AN ANALYSIS OF NAMIBIA'S TOURISM INDUSTRY: CONSTRAINTS, INCOME AND EMPLOYMENT CREATION

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ABSTRACT

The study seeks to analyse the constraints affecting the growth of Namibia's tourism sector and estimate tourism income and employment.

In 1991, immediately after Namibia's independence, Cabinet declared tourism as a priority sector for economic development. In 1994, a White Paper on Tourism Policy was approved. Ten years after the White Paper's adoption, the performance of and constraints in the tourism sector had not yet been assessed. Meanwhile, the sector reached a decisive point when international tourism arrivals and tourism revenue declined between 2002 and 2003.

The results of the survey indicate that value for money among tourism establishments is decreasing, particularly in respect of accommodation and restaurants. Several tourism establishments are not up to international standards, and the prices charged are not justified by the services delivered. Tourists visiting Namibia are increasingly dissatisfied by this situation. Moreover, the study reveals that accommodation establishments and restaurants are the pillars of the tourism industry: about 89% of tourism income and 60% of direct tourism jobs are generated from these quarters.

Furthermore, the analysis indicates that tourism generated N$5,377 million (equivalent of 16% of gross domestic product at current prices) and 22,986 direct jobs (about 5% of total employment) in 2002. At 3.8%, tourism growth is lower than the 6% predicted by the Second National Development Plan for the period 2001/2002–2005/2006 (NPC 2002). The tourism sector did not move satisfactorily above the internationally recommended minimum growth of 3.4%.

Moreover, Namibia lost 5.2% and 8.2% of its market share for German and South African tourists, respectively, between 2002 and 2003. During the same period, Namibia experienced an 8% decrease in tourist arrivals from 757,201 in 2002 to 695,221 in 2003. Simultaneously, the country's revenues decreased by 8–10%, as

reported by tourism enterprises. Similarly, the average number of nights that tourists spent in Namibia decreased from 12 in 1996 to 11 in 2002.

Many tourism establishments ranked their income as being much lower in comparison with previous years. The occupancy rate between 2002 and 2003 stood at just 34%, whereas it ranged between 54% and 70% in previous years.

These findings testify to a potential collapse of Namibia's tourism industry. Consequently, several proposals are made regarding interim and long-term policy measures to mitigate impediments and accelerate tourism economic growth.

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DECLARATIONS

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ABBREVIATIONS

FENATA	Federation of Namibian Tourism Associations
GDP	Gross domestic product
ISS	Institute of Social Studies
ITA	International tourism arrival
ITR	International tourism receipt
MET	Ministry of Environment and Tourism
N$	Namibia Dollar
NACOBTA	Namibia Community-based Tourism Association
PEMP	Performance and Effectiveness Management Policy
RETOSA	Regional Tourism Organisation of Southern Africa
SADC	Southern African Development Community
SWOT	Strengths, Weaknesses, and Opportunities over Time
UNAM	University of Namibia
US$	United States (of America) Dollar
WTTC	World Travel and Tourism Council

Chapter 1: Introduction

1.1 Introduction

This study aims to identify challenges that may impede tourism growth and development in Namibia. It also aims to evaluate the economic objectives of Namibia's White Paper on Tourism Policy in respect of income and employment creation against the performance targets set by the First and Second National Development Plans (NDP1 and NDP2). Results from this study may also facilitate a series of tourism policy developments that should maximise tourism benefits and national wealth.

Tourism is the world's fastest-growing industry, generating substantial revenue and employment. Indeed, developing countries regard tourism as a panacea for economic development. In 1999, the World Tourism and Travel Council (WTTC) estimated that tourism had contributed about 9.6% a year to the gross domestic product (GDP) of Southern African Development Community (SADC) member states, and has created 1.3 million jobs. The contribution is expected to improve to 12% of GDP by 2010. In Namibia, the tourism industry is the third-largest foreign exchange earner after mining and fishing. The sector was expected to increase its earning fourfold between 1992 and 2002 (*Namibia holiday and travel*, 1999).

