECASTS FOR NAMIBIA ARE IMPRESSIVE AND HIGHLIGHT THE VERY REAL OPPORTUNITY TRAVEL & TOURISM OFFERS THE COUNTRY AND ITS PEOPLE, SEVERAL CHALLENGES LIE AHEAD, AND THESE MUST BE ADDRESSED TO ENSURE THE LONG-TERM SUSTAINABLE DEVELOPMENT OF TRAVEL & TOURISM IN NAMIBIA, GENERATING MAXIMUM BENEFITS FOR ALL STAKEHOLDERS AND AT ALL LEVELS OF THE ECONOMY.

At the same time, greater co-operation between all leading policy-makers, and between government and the private sector, as well as effective management of tourism growth, could help Namibia do even better than the current forecasts suggest. This would contribute to maximizing the benefits and spreading them equitably to all parts of the country and across all levels of the population.

The additional measures recommended in this report are intended to set the stage to help ensure the larger rewards that Travel & Tourism can bring to Namibia over the short, medium and longer term. The following highlights the key areas in which government intervention is needed.

RAISING AWARENESS

Namibia has the potential to become one of Africa's leading Travel & Tourism economies.

So greater priority needs to be accorded to Travel & Tourism by government, factoring it into mainstream policies for employment, trade, investment, education, environmental protection, etc and communicating the strategic importance of the industry to all levels of government, industry and local communities.

An industrial image campaign will help ensure that all public and private stakeholders recognize Travel & Tourism's full impact across the national economy.

Within government, there is scant awareness of the economic contribution made by Travel & Tourism. It is seen as a purely private sector activity and there is little understanding of the importance of government policies on issues such as infrastructure, security, immigration and education to the industry, and vice versa.

Namibia needs to establish an understanding that Travel & Tourism is an activity that involves the public

as well as the private sector, not to mention several different ministries.

WTTC calls on the Government of Namibia to recognize this importance and to highlight and communicate it across all ministries and the population at large.

REDEFINING TOURISM

As is the case in many countries around the world, tourism in Namibia has in the past been seen only in terms of the hospitality sector and inbound visitors, and as such its full impact has been consistently misunderstood and underestimated.

As shown by this Tourism Satellite Account (TSA), the indirect benefits of tourism are spread widely through the economy, and it encompasses Namibian residents as well as visitors from abroad.

This message needs to be clearly disseminated so that Namibians can understand not only the current importance of tourism to their everyday lives, but also the future opportunities.

ECONOMIC EMPOWERMENT

Based on this TSA, Travel & Tourism stands to create more than 36,000 jobs in Namibia over the next ten years.

Not only is Travel & Tourism one of Namibia's most promising industries, it is one which is dependent on input from people of all cultures and regions and with a huge variety of skills from senior management and self-employment to waiters, tour guides and chefs. As such, the opportunities offered by Travel & Tourism in achieving the government's key policy objective of BBEE are substantial.

WTTC calls on the Government of Namibia to realize the vital role that Travel & Tourism can play in BBEE, and to support the industry in providing opportunities for all Namibians.

EXPORT SECTOR

Travel & Tourism is an export sector just like agriculture, fishing, mining or uranium production.

The Government of Namibia must recognize and acknowledge this important economic principle and help Namibia's industry compete in an intensely competitive international environment by responding instantly to changing market forces, including price and quality of competitive products and services, to maintain a steady stream of new and repeat customers.

TOURISM PLANNING

Long-term planning at the national level is a prerequisite for the successful development of Travel & Tourism in Namibia.

Tourism is highlighted in both *Vision 2030* and *National Development Plan 3* as a growth priority area. Nevertheless, the TSA forecasts can be improved considerably if the industry is actively supported and encouraged by a clear tourism strategy based on the reality of demand and broad policy objectives as well as regional master plans.

WTTC commends the Ministry of Environment and Tourism (MET) on its commitment to drafting a National Tourism Policy for Namibia and encourages all stakeholders, including the government and private sector, to embrace the policy when it is launched.

Once the broad-based policy objectives have been agreed, WTTC recommends that a concerted effort be made to elaborate a detailed tourism Master Plan/Tourism Growth Strategy, which should be adopted as a Cabinet directive to ensure its long-term implementation.

MULTI-STAKEHOLDER INPUT

Vital to the success of any strategic plan will be the buy-in from all stakeholders in Travel & Tourism, private operators both small and large, local communities and government authorities.

The close co-operation between the Federation of Namibian Tourism Associations (FENATA) and the Namibia Tourism Board (NTB) is a positive sign that industry-government relations have a strong foundation on which to build.

WTTC recommends that a Tourism Advisory Council, comprising representatives of all sectors of the industry, be set up to counsel MET and NTB in tourism-related matters.

INDUSTRY MEASUREMENT

In order to plan ahead better and anticipate necessary changes to tourism supply, it is essential to monitor trends in past and current Travel & Tourism demand.

This will help identify threats to growth, as well as new opportunities, and ensure that quality statistics and information feed into policy and business decision-making processes.

A culture of statistics, co-ordinated by the Central Bureau of Statistics within the National Planning Commission in consultation with NTB and MET, should be encouraged and comprehensive statistics compiled for all aspects of Travel & Tourism.

Co-ordination between government agencies must also be improved to smooth and speed the flow of information so business and policy decisions can be made in a timely fashion.

This new TSA, developed by WTTC and OEF for Namibia, provides a significant tool for planning and policy development. Updating the TSA on an annual basis will help ensure that adequate data is

available to factor Travel & Tourism into economic and employment strategies.

TOURISM MANAGEMENT

Government responsibility for Travel & Tourism lies with MET and Namibia is one of the few countries in the world where tourism has a Cabinet-level portfolio.

NTB, which comes under the auspices of MET, has been responsible for tourism marketing and the licensing of tourism businesses since 2001. With a budget of just N\$31 million (around US\$5 million) in 2005, the NTB is seriously constrained in the work it can do and the results it can achieve.

WTTC urges the Namibian Government to allocate a higher level of resources to NTB. This is essential if it is to provide a basic level of regional representation and communication to facilitate contact between local public and private sectors, as well as enforcing the registration of Travel & Tourism operators and, most importantly, carrying out its mission-critical marketing and regulatory roles.

MARKETING & PROMOTION

Experience has shown that demand for any tourism destination grows sharply if marketing and promotions are well funded and effective.

International awareness of Namibia and its tourism product is relatively low, particularly compared with countries such as Kenya, South Africa and Zambia. It is now imperative that a national marketing strategy, based on up-to-date research and reflecting new market trends, is sufficiently funded and executed.

A competitive, sustained promotional campaign in traditional and emerging foreign markets is also critical for Namibia, in order to clarify and enhance the country's image as a tourism destination and generate new demand. And domestic tourism promotion is needed to highlight the importance to local Namibians of Travel & Tourism's economic importance and its employment generation potential.

A strong brand 'Namibia' with regional identities will be a vital force in raising the country's profile so that it can compete in the international market. By defining Namibia as an 'experience' – rugged, natural, soulful, and liberating – the foundation has been set

for a co-ordinated marketing effort by the Travel & Tourism industry. WTTC calls on the Ministry of Finance and MET to allocate adequate funding to NTB for the elaboration and implementation of its co-ordinated marketing and promotions strategy.

INFRASTRUCTURE

Namibia's existing infrastructure is a great asset to the country's Travel & Tourism economy.

Nevertheless, certain decisions need to be taken, both to extend the basic infrastructure, such as airports, roads, communications, water and electricity supply, and also to ensure that infrastructure will be sufficient in the future to encourage potential investment and support the growth of Travel & Tourism.

As an example, there is potential to improve Namibia's road and rail facilities, port facilities for cruise ships, intercity bus/coach services and train travel that will benefit not only Travel & Tourism but the country's population as a whole.

At border crossings, visitors receive their first impression of Namibia, so it is vital that facilities are co-ordinated and high quality with well-trained staff.

Quality infrastructure is essential to diversify the product base, remove bottlenecks, ensure good service and distribute the benefits of tourism flows around the country. It is not only a question of planning for increased numbers of visitors, but also of making sure that the patterns of flow do not affect the natural or built heritage, nor run counter to local interests.

AIR NAMIBIA

Although there is ample evidence to show that Air Namibia is an important contributor to the country's Travel & Tourism economy, there is much controversy surrounding the government's continued subsidy of the airline.

Air Namibia's operating loss was N\$200 million in fiscal year 2004/05, and its servicing of historical debts has required significant public funding.

WTTC commends the Government of Namibia on its liberal aviation policies but underlines the importance of the larger economic benefits of tourism development and how aviation fits into this. There is much to be said for co-operative policies through which airlines, particularly in the developing world,

can be strengthened. But the objective of all such co-operative schemes must be to produce airline operations that can flourish ultimately without subsidy or protection and produce the traffic necessary to fuel the Travel & Tourism industry regardless of carrier.

WTTC therefore urges the government to explore without delay the multitude of options available to address these challenges which may involve alliances with other airlines, code-sharing, wet and dry lease arrangements, etc – hand in hand with restructuring Air Namibia.

NAMIBIA WILDLIFE RESORTS

According to MET research, the National Parks attract the greatest share of visitors to Namibia.

While all resorts within the parks (as well as the parks themselves) are owned by the state, in recent years the resorts have been managed by a state-owned company, Namibia Wildlife Resorts (NWR), and there is a widespread conviction – within government, the industry and the population at large – that the quality of service and facilities is not up to international standards.

At the time of this report, a new managing director has been appointed at NWR and a business plan and turnaround strategy have been drafted. These have also been approved and funding (a loan guarantee and direct

financing) has been endorsed by Cabinet. Although WTTC has not seen the details of the business plan, it firmly believes that the company should be restructured following best-practice business models so that it can operate in a competitive and productive way, with highly trained employees and accountable management

At the end of the day, NWR facilities are important state assets and should be managed with care and in a business-like manner.

BUSINESS ENVIRONMENT

Travel & Tourism growth can be inhibited by local market conditions – from incoherence in planning to unfair taxation, inadequate banking and financial services, uncertainties over land ownership issues, and a lack of transparency in decision-making processes.

If Namibia is to stimulate and sustain business and investor confidence, the Namibian Government must try to create a competitive business environment that is conducive to investment.

The TOURISM 2006 investment conference taking place in Windhoek in October 2006 can be a prime opportunity to illustrate the investment opportunities in Namibia tourism and communicate the actions that the authorities are expecting to take to encourage investment.



Beyond this particular event, stimulating investment means addressing the different problems and weaknesses in the system, providing adequate state guarantees and incentives for investment, and ensuring that fiscal policies such as taxation are not harmful to investment. Financial sector regulations also need to be conducive to operational efficiencies, to currency exchange and transfer.

There are no incentives for investment in Travel & Tourism in Namibia, where the industry is still seen as high risk and the bureaucratic burdens of starting a new business in the country are considerable.

WTTC recommends that a one-stop shop for investment in tourism in Namibia be established to facilitate and co-ordinate the processes necessary to start a tourism business.

Finally, although there have been reforms to rectify colonial inequalities in land distribution and ownership, there are still uncertainties – especially on communal lands, where tenure is one of the major impediments to tourism development. WTTC urges the Government of Namibia to take Travel & Tourism into account when undertaking land reform and legislating for land ownership and procedures to lease.

SAFETY & SECURITY

Namibia is generally a safe and secure destination for travellers.

Although petty crime in the larger cities is on the increase, it is vital that the Namibian authorities are trained to deal effectively with tourists who are victims of crime and can ensure a swift and transparent follow-up to incidents.

LEAKAGE, TRANSFER PRICING & TAXES

Simply put, leakage occurs when a business buys supplies or services from outside the country.

These purchases generally provide little or no impact on the country, but occur naturally as part of the tourism trade relationship between developed and developing countries worldwide. It is not a conspiracy among Namibian tourism enterprises.

These purchases from abroad include travel agent, tour operator and airline services or goods such as vehicles, fuel and certain foodstuffs not readily available in Namibia. Developing economies, like Namibia, tend to be more dependent on goods and services' imports,

so this category of outflow is typically higher in these economies.

One way to reduce leakage from any economy is to source products (produce and manufactured goods) domestically, thus stimulating production and employment. Another way is to address the cumbersome bureaucratic procedures – specifically exchange regulations and high taxes within Namibia, which lead to transfer pricing and tax avoidance that are both legal and state-of-the-art business practices.

To be clear, leakage, transfer pricing and tax avoidance are not issues specific to Namibia, nor illegal in any way. Yet these issues are perceived as negative and are a source of criticism of the industry, drawing attention away from the real facts, ie the massive positive impact that Travel & Tourism has on the country's economy.

THE ECONOMY VS THE ENVIRONMENT

For a number of years, Namibia has been a leader, in Africa and the world, in its approach to conservation and community involvement in resource management. Namibia is therefore already well on track in terms of achieving sustainability. But there is still much work to be done.

As an example, transparency regarding Environmental Impact Assessment is not always achieved and, in certain cases, government bureaucracy is holding back progress, such as in the Coastal Zone Management Plan, or the regulation of access to resources such as the Dune Belt.

WTTC urges government ministries to work together to ensure that such plans can be approved as efficiently as possible, with clear guidelines and empowerment for implementation.

CONSERVATION & TOURISM

Namibia's protected areas are without a doubt the country's most important tourism offerings and, the income generated by tourism in the parks is vital for the ongoing conservation of the areas and provides livelihoods for those communities which surround them.

Park management is therefore a vital aspect of the tourism industry in Namibia, and tourism is crucial to the sustainable management of the parks. WTTC



urges the Namibia Government to allocate sufficient funding to park management and consider innovative business models based on public-private partnership in order to maximize tourism potential and ensure the future conservation of Namibia's natural heritage.

COMMUNITY-BASED TOURISM

With a high rate of unemployment and the inherent difficulties faced by agriculture in a semi-arid environment, community-based tourism is an important tool in poverty alleviation and for providing alternative livelihoods, especially in Namibia's communal areas.

However, there is still a long way to go before tourism's full potential to bridge the gap between the 'haves' and the 'have-nots' is realized, and there are a number of structural and operational weaknesses which must be overcome, particularly in terms of access to start-up capital and land tenure.

It is also imperative that community-based tourism, like any other enterprise in any other sector, is financially viable and based on business and market principles if it is to bring the desired long-term benefits to communities. WTTC also firmly believes that Namibia needs a 'voice of community tourism' and encourages the establishment of a relevant organization to provide development assistance.

VALUE FOR MONEY

Travel & Tourism is one of the world's fastest growing industries with new markets emerging around the globe, while technological innovation and demographic change mean that companies, products and countries are in constant competition with each other, not only to attract business but also to keep up with new developments.

The key to remaining competitive is to provide a high quality, value-for-money experience to which visitors will want to return.

The current perception among private sector companies in Travel & Tourism in Namibia is that their prices in both the international and domestic markets are too high in relation to quality of product and service.

WTTC recommends that an independent pricing audit be commissioned and the overall results be published, so that individual operators can see where their own pricing stands in relation to average rates and then adjust their prices and/or the quality of their products and services accordingly. In this way, market forces would dictate prices and bring them in line with those of competitors.

If Namibia is too expensive, raising the quality of the product – including the education and training of workers – is a preferred solution to reducing prices.

HUMAN CAPITAL

Namibia's Travel & Tourism has the potential to create jobs at all levels of society and the economy.

The Manpower Survey carried out for NTB under the auspices of the EU-funded Namibia Tourism Development Programme in 2004, and the associated report *Towards a National Tourism Training Strategy* the same year, clearly identify the provision of tourism training in Namibia, its weaknesses and opportunities for development. WTTC commends the findings of this report and encourages the Government of Namibia to support NTB in elaborating and implementing a National Tourism Training Strategy.

Also important to the human capital element is the fact that compensation in the Travel & Tourism sector is often perceived to be lower than in other sectors. The reason for this perception is that Travel & Tourism employs the most unskilled workers – people who would not otherwise find a job. Where there are inequalities, remuneration must nevertheless be brought in line with that of other sectors, so that a potential workforce can benefit fully from employment in the sector, and so that the value of top-quality employees is not undermined.

The government can assist the industry in achieving this by implementing labour laws which take into account the need for greater flexibility – to accommodate the problems of seasonal and daily flows, as well as the other operating characteristics of a 24/7 industry.

HIV/AIDS

Complications from HIV/AIDS account for 50 per cent of deaths among individuals aged 15–49 and, since 1996, has been the leading cause of death in Namibia.

The government, supported by international agencies, already has policies in place to tackle the disease. However, there is no question that the Travel & Tourism industry will need to act proactively to address the issue as well. WTTC encourages all Travel & Tourism stakeholders to engage with government and non-government programmes, and to follow examples from within and outside the industry, to address HIV/AIDS head on, seeking out help and assistance when and where necessary to make a difference for their employees, the industry and local communities.

PRODUCT & MARKET DIVERSIFICATION

Namibia's Travel & Tourism is characterized by a high degree of seasonality. It is also concentrated in certain areas of the country.

In addition, a lack of coherent planning at national and regional levels has meant that the development of Namibia's tourism product has in the past been unco-ordinated.

The 2004 Product Audit, undertaken by the NTB, is an excellent basis for understanding the current state of Namibia's tourism product

and the dynamics that lie behind it. This information should be combined with an in-depth market survey and incorporated into a strategy for product development (wildlife tourism, cultural tourism, adventure tourism, game hunting, regional products, MICE tourism, domestic tourism, etc), as part of an overall tourism strategy.

Once the national objectives have been set, regional plans should be drawn up according to the resources and needs of the different areas of the country.

MEETINGS INDUSTRY

At a global level, the meetings industry is a growing sector and one that can bring considerable benefits to economies.

While conference facilities in Namibia are limited, investment in further facilities and a concerted effort to market them will bring higher-spending visitors to the country.

DOMESTIC TOURISM

The world's most successful tourism economies are those that have a strong component of domestic tourism.

However, in many cases Namibians are prevented from being tourists in their own country by high accommodation prices and entrance fees. WTTC suggests a domestic tourism campaign, highlighting the opportunities open to Namibians and a scaled pricing structure with reductions for residents focused on low-season special offers.

TECHNOLOGY

Adaptation to the 'digital economy' is essential for companies involved in all areas of Travel & Tourism to become and remain competitive.

An increasing share of Travel & Tourism operations – and virtually all distribution and sales transactions – flow through telecommunications circuits. Where telecommunications are monopoly controlled, there are often restrictions on access, high costs and unreasonable operating conditions. This in turn limits the potential of market-oriented expansion of Travel & Tourism, with negative impacts domestically and internationally in terms of cost, operational efficiency and customer service.

In today's increasingly competitive global marketplace, there is also a real need for a strong national leadership branding. The recent upgrading of NTB's website to incorporate the brand identity is an important move towards greater visibility for Namibian tourism.

However, with more and more visitors turning to the internet, not only for up-to-date information on a destination but also to make bookings and construct itineraries, a more user-friendly portal will be necessary in time. Such a portal could contain links to all NTB-registered providers – and sometime in the future an online booking facility – as well as background information.

ECONOMIC IMPACT

IN 2006, NAMIBIA'S TRAVEL & TOURISM IS EXPECTED TO GENERATE N\$9,118.9 MN (US\$1,477.5 MN) OF ECONOMIC ACTIVITY (TOTAL DEMAND). THE INDUSTRY'S DIRECT IMPACT INCLUDES:

18,840

jobs representing 4.7% of total
EMPLOYMENT.

N\$ **1,584.2** mn

(US\$256.7 mn) of
GROSS DOMESTIC PRODUCT
(GDP) equivalent to 3.7% of total GDP.

HOWEVER, SINCE TRAVEL & TOURISM TOUCHES ALL SECTORS OF THE ECONOMY, ITS REAL IMPACT IS EVEN GREATER. NAMIBIA'S TRAVEL & TOURISM ECONOMY DIRECTLY AND INDIRECTLY ACCOUNTS FOR:

71,777

jobs representing 17.7% of total
EMPLOYMENT.

N\$ **6,788.6** mn

(US\$1,100.0 mn) of
GROSS DOMESTIC PRODUCT
(GDP) equivalent to 16.0% of total GDP.

N\$ **4,418.1** mn

(US\$715.9 mn) of
EXPORTS, SERVICES & MERCHANDISE
or 21.0% of total Exports.

N\$ **1,312.0** mn

(US\$212.6 mn) of
CAPITAL INVESTMENT
or 12.3% of total Investment.

N\$ **298.1** mn

(US\$48.3 mn) of
GOVERNMENT EXPENDITURES
or a 2.9% share.

GROWTH

IN 2006, TRAVEL & TOURISM IN NAMIBIA IS FORECAST TO SEE REAL GROWTH OF 8.2% IN TOTAL TRAVEL & TOURISM DEMAND TO N\$9,118.9 MN (US\$1,477.5 MN) AND

10.4%

in TRAVEL & TOURISM INDUSTRY GDP to N\$1,584.2 mn (US\$256.7 mn) for the industry directly and 9.7% to N\$6,788.6 mn (US\$1,100.0 mn) for the Travel & Tourism Economy overall (direct and indirect expenditures).

2.7%

in TRAVEL & TOURISM INDUSTRY EMPLOYMENT (direct impact only), to 18,840 jobs, and 1.9% to 71,777 jobs in the Travel & Tourism Economy overall (direct and indirect).

OVER THE NEXT TEN YEARS, NAMIBIA'S TRAVEL & TOURISM IS EXPECTED TO ACHIEVE ANNUALIZED REAL GROWTH OF:

6.9%

in total TRAVEL & TOURISM DEMAND, to N\$28,434.8 mn (US\$2,907.7 mn) in 2016.

8.6%

in total TRAVEL & TOURISM GDP, to N\$5,696.6 mn (US\$582.5 mn) in 2016 for the industry directly and to N\$22,950.9 mn (US\$2,346.9 mn) for the Travel & Tourism Economy overall.

4.4%

in TRAVEL & TOURISM EMPLOYMENT, to 28,845 jobs directly in the industry, and 4.2% to 107,797 jobs in the Travel & Tourism Economy overall in 2016.

9.4%

in VISITOR EXPORTS, rising to N\$16,180.1 mn (US\$1,654.5 mn) by 2016.

4.6%

in terms of CAPITAL INVESTMENT, increasing to N\$3,255.5 mn (US\$332.9 mn) in 2016.

4.5%

in terms of GOVERNMENT EXPENDITURES to N\$730.9 mn (US\$74.7 mn) in 2016.



NAMIBIA'S TRAVEL & TOURISM

OVERVIEW OF RECENT TRENDS AND DEVELOPMENTS



INTRODUCTION

Increasing visibility as a tourism destination

Since gaining independence from South Africa in 1990, the Republic of Namibia has become one of Sub-Saharan Africa's fastest growing and most competitive economies. It is also becoming increasingly visible as a tourism destination – boosted by the recent decision of the high-profile actress, Angelina Jolie, and her partner Brad Pitt to choose Namibia as the birthplace of their much-publicized baby.

As the sector gains in importance, it is also increasingly complementing the country's traditional economic sectors – agriculture, fishing and mining. Yet, despite the clear potential for tourism growth and the opportunities it offers to diversify and enrich the economy, the sector has seen low levels of government investment.