Namibia is among the top seven emerging tourist destinations in Africa (WTO 2004a). If well managed, tourism would significantly alleviate poverty and promote socio-economic development in this country. Thus, it is vital that tourism be integrated into economic development policy in stimulating growth. *Namibia Vision 2030* (OP 2004b) advocates effective tourism planning and would like tourism to contribute substantially to the country's GDP.

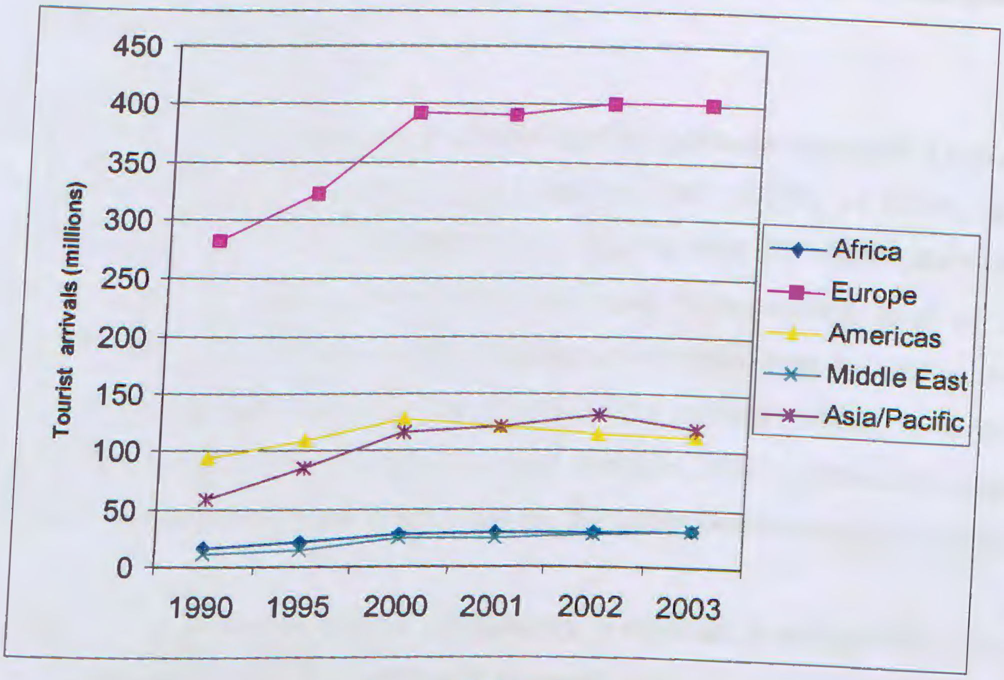
The coordination of tourism activities is based on the White Paper on Tourism Policy adopted by Cabinet in March 1994. This tourism policy emphasises that success in this industry can be achieved by identifying key constraints and opportunities that would facilitate the development of tourism programmes and strategies for growth. The economic objective of this policy ensures that the tourism sector contributes significantly to economic growth by generating substantial foreign exchange earnings, employment, and national income.

Since the adoption of the White Paper on Tourism Policy, there have been no comprehensive analyses to identify constraints in and determine the performance of the tourism sector.

1.2 Background of the study's problem

As illustrated in Figure 1 below, Africa has the lowest number of tourist arrivals worldwide. This implies weaknesses within the continent's tourism policies, programmes and strategies. In fact, Africa only accounts for about 4% of total international tourist arrivals (ITAs). Despite Namibia being among the top seven emerging tourist destinations in Africa, it only claims a 2% share of total ITAs in Africa. It became necessary, therefore, to identify the constraints and weaknesses of existing programmes and strategies in order to maximise the benefits of tourism for Namibia.

Figure 1: Tourist arrivals in Africa, 1990–2003



Source: WTO (2004b)

For example, NDP2 revealed that little was known about the performance of the tourism sector (NPC 2002). Moreover, the constraints faced in implementing the policies and strategies for tourism growth had not been evaluated or monitored, and neither had the impact of the constant increase in tourist arrivals up to 2002. Against this background, a study was required to evaluate the performance of the tourism industry.

According to the World Tourism Organization (WTO 2003), the internationally recommended minimum level of growth in tourism is a 3.4% contribution to GDP. In respect of Namibia, NDP1 set tourism performance targets for 2000 (NPC 2002). These included an increase in the number of ITAs to 740,000 – representing a contribution of 7–8% to GDP – and the creation of 9,000 direct jobs. NDP2 predicted tourism impacts to grow by 6% per annum (NPC 2002).

According to the WTTC (1999), Namibia's tourism industry was predicted to generate US$857.9 million (about N$5.6 billion) by 2000, and was expected to grow to US$2 billion by 2010, provided appropriate policy frameworks and strategies were developed and implemented.

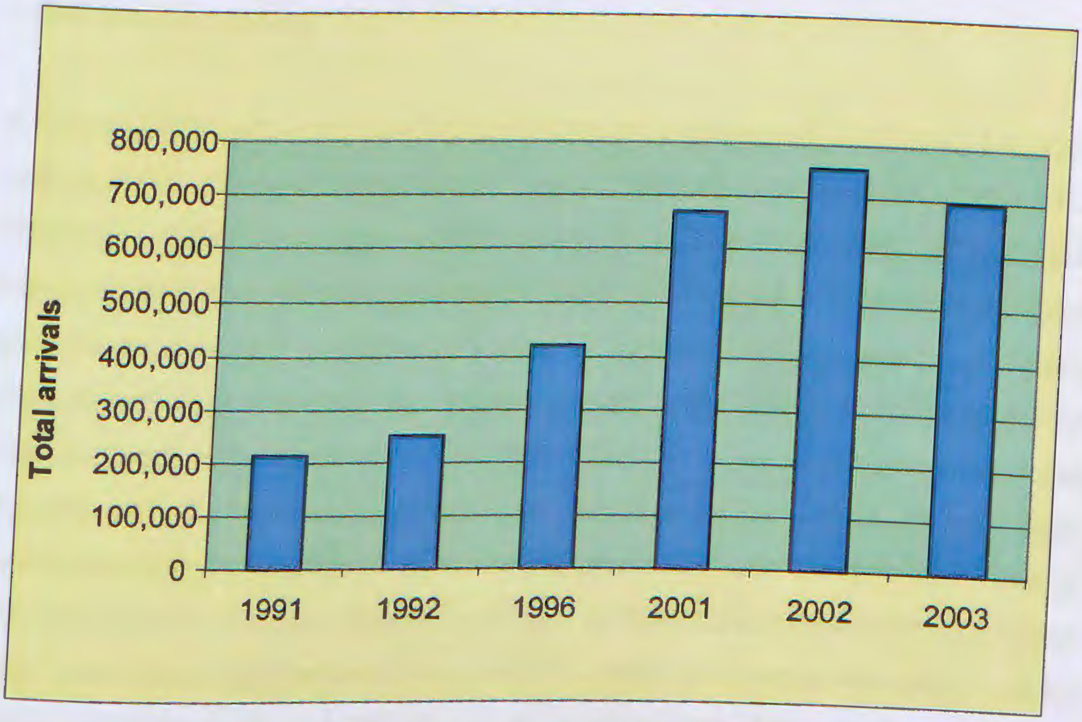
Furthermore, Namibia's preliminary tourism satellite accounts estimated 9,316 direct tourism jobs and N$153 million value added in 1991 (2.19% of GDP), N$215 million in 1992 (2.57% of GDP), and N$318 million in 1996 (2.35% of GDP) (Suich 2001). All of these estimates are below the world recommended level of 3.4% growth (WTTC 1999). In the meantime, tourist arrivals have kept increasing, which has obviously had implications for the growth of the tourism industry. It is in this respect that the Ministry of Environment and Tourism (MET) carried out tourism supply and expenditure surveys to pave the way for better tourism impact analyses.