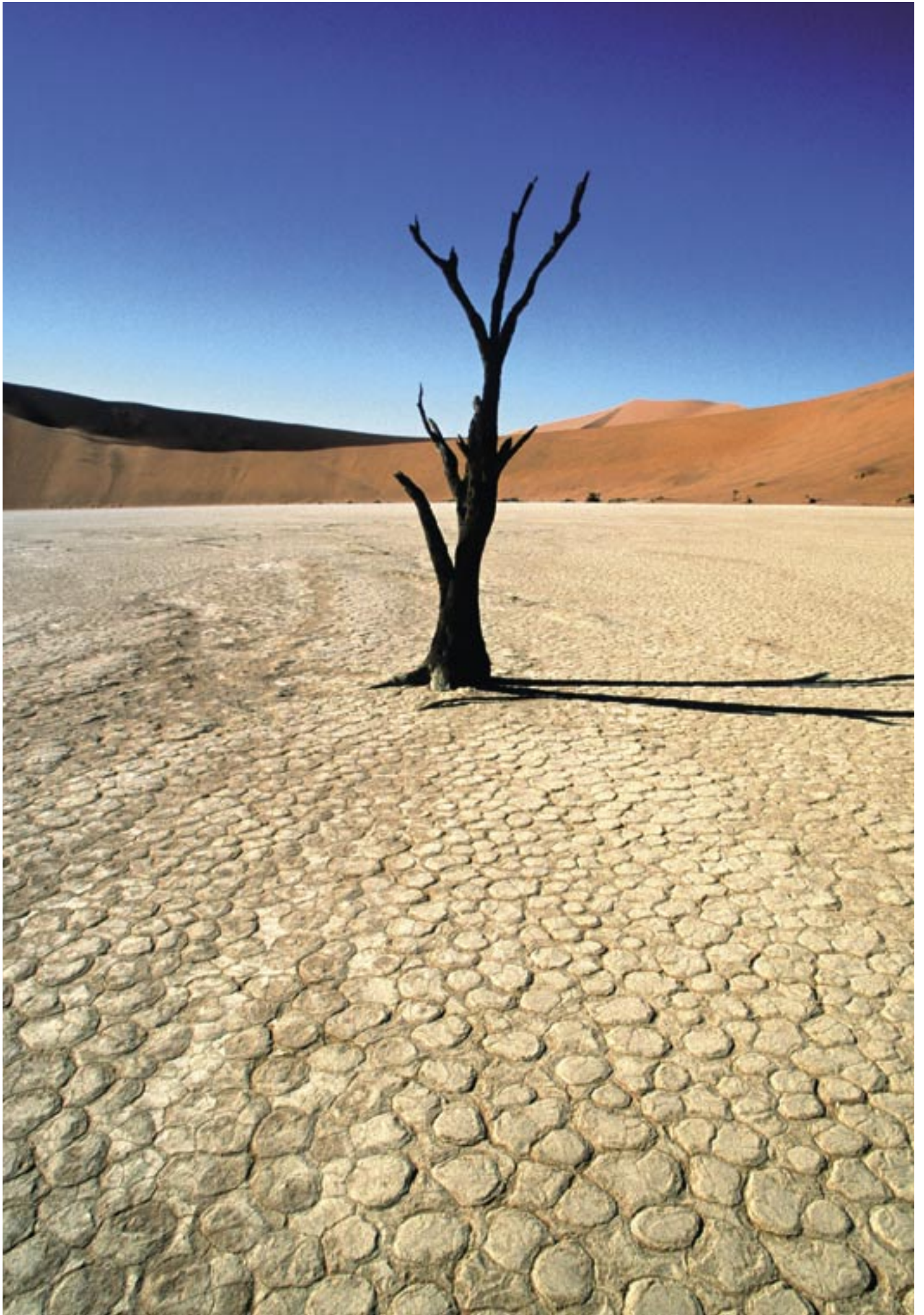
Nevertheless, some significant moves have been made over the past decade to provide a political and legislative framework that is conducive to the growth of the industry. The *White Paper on Tourism* was approved by Cabinet in 1994, and the Namibia Tourism Board Act was signed in 2000. Since its subsequent establishment in 2001, the Namibia Tourism Board (NTB) has undertaken a series of measures to improve marketing of the country's tourism attractions, as well as putting systems in place to organize the industry.

The country's Travel & Tourism is currently at a crucial point in its development. Benefiting from a unique product in terms of its natural and cultural heritage, it now needs to find a place for itself in the global marketplace.

A rich natural and cultural heritage

Namibia is one of Africa's most geographically and culturally diverse countries. It does not boast white, sandy beaches or big resort hotels, so it has never appealed to mass tourism. But its 1,572 km coastline, spectacular desert scenery and the world-renowned Etosha Pan combine with the customs and cultures of its 11 ethnic groups to create a tourism experience that cannot be matched anywhere else in the world.

One of Namibia's main attractions for tourists is that it is easy to explore independently. The country's tiny population, of just over 2 million, is largely scattered through a sprinkling of settlements – founded by different peoples, some ancient, some colonial – offering a fascinating insight into a rich variety of cultures. Between these are vast tracks of pristine wilderness, home to some stunning wildlife, and which remain protected as national parks. One can drive for hours through endless plains, enjoying a scenic backdrop of huge mountain massifs and spectacular canyons without meeting another tourist.



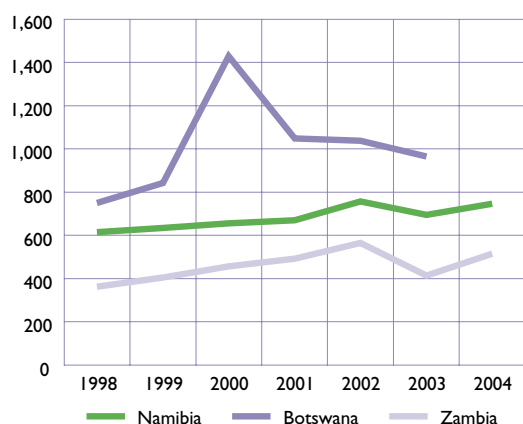
TOURISM PERFORMANCE

International arrivals

Quantifying arrivals in Namibia can be problematic as results are skewed by the large number of Angolans who cross the northern border on a daily basis for shopping. To illustrate the point, the Ministry of Environment and Tourism (MET) reports 973,168 arrivals in 2005, of which only 777,890, or 80 per cent, are classed as 'tourists' (overnight visitors). Consequently, there are often discrepancies in statistical reports, some of which refer to the total number of arrivals while others focus only on tourists, or, in many cases, on just air arrivals.

A comparison of international tourist arrivals (ie excluding same-day visitors and returning residents) in Namibia and its two neighbouring competitors, Botswana and Zambia, from 1998 to 2004 highlights the somewhat unstable growth experienced by the three destinations over the period. Nevertheless, demand for all three appears to have picked up since 2003, with Namibia consolidating this improvement with a further 12 per cent increase in demand in 2005.

International tourist arrivals in Namibia, Botswana and Zambia, 1998-2004 ('000)



Sources: Ministry of Environment and Tourism (MET), Namibia; Namibia Tourism Board (NTB); World Tourism Organization (UNWTO)

Nevertheless, in the six years to 2004, Namibia performed less well than its two competitors, recording an overall growth of 22 per cent as against 34 per cent (estimated) for Botswana and 42 per cent for Zambia. Zambia's performance can in part be explained by the recent troubles in Zimbabwe and the transfer of tourism to Victoria Falls from the Zimbabwean side of the Zambezi to the Zambian side.

By comparison, South Africa more than doubled its international tourist arrivals between 1994 and 2005. This demonstrates clearly Southern Africa's potential for growth and, with the correct policies in place, Namibia should be well positioned to tap into this growth over the coming years.

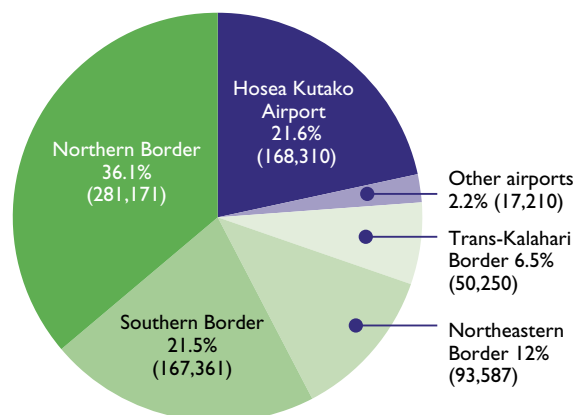
Air vs land arrivals

In 2005, only 24 per cent of Namibia's international visitors arrived by air, with close to 22 per cent entering the country through its main international airport, Hosea Kutako in Windhoek.

The bulk of arrivals (76 per cent) were across different land border points, with the northern border points attracting the highest share, of 36 per cent, followed by the southern borders (22 per cent).

The dominance of these border points in terms of arrivals reflects the importance of local traffic from Angola and Zambia, much of which is for visits to friends and/or relatives (VFR).

Main points of entry of foreign tourists, 2005

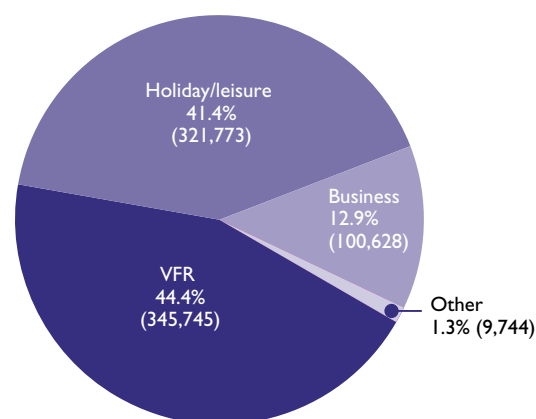


Sources: MET; NTB

Purpose of visit

VFR is indeed the main purpose of trip to Namibia by international tourists, and its share is particularly high among visitors from Angola (74 per cent), Botswana (75 per cent), Zambia (86 per cent) and Zimbabwe (55 per cent). By contrast, only 26 per cent of South African visitors can be termed VFR, while 49 per cent are on holiday and 23 per cent on business.

International tourist arrivals by purpose of visit, 2005



Sources: MET; NTB

Research undertaken by MET in 2001 has produced some interesting findings regarding points of entry and purpose of visit. While the findings may be slightly outdated, they are still worth noting:

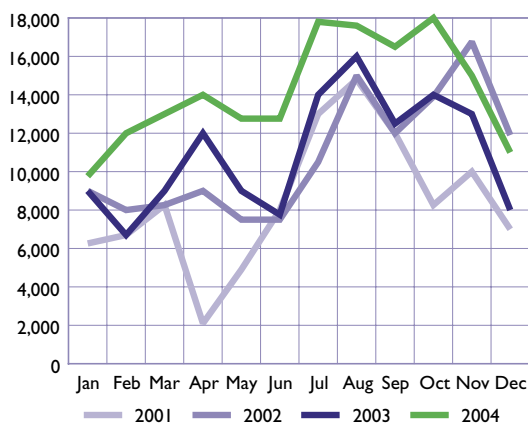
- Some 53 per cent of VFR travellers entered Namibia (presumably in 2000) through the northeastern borders, with the northern borders accounting for 39 per cent.
- Close to 39 per cent of business tourists entered the country through Eros Airport. There are currently no scheduled international flights to/from Eros.
- The southern borders and Hosea Kutako International Airport accounted, respectively, for 25 per cent and 21 per cent of business tourists.

- The majority of holiday and leisure travellers entered Namibia through Hosea Kutako Airport, but Buitepos and the southern border posts were also popular holiday/leisure entry points.

Seasonality and length of stay

Namibia's Travel & Tourism has traditionally been marked by a high level of seasonality, with the peak months of July and August coinciding with the European summer – Namibia's winter. However, this trend is changing – October was the most popular month for air arrivals in 2004, for example – and seasonal peaks are becoming less marked as demand stretches beyond the traditional peak months, as shown by the graph below:

International air arrivals by month, 2001-04

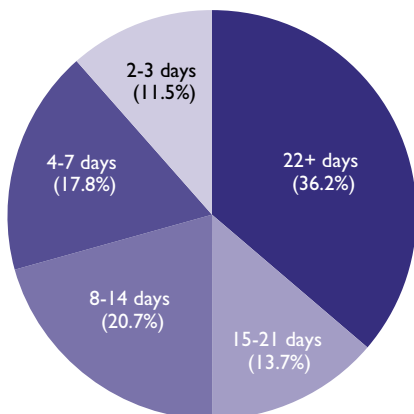


Sources: MET; NTB

According to figures published by MET, some 50 per cent of international tourists spend more than two weeks in Namibia and more than one third stay over three weeks. Average length of stay is 19 days, which means a total of 13.4 million days were spent in the country in 2005.

This average nonetheless masks wide variations from one market to another. Africans stay the longest, followed by Australians (21 days) and Europeans (between 14 and 18, according to nationality), with Americans closing the list at 13 days average.

Average length of stay, 2005

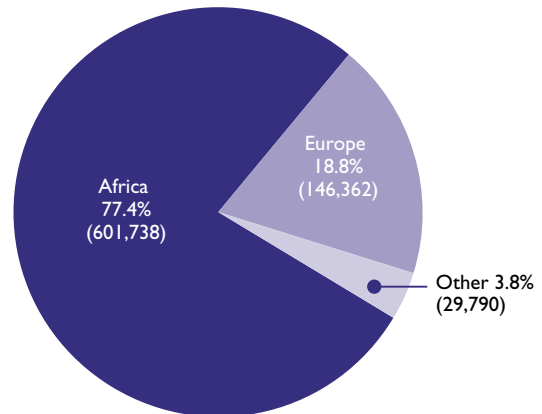


Sources: MET; NTB

TOURISM MARKETS Africa dominates overall...

A breakdown of Namibia's international tourist arrivals in 2005 by source region – ie region of nationality, not necessarily residence – shows that Africa dominates strongly, accounting for more than a 77 per cent market share. Europe generates 19 per cent and other regions, comprising mainly North America, less than 4 per cent.

International tourist arrivals in Namibia by region^a, 2005



^a By nationality

Sources: MET; NTB

With the exception of Germany, in third place in the overall tourist arrivals' ranking, the top six positions are held by African nations, with Angola and South Africa between them accounting for two thirds of the total count (66 per cent). But, while Angola recorded a 26 per cent increase over the two years from 2003 to 2005, South Africa's growth was rather more modest, at 4.0 per cent. The strongest increase came from Zimbabwe (+28 per cent).

After Germany, the British, Americans and Dutch are the next largest sources of arrivals, followed by French, Italians, Swiss, Scandinavians, Austrians and Australians.

Top 15 markets by nationality in terms of arrivals, 2005

| Market | Arrivals | % change 2005/03 |
|-------------------|----------|------------------|
| Angola | 281,365 | 26.3 |
| South Africa | 230,949 | 4.0 |
| Germany | 61,222 | 5.5 |
| Zambia | 35,782 | 6.4 |
| Zimbabwe | 22,765 | 27.9 |
| Botswana | 22,333 | -1.5 |
| UK | 20,978 | 8.8 |
| USA | 11,979 | 1.7 |
| Netherlands | 11,569 | -1.8 |
| France | 9,959 | 6.4 |
| Italy | 8,557 | -2.9 |
| Switzerland | 8,363 | 14.3 |
| Scandinavia | 6,327 | 19.0 |
| Austria | 5,160 | 2.7 |
| Australia | 4,274 | -0.1 |
| Total incl others | 777,890 | 11.9 |

Sources: MET; NTB

...and men outweigh women by nearly two to one

Of the total arrivals' count, 63 per cent are generated by male visitors and 37 per cent by females. The male dominance is most marked among African visitors – especially South Africans, Angolans and Zambians. In general, although there are some exceptions, European visitors tend to be more evenly matched in terms of numbers.

Air arrivals show different patterns

As already indicated, air arrivals accounted for less than a quarter of the total arrivals' count in 2005. And the ranking of leading sources by air is quite different from the overall arrivals' ranking. Germany is number one, ahead of South Africa, with the UK following some way behind in third position.

The following chart highlights the fluctuations from one year to another by certain markets between 2003 and 2005. In general, even for those markets that declined in 2004 – notably the UK, France, Italy and Austria – arrivals in 2005 exceeded the respective 2003 counts.

It is interesting to note that the Netherlands ranks lower in terms of air arrivals than in arrivals overall. This can perhaps be explained by the fact that the number of Dutch living in Southern Africa is quite high, and so a major share of Dutch arrivals are by land.

Apart from Africans and Europeans, the only other markets counted individually are the USA and Australia. Arrivals from the newly emerging markets such as China and India are still negligible and are not likely to increase without concerted marketing efforts on the part of the Namibian authorities and tourism industry.

International arrivals through Hosea Kutako International Airport by nationality, 2003-05

| Market | 2003 | 2004 | 2005 |
|--------------|--------|--------|--------|
| Germany | 43,538 | 45,107 | 48,298 |
| South Africa | 35,211 | 35,072 | 37,294 |
| UK | 9,918 | 8,759 | 11,633 |
| Angola | 6,565 | 7,841 | 8,315 |
| USA | 6,295 | 7,092 | 7,758 |
| France | 7,234 | 6,980 | 7,529 |
| Italy | 6,793 | 5,955 | 6,845 |
| Switzerland | 4,979 | 5,471 | 6,442 |
| Austria | 3,992 | 3,374 | 4,398 |
| Netherlands | 3,441 | 3,826 | 3,814 |
| Scandinavia | 2,216 | 2,711 | 3,003 |
| Belgium | 2,818 | 2,574 | 2,398 |
| Spain | 2,309 | 1,829 | 2,055 |
| Zimbabwe | 964 | 1,009 | 1,302 |
| Australia | 1,192 | 1,077 | 1,135 |
| Portugal | 1,054 | 730 | 986 |
| Botswana | 251 | 381 | 643 |
| Zambia | 535 | 492 | 581 |

Sources: MET; NTB



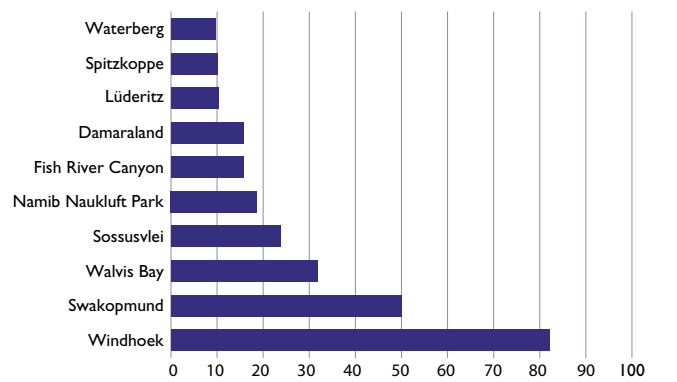
REGIONAL DISTRIBUTION OF TOURISM

Accommodation capacity dictates destination choice

Namibia covers an area of 825,418 sq km. Travel & Tourism activity is concentrated in the central region, around the Etosha Pan, on the coast and in the Namib Desert – in effect, parts of the country offering most accommodation facilities.

The majority of tourists visit Windhoek, due to the fact that the main entry point to Namibia, Hosea Katuko International Airport, is located there. According to MET’s 2003 figures – and the breakdown is not expected to have changed significantly – the most commonly visited locations in Namibia are Windhoek (82 per cent), Swakopmund (50 per cent), Walvis Bay (32 per cent), Etosha and Sossusvlei (24 per cent).

Top ten destinations in Namibia visited by international tourists^a, 2003 (% share)



^a More than one destination visited per tourist arrival, so total adds up to more than 100%
Sources: MET; NTB

In 2005, the central region actually accounted for 37 per cent of tourist bed capacity, followed by the northern region with a 27 per cent share, the coastal area (20 per cent) and, finally, the southern part of the country (16 per cent).

Accommodation capacity in Namibia by region, 2005

| | |
|----------|-------|
| Central | 36.7% |
| Northern | 27.0% |
| Coastal | 20.1% |
| Southern | 16.2% |

Source: Hospitality Association of Namibia

A range of different facilities

Namibia offers a range of different accommodation from bed & breakfast facilities and campsites to luxury lodges. Although there is little data to show the expansion of facilities over the years, NTB

Product Audit, undertaken in 2004, provides some analysis of what is available.

Tourist accommodation in Namibia is generally run by individuals, with no international hotel brands present. At the top end, companies such as Wilderness Safaris and Leading Lodges, have an important presence, but the majority of facilities are operated by small and medium-sized enterprises (SMEs). According to the NTB database, there were 872 registered accommodation establishments in Namibia as of May 2006.

The average number of bednights per location, however, is only about 1.5. This reflects the tendency for tourists to visit many different places and stay at different types of accommodation during their trips.

Accommodation capacity in Namibia by category, 2004

| | |
|----------------------------|-----|
| Guest farm | 26% |
| Lodge | 17% |
| Pension | 4% |
| Self-catering resort | 6% |
| Tented camp/lodge | 2% |
| Hotel/motel | 12% |
| Rest camp/traditional camp | 7% |
| Bed & Breakfast | 7% |
| Guesthouse | 10% |
| Campsite/caravan park | 8% |

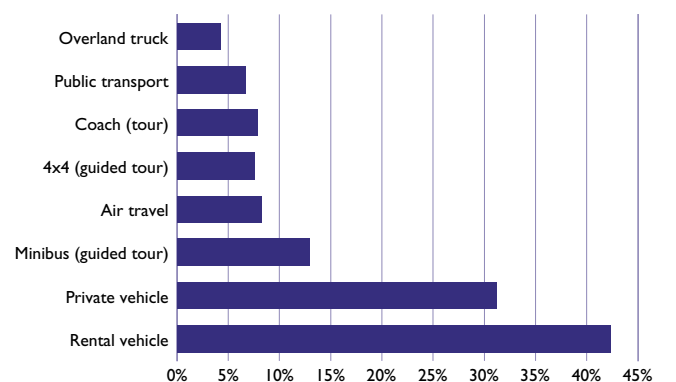
Source: NTB Product Audit, 2004

Local transport

The majority of intercontinental visitors travel around Namibia in rented vehicles (42 per cent), while many South Africans and ‘other African’ visitors use their own transport (31 per cent).

Given the huge distances, domestic air travel is also an important means of travelling within Namibia, either by scheduled flights or, increasingly, private air charters. In addition, an increasing number of organized tours has stimulated coach travel and excursions by 4x4 vehicles and similar transport.

Different transport modes used by international visitors to Namibia^a, 2003



^a More than one destination visited per tourist arrival, so total adds up to more than 100%
Source: MET

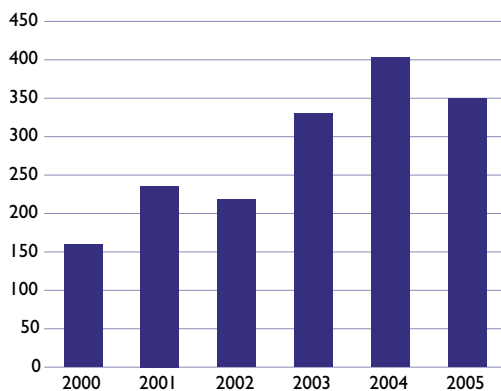
VISITOR EXPENDITURE

Disappointing growth in receipts...

Despite a more than 3.5 per cent annual increase in international tourist arrivals since 1998, international tourism receipts – at least in terms of US dollars – have shown marked fluctuations from one year to another. This probably reflects the strength of the Rand against the US dollar and euro, but it also suggests there is a need for Namibia to develop a higher value product to increase income.

Growth was nonetheless good in 2003 and 2004 although, according to preliminary estimates from the World Tourism Organization, international tourism receipts declined by 13 per cent in US dollars in 2005.

**Namibia's international tourism receipts^a, 2000-05
(US\$ mn)**



^a Excl spending on transport

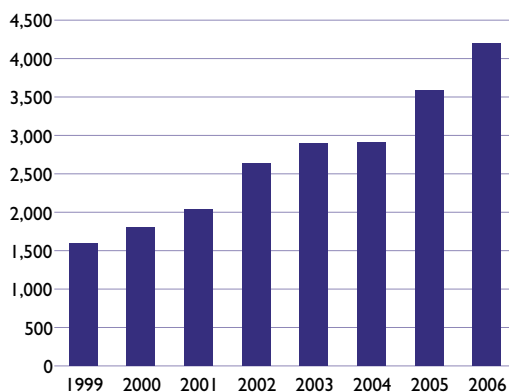
Source: UNWTO

...but visitor exports are much more positive

Nevertheless, the picture is not altogether gloomy. On the contrary, if the broader impact of Travel & Tourism is taken into account – ie the income generated not only from direct tourism activity but also the secondary activity which takes place as a result of tourism, plus spending on transport – the figures are much more positive.

WTTC's tourism satellite accounting (TSA) research points to a 20 per cent rise in visitor exports for 2005 in constant US dollars, as well as a further 12 per cent increase forecast for 2006.

**Namibia's visitor exports, 1999-2006
(N\$ mn)**



Sources: WTTC; Oxford Economic Forecasting

COMMUNITY-BASED TOURISM

Namibia has been a pioneer in the development of community-based tourism (CBT), and the country has seen a significant rise in the sector over recent years. Companies that are rated as CBT enterprises include:

- Campsites;
- Lodge partnerships between the conservancies and private sector;
- Tour operators;
- Crafts' manufacturers; and
- Companies offering guided tours.

The number of tourists visiting community-based areas/lodges grew from 30,000 in 1999 to 70,000 in 2002, and to around 90,000 in 2004.

CURRENT OUTLOOK

Namibia is at an exciting point in its tourism development. With a wide-ranging and unique product to offer, it now needs to raise the country's image in international markets, as well as continuing to develop products that will generate income and contribute to employment and economic growth, particularly among the most disadvantaged members of the population.

At a global level, Travel & Tourism to Africa is growing and Namibia must strive to tap into this growth opportunity, while finding its own particular niche in the marketplace and ensuring long-term environmental and economic sustainability.

Namibia is at an exciting point in its tourism development. With a wide-ranging and unique product to offer, it now needs to raise the country's image in international markets, as well as continuing to develop products that will generate income and contribute to employment and economic growth, particularly among the most disadvantaged members of the population.