Therefore, a clear picture of tourism performance is expected to emerge if the survey results are analysed using internationally accepted methods and techniques for the tourism industry.

1.3 Problem statement

As can be seen in Figure 2 below, Namibia clearly experienced a decrease in the number of tourist arrivals in 2003. This indicates that there are unknown constraints within the operation of the tourism sector discouraging tourists from visiting the country.

Figure 2: Tourist arrivals in Namibia, 1991–2003



Source: Compiled from tourism statistics at the Directorate of Tourism

Meanwhile, a decrease of 10% in tourism revenue was reported for 2004 (*The Namibian,* 11 August 2004), while the average number of international tourist nights decreased from 12 in 1996 (Suich 2001) to 11 in 2003 (DoT 2004b). This signifies a decrease in competitiveness as far as Namibia's tourism industry is concerned. This situation may be critical to the sustainability of the industry in the long run if proper mechanisms – stemming from comprehensive analyses of the sector concerned – are not devised and implemented.

Since the White Paper on Tourism Policy took effect, there has been no comprehensive analysis on the performance of the tourism sector in terms of the constraints and socio-economic impacts operating on it. Tourism programmes, strategies and projects have also not been evaluated against the industry's performance. This situation may be impeding the maximisation of tourism benefits to the economy. For example, as Jenkins (1994) argues, a lack of comprehensive information on tourism impacts may lead to uninformed government interventions in public tourism policies.

If the economic and social significance of tourism is not revealed and made known to policymakers, tourism would hardly score political support (Hall 1994). The Namibian Government has implemented a Performance and Effectiveness Management Policy (PEMP) in terms of which government offices, ministries and agencies are expected to define their roles in achieving national goals, particularly socio-economic development and national growth. In the light of PEMP, the tourism industry needs comprehensive and reliable indicators of the tangible benefits it can generate for the country's growth and development, in order to encourage policymakers to fully recognise its actual and potential role in the economy. Thus, in her speech at the Business Economist Forum in July 2004, the Minister of Finance Hon. Saara Kuugongelwa-Amadhila stated that, while government was improving on public expenditure through PEMP and its Medium-term Plan, funding would be allocated towards programmes that delivered socio-economically (*The Namibian*, 16 July 2004). In this respect, PEMP may have negative resource allocations for government offices, ministries and agencies whose contributions to socio-economic progress are not known. In the same vein, the Minister of Environment and Tourism, Hon. Philemon Malima, in his address to the Historic Joint Meeting of the World Tourism Organization Educational Council in Madrid on 4 June 2003, stated that the lack of information on socio-economic how tourism impacts on the economy's performance disadvantaged the tourism sector in terms of budget allocations and priorities.

Similarly, the newly established Development Bank of Namibia, in principle, allocates capital to projects based on their sectoral performance, looking specifically at the extent to which a project contributes towards broadening the economy in terms of revenue and employment creation, and its interconnectivity with other industries in the economy (*The Namibian*, 28 June 2004). Thus, a dearth of information on how the tourism sector performs and the absence of analyses of the constraints that operate within the sector may disadvantage potential investors in the tourism industry in respect of acquiring venture capital for tourism-related enterprises. As previously explained, this situation may retard economic growth and development.

1.4 Justification

Scholarly inquiry into the effectiveness of public policies and programmes in realising promised goals and objectives, specifically tourism, has stimulated governments to re-evaluate such programmes and policies and their contribution to economic development (Hall & Jenkins 1995).

Tourism generates and redistributes significant economic benefits, particularly in developing countries that have little competitive advantage. Assessments of tourism programmes and socio-economic performance are vital for effective tourism development. In this respect, this study is relevant because it seeks to emphasise the role of the tourism industry in the economy, as well as provide information on growth constraints within the industry. Income and employment creation are the principal macroeconomic and socio-political objectives any government pursues.

Information generated by this study may also assist policymakers and public policy analysts to design regulatory frameworks, programmes, projects or strategies that would ensure the tourism industry operated sustainably, and could generate substantial wealth and promote the nation's welfare. Furthermore, the study's insights could inform the process of implementing the country's Tourism Policy, which is still in draft form, and provide input into tourism development activities.

According to the World Tourism Organization (WTO 2000:4), –

> [t]he worldwide acute shortage of reliable information on the role of tourism in national economies deprives governments, entrepreneurs and citizens of the exact information they need for designing public policies and business strategies and for evaluating their effectiveness and efficiency.

One strategy that could add value to the domestic economy would be to decrease the country's dependency on imported tourist goods and services that can be produced locally equally well. In this respect, the findings of this study will be disseminated to policy- and decision-makers in both the private and public sectors in order to reform, formulate and implement tourism strategies at local, regional and national – as well as, possibly, international – levels.

1.5 Research objectives

The objective of this study is to identify constraints within tourism enterprises, programmes and strategies that may impede the realisation of tourism growth. The study also aims to evaluate the performance of Namibia's tourism industry in terms of income generation and employment creation, as required by the White Paper on Tourism Policy. The study further evaluates the sector's performance against NDP1 and NDP2 targets. Finally, a series of appropriate policy recommendations are made.

1.6 Research questions

The study tries to answer the following questions:

- What are the challenges facing tourism enterprises?
- Are there loopholes in tourism programmes and strategies that are impeding the maximisation of tourism benefits?
- What is the performance of the tourism industry in terms of income and employment generation?
- What measures are necessary for the maximisation of tourism wealth?

1.7 Methodology

This study used both quantitative and qualitative methods to fulfil its aims. As regards qualitative methods, the study used secondary data derived from tourism surveys, labour surveys, national accounts and other publications on the tourism industry. However, due to key data not being available, the quantitative analysis is mostly limited to 2002.

Qualitative data were collected through face-to-face and telephonic interviews with subjects at tourism establishments and with other stakeholders in tourism industry.

1.8 Limitation of the study

The study concentrated on direct income and employment. However, due to the unavailability of comprehensive data between 1996 and 2001, the analysis of income generation and employment creation is confined to 2002. Even though environmental and cultural impacts might be equally important, they were not entertained due to the limited time available.

1.9 Organisation of the study

The study is organised into seven chapters. Chapter 1 offers a general introduction, outlining the research problem, the objectives of the study, its motivation, and its limitations. Chapter 2, which reviews the literature on the research topic, defines and briefly discusses key tourism concepts. Chapter 3 introduces an overview of tourism operations in Namibia, combining a number of sources to explain the overall picture of the tourism sector. Chapter 4 reveals the methodologies used to collect and manipulate data to derive the final results. Chapter 5 introduces the findings on the constraints that operate within Namibia's tourism industry, and answers the research questions with regard to the research objectives. In Chapter 6, income generation and employment creation in the tourism sector are analysed. Finally, Chapter 7 provides a conclusion and makes recommendations regarding viable policy measures for better tourism planning and development in Namibia.

Chapter 2: Literature Review and Theoretical Framework

2.1 Introduction

This chapter reviews literature within the framework of the tourism industry, and particularly within the boundaries of this study. It aims to evaluate, define and discuss controversial concepts in tourism as well as examine relevant issues on the topic more closely.

Tourism has the potential to generate substantial revenue, jobs and foreign currency in any economy. By 2001, international tourism receipts (ITRs) worldwide amounted to US$474 billion, while ITAs worldwide amounted to 703 million. Of these, Africa accounts for only 12 billion ITRs and 29 million ITAs, leaving Europe with 240 billion ITRs and 400 million ITAs; Asia/Pacific 96 billion ITRs and 131 million ITAs; and both Americas 114 billion ITRs and 115 million ITAs (WTO 2004b). Surprisingly, not one African country featured on the world's top 25 tourism destinations (ibid.). This implies Africa has a weak tourism base.