TRAVEL & TOURISM SATELLITE ACCOUNT

TOURISM SATELLITE ACCOUNTING

THIS REPORT FOLLOWS THE CONCEPT OF SATELLITE ACCOUNTING DEFINED IN THE *TOURISM SATELLITE ACCOUNT: RECOMMENDED METHODOLOGICAL FRAMEWORK* (TSA:RMF), AND DEVELOPED UNDER THE AUSPICES OF THE WORLD TOURISM ORGANIZATION.

Over the last three decades, countries have estimated the economic impact of Travel & Tourism through a range of measures using a variety of definitions and methodologies. Such approaches have prevented meaningful comparisons among nations. Even for the same nation over different periods of time, they have frustrated business and government attempts to draw valid conclusions about the nature and course of Travel & Tourism demand in national economies. This regime has obscured the substantial, positive role the industry plays in national economies and has thwarted business and government attempts to optimize economic programmes and policies.

The World Travel & Tourism Council (WTTC) recognized the dearth of crucial Travel & Tourism intelligence from the time of its establishment in 1990 and it published the first detailed estimates of world tourism's economic impact that same year.

Since then WTTC has worked to improve its methodologies and to encourage individual countries to enhance their measurement and understanding of tourism's impact on their national economies. Furthermore, in the spirit of joining forces to enhance world comprehension of the role of Travel & Tourism in national economies, WTTC has strongly supported the programmes of the World Tourism Organization (UNWTO) to improve tourism statistics worldwide.

WTTC'S RESEARCH

WTTC and its economic/research partners – Oxford Economic Forecasting, (OEF), since 1999, and Global Insight (previously known as DRI•WEFA), from 1990–1999 – have developed and published research on the economic contribution of Travel & Tourism to the world, regional and national economies.

Starting in 1990, WTTC's research team has been working to develop practical, real-world models to illustrate Travel & Tourism's economic contribution based on the needs of private sector leaders, public sector policy-makers and industry researchers, and on the interpretation of the system of national accounts. The research is now firmly anchored in the international standard for tourism satellite accounting that was developed by UNWTO, OECD and Eurostat, and approved by the United Nations Statistical Commission in 2000. It was launched at the TSA Conference held in Vancouver in May 2001 and published as the *Tourism Satellite Account: Recommended Methodological Framework* (TSA:RMF) in 2001.

Since 1999, WTTC's research has assumed the conceptual framework of the UN-approved standard with a number of discretionary extensions, and it combines the most sophisticated economic modelling and forecasts available with the most up-to-date, publicly available data to generate a comprehensive implementation of Travel & Tourism satellite accounting.

This special simulated TSA for Namibia is the product of work commissioned by the Namibia Tourism Board (NTB). In carrying out the work, OEF has drawn extensively on the methodology drawn up over the years by WTTC to develop TSAs as operational tools, and has worked closely with NTB, the Bank of Namibia, the Ministry of Environment and Tourism and the Central Bureau of Statistics to review the assumptions, models and results produced by this exercise.

WTTC'S APPROACH TO TOURISM SATELLITE ACCOUNTING

WTTC has endeavoured to implement and produce the most comprehensive TSA provided for within the TSA:RMF – by developing the narrow concept of the 'Travel & Tourism Industry' in addition to the broader concept of the 'Travel & Tourism Economy'. WTTC advocates full implementation of the TSA as defined in the TSA:RMF in order to achieve the highest level of benefits for industry and governments. These include:

- A wealth of customer and consumer information on tourism-related purchases (before, during and after trips – whether domestic or international, imported or exported – as well as services, durables and non-durables) that has never been identified until now;
- Comprehensive documentation and analysis of the full tourism-product service chain and government's ability to deliver quality and timely service to visitors;
- Linkages between Travel & Tourism and other sectors of the economy such as agriculture and manufacturing to illustrate the flow-through of spending;
- Complete outlook for public works that benefit visitors and Travel & Tourism companies in order to leverage public sector plans and priorities for growth;
- Focused opportunities for domestic production, as

well as incentives from the public sector, to aid in the growth of businesses that help alleviate trade balance issues;

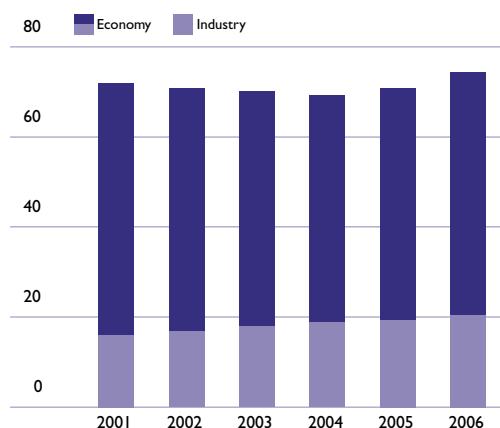
- Demand- and supply-side information on employment that allows for human resource planning and development.

WTTC has worked towards developing a comprehensive TSA – not because it is eager to exaggerate the size of Travel & Tourism's impact, but because the information that can be garnered from the exercise by governments and industry is crucial for making intelligent and informed policy and business decisions. WTTC believes that history will document its pioneering implementation of the simulated TSA as one of the most important turning points for Travel & Tourism's long overdue economic recognition.

In the WTTC research, no country receives special treatment or favours. WTTC uses internationally available data sources and the same scope of tourism satellite accounting for all countries, as well as the same basic assumptions through the same system of models. WTTC's TSA research utilizes a universal and internally consistent modelling framework and generates harmonized results and forecasts for 174 countries around the world. Details of the methodology used by WTTC/OEF in its TSA research are available on WTTC's website (www.wttc.org).

NAMIBIA

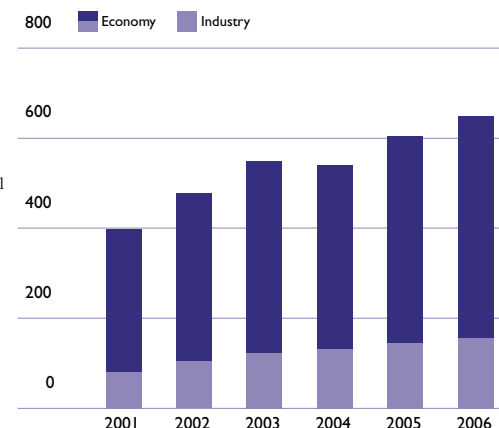
**Travel & Tourism Employment
(‘000 Jobs)**



T&T ECONOMY
Direct and indirect impact of visitor activities, capital investment, exports and government services

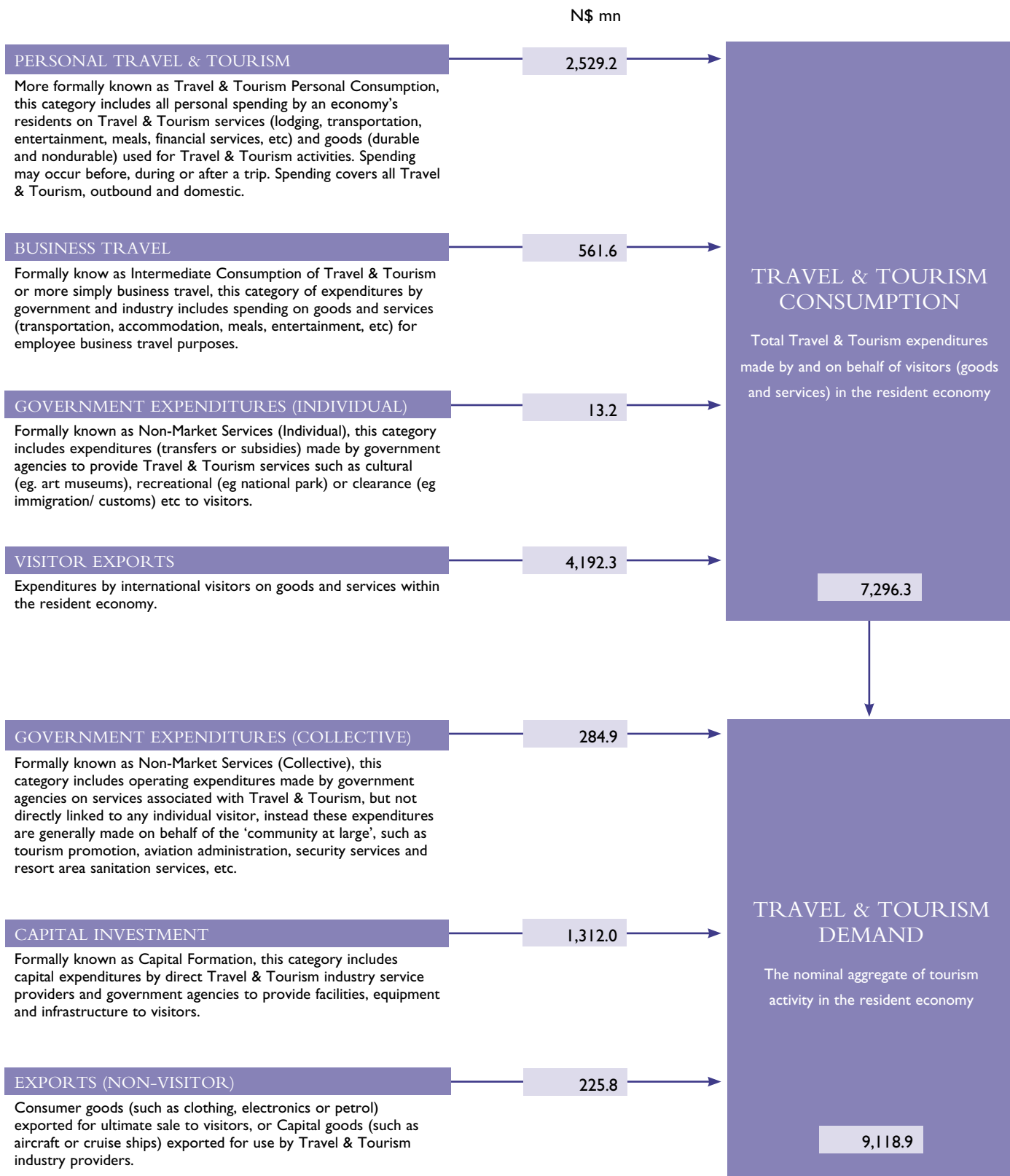
T&T INDUSTRY
Direct impact of visitor activity (transportation, accommodation, food and beverage, recreation, entertainment and travel services)

**Travel & Tourism Gross Domestic Product
(2000 Constant US\$ mn)**



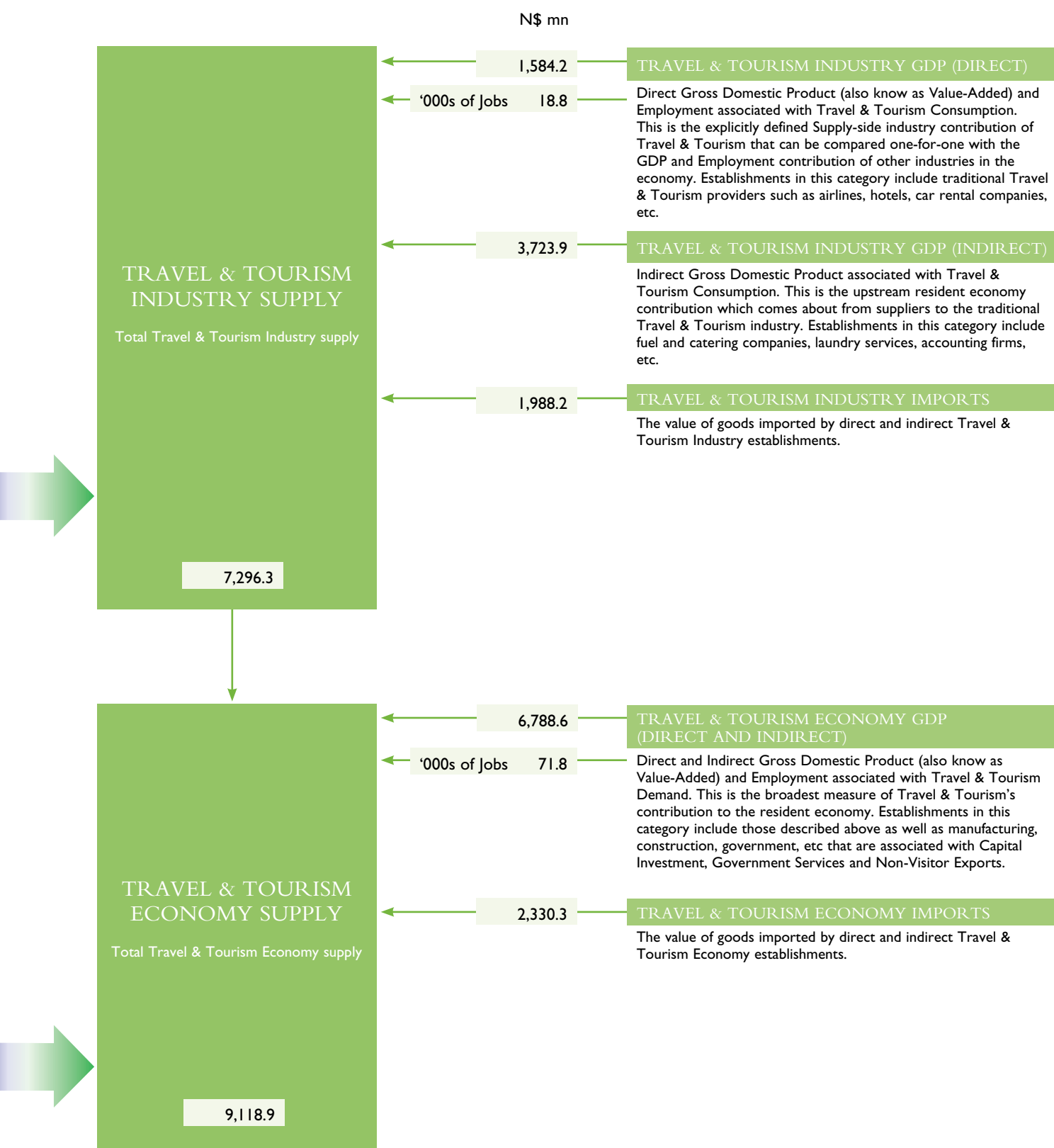
TSA CONCEPTS & STRUCTURE

Demand Side Accounts



The Travel & Tourism Satellite Account is based on a ‘demand-side’ concept of economic activity, because the industry does not produce or supply a homogeneous product or service like traditional industries (agriculture, electronics, steel, etc). Instead, Travel & Tourism is an industrial activity defined by the diverse collection of products (durables and non-durables) and services (transportation, accommodation, food and beverage, entertainment, government services, etc) that are delivered to visitors. There are two basic aggregates of demand (Travel & Tourism Consumption and Total Demand) and by employing input/output modelling separately (blue/green arrows) to these two aggregates the Satellite Account is able to produce two different and complementary aggregates of Travel & Tourism Supply: the Travel & Tourism Industry and the Travel & Tourism Economy. The former captures the explicitly defined production-side ‘industry’ contribution (ie direct impact only), for comparison with all other industries, while the latter captures the broader ‘economy-wide’ impact, direct and indirect, of Travel & Tourism.

Supply Side Accounts



TRAVEL & TOURISM'S ECONOMIC IMPACT

TRAVEL & TOURISM – ENCOMPASSING TRANSPORT, ACCOMMODATION, CATERING, RECREATION AND SERVICES FOR VISITORS – IS ONE OF THE WORLD'S HIGHEST PRIORITY INDUSTRIES AND EMPLOYERS.

DEMAND

Worldwide in 2006, it is expected to post US\$6,477,219 mn of economic activity (Total Demand) and this is forecast to grow to US\$12,118,630 mn by 2016.

Travel & Tourism Demand in Sub-Saharan Africa is expected to reach US\$75,346.2 mn in 2006, growing to US\$154,830.8 mn in 2016.

In Namibia, in 2006, Travel & Tourism is expected to post N\$9,118.9 mn (US\$1,477.5 mn) of economic activity (Total Demand), growing to N\$28,434.8 mn (US\$2,907.7 mn) by 2016.

GDP

In 2006, the Travel & Tourism Industry should contribute 3.6% to worldwide GDP. The broader Travel & Tourism Economy should contribute 10.3% to world GDP in 2006.

In Sub-Saharan Africa, the Travel & Tourism Industry is expected to post a GDP contribution of 2.8% in 2006, while the Travel & Tourism Economy contribution will be 8.2%.

Namibia's T&T Industry is expected to contribute 3.7% to Gross Domestic Product (GDP) in 2006 (N\$1,584.2 mn or US\$256.7 mn), rising in nominal terms to N\$5,696.6 mn or US\$582.5 mn (5.7% of total) by 2016. The T&T Economy contribution (percent of total) should rise from 16.0% (N\$6,788.6 mn or US\$1,100.0 mn) to 22.9% (N\$22,950.9 mn or US\$2,346.9 mn) in this same period.

GROWTH

Travel & Tourism is a high-growth activity, which is forecast to increase its total economic activity by 4.2% per annum worldwide in real terms over the next ten years.

In Sub-Saharan Africa, Travel & Tourism is expected to post average annualized gains of 4.7% between 2007 and 2016.

For Namibia, Travel & Tourism activity is expected to grow by 6.9% per annum in real terms between 2007 and 2016.

EMPLOYMENT

Travel & Tourism is human resource intensive, creating quality jobs across the full employment spectrum. In 2006, one in 11.5 jobs will be generated by the Travel & Tourism Economy. The Travel & Tourism Economy accounts for 8.7% of global employment. Today there are 76.7 million Travel & Tourism Industry jobs and 234.3 million jobs in the Travel & Tourism Economy, and these will rise to 89.5 million Travel & Tourism Industry jobs and 279.3 million Travel & Tourism Economy jobs by 2016.

The Sub-Saharan Africa Travel & Tourism Industry is expected to generate 3,539,000 jobs in 2006 (2.2% of total employment), while the

broader Travel & Tourism Economy will account for 10,586,000 jobs (6.6% of total employment).

Namibia T&T Economy employment is estimated at 72,000 jobs in 2006, 17.9% of total employment, or 1 in every 5.6 jobs. By 2016, this should total 108,000 jobs, 20.7% of total employment or 1 in every 4.8 jobs. The 19,000 T&T Industry jobs account for 4.7% of total employment in 2006 and are forecast to total 29,000 jobs or 5.5% of the total by 2016.

VISITOR EXPORTS

Travel & Tourism is a major exporter, with inbound visitors injecting foreign exchange directly into the economy. Travel & Tourism exports in Sub-Saharan Africa are expected to represent 11.7% of total exports in 2006.

In Namibia, exports make up a very important share of Travel & Tourism's contribution to GDP. Of total Namibia exports, Travel & Tourism is expected to generate 21.0% (N\$4,418.1 mn or US\$715.9 mn) in 2006, increasing to N\$16,711.5 mn, or US\$1,708.9 mn (29.4% of total), in 2016.

CAPITAL INVESTMENT

Travel & Tourism is a catalyst for construction and manufacturing. In 2006, the public and private sectors combined are expected to spend US\$1,010,732.0 bn on new Travel & Tourism capital investment worldwide – 9.3% of total investment – rising to US\$2,059,802.0 bn, or 9.6% of the total, in 2016.

In Sub-Saharan Africa, Travel & Tourism Capital Investment is expected to total US\$12,941.8 mn in 2006, or 11.6% of total regional capital investment.

Namibia Travel & Tourism Capital Investment is estimated at N\$1,312.0 mn, US\$212.6 mn or 12.3% of total investment in year 2006. By 2016, this should reach N\$3,255.5 mn, US\$332.9 mn or 12.9% of total.

GOVERNMENT

Travel & Tourism is both a generator and receiver of government funds. Globally, in 2006, Travel & Tourism is expected to garner US\$300,174.8 bn of government expenditures, or 3.8% of total expenditures. By 2016, government spending on Travel & Tourism should increase to US\$480,893.5 bn – 4.0% of total government expenditure.

Government Travel & Tourism operating expenditures in Namibia in 2006 are expected to total N\$298.1 mn (US\$48.3 mn) or 2.9% of total government spending. In 2016, this spending is forecast to total N\$730.9 mn (US\$74.7 mn), or 3.0% of total government spending.

NAMIBIA ESTIMATES AND FORECASTS

| | 2006 | | | 2016 | | |
|---------------------------|---------|----------|---------------------|----------|----------|---------------------|
| | N\$ mn | % of Tot | Growth ¹ | N\$ mn | % of Tot | Growth ² |
| Personal Travel & Tourism | 2,529.2 | 11.4 | 5.2 | 6,387.1 | 12.2 | 4.8 |
| Business Travel | 561.6 | --- | 4.2 | 1,349.7 | --- | 4.3 |
| Government Expenditures | 298.1 | 2.9 | 4.9 | 730.9 | 3.0 | 4.5 |
| Capital Investment | 1,312.0 | 12.3 | 6.9 | 3,255.5 | 12.9 | 4.6 |
| Visitor Exports | 4,192.3 | 20.0 | 11.9 | 16,180.1 | 28.5 | 9.4 |
| Other Exports | 225.8 | 1.1 | 4.5 | 531.4 | 0.9 | 4.1 |
| Travel & Tourism Demand | 9,118.9 | --- | 8.2 | 28,434.8 | --- | 6.9 |
| T&T Industry GDP | 1,584.2 | 3.7 | 10.4 | 5,696.6 | 5.7 | 8.6 |
| T&T Economy GDP | 6,788.6 | 16.0 | 9.7 | 22,950.9 | 22.9 | 7.9 |
| T&T Industry Employment | 18.8 | 4.7 | 2.7 | 28.8 | 5.5 | 4.4 |
| T&T Economy Employment | 71.8 | 17.9 | 1.9 | 107.8 | 20.7 | 4.2 |

¹2006 Real Growth Adjusted for Inflation (%); ²2007-2016 Annualized Real Growth Adjusted for Inflation (%); '000 of Jobs

SUB-SAHARAN AFRICA ESTIMATES AND FORECASTS

| | 2006 | | | 2016 | | |
|---------------------------|----------|------------|---------------------|-----------|------------|---------------------|
| | US\$ mn | % of Total | Growth ¹ | US\$ mn | % of Total | Growth ² |
| Personal Travel & Tourism | 20,698.6 | 4.9 | 5.5 | 44,684.6 | 5.4 | 5.1 |
| Business Travel | 9,042.0 | --- | 8.0 | 17,527.3 | --- | 4.1 |
| Government Expenditures | 1,592.5 | 1.7 | 4.3 | 3,091.8 | 1.9 | 4.0 |
| Capital Investment | 12,941.8 | 11.6 | 3.9 | 25,388.6 | 11.5 | 4.4 |
| Visitor Exports | 17,623.5 | 6.6 | 7.6 | 36,822.1 | 6.8 | 5.4 |
| Other Exports | 13,447.9 | 5.1 | 11.3 | 27,316.5 | 5.0 | 4.0 |
| Travel & Tourism Demand | 75,346.2 | --- | 6.9 | 154,830.8 | --- | 4.7 |
| T&T Industry GDP | 16,868.4 | 2.8 | 7.0 | 33,121.8 | 2.8 | 4.6 |
| T&T Economy GDP | 49,580.4 | 8.2 | 7.5 | 97,828.2 | 8.3 | 4.4 |
| T&T Industry Employment | 3,539.4 | 2.2 | 5.7 | 4,709.2 | 2.3 | 2.9 |
| T&T Economy Employment | 10,586.0 | 6.6 | 7.1 | 13,930.7 | 6.9 | 2.8 |

¹2006 Real Growth Adjusted for Inflation (%); ²2007-2016 Annualized Real Growth Adjusted for Inflation (%); '000 of Jobs

WORLD ESTIMATES AND FORECASTS

| | 2006 | | | 2016 | | |
|---------------------------|-----------|------------|---------------------|------------|------------|---------------------|
| | US\$ mn | % of Total | Growth ¹ | US\$ mn | % of Total | Growth ² |
| Personal Travel & Tourism | 2,844,662 | 9.5 | 3.7 | 4,916,304 | 9.8 | 3.4 |
| Business Travel | 672,455 | --- | 5.9 | 1,190,257 | --- | 3.6 |
| Government Expenditures | 300,175 | 3.8 | 2.2 | 480,894 | 4.0 | 2.6 |
| Capital Investment | 1,010,732 | 9.3 | 4.9 | 2,059,802 | 9.6 | 4.6 |
| Visitor Exports | 895,833 | 6.4 | 6.5 | 1,753,804 | 5.5 | 4.9 |
| Other Exports | 750,365 | 5.4 | 5.0 | 1,714,576 | 5.4 | 6.5 |
| Travel & Tourism Demand | 6,477,219 | --- | 4.6 | 12,118,630 | --- | 4.2 |
| T&T Industry GDP | 1,754,472 | 3.6 | 4.4 | 2,969,437 | 3.6 | 3.2 |
| T&T Economy GDP | 4,963,773 | 10.3 | 4.8 | 8,971,629 | 10.9 | 3.7 |
| T&T Industry Employment | 76,728.7 | 2.8 | 3.4 | 89,484.5 | 2.9 | 1.6 |
| T&T Economy Employment | 234,304.5 | 8.7 | 4.4 | 279,346.7 | 9.0 | 1.8 |

¹2006 Real Growth Adjusted for Inflation (%); ²2007-2016 Annualized Real Growth Adjusted for Inflation (%); '000 of Jobs

TOTAL DEMAND

TRAVEL & TOURISM IN NAMIBIA IS EXPECTED TO GENERATE N\$9.1 BILLION (US\$1.5 BILLION) OF TOTAL DEMAND IN 2006, INCLUDING:

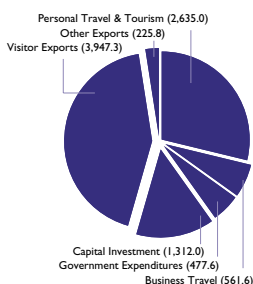
- N\$2.5 billion (US\$409.8 million) of Personal Travel & Tourism consumption by residents of Namibia (11.4 per cent of total personal consumption);
- N\$561.6 million (US\$91.0 million) of Business and Government Travel by resident companies and government employees;
- N\$298.1 million (US\$48.3 million) of Government Expenditures, or 2.9 per cent of total government spending in Namibia, to provide individual and collective services to the country's Travel & Tourism Industry and its visitors;
- N\$1.3 billion (US\$212.6 million) of Capital Investment, or 12.3 per cent of total capital investment in Namibia, in personal, commercial and public Travel & Tourism facilities, equipment and infrastructure by residents, Travel & Tourism companies and government agencies;
- N\$4.2 billion (US\$679.3 million) of Visitor Exports generated from international visitor markets, or 20.0 per cent of Namibia's total exports; and
- N\$225.8 million (US\$36.6 million) of Merchandise Trade Exports, or 1.1 per cent of total exports.

This breakdown of demand shows that Visitor Exports account for more than 48 per cent of the nation's Travel & Tourism Economy. Given how important Travel & Tourism is already, the sector must be accorded the highest priority by government so as to ensure sustainable growth in the future.

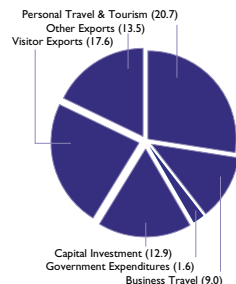
Over the past 12 years (1993–2005) Namibia's Travel & Tourism activity has seen significant and healthy gains with the exception of 1999, 2000 and 2004. But growth in Travel & Tourism activity has nonetheless exceeded 74 per cent since 1993. This compares with 82 per cent cumulative growth over the same period for Sub-Saharan Africa, and with 42 per cent for the world overall. Namibia now looks poised for a period of healthy growth in terms of Travel & Tourism Demand.

In 2006, Namibia's Travel & Tourism is expected to grow by 8.2 per cent overall. In the longer term – ie to 2016 – Travel & Tourism Demand in Namibia is forecast to average 6.9 per cent per annum. This would comfortably exceed expected worldwide growth of 4.2 per cent per annum, as well as the 4.7 per cent annual average growth forecast for Sub-Saharan Africa.

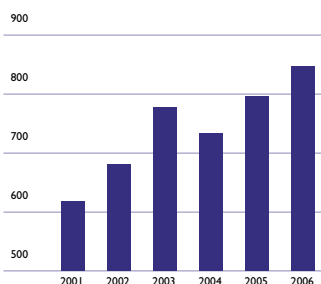
NAMIBIA
Travel & Tourism Total Demand
(2006 Est. N\$ mn)



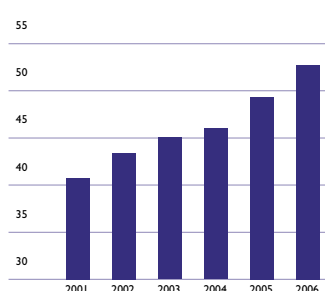
SUB-SAHARAN AFRICA
Travel & Tourism Total Demand
(2006 Est. US\$ bn)



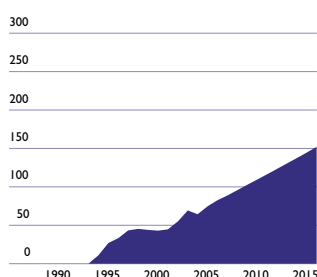
NAMIBIA
Travel & Tourism Total Demand
(2006 Est. US\$ mn)



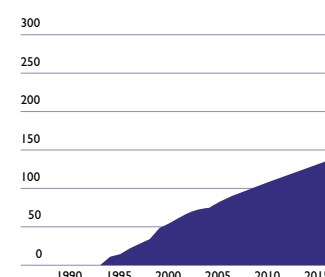
SUB-SAHARAN AFRICA
Travel & Tourism Total Demand
(2000 Constant US\$ bn)



NAMIBIA
Travel & Tourism Total Demand
(Cumulative Real Growth, %)



SUB-SAHARAN AFRICA
Travel & Tourism Total Demand
(Cumulative Real Growth, %)



EMPLOYMENT

THE TRAVEL & TOURISM INDUSTRY IN NAMIBIA IS EXPECTED TO GENERATE DIRECTLY 18,800 JOBS IN 2006.

A total of 71,800 jobs (direct and indirect) are expected to be generated across the broader spectrum of the Travel & Tourism Economy, encompassing:

- travel company employment,
- government agency employment, and
- supplier company employment.

The first category represents Travel & Tourism Industry jobs, while all three categories together represent Travel & Tourism Economy jobs.

Travel & Tourism Industry jobs in Namibia, which are expected to total 18,800 in 2006, represent 4.7 per cent of the country's workforce. By 2016, Travel & Tourism Industry employment is forecast to increase by 10,000 jobs to 5.5 per cent of total employment in Namibia.

The 71,800 Travel & Tourism Economy jobs in Namibia in 2006 represent 17.9 per cent of the total workforce. By 2016, Travel & Tourism Economy employment is expected to increase by 36,000 jobs in Namibia to 20.7 per cent of total employment.

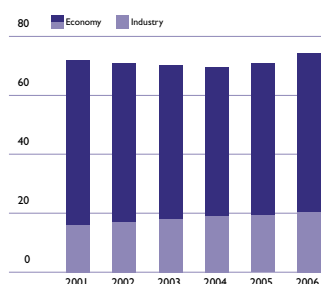
Over the past ten years, Travel & Tourism employment in Namibia has surged and then consolidated its gains. In 2006, due to the expected strong growth in visitor exports, the employment outlook for Travel & Tourism is very positive, with employment gains expected to exceed 1,360 jobs.

Assuming that growth in the economy remains positive and visitor exports strengthen over the next few years, there is strong potential over the next decade to create 3,600 new jobs a year. This would mean that the total number of jobs in Travel & Tourism would increase by just over 4.2 per cent per annum between 2007 and 2016.

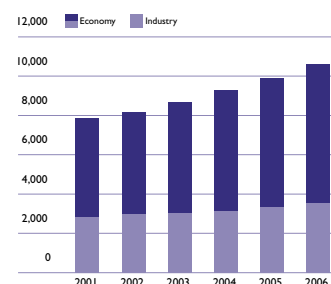
The charts opposite highlight a few points of interest. First, Namibia's Travel & Tourism employment has been losing ground for the past few years but is expected to continue in positive territory following its 2005 turnaround.

Second, if Travel & Tourism employment in Namibia as a percentage of total employment is compared with the respective shares of neighbouring and competing destinations, Namibia comes well up the ranking at number 37. Even more encouraging is the fact that it ranks even better – in 18th position – among the list of 174 countries whose future growth performances are assessed by WTTC/OEF.

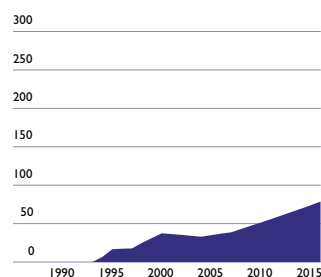
NAMIBIA
Travel & Tourism Employment
(*'000 Jobs)



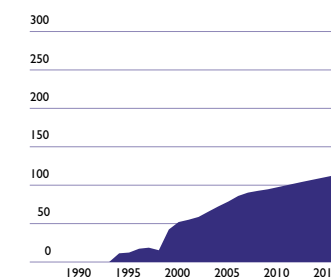
SUB-SAHARAN AFRICA
Travel & Tourism Employment
(mn Jobs)



NAMIBIA
Travel & Tourism Economy Employment
(Cumulative Real Growth, %)



SUB-SAHARAN AFRICA
Travel & Tourism Economy Employment
(Cumulative Real Growth, %)



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy Employment
(2006, % of Total Employment)

| | | |
|-----|--------------|------|
| 16 | Angola | 33.3 |
| 37 | Namibia | 17.9 |
| 86 | Botswana | 9.6 |
| 89 | Kenya | 9.2 |
| 112 | South Africa | 7.5 |
| 138 | Tanzania | 6.2 |
| 144 | Madagascar | 5.6 |
| 157 | Zimbabwe | 4.7 |
| 158 | Malawi | 4.7 |
| 168 | Zambia | 3.4 |

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy Employment
(10-Year Real Growth, Annualized, %)

| | | |
|-----|--------------|------|
| 18 | Namibia | 4.2 |
| 28 | Tanzania | 3.8 |
| 30 | Angola | 3.7 |
| 43 | South Africa | 3.3 |
| 82 | Kenya | 2.5 |
| 97 | Botswana | 2.3 |
| 107 | Madagascar | 2.2 |
| 131 | Malawi | 1.4 |
| 151 | Zambia | 0.8 |
| 169 | Zimbabwe | -0.1 |

GROSS DOMESTIC PRODUCT

THE TRAVEL & TOURISM INDUSTRY IN NAMIBIA IS EXPECTED TO PRODUCE DIRECTLY N\$1.6 BILLION (US\$256.7 MILLION), OR 3.7 PER CENT OF TOTAL GDP, IN 2006.

The broader Travel & Tourism Economy (direct and indirect) is forecast to contribute N\$6.8 billion (US\$1.1 billion), or 16.0 per cent, of total GDP. The long-term expectations for Travel & Tourism GDP growth are positive, exceeding 7.9 per cent annualized real growth to 2016. Over the same period, Travel & Tourism Economy GDP is forecast to gain nearly 7 percentage points to reach a 22.9 per cent share of total GDP, or N\$22.9 billion (US\$2.3 billion).

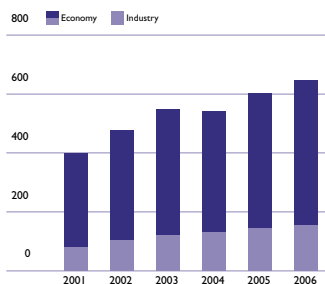
The Travel & Tourism results and forecasts illustrate the significant and sometimes massive economic stimulus of Travel & Tourism, especially for a developing country. The first set of charts (stacked bar) for Namibia illustrates how the tourism industry acts as a leading economic catalyst as its contribution permeates through Namibia's Travel & Tourism Economy.

For Sub-Saharan Africa, there is also significant leverage between both parts of the value added and they tend to move in step. In general, these charts illustrate how small yet positive changes in the Travel & Tourism Industry, especially visible in the Namibian charts, result in a much greater impact on the broader Travel & Tourism Economy.

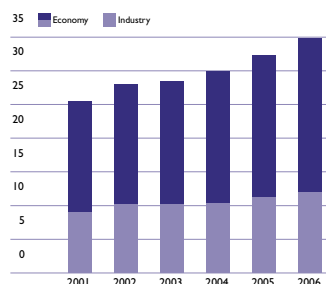
In the second set of charts (Cumulative Real Growth), Namibia's Travel & Tourism Economy shows a healthy return to positive growth following negative results posted in 1999 and 2004. Also evident is the strongly positive outlook for growth over the next ten years. Overall, this level of growth is much stronger than for Sub-Saharan Africa overall, which continues to post positive, but more modest gains.

The third set of charts (left) compares WTTC/OEF's estimates for Namibia and its neighbouring and competing destinations, showing respective Travel & Tourism Economy GDP as a percentage of total GDP. Ranked in 44th place among 174 countries – nicely placed at the top of the list – Namibia is currently among the high-tier, tourism-intensive countries of the region and the world. However, the second league table extract illustrates how Namibia's prospects for GDP growth are also significantly better than for most of its neighbours and competitors within the regional and world ranking – in first and 4th position respectively.

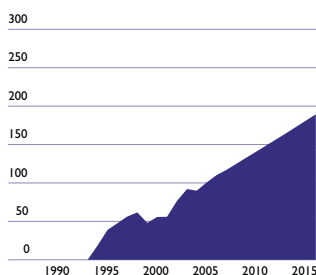
NAMIBIA
Travel & Tourism GDP
(2000 Constant US\$ mn)



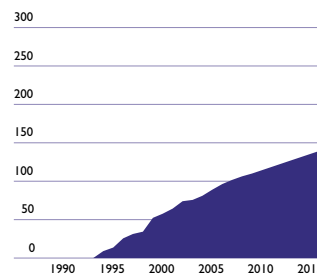
SUB-SAHARAN AFRICA
Travel & Tourism GDP
(2000 Constant US\$ bn)



NAMIBIA
Travel & Tourism Economy GDP
(Cumulative Real Growth, %)



SUB-SAHARAN AFRICA
Travel & Tourism Economy GDP
(Cumulative Real Growth, %)



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy GDP
(2006, % of Total GDP)

| | | |
|-----|-------------------|------|
| 14 | Angola..... | 40.5 |
| 44 | Namibia..... | 16.0 |
| 73 | Kenya..... | 11.4 |
| 111 | South Africa..... | 8.2 |
| 115 | Botswana..... | 8.0 |
| 123 | Tanzania..... | 7.8 |
| 136 | Madagascar..... | 7.0 |
| 151 | Malawi..... | 6.0 |
| 157 | Zimbabwe..... | 5.3 |
| 169 | Zambia..... | 4.1 |

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Economy GDP
(10-Year Real Growth, Annualized, %)

| | | |
|-----|-------------------|-----|
| 4 | Namibia..... | 7.9 |
| 59 | Botswana..... | 4.8 |
| 69 | South Africa..... | 4.7 |
| 81 | Tanzania..... | 4.5 |
| 122 | Malawi..... | 3.8 |
| 123 | Kenya..... | 3.8 |
| 137 | Madagascar..... | 3.4 |
| 164 | Angola..... | 2.2 |
| 165 | Zambia..... | 2.2 |
| 171 | Zimbabwe..... | 1.9 |

CAPITAL INVESTMENT

IN 2006, TRAVEL & TOURISM CAPITAL INVESTMENT IN NAMIBIA IS EXPECTED TO TOTAL N\$1.3 BILLION (US\$212.6 MILLION), OR 12.3 PER CENT OF TOTAL INVESTMENT.

The largest component of capital investment originates from the private sector in new plant and equipment, while the public sector invests in new Travel & Tourism infrastructure.

This represents the continuation of a generally positive period of capital investment growth in the Namibian Travel & Tourism economy since independence. Over the next ten years (2007-16), the contribution of Travel & Tourism to Namibia's capital investment account is expected to increase at an average rate of 4.6 per cent per annum in real terms.

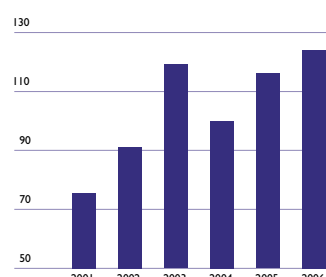
Examination of Travel & Tourism Capital Investment results and forecasts lends greater insight into the market forces at work in a given economy and the expectations by the public and private sectors to meet the challenges and opportunities in the years ahead. For the most part, Travel & Tourism Capital Investment tends to be cyclical, with strong links to major public policy initiatives, the business/market cycle, major events (such as natural disasters) and significant socio-political changes.

Worldwide, Travel & Tourism Capital Investment is expected to generate 9.3 per cent of total investment in 2006. The expectation for global growth from 2007-16 is 4.6 per cent per year (in constant US dollars). In Sub-Saharan Africa, the respective figures are 11.6 per cent of total capital investment in 2006 and 4.4 per cent real growth over the coming decade.

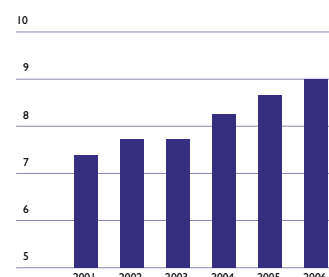
The charts on the right illustrate several interesting points. First, Namibia's Travel & Tourism Capital Investment is expected to show steady significant growth as its economy builds. Second, when compared with neighbouring and competing countries, Namibia's ranking is generally healthy – as it is in the broader listing of 174 countries in investment percentage terms for 2006. With Travel & Tourism estimated at 12.3 per cent of total investment, Namibia ranks 72nd in the world listing, behind Kenya, South Africa and Tanzania.

However, Namibia's Travel & Tourism Capital Investment growth prospects for 2007-16 place it slightly higher in the WTTC league tables – in third position in the regional and 62nd position in the world listings. This ranking sends a positive message to Travel & Tourism operators at home and abroad that Namibia is well positioned and absolutely expects to attract significant new business ventures over the coming decade.

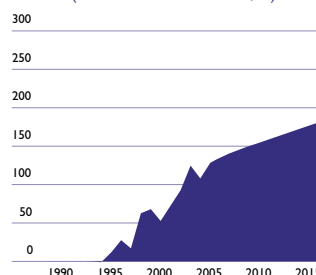
NAMIBIA
Travel & Tourism Capital Investment
(2000 Constant US\$ mn)



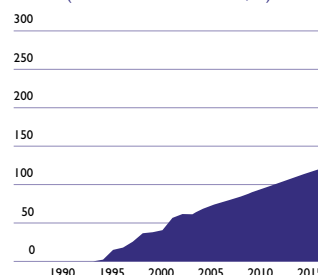
SUB-SAHARAN AFRICA
Travel & Tourism Capital Investment
(2000 Constant US\$ bn)



NAMIBIA
Travel & Tourism Capital Investment
(Cumulative Real Growth, %)



SUB-SAHARAN AFRICA
Travel & Tourism Capital Investment
(Cumulative Real Growth, %)



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Capital Investment
(2006, % of Total)

| | | |
|-----|--------------|------|
| 52 | Kenya | 14.6 |
| 55 | South Africa | 14.4 |
| 66 | Tanzania | 12.9 |
| 72 | Namibia | 12.3 |
| 87 | Madagascar | 11.5 |
| 91 | Zambia | 11.0 |
| 107 | Zimbabwe | 9.3 |
| 109 | Angola | 8.9 |
| 156 | Botswana | 6.1 |
| 162 | Malawi | 5.4 |

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Capital Investment
(10-Year Real Growth, Annualized, %)

| | | |
|-----|--------------|-----|
| 12 | Malawi | 6.8 |
| 53 | Botswana | 4.8 |
| 62 | Namibia | 4.6 |
| 67 | South Africa | 4.6 |
| 73 | Angola | 4.5 |
| 98 | Kenya | 3.8 |
| 101 | Tanzania | 3.7 |
| 123 | Zambia | 3.2 |
| 157 | Madagascar | 2.0 |
| 158 | Zimbabwe | 2.0 |

PERSONAL & BUSINESS

IN 2006, NAMIBIA IS EXPECTED TO GENERATE N\$2.5 BILLION (US\$409.8 MILLION) OF PERSONAL TRAVEL & TOURISM CONSUMPTION BY RESIDENTS, OR 11.4 PER CENT OF TOTAL PERSONAL CONSUMPTION.

In Namibia, business travel in 2006 is expected to total N\$561.6 million, or US\$91.0 million (77 per cent corporate, 23 per cent government).

Unlike visitor exports, which depend on international markets for consumers, the business generated in these two categories depends on Namibia's economy itself. As the national economy grows, Namibia's consumer and business travel tends to follow suit. Since independence, Namibia's Personal Travel & Tourism enjoyed a period of rapid growth followed by a one-year decline in 2003. Business travel saw a major decline in 2004. Over the next decade (2007-16), Personal Travel & Tourism in Namibia is expected to grow at an annual rate of 4.8 per cent, while Business/Government Travel is forecast to grow by 4.3 per cent a year.

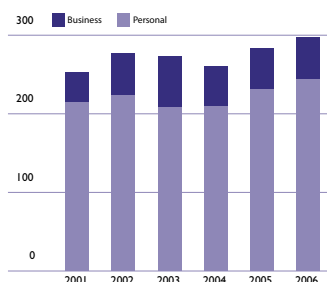
Although most of this Travel & Tourism occurs domestically within Namibia, a part of it takes place outside the country. When the spending does take place abroad, the satellite account generates a corresponding 'import credit', providing for an accurate assessment of Travel & Tourism 'produced' in Namibia and Travel & Tourism 'produced' by the rest of the world.

Analysis of Namibia's results highlights a few interesting points. First, Namibia's residents have recently been allocating about 11.4 per cent of their personal expenditures on Travel & Tourism. This percentage is nicely above the world average of 9.5 per cent and significantly higher than the Sub-Saharan Africa average of only 4.9 per cent. Generally, the level of personal Travel & Tourism spending is directly linked to the development of the resident economy. As per capita income increases, so does Travel & Tourism spending.

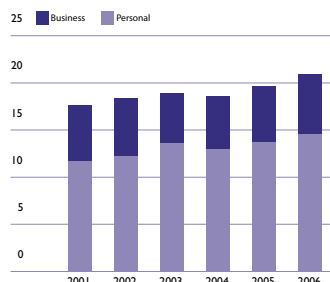
Namibia's gradually improving macroeconomic situation since independence has been reflected in the strongly positive trend of Namibian residents' spending on Travel & Tourism, as illustrated by the stacked bar and cumulative growth charts on the left.

Finally, the league table extracts also suggest that, while Namibia ranks in the higher tier of countries (31st position in the ranking) in terms of current Travel & Tourism spending on a relative basis, it ranks less favourably in the worldwide listing (91st) in respect of forecast future growth of personal Travel & Tourism. This suggests there is significant need to focus attention on developing domestic and outbound travel opportunities and services in Namibia for Namibians in the years to come.

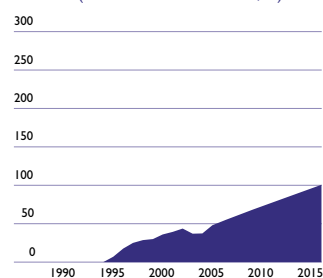
NAMIBIA
Personal & Business Travel & Tourism
(2000 Constant US\$ mn)



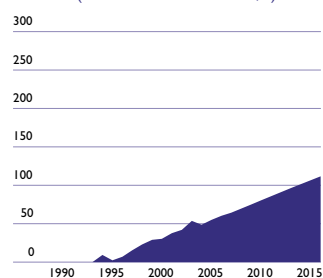
SUB-SAHARAN AFRICA
Personal & Business Travel & Tourism
(2000 Constant US\$ bn)



NAMIBIA
Personal Travel & Tourism
(Cumulative Real Growth, %)



SUB-SAHARAN AFRICA
Personal Travel & Tourism
(Cumulative Real Growth, %)



WTTC LEAGUE TABLE EXTRACT
Personal Travel & Tourism
(2006, % of Total Personal Consumption)

| | | |
|-----|--------------|------|
| 31 | Namibia | 11.4 |
| 56 | Botswana | 9.1 |
| 111 | Angola | 5.4 |
| 117 | Kenya | 5.2 |
| 123 | South Africa | 5.0 |
| 139 | Zambia | 4.3 |
| 145 | Zimbabwe | 4.2 |
| 147 | Tanzania | 3.9 |
| 161 | Madagascar | 3.4 |
| 171 | Malawi | 2.5 |

WTTC LEAGUE TABLE EXTRACT
Personal Travel & Tourism
(10-Year Real Growth, Annualized, %)

| | | |
|-----|--------------|-----|
| 19 | Botswana | 6.6 |
| 78 | Madagascar | 5.0 |
| 91 | Namibia | 4.8 |
| 98 | Tanzania | 4.7 |
| 101 | Zambia | 4.6 |
| 108 | South Africa | 4.4 |
| 111 | Malawi | 4.4 |
| 141 | Kenya | 3.6 |
| 146 | Zimbabwe | 3.4 |
| 161 | Angola | 2.5 |

EXPORTS

TRAVEL & TOURISM EXPORTS PLAY A STRONG AND VITAL ROLE IN NAMIBIA'S TRAVEL & TOURISM BUSINESS.

In 2006, Travel & Tourism Services and Merchandise Exports for Namibia are expected to total N\$4.4 billion, or US\$715.9 million – 95 per cent from visitors and 5 per cent from exported consumer and capital goods – representing some 48 per cent of total Travel & Tourism Demand. Without question, as this category grows, it will enhance the health and vitality of Namibia's Travel & Tourism sector.