Vellas and Becherel (1995) observed that, in developing countries, a very high proportion of tourism imports is associated with economic sectors that are ineffective in terms of producing the goods and services that international tourists demand. This reduces tourism impacts on the balance of payments. Furthermore, developing countries suffer a great deal from weak infrastructure development and a lack of information technology, making it hard for them to compete with developed nations. However, cheap labour costs in developing countries make the cost of tourism production lower than in their developed counterparts (WTO 1993). In general, political instability associated with terrorism attacks such as those in the United States on 11 September 2001 and the ones in Bali, Djerba and Mombassa in the past few years, coupled with high oil prices, have impacted negatively on the tourism industry (WTO 2004b).

2.2 Working definitions in tourism

- ***Tourists*** are visitors visiting a particular site that is outside their usually environment – be it a country, city or a village. These visits can be for a day (same-day visitor) or one or more nights, but do not exceed a year. The tourist's purpose of stay should be non-remunerative (WTO et al. 2001). This definition includes those travelling for holiday, sports, health, religious or business purposes, as well as for visiting friends or relatives and attending conventions, but it excludes diplomats and military personnel (Bull 1995). The definition does not account for refugees, migrants, embassy staff, nomads, border workers, seasonal workers, couriers, workers on government or company missions for less than a year, and passengers in transit. Moreover, given the frequent global mobility of people, controversies still exist in tourism statistics in differentiating or classifying tourists from non-tourists, e.g. tourists versus immigrants, cross-border workers or foreign crew members (Vellas & Becherel 1995). In this regard, *tourism* is defined as "the activities of a person travelling or staying outside his usual environments for not more than one consecutive year for leisure, business or other purposes not related to activities remunerated within the places visited" (WTO et al. 2001:1).
- ***Usual environment*** is the place a person occupies within his/her regular routine of life and includes the home, a place of work or study, and other places frequently visited, i.e. routine but not irregular visitations (ibid.). However, controversies still exist in defining *usual environment*. This discourse is ongoing.
- ***Tourism industry*** enshrines all the stakeholders producing and supplying goods and services purchased by tourists as well as those providing facilitative logistics (ibid.). In this respect, *tourism demand* or *tourism consumption* refers to the expenditure made by tourists for purposes related to their travel before, during or immediately after their trips. Such demand depends on the personal economic constraints and corporate economics (e.g. domestic economic policies

such as income taxes, general level of income, or inflation) between the visitor's resident country and the country of destination (Bull 1995).

- ***Domestic tourists*** are "visitors whose country of residence is the country visited". The definition also states that such tourists travel "outside their usual environment" and that they do not stay in any one place for more than twelve months while travelling (WTO et al. 2001:18).
- ***Inbound tourism*** involves "tourism activities of foreign visitors within the economic territory of the country of reference". Such tourists, while travelling, "do not stay in any one place for more than twelve months" (ibid.:29).
- ***Outbound tourism*** is the "tourism of resident visitors outside the economic territory of a country of reference". While travelling, such tourists "do not stay in any one place for more than twelve months" (ibid.:29).
- ***Internal tourism*** is defined as the tourism activities of both domestic and international tourists within the territorial boundaries of the country of reference (WTO et al. 2001). *Internal tourism* is also known as *national tourism*.
- ***Sustainable tourism development*** is comprehensively defined as the development of tourism that allows tourists to meet their satisfaction, through environmental assets, cultural diversity and other aesthetics, during their trip in a country of reference while concurrently maintaining the opportunity of future potential tourists to enjoy the same utility in the host country (WTO 2003).
- ***Tourism satellite accounts*** are rearrangements of tourism information from national economic accounts and other sources of tourism statistics for the purpose of analysing the economic impact of tourism (Poonyth et al. 2001).