Over the past 16 years, Travel & Tourism Visitor Exports in Namibia have witnessed a post independence surge, followed by generally flat growth in recent years. Over the next ten years, Namibia's Visitor Exports are expected to grow by a strong 9.4 per cent per annum, while Travel & Tourism Merchandise Exports (non-visitor exports) are forecast to record a much more modest growth of 4.1 per cent per annum.

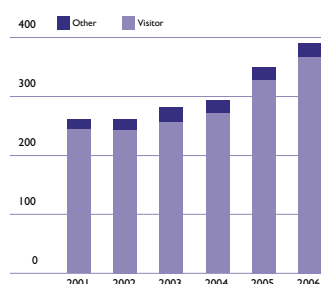
Globally, and for Sub-Saharan Africa, Visitor Exports are projected to grow by 4.9 and 5.4 per cent per annum respectively over the next ten years (2007-2016).

Clearly, based on these forecasts, Namibia's Travel & Tourism Visitor Exports' growth is excellent and well ahead of its regional and global peers.

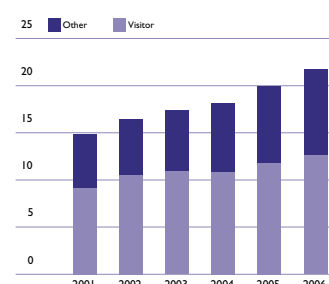
Although long-term expectations for Namibia's Travel & Tourism export growth (2007-2017) are positive, these forecasts – like any others – depend on future events and can therefore not be guaranteed. Hurricane Katrina in 2005, for example, which had a major negative impact on tourism in the Gulf Coast of the USA, is a perfect illustration of the uncertainty inherent in forecasting.

Examination of the WTTC league tables reveals that Namibia is nicely positioned on the scale of current Visitor Exports measured as a percentage of total exports. In the second league table, Namibia's Visitor Exports' growth illustrates the positive outlook ahead, since it ranks in fifth position globally. This ranking sends a strong message that there is a need for the public and private sectors to pay significant attention to maintaining international visitor growth at these high levels.

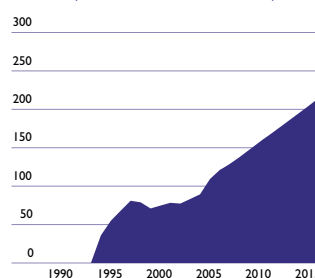
NAMIBIA
Travel & Tourism Capital Investment
(2000 Constant US\$ mn)



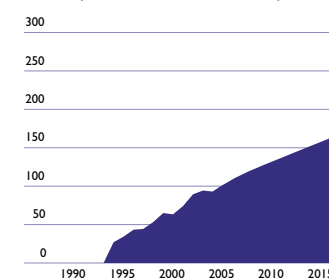
SUB-SAHARAN AFRICA
Travel & Tourism Exports
(2000 Constant US\$ bn)



NAMIBIA
Travel & Tourism Exports
(Cumulative Real Growth, %)



SUB-SAHARAN AFRICA
Travel & Tourism Exports
(Cumulative Real Growth, %)



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Visitor Exports
(2006, % of Total Exports)

| | | |
|-----|--------------|------|
| 36 | Tanzania | 29.6 |
| 44 | Kenya | 21.6 |
| 53 | Namibia | 20.0 |
| 76 | Botswana | 12.1 |
| 80 | South Africa | 10.8 |
| 88 | Zambia | 9.0 |
| 96 | Madagascar | 7.4 |
| 97 | Malawi | 7.4 |
| 104 | Zimbabwe | 6.2 |
| 172 | Angola | 0.4 |

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Exports
(10-Year Real Growth, Annualized, %)

| | | |
|-----|--------------|-----|
| 5 | Namibia | 9.4 |
| 53 | Malawi | 6.0 |
| 55 | Angola | 6.0 |
| 57 | South Africa | 5.9 |
| 85 | Tanzania | 5.3 |
| 92 | Botswana | 5.3 |
| 131 | Kenya | 4.6 |
| 149 | Madagascar | 4.2 |
| 162 | Zambia | 3.8 |
| 174 | Zimbabwe | 1.8 |

GOVERNMENT

IN 2006, GOVERNMENT AGENCIES IN NAMIBIA ARE EXPECTED TO SPEND N\$298.1 MILLION (US\$48.3 MILLION) OF CURRENT OPERATING FUNDS ON TRAVEL & TOURISM.

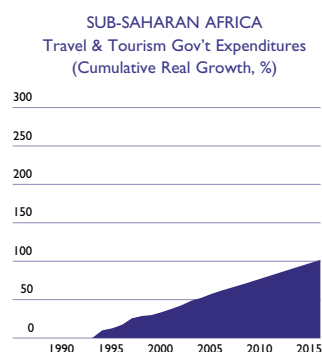
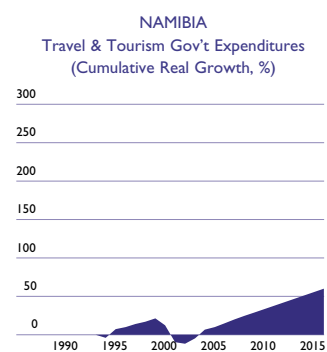
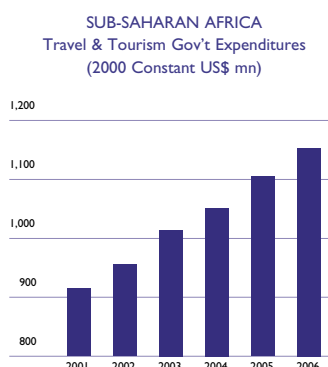
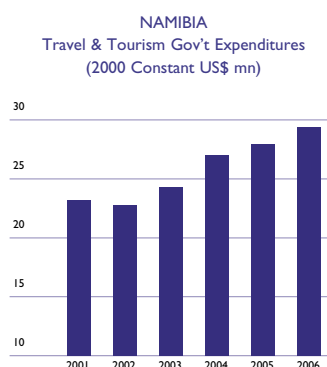
This represents 2.9 per cent of total government expenditures, which are allocated to providing individual and collective government Travel & Tourism services to visitors, travel companies and the community at large. Over the next ten years (2007-16), Travel & Tourism Government Expenditures in Namibia are expected to increase by an average of 4.5 per cent per year in real terms.

Globally, governments are forecast to allocate an average of 3.8 per cent of their expenditures to Travel & Tourism-related functions, and to increase this spending by 2.6 per cent per annum over the next ten years. The corresponding figures for Sub-Saharan Africa are 1.7 per cent of total government spending and 4.0 per cent real growth for the coming decade. Based on these results, Namibia's 2006 government contribution of 2.9 per cent is currently above the average level of its regional competitors and below the global average in terms of Travel & Tourism support and services.

In this WTTC report, 2006 government expenditures include individual expenditures of N\$13.2 million (US\$2.1 million) that can be linked to individual visitors, such as immigration services. But they also include collective expenditures of N\$284.9 million (US\$46.2 million) that are undertaken for the community at large – such as on airport administration – but which have a logical service connection to Travel & Tourism.

One would naturally assume there should be a direct link between the impact of an industry/sector like Travel & Tourism on the economy (in terms of GDP) and the amount of funding allocated by governments towards that industry/sector. In Namibia, the 2006 ratio of Travel & Tourism GDP (percentage of total GDP) to government expenditures is 5.6:1.0. Worldwide, and in Sub-Saharan Africa, this ratio is 2.7:1.0 and 4.8:1.0 respectively. This would suggest that Namibia is significantly higher than the world average and slightly higher than the Sub-Saharan Africa average indicating that Namibia government authorities generally are currently giving significantly less back to Travel & Tourism than governments in the rest of the world.

The league tables opposite reinforce this particular point. First, Namibia's government expenditures for Travel & Tourism are below the mid-point of the world listing, ranking the country 108th out of 174 worldwide. However, more encouraging is the outlook for growth. In this measure Namibia ranks 44th worldwide.



WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Gov't Expenditures
(2006, % of Total Gov't Expenditures)

| | | |
|-----|-------------------|-----|
| 41 | Kenya..... | 6.9 |
| 53 | Tanzania..... | 5.5 |
| 54 | Madagascar..... | 5.5 |
| 108 | Namibia..... | 2.9 |
| 128 | Zimbabwe..... | 2.3 |
| 129 | Botswana..... | 2.3 |
| 139 | Zambia..... | 2.1 |
| 156 | Malawi..... | 1.3 |
| 164 | Angola..... | 1.1 |
| 173 | South Africa..... | 0.5 |

WTTC LEAGUE TABLE EXTRACT
Travel & Tourism Gov't Expenditures
(10-Year Real Growth, Annualized, %)

| | | |
|-----|-------------------|-----|
| 17 | Madagascar..... | 5.5 |
| 27 | Botswana..... | 5.0 |
| 40 | Malawi..... | 4.6 |
| 44 | Namibia..... | 4.5 |
| 68 | Tanzania..... | 4.1 |
| 69 | Zimbabwe..... | 4.0 |
| 87 | Zambia..... | 3.5 |
| 122 | South Africa..... | 2.8 |
| 123 | Kenya..... | 2.8 |
| 150 | Angola..... | 2.0 |

THE POLICY FRAMEWORK

POLICY RECOMMENDATIONS

BOASTING A UNIQUE COMBINATION OF COASTLINE, DESERT, GAME PARKS AND DIVERSE CULTURES, NAMIBIA IS ONE OF AFRICA'S FASTEST GROWING TRAVEL & TOURISM ECONOMIES. INDEPENDENT SINCE 1990, THE SOUTHERN AFRICAN REPUBLIC HAS DEPENDED ON MINING, AGRICULTURE AND FISHING FOR ECONOMIC GROWTH AND DEVELOPMENT, BUT UNEMPLOYMENT REMAINS HIGH. TOURISM IS NOW EMERGING AS A REAL OPPORTUNITY FOR JOB CREATION, SOCIAL COHESION AND ECONOMIC GROWTH.

Traditionally driven by the well-established and active private sector, tourism has recently been identified in both *Vision 2030* and the *National Development Plan 3* as a priority sector by the Namibian Government. *Vision 2030* calls for every Namibian to have living standards equal to those in the first world by 2030. Furthermore, tourism development is a key factor in the government's overarching policy aims of 'Broad-based Black Economic Empowerment (BBEE)'.

This new recognition of the industry's potential represents a welcome move forward. However, if Travel & Tourism is to achieve its growth potential, and Namibia is to extract maximum returns from the sector, full commitment on the part of government is essential. From the President and Prime Minister, to Ministers and throughout ministries, the public sector must strive to create a stable and supportive operating environment, based on the understanding that Travel & Tourism is an economic activity which stimulates entrepreneurship, encourages investment and promotes Namibia as a world-class destination at international level.

Nevertheless, there currently appears to be a deep-rooted mistrust of the industry and its *modus operandi* throughout government, as well as poor understanding at all levels of the extent to which Travel & Tourism contributes to the country's economy. Subsequently, the full scope of the industry as a catalyst for the development of other areas of economic activity, such as agriculture, manufacturing and financial services, is also widely underestimated.

This Tourism Satellite Account (TSA), prepared by WTTC and research partners Oxford Economic Forecasting (OEF), unveils for the first time figures that demonstrate the significance of Travel & Tourism to Namibia's economy – not only in 2006, but also the coming ten years. In 2006, the Travel & Tourism Industry is expected to generate 3.7 per cent of Namibia's total gross domestic product (GDP) and 18,800 jobs. The broader Travel & Tourism Economy, meanwhile, should be responsible for 17.9 per cent of total GDP and 71,800 jobs.

Ten-year forecasts by WTTC/OEF are positive, projecting an average annual growth in Travel & Tourism Demand of 6.9 per cent. If this growth is realized, the broader Travel & Tourism Economy will contribute 22.9 per cent to Namibia's GDP by 2016. Moreover,

the potential impact could be even greater if the underlying policy framework is conducive to growth – ie if the government makes a commitment to work with other stakeholders to create the underlying conditions for market confidence, dynamism and sustainability.

Looking ahead, Namibia is well placed to develop a successful tourism model and to benefit from its diverse and unique environment and cultures, thereby creating much needed employment opportunities and wealth.

These forecasts are impressive and highlight the very real opportunity that Travel & Tourism offers Namibia and its people. However, several challenges lie ahead, and these must be addressed to ensure the long-term sustainable development of Travel & Tourism in Namibia, generating maximum benefits for all stakeholders at all levels of the economy.

While the private sector can and must play an increasingly important role to develop quality products and competitive services geared towards rapidly changing demand, the government needs to show leadership by stimulating and facilitating investment, streamlining and clarifying regulations, and developing much needed infrastructure and human capital.

Against this background, WTTC recommends that the Government of Namibia:

- Highlight and communicate the strategic importance of tourism;
- Plan for the future;
- Ensure that quality statistics and information feed into policy and decision-making processes;
- Empower national Travel & Tourism institutions to drive forwards the development of the industry;
- Co-ordinate infrastructure development which supports Travel & Tourism and removes barriers to growth;

- Create a competitive business environment that encourages investment;
- Work with the Travel & Tourism industry to ensure that leakage is kept to a minimum;
- Balance economics with environment, people and cultures;
- Support the industry in providing a tourism product that offers real value for money and is internationally competitive;
- Develop the human capital required for Travel & Tourism growth;
- Promote product diversification that spreads demand;
- Bring new funding and co-ordination into promotion and marketing;
- Favour technological advancement; and
- Benefit from the experience of other transition economies around the world.

HIGHLIGHT AND COMMUNICATE THE STRATEGIC IMPORTANCE OF TOURISM

Travel & Tourism is an economic activity

In 2006, Travel & Tourism is set to contribute some 16.0 per cent of Namibia's GDP and account for 71,800 jobs, or 17.9 per cent of total employment. More than 21 per cent of Namibia's foreign exports are generated by Travel & Tourism. Moreover, over the next ten years, Namibia's Travel & Tourism is forecast to grow by nearly 6.9 per cent

per annum. Viewed in these terms, the strategic importance of tourism for Namibia's economic development and growth – whether now or in the future – cannot be denied.

However, even at the highest levels of government, there appears to be no awareness of the economic contribution made by Travel & Tourism. It is seen as a purely private sector activity and there is little understanding of the important impact of government policies on issues such as infrastructure, security, immigration and education on the industry, and vice versa. Government needs to take note of the fact that Travel & Tourism is an activity that involves the public as well as the private sector – and permeates many different government departments and ministries.

WTTC calls on the Government of Namibia to recognize this and to highlight and communicate Travel & Tourism's importance throughout its different ministries and with the population at large. There are many examples of how other transition economies have maximized the opportunities offered by tourism. Such examples could be used to illustrate how this can be achieved.

Redefining tourism

As is the case in many countries around the world, tourism in Namibia has traditionally been seen only in terms of the hospitality sector and, as such, its full impact has been consistently underestimated and misunderstood. As demonstrated by this TSA, Namibia's lodges, hotels, tour operators and tour guides represent merely the tip of the iceberg. The indirect benefits of tourism are spread widely throughout the



economy – stemming from those who provide services to lodges (such as laundry, cleaning or food supplies), to petrol stations that depend on passing tourist traffic. Furthermore, tourism does not only encompass visitors from abroad but can be, and indeed is, an activity undertaken by many Namibians every year.

This message needs to be clearly disseminated so that Namibians can understand not only the current importance of tourism to their everyday lives, but also the future opportunities it presents. As livelihoods dependent on agriculture become increasingly vulnerable, there is an urgent need for tourism to be promoted and better understood.

Perception vs reality

Despite clear indications that Travel & Tourism is a vital component of Namibia's economy and job creation, the industry is still perceived by many to be a White-dominated activity with high levels of 'leakage' overseas. This perception is one of the single most important barriers to growth of the industry today, preventing government investment and thwarting new opportunities.

Travel & Tourism stimulates entrepreneurship and, indeed, depends largely on small and medium-sized enterprises (SMEs), creating opportunities and employment at all levels of society. Stories of 'leakage' stem mainly from a fundamental misunderstanding of the structure of Travel & Tourism in Namibia, and will be addressed more fully later on in this report.

Economic empowerment

Based on this TSA research and OEF's growth forecasts, Travel & Tourism stands to create more than 36,000 jobs in Namibia over the next ten years. By 2016, one in every 4.8 jobs will be the result of tourism activity. Travel & Tourism offers employment opportunities at all levels, from senior management to waiters, tour guides, chefs and self-employed entrepreneurs.

Travel & Tourism is an activity characterized by a high degree of flexibility, providing openings for skills from all sectors of society. The opportunities it offers to achieve the government's key policy objective of Broad-based Black Economic Empowerment (BBEE), for example, are substantial. Not only is Travel & Tourism one of Namibia's most promising industries, it is also one that is dependent on input from people of all cultures and regions, and with a huge variety of skills.

WTTC calls on the Government of Namibia to recognize the vital role that Travel & Tourism can play in BBEE, and to support the industry in providing opportunities for all Namibians. At the same time, WTTC commends the Namibian tourism industry for the adoption of a Transformation Charter in 2004 – the first sector to have done so – and urges all stakeholders to work together towards its fulfilment.

Travel & Tourism stands to create more than 36,000 jobs in Namibia over the next ten years. By 2016, one in every 4.8 jobs will be the result of tourism activity.

Travel & Tourism Transformation Charter (adopted by the industry in 2004)

Skills development

The industry commits to spreading its resources to train formally, improve and recognize the skills of employees, rural partners and new entrants to the industry.

Apprenticeship, internship and sponsorship

The tourism industry commits to providing access to its businesses for Namibian students from education institutions or start-up or existing businesses to learn the practical aspects of the industry.

Strategic representation and employment equity

The tourism industry commits to the goal of identifying and promoting qualified and/or competent previously disadvantaged employees to positions of responsibility and authority.

Ownership and joint-venture partnerships

The tourism industry commits to promoting ownership and/or building partnerships to include the previously disadvantaged.

Preferential procurement

The tourism industry commits to promoting and increasing the use of services and products of previously disadvantaged Namibians.

Enterprise development

The tourism industry commits to supporting (and monitoring) previously disadvantaged Namibians to identify and develop (with assistance from other sectors) their own viable businesses in the tourism economy.

Social responsibility programmes

The tourism industry commits to supporting projects that improve the social conditions of employees and local communities and to supporting projects that conserve the natural environment.

Transformation Charter, Federation of Namibian Tourism Associations (FENATA)

Recognize Travel & Tourism as an export sector

The Government of Namibia should acknowledge an important and often overlooked economic principle – Travel & Tourism is an export sector just like agriculture, fishing, mining or uranium production. It is rare for a country to impose taxes on its exports, since resulting price increases disadvantage its products in the intensely competitive global marketplace. Indeed, countries are prone to subsidize exports to gain export market share or achieve a competitive advantage. Many are also known to tax imports to protect a domestic industry.

If a country taxes its own exports, a self-imposed tariff is created, prices are increased and demand naturally decreases, thereby limiting development opportunities and job creation. As one of the most intensely competitive industries in the world, Travel & Tourism must

be able to respond instantly to international market forces, including the pricing of competitive products and services, to maintain a steady stream of new and repeat customers.

Factor Travel & Tourism into mainstream policies

Travel & Tourism should be factored into mainstream policies for employment, trade, investment, education and environmental protection. The strategic importance of Travel & Tourism should be communicated to all levels of government, industry and local communities. All government departments impacted by, or impacting on, Travel & Tourism development should be closely involved in drawing up tourism policies and in planning and co-ordinating individual programmes.

Although it is tempting to enumerate the government departments that are linked in some way to Travel & Tourism, in order to turn up the heat and stir them into action, it is actually rare for any government department not to be connected one way or another to the industry. It is for this reason that a message must be communicated from the highest level of government that Travel & Tourism must be factored into all aspects of government policy-making. The Ministry of Environment and Tourism should, of course, take the lead in building awareness throughout the halls of government, but the message must also be promoted and strengthened by the President and Prime Minister.

Summary of recommendations

- Significant efforts should be made to widen understanding at the top levels of government of the dynamics of Travel & Tourism and its impact on the economy;
- A public awareness campaign should be launched to redefine tourism in Namibia, so that the population can understand what the industry really means, and who really benefits;
- Travel & Tourism should be incorporated into mainstream policies for employment, trade, investment, education and environment, as well as in development planning, especially in NDP3.

PLAN FOR THE FUTURE

Tourism is highlighted in both *Vision 2030* and the *National Development Plan 3* as a priority growth area. According to this TSA research, the forecast for growth over the next ten years is extremely positive and well above the global average.

Nevertheless, these forecasts can be considerably improved if the industry is actively supported and encouraged by a clear tourism strategy based on the reality of demand and broad policy objectives. WTTC commends the Ministry of Environment and Tourism (MET) on its commitment to drafting a National Tourism Policy for Namibia and encourages all stakeholders, including the government and the private sector, to embrace the policy when it is launched.

Once the broad-based policy objectives have been agreed, WTTC recommends that a concerted effort be made to elaborate a detailed Master Plan/Tourism Growth Strategy that incorporates the following basic elements:

- Clearly defined goals, objectives and responsibilities;
- Decisions based on quantitative input;
- Indications of best practice in tourism development;
- Measures to support existing industry; as well as for the promotion of new developments;
- An articulated strategy for product development and diversification;
- A long-term strategy for tourism marketing and promotion in line with the Policy's long-term goals and objectives; and
- Clear branding that reinforces the basic vision for Namibia's Travel & Tourism development.

Master-planning at the regional level

Namibia's diverse regions offer a wide range of tourism products and operate under different social and cultural structures, and in vastly different natural environments. It is therefore imperative that, under the umbrella of a National Tourism Strategy, regional master plans be drawn up. These can be tailored to the specific needs and environments (both natural and operating) of different regions of the country, and will allow the industry to operate within the context of a long-term vision. This should be followed up by customized regional marketing and branding, and a discussion on this issue follows under the section on marketing and promotion.

Multi-stakeholder input into planning

Vital to the success of any strategic plan will be the buy-in of all stakeholders in Travel & Tourism – private operators, both small and large, local communities and government authorities. The private sector in Namibia has been the main driver of Travel & Tourism over the 15 years or so since independence and the input and expertise of such players will be crucial. The record turnout of the Namibian industry at the focus groups, which formed the basis of this WTTC/OEF research, is testimony to the willingness – and, indeed, eagerness – of the private sector to participate actively in this regard, and should be further facilitated.

The close co-operation between the Federation of Namibian Tourism Associations (FENATA) and the Namibia Tourism Board (NTB) is also a sign that industry-government relations have a strong foundation on which to build. WTTC recommends that a Tourism Advisory Council, comprising representatives from all sectors of the industry, be set up to counsel MET and NTB in tourism-related matters.

A Tourism Advisory Council's role is usually to provide strategic leadership, establish guiding principles and policies, and recommend direction for the functions of research, product development and marketing for a destination's tourism sector. The Council may also provide advice to the Minister and NTB's CEO.

Planning and implementation go hand in hand

Once a coherent plan is in place, it is vital that there is commitment from all stakeholders, and particularly government authorities, to implement that plan over a given time-frame. The Master Plan/Tourism Growth Strategy should be adopted as a Cabinet directive to



ensure its long-term implementation – regardless of the government in power. In the meantime, NTB has been working hard to implement its tourism growth plan based on the modest funding and resources it has at hand.

Summary of recommendations

- A Master Plan/Tourism Growth Strategy for Namibian Travel & Tourism should be drawn up, based on broad policy objectives;
- Regional Master Plans should be incorporated within the National Plan;
- A private sector Tourism Advisory Council should be set up to advise the government on Travel & Tourism matters;
- The Master Plan/Tourism Growth Strategy should be adopted as a Cabinet directive to ensure its long-term implementation.

ENSURE THAT QUALITY STATISTICS AND INFORMATION FEED INTO POLICY AND DECISION-MAKING PROCESSES

A culture of statistics

High quality research and data are crucial to identifying the specific needs and directions of tourism development in Namibia. A culture of statistics, co-ordinated by the Central Bureau of Statistics (CBS) within the National Planning Commission in consultation with the Namibia Tourism Board (NTB) and the Ministry of Environment and Tourism (MET), should be encouraged throughout the industry, and comprehensive statistics should be compiled for all aspects of Travel & Tourism.

Although NTB has started to make headway in collecting data and generating statistics related to the tourism industry through the monthly levy form completed by approved establishments, there are still several aspects that urgently need to be improved. Most importantly, there is little information on domestic tourism and only limited data on key variables such as outbound trips by Namibian residents, spending on tourism activities by Namibians and the use of second homes.

There is also a need to put in place a system whereby key statistics can be produced on a regular and consistent basis. As an example, there is no annual exit survey that measures foreign visitor spending, and its component parts. This kind of information is crucial for government and the industry to have a more reliable estimate of total earnings from foreigners.

Co-ordination with the various government agencies – such as the Ministry of Home Affairs, which collects arrivals and departure data – must also be improved to smooth and speed up the flow of information so that business and policy decisions can be made in a timely fashion.

Once compiled, data must also be linked to desired objectives. Clear targets and a statistical basis will lend legitimacy and practicability to a Master Plan and allow for careful monitoring of the implementation of such a plan.

Update this TSA on an annual basis

Travel & Tourism needs to be effectively measured in order to understand its full impact through the economy. As a new industry, it is not discretely identified in charts of national accounts – its component parts are scattered through the accounts. Public sector analysis and related policies tend to overlook, or understate, the impact of the industry, or deal with its smaller individual components.

The technique of satellite accounting is designed to measure the new service sectors, and this TSA, developed by WTTC and OEF for Namibia, should prove to be a significant tool for planning and policy development. WTTC urges the Government of Namibia, including

MET, NTB and the CBS, to update this TSA on an annual basis to ensure that adequate data is available to factor Travel & Tourism into economic and employment strategies.

It is usual for all TSA development work to be housed within the official government statistical agency. Yet there is plenty of precedent for a TSA to be the responsibility of the tourism ministry, or another organization that has sufficient resources and formal links to the statistical agency to ensure consistent, seamless and credible research and reporting.

Summary of recommendations

- A culture of statistics and information-based decision-making should be instilled within both the public and private sectors involved in Travel & Tourism;
- The national agency/organization responsible for tourism statistics should be upgraded/improved;
- The TSA should be updated annually.

EMPOWER NATIONAL TRAVEL & TOURISM INSTITUTIONS TO DRIVE FORWARD DEVELOPMENT OF THE INDUSTRY

Government responsibility for Travel & Tourism lies with the Ministry of Environment and Tourism (MET). Under its auspices lies the Namibia Tourism Board (NTB), which has been responsible for tourism marketing and the licensing of tourism businesses since 2001. Although there is still a general lack of awareness of tourism's economic importance throughout government, Namibia is one of only a few countries in the world whose tourism minister has been granted a Cabinet-level portfolio.

Sufficient resources for the Namibia Tourism Board

With a budget of only N\$31 million (almost US\$5 million) in 2005, NTB is seriously constrained in the work it can do and the results it can produce. However, despite this low level of funding, it has achieved some significant progress in raising awareness of Namibia internationally and putting the necessary regulatory infrastructure in place to ensure quality standards among operators.

WTTC urges the Namibian Government to recognize the contribution of Travel & Tourism to the country's economy by allocating sufficient resources to NTB in the future.

Representation at regional level

Namibia is a vast country and the majority of its tourism regions are located hundreds of kilometres from the Windhoek home of MET's Directorate of Tourism and NTB. As a result, there exists a certain feeling of alienation among those far away from Windhoek since they feel that their needs are not understood and their voices are not heard.

WTTC does not recommend devolving power from a centrally based NTB to the regions. However, it is clear that a basic level of representation and communication is needed in the major tourism hubs outside Windhoek. This could include a tourist information office and a local NTB representative to facilitate contact between the local public and private sectors. WTTC urges the government and industry to explore the possibility of allocating resources to such a public-private partnership to help facilitate its development, thereby improving communications.

Enforcement of licensing

Registration of tourism businesses with NTB serves two purposes. First, it ensures basic minimum standards of facilities and, second, it provides – through the raising of levies – a source of valuable income for NTB. Over the past three to four years, many of Namibia's tourism providers have registered with NTB, although a number of businesses have still not done so and therefore operate 'illegally'. Not only does this compromise the quality of Namibia's tourism, but it also leads to unfair competition between legal operators, who pay a registration fee, taxes and a 2 per cent levy to NTB, and unregistered operators, who do not.

WTTC urges NTB to bring its period of 'grace' to an end and communicate a specific date after which non-registered operators will be prosecuted. The government should support NTB in this effort and facilitate and speed up the legal process through which it can be achieved. At the same time, NTB should be given legal powers and full support when it comes to collecting levies.

Summary of recommendations

- Sufficient funding should be assured to enable NTB to carry out its marketing and regulatory roles;
- NTB regional representation should be facilitated by providing adequate resources;
- The act empowering NTB to prosecute non-registered operators should be amended.

CO-ORDINATE INFRASTRUCTURE DEVELOPMENT WHICH SUPPORTS TRAVEL & TOURISM AND REMOVES BARRIERS TO GROWTH

Over the past decades significant investment has been made in Namibia's infrastructure. The 5,450 km of tarred roads and 37,000 km of gravel roads, two major ports, over 2,000 km of railways, eight airports and over 300 known airfields are a great asset to the country's Travel & Tourism. Nevertheless, certain policy decisions need to be taken – not only to extend basic infrastructure, but also to ensure that infrastructure will be sufficient in the future to encourage and support the growth of Travel & Tourism.

The importance of a financially viable Air Namibia

Although only 24 per cent of Namibia's visitors arrive by air (2005 data), it is thought that these visitors represent a particularly valuable segment of the country's Travel & Tourism market.

There is much controversy surrounding the continued government subsidy of Air Namibia. Air Namibia's operating loss was N\$200 million (US\$28 million) in fiscal year 2004/05, and its servicing of historical debts has required significant public funding. Fundamental misunderstandings about the economic impact of Travel & Tourism within government are also reflected in the way in which Air Namibia's contribution is viewed, and there is significant scepticism over the role played by the national carrier.

Previous research by WTTC has shown that transition countries, such as Namibia, have a need to ensure that they have adequate and secure air services to meet their economic, social and trading requirements. But these fundamental needs are for air services, and not necessarily for national airlines. Because of this, government's efforts should be focused on securing adequate and sustainable services to meet its trade, tourism and communications needs.

Nevertheless, there is evidence to show that Air Namibia is an important contributor to the country's Travel & Tourism. The national airline currently operates direct flights to Frankfurt and London, serving its two major intercontinental markets. Although data is not yet available to assess the impact of the London route, introduced in July 2005, the potential it has to increase tourist arrivals – and therefore visitor exports and jobs – is clear. As the analysis below shows, some N\$343 million (US\$48 million) and nearly 3,000 jobs stand to be generated.

Research has indicated that having to route via Frankfurt was adversely affecting the UK market, and visitors preferred to travel to South Africa where there were direct flights. Air Namibia is also in a position to capitalize on routes such as London to Cape Town which are in need of more capacity.

In addition to strong anecdotal evidence that Air Namibia already plays an important role in ensuring that visitors choose Namibia rather than other Southern African countries, the national carrier is vital for retaining control over airlift. A foreign or privately owned airline can, and often does, cut routes and frequencies without thought for the impact on a particular country's tourism industry.

WTTC commends the Government of Namibia on its liberal aviation policies, but it underlines the need to understand the importance of the larger economic benefits of tourism development and of the critical link between aviation and tourism. There is much to be said for co-operative policies through which airlines, particularly in the developing world, can be strengthened. But the objective of all such co-operative schemes must be to generate airline operations which can flourish without subsidy or protection and produce the traffic necessary to fuel the Travel & Tourism industry, regardless of carrier.

WTTC therefore urges the government to explore without delay the multitude of options available to address these challenges which may involve alliances with other airlines, code-sharing, wet and dry lease arrangements, etc – hand in hand with restructuring Air Namibia.

Potential return on investment of London–Windhoek route

- Aircraft: MD-11
- Total seats: 308
- Seats available per annum: 72,072
- Seat load factor: 69 %
- Passengers carried: 50,020
- Passenger share to WDH: 70 %
- Passengers to Namibia: 35,014
- Average length of stay: 7
- Average spend per day: N\$1,400
- In-country injection: N\$343,137,200
- Number of arrivals to create 1 job: 12
- Estimated number of new jobs created: 2,918

Source: Air Namibia, based on its operations from July 2005 through March 2006

Road and rail networks

There is a great deal of potential to improve Namibia's road and rail services, which will benefit not only Travel & Tourism but also the country's population as a whole. Although land distances are considerable and require long car, bus or train journeys, there are certain segments that would benefit from a cheaper alternative to charter or scheduled flights. Current intercity bus/coach services fall well short of international standards, and WTTC recommends that improvements be considered. There are examples from countries such as Mexico which show how top-quality coaches can be a very real alternative to air transport.

The recent upgrading and opening of Desert Express between Windhoek and Swakopmund is an important step and WTTC urges NTB and the industry to promote this underutilized product wherever possible. The Desert Express could also be extended to Tsumeb, Etosha Pan and other destinations.

Namibia Wildlife Resorts

National parks attract the greatest share of visitors to Namibia – around 70 per cent, according to MET figures. All facilities within the parks – as well as the parks themselves – are owned by the state, and were traditionally managed by government. In recent years, however, the facilities (resorts) have been managed by a state-owned company, Namibia Wildlife Resorts (NWR). While it is widely recognized that Namibia's most valuable tourism product lies in the parks, there is also a widespread feeling – in government, in the industry and within the population at large – that the quality of services and facilities is not up to international standards. Not only does this have a detrimental effect on perceptions of Namibia's Travel & Tourism, but these prime locations and unique products – which should be contributing millions of dollars to the country's economy – may actually be costing the government a considerable amount.

The future of Namibia’s Travel & Tourism depends on NWR providing a high quality, profitable product. A new managing director was recently appointed and a business plan and turnaround strategy have already been drafted and approved. Funding, in the form of a loan guarantee and direct financing, has also been endorsed by Cabinet.

Although details of the business plan were not available at the time of this report, WTTC firmly believes that the company should be restructured following best-practice business models so that it can operate in a competitive and productive way, with highly trained employees and accountable management. The clear difference between NWR and the rest of the industry is highlighted by a comparison between the education level of NWR staff and that of other Travel & Tourism employees.

| | NWR | Hotels & restaurants | Tourism sub-sector |
|--|-------|----------------------|--------------------|
| Staff who have not passed the Junior Secondary level | 84.0% | 66.5% | 22.0% |
| Staff with Senior Secondary level education | 11.0% | 27.0% | 40.0% |
| Staff with tertiary level education | 5.1% | 6.5% | 37.8% |

At the end of the day, NWR facilities are important state assets and should be managed with care. Nevertheless, the array of potential economic benefits they could bring to the state will only materialize if they are well run, well maintained and operated on a competitive basis.

In the event that the new business plan and turnaround strategy do not succeed, WTTC recommends that the management of the facilities be offered to private companies on a management contract or lease basis while the government retains overall ownership. Income to

government would therefore be guaranteed, as would high quality jobs – retaining, where appropriate, the considerable skills already available within NWR – and a high quality product.

As circumstances have recently shown, the future of these precious assets are by no means secure, so such a move to private management, if necessary, could have a positive impact on conservation, tourism, employment and the fiscal balance.

Border crossings conducive to Travel & Tourism growth

Given the significant number of tourists who arrive in Namibia by road, it is imperative that border crossings are not seen as barriers to Travel & Tourism. These checkpoints represent the first impression a visitor may have of Namibia, so it is vital that facilities are of high quality and staff are well trained. It is also important that the logistics of crossing the border are co-ordinated – for example, ensuring that both countries’ border posts are open at the same time – and that crossings, where available, are also open.

WTTC urges the relevant authorities to co-ordinate with their counterparts in neighbouring countries to work towards a more open situation, which will be of mutual benefit, and to work with the Travel & Tourism industry to provide the relevant training and skills for staff.

Cruise and port facilities

As more cruise ships call at Namibian ports, the lack of basic passenger and excursion infrastructure become more and more evident. At this point, Namport is upgrading Walvis Bay to accommodate cruise liners, but Lüderitz also needs attention to accommodate large numbers of visitors on shore excursions. In addition, authorities should consider opening up the ports for port cruises to broaden the product offering.



Safety and security

Namibia is generally a safe and secure destination for travellers, although petty crime is on the increase in the larger cities. It is vital that the Namibian authorities are trained to deal effectively with tourists who are victims of crime, and can ensure a swift and transparent follow-up to incidents. WTTC recommends that Travel & Tourism leaders and NTB work with the relevant authorities to facilitate training and education programmes.

Summary of recommendations

- The Namibian government should explore the full range of aviation business options to develop strong, dependable and profitable air service to Namibia;
- Bus links should be upgraded and rail frequencies increased;
- Efforts should be made to ensure that border crossing points are conducive to Travel & Tourism;
- The NWR should be restructured so that the whole country can benefit from its precious resources;
- Safety and security staff should be trained to deal effectively with visitors.

CREATE A COMPETITIVE BUSINESS ENVIRONMENT THAT ENCOURAGES INVESTMENT

Based on this TSA research and estimates of the Namibian economy by WTTC/OEF, capital investment in Travel & Tourism in Namibia in 2006 is expected to total N\$1,312 million (US\$212.6 million), or 12.3 per cent of total investment. Although this is a similar share to that of some of Namibia's competitors, such as Zambia, it is somewhat below that of others, like Tanzania (12.9 per cent), South Africa (14.4 per cent) and Kenya (14.6 per cent).

Since growth in Namibia's Travel & Tourism will be significantly boosted by capital investment, certain policy decisions need to be made to encourage and facilitate investment.

Taxation

There is an increasing tendency worldwide for governments to target Travel & Tourism as a revenue generator to meet short-term budget objectives, with little thought to the longer-term consequences on demand and job creation. WTTC urges the Government of Namibia to ensure fiscal regimes that encourage tourism growth, exports, investment, infrastructure, business innovation and job creation. The 'User Pays – User Benefits' principle should be given priority, with funding collected from visitors earmarked for Travel & Tourism infrastructure, promotion and employee training/education.

Furthermore, it is vital that taxes applied are equitable and, where possible, hypothecated. With this said, it is important that the authorities in Namibia recall the *WTTC Principles of Intelligent Taxation* and refer to these when they consider new taxes or adjustments to existing tax structures.

WTTC Principles of Intelligent Taxation

A study of Travel & Tourism taxation policy by the London School of Economics for WTTC recommended five principles that public policy-makers should use to guide their review of tax policy proposals and legislation.

Equity

All economic sectors should be treated fairly with regard to taxation. Even-handed treatment of all sectors reduces imbalances that can result in political, social and economic difficulties.

Efficiency

Taxes must generate revenue without a significant impact on the demand for a good or service (unless the tax is designed to modify behaviour). At a certain threshold, the benefits of a tax become less significant than the costs of reduced demand. The decrease in demand sends a debilitating wave throughout the economy as linked suppliers are affected. This negative cycle swells because of the subsequent loss of tax revenue in many sectors.

Simplicity

Complicated taxation schemes eat up revenues through administrative costs. These costs include both those borne by government in the process of collecting and enforcing taxes, and those borne by taxpayers. An objective of good tax policy is to achieve the highest possible ratio of revenues generated per dollar invested in collecting the tax. Special note should be made to incorporate taxpayers' costs of compliance in calculating this ratio. Simplicity in taxing also dictates that it is clear what the tax rates are, and what the revenues are intended to be used for.

Fair revenue generation

Fair revenue generation arises from the concept of equity. In the even-handed capturing of tax revenue, it is unreasonable to assess special fees or levies on specific goods or services. These taxes are often cloaked by language and terminology to hide their real intent. Special charges and fees may appear, on face value, to be modest. They aggregate, however, to become a cumulative and often unreasonable burden to a sector.

Effective stimulus to growth

Tax incentives and disincentives should be imposed with the underlying goal of stimulating growth. Taxes that support infrastructure will ideally result in the attraction of investment and subsequent employment. When taxes become excessive, economic growth often grinds to a halt.

Many taxes on Travel & Tourism violate some or all of these Intelligent Tax Principles. The practical reality of these principles provides that taxes can be imposed to generate revenue, increase competitiveness, or change consumptive behaviour. If taxes follow the criteria above, they will result in both increased revenues for governments and strong competitive economies.

The tax burden on Travel & Tourism enterprises in Namibia is relatively high, despite the generally small profit margins enjoyed by the sector. In order to reduce this burden some companies adopt the practice of ‘transfer pricing’. When an organization operates in more than one country, costs are passed on to the country with a higher tax burden, so that profits in that country are reduced along with the tax bill. Legislation is currently being passed in Namibia to regulate this activity and to ensure that fees and prices are fair. However, a simplification of the tax regime and a wider appreciation of the export nature of tourism would help to render the practice unnecessary.

Financial sector reforms

The current state of Namibia’s financial sector is not conducive to Travel & Tourism development, particularly with regard to exchange regulations. Cumbersome procedures within the Bank of Namibia mean that companies, where possible, keep their money outside Namibia so that if refunds and such like are necessary (ie due to cancellation), they can be processed quickly and efficiently. WTTC urges the Government of Namibia to simplify exchange regulations to discourage this practice. Any leakage which occurs through such practices would thus also be reduced.

Investment incentives

As highlighted in the recently launched *Namibia Tourism Investor Roadmap*, financed by USAID, there are currently no incentives for investment in Travel & Tourism in Namibia. The industry is still seen as high risk and the bureaucratic burdens of starting a new business in the country are considerable. Bank loans for tourism development are not available and the promised improvements expected with the establishment of the Development Bank of Namibia have not materialized.

A wider understanding of Travel & Tourism and its potential should help to allay these fears and problems. However, WTTC urges the government to consider incentive schemes to encourage both foreign and domestic investment in tourism and to intensify its efforts to remove the existing barriers to investment.

Such investment will be crucial to the industry’s future growth and the associated growth in GDP and jobs. WTTC recommends that a one-stop shop for investment in tourism in Namibia be established, either as part of the Development Bank of Namibia, or as a separate entity, which will facilitate and co-ordinate the processes necessary to start a tourism business in the country.

Use of available funding

There is significant funding from international agencies for economic and social development in Namibia. While none of the funding streams pertain specifically to Travel & Tourism, many may be channelled to industry-linked projects. Examples are infrastructure development, community-based enterprise development and conservation. Such opportunities should be communicated to Travel & Tourism stakeholders and, at the same time, the projects and plans presented by the industry should be communicated to those responsible for allocating funds.

There is also a need for capacity building among Travel & Tourism stakeholders so they can present their businesses and ideas in a way which conforms to the bureaucratic requirements of funding agencies. The TOURISM 2006 investment conference due to take place in Windhoek in October 2006 offers a prime opportunity to illustrate the investment opportunities in Namibian tourism and to communicate the actions that authorities are expecting to take to encourage investment. At the same time, entrepreneurs will be able to present and discuss their ideas for building new tourism businesses.

Access to land

One of the major unknowns regarding tourism investment in Namibia is the issue surrounding land ownership and tenure. Since independence, there have been reforms to correct colonial inequalities in land distribution and ownership, but there are still uncertainties as to how the issue will be resolved in the long term and what the expropriation criteria will be. On communal lands, insecurity of tenure is one of the major impediments to tourism development.

The issue is highlighted in the World Bank’s *Doing Business* report, in which Namibia is ranked 118 out of 155 countries worldwide in the ‘Ease of registering property’ category. WTTC urges the Government of Namibia to take Travel & Tourism into account when undertaking land reforms and legislating for land ownership, in particular in communal areas. Where possible, procedures to lease communal land from Land Boards should be enhanced.

Summary of recommendations

- The government should tax intelligently;
- Incentives for Travel & Tourism investment should be developed and communicated to interested parties;
- A one-stop shop for investment should be established;
- Financial sector processes should be upgraded to international standards;
- Modalities should be established for security of land tenure;
- The government should make it clear what funding is available and how to access it.

WTTC urges the Namibian Government to consider incentive schemes to encourage both foreign and domestic investment in tourism and to intensify its efforts to remove the existing barriers to investment.



WORK WITH THE TRAVEL & TOURISM INDUSTRY TO ENSURE THAT LEAKAGE IS KEPT TO A MINIMUM

What is 'leakage'?

Simply put, leakage occurs when a business buys supplies or services from outside the country. These purchases generally provide little or no impact on the country and thus the money spent is 'leaked' out of the economy.

There is a widespread perception among Namibians – both at the top levels of government and in the street – that Travel & Tourism is characterized by a high degree of leakage. It is felt that income from tourism filters down to only a minority of stakeholders and that, in many cases, money does not even reach Namibia at all. This perception is holding back investment in tourism and discouraging potential tourism entrepreneurs and employees, yet it is in fact based on a fundamental misunderstanding of the structure of Travel & Tourism rather than on reality.

The term 'leakage' is widely used in economics and particularly in tourism industry literature. It occurs as a natural and normal part of the tourism trade relationship within developed and developing countries worldwide. Leakage is not a conspiracy among Namibian tourism enterprises.

Research carried out on behalf of MET in 2004 identifies two clear types of leakage in Namibian tourism:

External leakage

This is the part of a tourist's total expenditure (typically 25–40 per cent) which is paid to overseas (non-Namibian) enterprises – mainly agents, operators and airlines – that provide services to the tourist. About 65 per cent of expenditure on airline tickets by visitors to Namibia flows to foreign airlines as a result of available air service options and traffic patterns. To describe such expenditure as 'leakage' is in fact a misconception. It is not money owed to Namibian enterprises and it does not enter the Namibian economy. It is foreign company revenue produced as a result of the delivery of a visitor to Namibia.

Import leakage

This refers to monetary outflows on goods and services, which are not readily produced or available from the resident economy and must, therefore, be imported to provide for tourist consumption. They include, for instance, vehicles, fuel, certain foodstuffs and services. Developing economies, like

Namibia, tend to be more dependent on imports of manufactured goods, so this category of outflow is typically higher in these economies.

Perception vs reality

Despite the fact that Travel & Tourism is by its very nature an international business and, as such, its products and services typically generate revenues in more than one country, there is still a perception that it is a purely Namibian problem. In particular, it is felt that the country's Travel & Tourism industry does not contribute to the economy to the extent to which the fiscal regimes might expect. However, a brief analysis of some of the underlying structures of the industry shows how expectations diverge so much from reality.

In 2005, Namibia recorded just under 780,000 international tourist arrivals – ie excluding same-day visitors and returning residents. Of the total, the largest share, of more than 44 per cent, was accounted for by visitors to friends and/or relatives (VFR tourists), who are generally not considered to be high-yield visitors.

In 2005, Namibia recorded just under 780,000 international tourist arrivals – ie excluding same-day visitors and returning residents. Of the total, the largest share, of more than 44 per cent, was accounted for by visitors to friends and/or relatives (VFR tourists), who are generally not considered to be high-yield visitors. In addition, observers tend to believe – mistakenly – that self-drive South African holidaymakers and Angolans crossing the land border for a day's shopping or VFR generate very little for the Namibian economy.

In order to obtain a clearer, and more reliable, understanding of tourism's impact, in economic terms, it is vital to look beyond simple arrivals' figures and instead focus on the income generated by tourism.

WTTC's TSA research shows that the direct and indirect impact of Travel & Tourism in 2006 is expected to contribute N\$6.8 billion (US\$1.1 billion) in terms of GDP to national coffers. Some of this will be accounted for by other sectors – eg transport, manufacturing, or agriculture – but if it were not for Travel & Tourism demand, this contribution to the economy would not exist.

Another common misconception, which causes significant misunderstanding and confusion, is that advertised rack rates cannot simply be multiplied by the number of beds available throughout the year to calculate the industry's income. As already mentioned, Namibia's tourism is highly seasonal and average occupancy rates are not high. The analysis below, extracted from the unpublished MET report on leakage, shows clearly that advertised rates do not accurately reflect the actual turnover of an accommodation provider, and that only 60 per cent of the rack (published) rate is actually accrued to the owner. Furthermore, when occupancy rates are taken into account, it can be seen that a lodge owner might only receive 32 per cent of what might be expected.

Pricing difference between advertised rack rates and reported rates

Calculating the difference between rack rates and reported turnover (per bednight)

| | | | |
|------------------------------------|-----|-----|-------------|
| Advertised rack rate | (1) | | N\$2,000.00 |
| Less: discount to operators | (2) | 30% | N\$ 600.00 |
| Gross turnover (VAT incl) to lodge | (3) | | N\$1,400.00 |
| Less VAT: (3) - ((3) x 115/100) | (4) | 15% | N\$182.60 |
| Gross turnover per bed | (5) | | N\$1,217.40 |

| | | |
|--|--|-----------|
| Difference between rack rate and actual turnover (1) - (5) | | N\$782.60 |
|--|--|-----------|

| | |
|--|-----|
| As a percentage marked down from rack price (1) to (5) | 39% |
|--|-----|

| | |
|---|-----|
| As a percentage mark up from (5) to (1) | 64% |
|---|-----|

Calculating annual turnover according to available bednights per annum

| | | |
|--|-----|--------------|
| No. of beds (assumed) | (1) | 10 |
| Nights per annum (usually -10 for maintenance) | (2) | 365 |
| Total potential bednights for sale | (3) | 3,650 |
| Actual bed occupancy during the year as % | (4) | 53% |
| No. of bednights sold (53% of 3,650) | (5) | 1,935 |
| Turnover per bednight sold (from above) | (6) | N\$1,217.40 |
| Annual turnover: (5) x (6) | (7) | N\$2,355,043 |
| Turnover achieved per available bednight (7) / (3) | (8) | N\$645 |
| Compared with rack rate/night | (9) | N\$2,000 |

Fiscal regulations and tourism

There seems to be a conviction at various levels of government that Travel & Tourism businesses in Namibia do not fully comply with the country's fiscal regulations. The industry is constantly charged with keeping currency out of Namibia for extended periods, as well as with tax avoidance and transfer pricing (the practice of passing costs to a certain country to cut profits and, therefore, reduce tax bills).