2.3 Easing tourism development through tourism policies

Tourism dominates public policy discourses as governments seek to maximise national wealth. A *policy* "is a guide for making decisions in the future" (MET 2002). *Public policy* refers to policies developed by government authorities, i.e. the legislative, executive and judicial branches (Anderson 1984). A public policy on tourism, therefore, is a sum of whatever a government has decided to do with regard to tourism (McIntosh & Goeldner 1990).

A tourism policy involves plans of action taken at local, regional, national or international level by public authorities (Vellas & Becherel 1995). Tourism policy considers variables such as (ibid.) –

- demographic and social changes
- the economic and financial status of a country of reference
- political, statutory and legal dynamics
- changes in technology
- trends in trading patterns
- infrastructure
- visitors' security
- protected areas, and
- the physical environment at large.

Tourism policies can be either commercial or industrial. *Commercial* tourism policies could involve subsidies to a country's major domestic airlines, airport departure or visa fees, and a devaluation of the exchange rate. An *industrial* tourism policy could involve capital grants or low interest on tourism investments, as well as the financing of tourism research and development, and information technology (Sinclair & Stabler 1997).

However, the macroeconomic impact of tourism interests policymakers, simply because they are in line with macropolitical objectives. Tourism policies bring economic development through increases in production, consumption, income, employment creation and foreign exchange earnings. In contrast, international tourism also brings negative consequences such as inflation, foreign trade deficits and unemployment – particularly in developing countries with stagnating sectors and less infrastructure. The essence of tourism policies is to mitigate these scenarios (Vellas & Becherel 1995).

Furthermore, the national government, through national tourism organisations and the private sector, has a major role to play to ease the tourism industry's performance. Such a role includes (ibid.) –

- negotiating multilateral agreements that enable the flow of international tourists between states
- formulating tourism development plans
- regulating, monitoring and controlling tourism enterprises
- conducting and publishing surveys on tourism statistics and tourism consumption behaviour
- promoting tourism marketing activities
- protecting important sites or the country's heritage, and
- conserving the physical environment.

In addition, through institutional frameworks, governments could stimulate investment on human and physical capital through the provision of roads, airports, health-care facilities, disease control measures, and modernised tourism facilities (Barro 1991).

2.4 Monitoring and evaluating tourism policies

What happens after policy formulation and implementation is rarely known. Policy implementation usually receives much more attention than evaluation and monitoring (Hall & Jenkins 1995). Policy evaluations are carried out for planning and policy development as well as for accountability in public programmes (Freeman et al. 1979). Dye (1992:354) defines *policy evaluation* as "learning about consequences of public policies". *Monitoring* deals with the collection and dissemination of the information necessary to make corrections or decisions (Hogwood & Gunn 1984). Since Namibia's adoption of the White Paper on Tourism Policy in March 1994, there have been no comprehensive evaluation or monitoring studies to determine its suitability in respect of growth and development in tourism sector.

The dynamism within the tourism industry requires constant evaluation and monitoring. However, "systematic evaluation of tourism public policy is sadly neglected in tourism planning, development and management" (Hall & Jenkins 1995:81). Gunn (1994) argues that tourism policies are hard to evaluate. This is because, often, tourism policies lack clear goals, objectives and targets against which policy responses could be evaluated. Similarly, in Murphy's (1985) view, tourism policies are based on ambitious assumptions that the industry would generate much-needed wealth and economic development.

Tourism policy evaluation is concerned with the collection, analysis and interpretation of information on a policy's implementation, impacts, and outcomes (Hall & Jenkins 1995). It considers aspects such as the mission and vision of a policy, and the set of actions being undertaken toward realising intended output or impacts. Moreover, through policy evaluation, a policy might miss its intended goals and objectives, but still be a success in terms of its wider outcomes (Hogwood & Gunn 1984).

However, the evaluation of tourism policy is a complex undertaking – especially in the area of measurement. Measuring public investment in tourism development programmes can be difficult because some investments have long-term or intangible benefits (Hogwood & Gunn 1984).