The issues of exchange regulations and transfer pricing are addressed in an earlier section of this report. However, it is clear that companies undertaking such practices are in most cases working within the law, and are resorting to such practices in order to avoid cumbersome bureaucratic procedures and high taxes in Namibia.

It is imperative to make clear that tax avoidance is not illegal, nor unique, to either Namibia or Travel & Tourism, and there is no evidence to show that levels of tax avoidance are higher in this sector than in any other. On the other hand, WTTC encourages the relevant authorities in Namibia to investigate any companies, in whichever sector, are under suspicion of tax evasion, which is illegal, and to prosecute them accordingly.

To be clear, taxpayers may make all legally recognized deductions in order to minimize their income tax liability. This conduct is called tax avoidance and is legal. If, however, a taxpayer claims deductions to which he or she is not entitled, so that the individual, or company, pays less income tax than is actually owed, then the taxpayer has committed tax evasion, a crime which is generally punishable by a fine, imprisonment, or both.

Linkages

One way to reduce leakage from any economy is to source products at home, thereby stimulating local production and employment. Although Namibia imports a significant number of products from South Africa and other countries – resulting in a certain amount of leakage – the use of local produce for Travel & Tourism may present an interesting opportunity to increase the economic impact of the industry. Many have argued that the know-how to create linkages between Travel & Tourism and the rest of the economy is well established, but that putting the know-how into practice is another story.

The establishment of 'Naturally Namibian', an endorsement brand that signifies a particular company, service or product, is to be commended and should be promoted and encouraged throughout the Travel & Tourism industry. 'Naturally Namibian' implies adherence to a set of criteria including at least 33 per cent local content, high quality, fair labour conditions and an environmentally responsible approach to production and/or delivery.

WTTC recommends that a dedicated effort and resources be organized by MET and NTB to guarantee a focused approach to establishing effective linkages between Travel & Tourism and the rest of the economy. Such an approach could include:

- Promoting public awareness of the potential linkages between Travel & Tourism and other sectors, such as agriculture and manufacturing;

- Educating those in other sectors of the needs of Travel & Tourism so that high quality products can be sourced locally by the industry; and
- Encouraging the use of traditional skills and products in the development of the industry.

Summary of recommendations

- Government should understand that leakage is a common phenomenon of Travel & Tourism and is not a conspiracy of the Namibian industry;
- It should also understand the basic structure of tourism businesses and have realistic expectations of them;
- It should promote linkages within the Namibian economy to reduce external leakage.

BALANCE ECONOMICS WITH ENVIRONMENT, PEOPLE AND CULTURES

Travel & Tourism has the potential to bring enormous benefits to people and environments, particularly in terms of providing an alternative source of income. Nevertheless, if not developed in a sustainable way, the industry may result in negative impacts such as environmental degradation, alienation of local communities and, ultimately, destruction of the product itself.

Namibia is Africa's most arid country south of the Sahara and comprises 11 ethnic groups, so the balance between environment and people is extremely delicate. Tourism, which depends so heavily on both these resources, needs to be developed in a sensitive way to ensure that its benefits are widespread and well distributed.

For a number of years now, Namibia has been a leader, both in Africa and the world, in its approach to conservation and community involvement in resource management. According to the United Nations, it is Africa's top performer in Global Environment Facility (GEF) programmes and, in 2005, Namibia ranked 32nd out of 146 countries on the Environmental Sustainability Index (ESI) – the highest ranked desert country in the world. The recently launched USAID-financed *Namibia Tourism Investor Roadmap* also describes the country as being “a world leader in enshrining environmental conservation in its constitution and in creating a policy of government that embraces both natural and cultural conservation”.

Namibia is therefore already well up the learning curve as far as sustainability issues are concerned. But there is still much work to be done.

A co-ordinated approach to environmental planning

Transparency regarding Environmental Impact Assessment is still not always achieved and, in certain cases, government bureaucracy is holding back progress. By way of example, lack of co-ordination within ministries has meant that the Coastal Zone Management Plan has not yet been approved, creating a further risk to this ecologically and touristically important area. Regulation of access to resources, such



as the Dune Belt, needs to be drawn up as a matter of urgency so that clear jurisdiction exists. This will also help to ensure that the use of the dunes as an adventure experience is balanced with the need to conserve not only the dunes physically, but also as a peaceful wilderness which attracts many visitors.

WTTC urges government ministries to work together to ensure that such plans can be approved as efficiently as possible, with clear guidelines and empowerment for implementation.

Conservation and tourism go hand in hand

Namibia's protected areas are without a doubt the country's most important tourism attraction and, according to a recent MET study, account for some 70 per cent of holiday expenditure. The income generated by tourism in the parks is vital for the ongoing conservation of the areas – from Etosha to the Namib – and provides livelihoods for those communities that surround them. Park management is therefore a vital aspect of the tourism industry in Namibia, and tourism is crucial to the sustainable management of the parks.

WTTC urges the Namibia Government to allocate sufficient funding to park management and consider innovative business models based on public-private partnership in order to maximize tourism potential – which will have knock-on effects for the whole country – and ensure the future conservation of Namibia's natural heritage.

There is also considerable opportunity for tourism development in transfrontier parks, such as the proposed Kavango-Zambezi Transfrontier Conservation Area. Although the different economic situations of the countries involved – Namibia, Botswana, Zimbabwe and Zambia – pose challenges to the project, WTTC encourages the Government of Namibia to facilitate the process with both conservation and tourism potential in mind.

Promoting best practice

Given Namibia's delicate ecology – in particular, the limited availability of fresh water – and historical inequalities in terms of wealth distribution, it is extremely important for Travel & Tourism to be a positive influence. There are many examples in Namibia where local communities, private investors, the natural environment and tourism are working together in a truly sustainable way. By taking the needs of natural, social and cultural environments into account, economic sustainability is not only ensured, but also enhanced.

WTTC calls on NTB, MET and the government generally to promote these examples as widely as possible. The national Eco-Awards, which have recently been established, are an excellent first step and winners should be widely acclaimed through the media, both to the general public and the industry. This will also help to allay the misunderstandings that are so rife throughout Namibia about the real value of tourism.

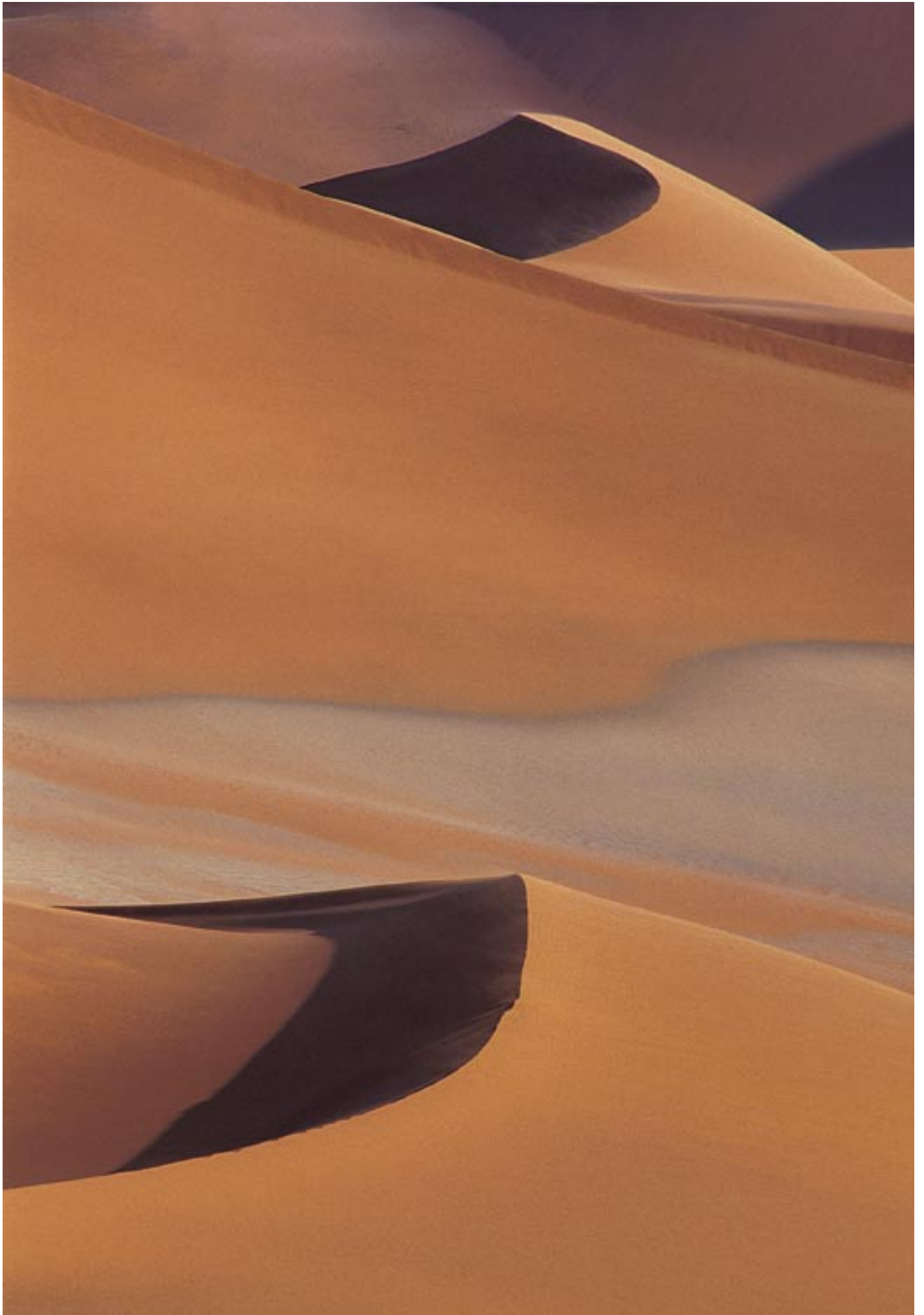
Pro-poor tourism

Although Namibia has one of the highest per capita incomes in Sub-Saharan Africa, distribution of income is one of the most unequal in the world. With a high rate of unemployment, particularly among rural populations, and the inherent difficulties faced by agriculture in a semi-arid environment, tourism is an important tool in poverty alleviation and in providing alternative livelihoods.

This is not a new concept to Namibians and, for over a decade, community-based tourism has been growing in the country's communal areas. Indeed, Namibia has been a pioneer in the development of community-based models for tourism management. The number of tourists visiting community-based area lodges grew from 30,000 in 1999 to 70,000 in 2002, and some 90,000 were recorded in 2004. However, there is still a long way to go before tourism's full potential to bridge the gap between the 'haves' and the 'have-nots' is realized. There are also a number of structural and operational weaknesses that must be overcome, particularly in terms of access to start-up capital and land tenure.

WTTC recommends that the Government of Namibia prioritize the development of tourism in communal areas, so as to enrich the country's tourism product and spread its benefits, through the elaboration of a Pro-poor Tourism Strategy within the framework of the National Tourism Strategy, focusing on the following elements:

- Resolving the insecurity of tenure on communal lands so that they may be used as collateral for investment;
- Setting up specific incentives for capital investment in community-based tourism projects;
- Incorporating community-based products into mainstream promotions to increase access to markets for this sector;
- Providing funding for tourism education and training in communal areas so that potential tourism entrepreneurs understand the basic dynamics of tourism, as well as consumer needs and trends; and
- Encouraging SME development.



It is imperative for community-based tourism to be financially viable – just as any other project/enterprise in any other sector – as well as being based on business and market principles, if it is to bring the desired long-term benefits to communities.

A new structure for community-based tourism representation and assistance

In the past, the Namibian Community Based Tourism Association (NACOBTA) has been an important support network for community-based and pro-poor tourism projects. However, despite being structured and funded as an association whose aim was to represent community-based tourism enterprises, NACOBTA has increasingly been undertaking the role of a funding and technical assistance organization. This has put a huge strain on its financial sustainability. In any event, WTTC firmly believes that Namibia needs a ‘voice of community tourism’ and encourages the establishment of a relevant organization to provide development assistance.

Summary of recommendations

- Bureaucracy re environmental planning and management should be reduced, and the government should ensure that environmental regulations are adhered to;
- Examples of best practice in sustainable tourism development should be widely promoted;
- A Pro-poor/Community-based Tourism Strategy for Namibia should be established as part of the overall National Tourism Strategy;
- Care must be taken to ensure that community-based projects are deemed to be financially viable from the outset.

SUPPORT THE INDUSTRY IN PROVIDING A VALUE-FOR-MONEY, INTERNATIONALLY COMPETITIVE PRODUCT

Travel & Tourism is one of the world’s fastest growing industries. It is also a rapidly evolving industry. New markets emerging across the globe, and technological innovations and demographic change mean that companies, products and countries are in competition with each other, not only to attract business, but also to keep up with developments. Namibia is therefore competing not only with neighbours such as Botswana and South Africa, but also with another 200 or so countries all over the world. The key to remaining competitive is to provide a high quality, value-for-money experience to which visitors will want to return.

Pricing

The current perception within the Travel & Tourism industry in Namibia is that their prices in both international and domestic markets are too high. Namibia is seen to be expensive in relation to quality

of product and services offered compared with destinations such as Kenya and Tanzania for international visitors. And Namibians – and to a certain extent South Africans, who share the same currency – are unable to fully participate in tourism in Namibia due to high prices. For international visitors, this is compounded by the high cost of air travel to Namibia.

There is also a certain lack of transparency within the industry regarding pricing, to the extent that businesses are often unsure as to the rates their neighbours are actually charging. As a result, prices are often artificially inflated.

WTTC recommends that an independent pricing audit be commissioned, in order to provide a detailed, but anonymous, survey of prices throughout Namibia. The results would then be published so that individual operators could see where their prices stand in relation to average rates, and they could then adjust theirs accordingly. In this way, market forces would dictate prices and bring them in line with those of their competitors. The survey could also include an opinion poll of visitors concerning value for money to help determine whether prices are justified by the level of service received vis-à-vis Namibia’s competitors.

Separate pricing structure for residents

In many countries, local residents benefit from significant discounts in prices for accommodation and entrance fees to attractions, especially during the off-season. This encourages domestic tourism and is particularly important in Namibia where locals are often priced out of the market. WTTC commends the Namibia Wildlife Resorts for having introduced such a structure and encourages other operators to follow suit.

Quality

Pricing, however, is only one side of the ‘value-for-money’ coin. It is often, wrongly, assumed that value for money equals ‘cheap’. In tourism, this is most certainly not the case. The price of a product should reflect the quality of service, level of luxury and standard of facilities – all of which contribute to its inherent value. If Namibia is too expensive, then raising the quality of the product is recommended, rather than reducing prices.

As outlined in other parts of this report, significant investment is needed in education and training in order to increase the quality of service in Namibia. Improved infrastructure, product development and adherence to NTB regulations will also help in this regard.

Summary of recommendations

- A pricing audit should be commissioned to increase transparency and allow self-regulation of pricing;
- Product quality needs to be increased through training and investment so that income generation is maintained and increased.

DEVELOP THE HUMAN CAPITAL REQUIRED FOR TRAVEL & TOURISM GROWTH

In 2006, Travel & Tourism in Namibia will account for some 71,800 jobs – approximately 18,800 jobs directly in the industry and a further 53,000 jobs in sectors linked to Travel & Tourism, such as real estate, construction and retail. Travel & Tourism has the potential to create jobs at all levels of society and the economy – from bar staff and chamber maids in hotels, to guides and taxi drivers, or top-level management in tourism enterprises. It is a labour-intensive, quality-driven service profession, which depends crucially on the skills' level and professionalism of the workforce to make the sector productive and competitive.

The growth of Travel & Tourism in Namibia will offer considerable employment opportunities across the country over the coming years. However, if Namibia's tourism is to become to a high-spending, high-yield segment, delivering a consistently high standard of service is crucial. The Ministry of Education must work with NTB to ensure that those who work in Travel & Tourism are suitably qualified in order to achieve this.

A National Tourism Training Strategy

The Manpower Survey carried out for NTB under the auspices of the European Union-funded Namibia Tourism Development Programme in 2004, and the associated report Towards a National Tourism Training Strategy published the same year, clearly identify the provision of tourism training in Namibia, its weaknesses and opportunities for development. WTTC commends the findings of this report and encourages the Government of Namibia to support NTB in elaborating and implementing a National Tourism Training Strategy.

Match supply and demand

Government, NTB and education experts must work together with the industry to ensure that courses and training are relevant to the industry's requirements. The industry itself can provide support to institutions and students in this regard by participating in training schemes, offering internships and communicating the importance of high standards of quality service.

Training institutions must produce a wide spectrum of qualified employees who are capable of filling the many different roles required by the Travel & Tourism industry, so that available human resources meet industry's demands for bar staff, waiters, chefs and all levels of management, etc.

Incentives for training

The onus is currently on the private sector to provide training to ensure its employees have the required skills. Within the framework of a training strategy, as outlined above, this should be encouraged through incentives for those private operators who contribute to staff development. In some tourism economies, the private sector receives a rebate on a portion of its spending on training and education. The private sector should also be encouraged to capitalize on the skills which are available in Namibia, rather than looking overseas to fill vacancies.

Public awareness campaign to highlight the opportunities offered by Travel & Tourism

The development of NTB's booklet on careers in tourism is an important step in raising awareness of the kinds of careers offered by Travel & Tourism, and the specific skills and qualifications that are necessary to enter them. This information should now be disseminated in schools and universities in a targeted public relations' campaign, underlining the vast differences between service and 'servitude' and the potential offered by the tourism industry.

Top students must be encouraged to work in Travel & Tourism, and case studies of Namibians who have been successful in tourism should be promoted. In addition, promotion of the benefits of professional certification and training is important, not only to encourage young people to engage with them, but also to give those who have achieved certification a higher value and greater credibility among their peers.

Compensation equitable with that in other sectors

Compensation in the Travel & Tourism sector is often perceived to be lower than in other sectors because tourism employs many women, part-time and unskilled workers. But where this is really the case, remuneration must be brought in line with that in other sectors so that a potential workforce can benefit fully from employment in the sector and so that the value of top-quality employees is not undermined.

The government can assist the industry in achieving this by implementing labour laws which take into account the need for greater flexibility – to accommodate problems of seasonal and daily flows, as well as other operating characteristics of a 24/7 industry. This is currently not the case with labour laws in Namibia, which results in negative impacts on the industry's productivity, profitability and attraction to investors.

HIV/AIDS

Complications from HIV/AIDS account for 50 per cent of deaths among individuals aged 15–49 years and, since 1996, have been the leading cause of death in Namibia. The government, supported by international agencies, already has policies in place to tackle the disease. However, there is no question that the Travel & Tourism industry will need to act proactively to address the issue as well.

WTTC encourages all Travel & Tourism stakeholders to engage with government and non-governmental programmes, and to follow examples from within and outside the industry, to address HIV/AIDS head on, seeking out help and assistance when and where necessary to make a difference for their employees, the industry and local communities.

Summary of recommendations

- Investment in education and training for tourism should be increased;
- A National Tourism Training Strategy should be elaborated;
- Incentives should be introduced for the private sector to invest in training;
- A public awareness campaign should be launched to highlight the opportunities available in tourism;
- Government should ensure that the legal framework allows for the flexible needs of the sector and ensures adequate compensation.

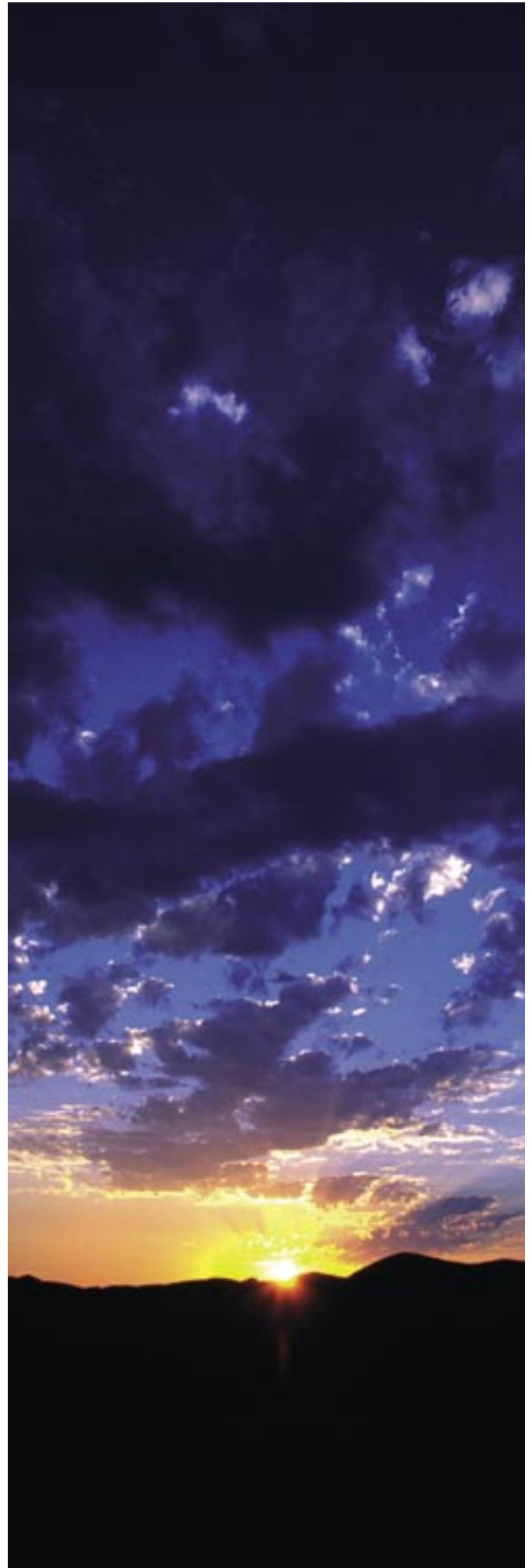
The following is a summary of the findings of the 2003 Manpower Survey as presented in *Towards a National Tourism Training Strategy (2004)*

Conclusions

- Within the industry there is a recognized need for improvements of capabilities at the managerial, supervisory and operational levels in all aspects of tourism activities.
- In quantitative and qualitative terms, training programmes do not match the needs of the industry, either by occupation or by skills level.
- Lack of career guidance makes graduates enter the labour market with high expectations but no clearly established career path – a fact that fuels high labour turnover rates and ultimately represents a wasteful use of financial resources invested in training.
- Most graduates lack interpersonal skills and show rather poor behaviour. Very few have a proactive ‘service’ mentality, which is so important for guest satisfaction.
- Graduates from training institutions and courses are equipped only with very basic technical skills and need substantial upgrading to bring them to a level of operational efficiency on the job.
- There is a general lack of supervisory skills. Supervisors occupy an important position in any hotel and tourism establishment. They form the link between management and workers, they are required to implement the policies of management and they have direct contact with workers.
- The training, updating and upgrading of staff in guest farms, hunting farms and lodges scattered over very large and remote areas, with each individually representing only a handful of employees, remain a major challenge for this segment of the accommodation market.

Recommendations

- The immediate and full integration of Polytechnic students and Valombola Vocational Training Centre (VTC) trainees in the operation of the commercial facilities of these institutions.
- The full utilization of the Polytechnic facilities for the delivery of short Vocational Modules and/or the implementation of a block-release apprenticeship scheme.
- The recruitment and training of additional instructors for the Polytechnic and VTCs.
- The pedagogical and technical upgrading of existing instructors.
- A review of all training programmes with a view to bringing them in line with the needs of the industry. All curricula should be developed and/or reviewed to ensure adherence and significance with the occupational profiles developed in co-operation with the industry.
- A feasibility study (should be undertaken) for the introduction of a mobile delivery and assessment system for guest farms, hunting farms and lodges.



PROMOTE PRODUCT DIVERSIFICATION THAT SPREADS DEMAND

Namibia's Travel & Tourism is characterized by a high level of seasonality, with peak periods coinciding with the European summer. It is also concentrated in certain areas of the country – Windhoek, Swakopmund, Walvis Bay, Etosha and Sossusvlei. However, thanks to year-round sunshine and a wealth of natural and cultural diversity, the country has the potential to develop a tourism product which spreads demand, not only throughout the seasons but also across regions.

There is broad-based awareness of this potential throughout the country, but a lack of coherent planning at national and regional levels has meant that the development of Namibia's tourism product has in the past been unco-ordinated.

A national and regional approach to product development

The 2004 Product Audit, undertaken by the Namibia Tourism Board, is an excellent basis for understanding the current state of Namibia's tourism product and the dynamics which lie behind it. This information should be combined with an in-depth market survey and incorporated into a strategy for product development, as part of an overall tourism strategy. Based on clear objectives – such as extending the temporal and geographical reach of tourism – the strategy should outline ways in which the product can be diversified, both by introducing new products and upgrading existing facilities.

Once the national objectives have been set, regional plans should be drawn up according to the resources and needs of the different areas of the country. Different regions may decide to focus on different elements for development, such as golfing, gambling or museums, and issues such as improved signage and better access to information for visitors can also be incorporated.

Enhance and extend existing products

There is a great deal of potential for development within Namibia's existing product base, which will extend the geographical reach of tourism, as well as increasing income for those involved.

Wildlife tourism accounts for a significant number of visitors to Namibia. The main attraction in this regard is the Etosha National Park, yet only a small corner of the park is currently open to tourism. Since large numbers of visitors in a small area are not conducive to the high-value tourism Namibia is seeking, WTTC recommends that, taking conservation objectives into account, other areas of the park be designated to tourism.

Cultural tourism offers visitors the chance to engage with local people and the Namibian way of life, both past and present. Cultural tours in major cities are growing, such as the Katutura Tours in Windhoek, as are opportunities to visit museums, like the one in Warmbad in Southern Namibia. However, in many cases, the important link between culture and tourism is not yet understood. WTTC suggests that priority be given to developing cultural tourism opportunities in Namibia that are demand driven.

Adventure tourism is a crucial component to Namibia's coastal product. Visitors can undertake a range of activities from 4x4 drives over dunes to water sports and fishing. Elsewhere in the country there are opportunities for skydiving, paragliding and rock climbing. Facilities for such activities are still basic and upgrading them to international standards would help provide a broader and more valuable product.

Game hunting has long been an important component of Namibia's Travel & Tourism economy. If well regulated, as has been the case in Namibia, it can generate high-yield and low-impact tourism. WTTC urges the Ministry of Environment and Tourism to take steps to break the current stalemate regarding the hunting auction, in order to ensure that this important product can continue to play a vital role in the country's tourism development.

There is also a great deal of potential for **regional products** such as the Cape-Namibia route, which is currently under discussion. Such approaches can build on the success of other areas and benefit from different markets' seasonal patterns. There are also opportunities to develop the northeastern route/Caprivi combined with Victoria Falls and the Okavango Delta which, due to political instability in certain areas, has declined in importance as far as tourism is concerned.

Measured development that benefits everyone

Namibia is at a crucial stage in its Travel & Tourism development. It is still a long way from being a mass tourism destination – and is, thankfully, unlikely to become one. But tourism growth will be vital to the country's economy and employment in the future. It is therefore imperative that product development be measured and focus on the long-term benefits. It will take time to build capacity among employees and entrepreneurs, who will steer the future of Namibia and its Travel & Tourism.

Moreover, Namibia is already positioned as a destination which embodies strong environmental principles, as well as leading the way in community tourism development. There is a real opportunity to build on this and to tap into the growing market for such products.

Areas of the country which are not part of the Travel & Tourism industry, such as the central north region, should become a priority for development. However, there needs to be a long-term commitment on the part of local authorities and communities to sustainable tourism development. A 'get rich quick' solution will not be widely beneficial in the long term.

The meetings industry

At a global level, the meetings industry is a growing sector, and one which can bring considerable benefits to economies. Currently, conference facilities in Namibia are limited, with Windhoek being the main venue for national and international events. Investment in further facilities, not necessarily in the capital, and a concerted effort to market them – particularly to encourage events which take place outside the peak season – will bring higher spending visitors to the country, and visitors who may return at a later date for a holiday. Namibia should also seek out opportunities to benefit from regional events, such as the FIFA World Cup in South Africa in 2010.

Domestic tourism

The world's most successful tourism economies are those which have a strong component of domestic tourism. In an uncertain world of terrorism, health scares and rising fuel prices, domestic tourism is becoming an increasingly important segment as research shows that domestic visitors are more resilient to such shocks. Furthermore, they are rarely constrained by seasonal demands.

A certain amount of domestic tourism already takes place in Namibia, and will without doubt increase as the economy itself grows. However, in many cases Namibians are prevented from being tourists in their own country by prohibitively high accommodation prices and entrance fees. WTTC recommends that NTB undertake a domestic tourism campaign, highlighting the opportunities open to Namibians. A scaled pricing structure with reductions for residents, combined with low-season domestic special offers, will also encourage Namibians to travel within the country for leisure purposes.

Summary of recommendations

- Product development should be prioritized through the elaboration of a product development strategy;
- The government should ensure that product development is undertaken at regional as well as national level;
- Existing tourism products should be enhanced and extended;
- The government and industry should make the most of Namibia's credentials in terms of sustainable tourism development, and ensure that strategies have a long-term vision;
- Tools should be put in place to facilitate domestic tourism.

BRING NEW FUNDING AND CO-ORDINATION INTO PROMOTION AND MARKETING

International awareness of Namibia and its tourism product is relatively low, particularly compared with competitive destinations such as Kenya, South Africa and Zambia. Historical/colonial links with certain markets, such as Germany, and individual efforts on the part of some private sector players have been the main drivers of demand, rather than any kind of co-ordinated marketing and promotion.

Since its establishment in 2001, the Namibia Tourism Board (NTB) has taken over responsibility for promotions and marketing. Despite the low level of funding provided to NTB for this purpose, significant headway has been made. Namibia now participates in major trade fairs and marketing teams are active in all the major source markets. Co-operative marketing has also proved to be particularly beneficial in stretching NTB's modest marketing budget.

A strategy for marketing and promotions

It is now imperative for a national marketing strategy, based on up-to-date research and reflecting new market trends, to be adequately funded and effectively executed. This will allow Namibia to increase its market presence and compete on an equal footing with other destinations around the world.

Namibia's Travel & Tourism is currently highly seasonal, despite the destination's year-round sunshine and opportunities for activities in different climates, and a strategic approach to marketing could help rectify this. Interestingly, Namibia's season is the complete opposite to



A strong brand 'Namibia' will be a vital force in raising the country's profile so that it can compete successfully in the international marketplace.

that of nearby Cape Town and the proposed Cape-Namibia route is an example of how marketing can be used to develop intelligent products to stimulate increased visitors. However, in order for such projects to be successful, high-level political engagement is necessary.

WTTC calls on the Ministry of Finance and the Ministry of Environment and Tourism to allocate adequate funding to NTB for the elaboration and implementation of its co-ordinated marketing and promotions strategy.

Brand 'Namibia'

A strong brand 'Namibia' will be a vital force in raising the country's profile so that it can compete successfully in the international marketplace. The recent research undertaken by NTB is an important first step in identifying how visitors and the industry itself view Namibia and its opportunities. By defining Namibia as an 'experience, rather than a place' and identifying four keywords which describe the essence of this experience – 'rugged', 'natural', 'soulful' and 'liberating' – the foundation has been set for a co-ordinated marketing effort, not only by NTB, but also by the Travel & Tourism industry.

WTTC encourages all players in Namibia's Travel & Tourism industry – from local authorities to individual operators – to embrace the guidelines set out in the NTB pamphlet *Branding Namibia – A Practical Guide*. In this way, brand awareness of Namibia can be boosted, not only through a national-level campaign, but also through every single piece of communication that a potential visitor to Namibia might see.

Branding and marketing the regions

Namibia is a huge country and one of its main attractions is the diverse range of experiences on offer. From safari holidays in Etosha, to the sand dunes of Soussesvlei and activity holidays on the coast, Namibia is in a prime position to offer a unique product. However, there is currently no branding of the separate regions, and no funds are allocated to promoting the regions. If there were, this would increase visibility in niche markets – for example, the branding of Swakopmund/Walvis Bay/Henties Bay as the Adventure Coast. Individual strategies for different regions or towns should be drawn up under the umbrella of a national marketing strategy.

Online presence

The recent upgrading of NTB's website to incorporate the brand identity outlined above is another important move towards greater visibility for Namibian tourism.

However, with more and more visitors turning to the internet, not only for up-to-date information on a destination, but also to make bookings and construct itineraries, a more user-friendly portal will be necessary in time. Such a portal could contain links to all NTB-registered providers – and, in the future, why not an online booking facility? – as well as background information. There also needs to be a clearly defined area for industry information, such as regulations, registration procedures and inspections.

Although the majority of Namibia's long-haul visitors travel to the country on inclusive package tours, global trends suggest that this trend is likely to change before long. Adequate website facilities will help the country's smaller operators tap into the independent market for self-tailored tour programmes, as well as the important South African self-drive market.

Summary of recommendations

- Funding for NTB marketing should be increased;
- National and regional branding needs to be defined and strategies for marketing developed;
- All stakeholders should commit to a unified image and brand;
- A user-friendly, web-based portal should be constructed for information and online booking.

FAVOUR TECHNOLOGICAL ADVANCEMENT

Telecommunications

Adjustment to the digital economy is essential for enterprises if they are to become – and remain – competitive. Although internet and mobile phone technology is reaching many parts of Namibia, there are still significant gaps due to the remoteness of many areas. WTTC encourages the government to move as quickly as it can to bring such technology to all corners of its country.

Travel & Tourism, as a technology-intensive industry, can help Namibia obtain and apply information technology systems and telecommunications at a competitive rate. One example is telecommunications. An increasing share of Travel & Tourism operations – and virtually all distribution and sales transactions – flows through telecommunications' circuits. Where telecommunications are monopoly controlled, there are often restrictions on access, high costs and

unreasonable operating conditions. This in turn limits the potential of a market-oriented expansion of Travel & Tourism, with negative impacts domestically and internationally in terms of cost, operational efficiency and customer service.

WTTC recommends that the Namibian Government pursue a policy of open telecommunications markets, which will help lower costs and enhance services for travellers and tourism companies.

E-marketing and distribution

As already indicated, in today's increasingly competitive global marketplace, there is a real need for a strong national leadership branding which optimizes resources, focuses the myriad of interests – public and private sector, national, regional and local – and attracts the attention of travellers. This will require particular emphasis on a co-ordinated approach to internet marketing and distribution to optimize Namibia's visibility.

Clearly, the development of such a facility needs to run parallel to the general development of internet and telecommunications throughout the country. As already stated, a user-friendly website should be constructed which, in time, allows for not only information to be presented, but also for bookings to be made online, and even to facilitate electronic registration of tourism businesses. This will result in considerable cost savings and operational efficiencies for NTB.

Admittedly, new technology is coming on stream so fast and presenting so many new opportunities that public sector authorities will always have a hard time keeping up unless they provide for future change. But a co-ordinated approach is worthwhile, since it will help to increase exposure for smaller businesses and increase the spread of international visitors across the industry.

Summary of recommendations

- The role that Travel & Tourism can play in developing information and communication technology needs to be widely recognized;
- The government should pursue an open telecommunications market;
- Web development should be encouraged for marketing and administration purposes.

BENEFIT FROM THE EXPERIENCE OF OTHER TRANSITION ECONOMIES AROUND THE WORLD

Namibia is just one of many countries around the world that are experiencing economic transition and where Travel & Tourism is a crucial driver of growth and jobs. Although this raises the stakes in terms of competitiveness, it also means that there is a wealth of experience across the globe from which Namibia can benefit. The following examples offer a taste of the outside world and how two other destinations have used tourism to effect change.

Costa Rica – ecotourism as an engine for growth

The Government of Costa Rica has for more than two decades been working to develop and consolidate its tourism industry in an effort to diversify its export earnings base, and to offset a migration of manufacturing employment to countries with cheaper labour. Travel & Tourism is now the most important income generator in Costa Rica's economy, accounting for 16.7 per cent of GDP and 16.4 per cent of employment in 2006. Tourism development in Costa Rica has been based on nature/wildlife products and has been driven by SMEs, creating jobs and opportunities across the country.

Mauritius – growth of tourism leading to economic development

Mauritius offers perhaps one of the most stark examples of how diversifying an economy through increasing tourism can contribute to economic development. At its independence in 1968, sugar accounted for around 35 per cent of the country's GDP and 97 per cent of exports. However, this sector provided limited employment opportunities and the outlook for economic development was bleak.

The Government of Mauritius recognized that there was potential for growth in Travel & Tourism and embarked on a series of policies encouraging the sector's development. In 2006, according to WTTC's TSA research, Travel & Tourism accounted for 26.3 per cent of GDP and 35.1 per cent of exports. According to the World Bank, the island which was once categorized as a low-income nation is now ranked in the upper middle-income group. Research undertaken by the University of Technology, Mauritius, shows how the growth in tourism can be directly linked to economic development.

Some features of the Mauritian economy, 1980-98

| | 1980 | 1990 | 1998 |
|-----------------------------|---------|---------|---------|
| Area (sq km) | 2,040 | 2,040 | 2,040 |
| Population (mn) | 1.06 | 1.08 | 1.10 |
| Labour force ('000) | 337 | 457 | 540 |
| GNP per capita (US\$) | 1,109 | 2,491 | 3,800 |
| GDP growth (%) | -5.6 | 7.2 | 5.1 |
| Sugar exports (% of GDP) | 18 | 16 | 9 |
| Tourism receipts (% of GDP) | 4 | 11 | 13 |
| Tourist arrivals | 115,080 | 291,550 | 558,000 |
| No. of hotels | 43 | 75 | 90 |
| No. of hotel rooms | 2,201 | 4,603 | 7,297 |

Source: *Tourism and Economic Growth: the Case of Mauritius* by Ramesh Durberry (Tourism Economics, 2004 10 (4))

SATELLITE ACCOUNT

NAMIBIA

| | 2001 | 2002 | 2003 | 2004 | 2005E | 2006E | 2016P |
|---|----------|----------|----------|----------|----------|----------|-----------|
| Travel & Tourism - N\$ mn | | | | | | | |
| Personal Travel & Tourism | 1,788.08 | 2,031.96 | 2,088.06 | 2,137.09 | 2,299.11 | 2,529.17 | 6,387.14 |
| Business Travel & Tourism | 330.61 | 504.01 | 613.78 | 501.68 | 515.41 | 561.59 | 1,349.73 |
| Corporate | 184.08 | 358.96 | 452.00 | 371.30 | 392.81 | 430.94 | 1,056.51 |
| Government | 146.54 | 145.05 | 161.78 | 130.38 | 122.60 | 130.65 | 293.22 |
| Gov't Expenditures - Individual | 4.03 | 8.14 | 12.26 | 10.55 | 12.06 | 13.23 | 32.44 |
| Visitor Exports | 2,038.75 | 2,628.32 | 2,893.13 | 2,915.23 | 3,584.51 | 4,192.26 | 16,180.08 |
| Travel & Tourism Consumption | | | | | | | |
| | 4,161.48 | 5,172.44 | 5,607.24 | 5,564.56 | 6,411.10 | 7,296.26 | 23,949.39 |
| Gov't Expenditures - Collective | | | | | | | |
| | 192.55 | 201.54 | 219.06 | 246.32 | 259.70 | 284.91 | 698.49 |
| Capital Investment | 594.98 | 730.96 | 1,101.70 | 955.43 | 1,174.47 | 1,311.97 | 3,255.54 |
| Exports (Non-Visitor) | 149.16 | 172.06 | 206.70 | 195.67 | 206.70 | 225.81 | 531.39 |
| Travel & Tourism Demand | | | | | | | |
| | 5,098.17 | 6,277.00 | 7,134.70 | 6,961.98 | 8,051.96 | 9,118.94 | 28,434.81 |
| Travel & Tourism Industry Aggregates (Direct Impact Only) | | | | | | | |
| Employment ('000) | 14.50 | 15.65 | 16.81 | 17.96 | 18.34 | 18.84 | 28.85 |
| Gross Domestic Product | 643.18 | 958.54 | 1,123.77 | 1,240.06 | 1,372.41 | 1,584.23 | 5,696.63 |
| Travel & Tourism Economy Aggregates (Direct and Indirect Impacts) | | | | | | | |
| Employment ('000) | 71.35 | 70.56 | 69.76 | 68.96 | 70.42 | 71.78 | 107.80 |
| Gross Domestic Product | 3,364.04 | 4,530.04 | 5,192.13 | 5,229.30 | 5,918.85 | 6,788.62 | 22,950.85 |

Travel & Tourism Accounts as % of National Accounts

| | | | | | | | |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|
| Personal Travel & Tourism | 11.11 | 11.11 | 11.11 | 11.11 | 11.33 | 11.41 | 12.24 |
| Gov't Expenditures | 2.50 | 2.41 | 2.58 | 2.84 | 2.85 | 2.86 | 2.98 |
| Capital Investment | 9.80 | 10.50 | 11.17 | 10.29 | 11.99 | 12.26 | 12.92 |
| Exports | 16.73 | 16.81 | 17.43 | 17.90 | 20.03 | 21.04 | 29.44 |
| T&T Imports | 12.03 | 10.25 | 10.42 | 10.40 | 12.13 | 12.13 | 12.13 |

Travel & Tourism Industry Aggregates (Direct Impact Only)

| | | | | | | | |
|------------------------|------|------|------|------|------|------|------|
| Employment | 3.45 | 3.83 | 4.23 | 4.66 | 4.66 | 4.69 | 5.55 |
| Gross Domestic Product | 2.32 | 2.91 | 3.32 | 3.36 | 3.52 | 3.72 | 5.69 |

Travel & Tourism Economy Aggregates (Direct and Indirect Impacts)

| | | | | | | | |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| Employment | 16.98 | 17.27 | 17.57 | 17.90 | 17.90 | 17.85 | 20.74 |
| Gross Domestic Product | 12.15 | 13.77 | 15.34 | 14.17 | 15.20 | 15.96 | 22.93 |

Travel & Tourism Real Growth (per annum except 2016 = 10-year annualized)

| | | | | | | | |
|------------------------------|--------|-------|-------|--------|-------|-------|------|
| Personal Travel & Tourism | 3.40 | 4.28 | -6.68 | 0.31 | 10.63 | 5.19 | 4.77 |
| Business Travel & Tourism | 36.34 | 36.83 | 22.54 | -20.59 | 0.48 | 4.23 | 4.29 |
| Gov't Expenditures | -21.92 | -1.98 | 6.94 | 11.22 | 3.47 | 4.94 | 4.50 |
| Capital Investment | 19.93 | 19.89 | 32.07 | -16.65 | 20.22 | 6.86 | 4.62 |
| Visitor Exports | 3.70 | -0.86 | 5.99 | 5.88 | 20.26 | 11.87 | 9.35 |
| Other Exports | 2.62 | 2.59 | 44.18 | -11.96 | 3.32 | 4.50 | 4.07 |
| Travel & Tourism Consumption | 1.41 | 11.56 | 9.09 | -3.58 | 8.70 | 8.69 | 7.64 |
| Travel & Tourism Demand | 1.59 | 10.51 | 14.38 | -5.19 | 10.28 | 8.17 | 6.92 |

TABLES

| | 2001 | 2002 | 2003 | 2004 | 2005E | 2006E | 2016P |
|---|--------|--------|--------|----------|----------|----------|----------|
| Travel & Tourism Industry Aggregates (Direct Impact Only) | | | | | | | |
| Gross Domestic Product | 10.71 | 33.76 | 17.97 | 7.21 | 8.24 | 10.42 | 8.58 |
| Employment | 8.66 | 7.97 | 7.38 | 6.87 | 2.11 | 2.73 | 4.36 |
| Travel & Tourism Economy Aggregates (Direct and Indirect Impact) | | | | | | | |
| Gross Domestic Product | 0.12 | 20.86 | 15.34 | -2.15 | 10.70 | 9.71 | 7.91 |
| Employment | -1.10 | -1.12 | -1.13 | -1.14 | 2.11 | 1.93 | 4.15 |
| Travel & Tourism - US\$ mn | | | | | | | |
| Personal Travel & Tourism | 207.92 | 193.15 | 277.67 | 331.33 | 361.50 | 409.80 | 653.13 |
| Business Travel & Tourism | 38.44 | 47.91 | 81.62 | 77.78 | 81.04 | 90.99 | 138.02 |
| Corporate | 21.40 | 34.12 | 60.11 | 57.57 | 61.76 | 69.83 | 108.04 |
| Government | 17.04 | 13.79 | 21.51 | 20.21 | 19.28 | 21.17 | 29.98 |
| Gov't Expenditures - Individual | 0.47 | 0.77 | 1.63 | 1.64 | 1.90 | 2.14 | 3.32 |
| Visitor Exports | 237.06 | 249.84 | 384.73 | 451.97 | 563.60 | 679.27 | 1,654.54 |
| Travel & Tourism Consumption | 483.89 | 491.68 | 745.64 | 862.72 | 1,008.03 | 1,182.22 | 2,449.01 |
| Gov't Expenditures - Collective | 22.39 | 19.16 | 29.13 | 38.19 | 40.83 | 46.16 | 71.43 |
| Capital Investment | 69.18 | 69.48 | 146.50 | 148.13 | 184.66 | 212.58 | 332.90 |
| Exports (Non-Visitor) | 17.34 | 16.36 | 27.49 | 30.34 | 32.50 | 36.59 | 54.34 |
| Travel & Tourism Demand | 592.81 | 596.67 | 948.76 | 1,079.38 | 1,266.03 | 1,477.55 | 2,907.68 |
| Travel & Tourism Industry Aggregates (Direct Impact Only) | | | | | | | |
| Employment ('000) | 14.50 | 15.65 | 16.81 | 17.96 | 18.34 | 18.84 | 28.85 |
| Gross Domestic Product | 74.79 | 91.12 | 149.44 | 192.26 | 215.79 | 256.69 | 582.53 |
| Travel & Tourism Economy Aggregates (Direct and Indirect Impacts) | | | | | | | |
| Employment ('000) | 71.35 | 70.56 | 69.76 | 68.96 | 70.42 | 71.78 | 107.80 |
| Gross Domestic Product | 391.17 | 430.61 | 690.44 | 810.74 | 930.64 | 1,099.96 | 2,346.90 |
| Travel & Tourism - 2000 Constant US\$ mn | | | | | | | |
| Personal Travel & Tourism | 214.86 | 224.06 | 209.08 | 209.73 | 232.02 | 244.07 | 389.02 |
| Business Travel & Tourism | 38.16 | 52.22 | 63.99 | 50.82 | 51.06 | 53.22 | 81.00 |
| Gov't Expenditures - Individual | 0.48 | 0.88 | 1.29 | 1.11 | 1.24 | 1.30 | 2.02 |
| Visitor Exports | 245.47 | 243.35 | 257.92 | 273.08 | 328.39 | 367.39 | 897.90 |
| Travel & Tourism Consumption | 480.37 | 535.88 | 584.58 | 563.65 | 612.72 | 665.98 | 1,369.94 |
| Gov't Expenditures - Collective | 22.71 | 21.85 | 23.02 | 25.93 | 26.73 | 28.05 | 43.55 |
| Capital Investment | 73.17 | 87.73 | 115.86 | 96.57 | 116.10 | 124.06 | 194.94 |
| Exports (Non-Visitor) | 16.46 | 16.89 | 24.35 | 21.43 | 22.14 | 23.14 | 34.49 |
| Travel & Tourism Demand | 588.49 | 650.32 | 743.83 | 705.20 | 777.69 | 841.23 | 1,642.92 |
| Gross Domestic Product | | | | | | | |
| Travel & Tourism Industry | 74.24 | 99.31 | 117.16 | 125.61 | 135.96 | 150.13 | 341.85 |
| Travel & Tourism Economy | 388.32 | 469.33 | 541.30 | 529.69 | 586.37 | 643.32 | 1,377.27 |



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| | |
|---|--|
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| Association of Service Station Owners | Namibia Tourism Board (NTB) |
| Bank of Namibia | Namibia Wildlife Resorts |
| Bed & Breakfast Association | NamWater |
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| Ministry of Regional and Local Government and | TransNamib |
| Housing and Rural Development | Trip Travel Swakopmund |
| Ministry of Trade and Industry | Tsandi Royal Homestead |
| Mondesa Township | United Africa Hospitality |
| Municipality of Gobabis | United States Agency for International |
| Nakambale Museum | Development |
| NAMDEB Diamond Corporation (Pty) Ltd | University of Namibia |
| Namib i | Walvis Bay Municipality |
| Namib Sun Hotels | Walvis Bay Resorts (Pty) Ltd |
| Namibia Airports Company | Wilderness Safaris |
| Namibia Breweries Limited | Windhoek Country Club and Casino |
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| Associations | |

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