2.5 Tourism demand and competitiveness

In the tourism industry, competitiveness is crucial for growth. With regard to tourism demand, significant factors affect tourism demand in any given economy. According to Hassan (2000), the following are all crucial when it comes to tourists choosing a destination and duration of stay:

- Wildlife beauty, associated with the conservation of natural and physical resources

- Tourism infrastructure, e.g. good road networks that increase accessibility to all parts of the country, telecommunication facilities, information technology, and effective public transport
- Quality hospitality, i.e. standard tourism services such as accommodation
- Conserved cultural diversity associated with event management activities
- Good marketing strategies that maintain a positive image of the destination
- Human resource development and training
- Security, and
- Political stability

Furthermore, although international comparative studies on tourism demand have found no significant correlation exists between the increase in prices of tourism goods and services and the quantity demanded, this only holds true for the short term (Taylor 2001). Moreover, other factors such as the cost of airfares or changes in tourists' income affect their choice of destination. The introduction of cheaper airfares in Europe, for example, increased travel and tourism within that region (Morley 2003).

2.6 Measuring the economic impacts of tourism

Benefits from tourism may be in cash or channelled investments, the construction of schools, clinics or related facilities. Generally, tourism is believed to enhance the livelihood of the communities where tourism-related projects take place; the communities concerned would otherwise have no incentive to preserve tourist goods in their areas (Hoff & Overgaardas Consultants 1993). The accurate measurement of tourism impacts is, of course, affected by the accuracy of tourism statistics. However, the measurement is inevitable given the potential impacts the sector has on the national and global economies.

2.6.1 Tourism income

The scale of tourism expenditure determines tourism income and employment (Sinclair & Stabler 1997). GDP measures income, through value addition, by accounting for the total market value of goods and services produced in an economy over a period of time, which is usually one year (Bull 1995). Therefore, *tourism GDP* or *total tourism output* measures the total market value of goods and services consumed by visitors, less the cost of goods and services used up in the production process (ANA 2002). This is known as *value addition*. Tourism GDP is derived from the consumption of goods and services by tourists, which is usually denoted by a *C*, and also through investment made by government and the private sector to continuously produce the consumed goods and services. The *gross fixed capital formation* is usually assumed to include exports through international tourism consumption, and imports through inbound and outbound tourism consumption (also known as *leakages*) (Bull 1995).

2.6.2 Tourism employment

Tourism employment is the number of full-time or part-time persons engaged in producing goods and services sold to tourists (WTO et al. 2001). Tourism employment includes all direct and indirect jobs. However, there are difficulties associated with the collection of statistical information on indirect employment (USA 1997). Thus, most tourism studies concentrate on direct impacts derived from enterprises that deal directly with tourists.

2.6.3 Tourism products

Goods or services become a part of tourism demand if tourists consume them. National accounts do not categorise the tourism industry as a separate economic activity because tourism goods and services are produced by different industries. Such goods and services are subdivided into three main categories:

- Tourism-characteristic
- Tourism-connected, and
- Tourism-non-specific.

Tourism-characteristic products are those that would cease to exist in meaningful quantities in the absence of tourists. *Tourism-connected products* are those for which demand would be slightly reduced in the absence of tourists. Tourism-characteristic and tourism-connected products are both referred to as *tourism-specific products*, while goods and services that are neither of the two are referred as *tourism-non-specific*, e.g. postal services (WTO et al. 2001).

The World Tourism Organization (WTO 2000) has developed a Standard International Classification of Tourism Activities (SICTA), updated on regular basis, to facilitate the international comparability of data. Table 1 below presents SICTA's current categorisation of tourism goods and services:

Table 1: Tourism goods and services

Types of tourism products	
Tourism-characteristic products	
Accommodation	Hotel and other lodging services
Food and beverage	Meals and beverage services for consumption on the premises
Rail passenger transport	Passenger transportation by rail
Road passenger transport	Passenger transport such as adventure tours
Water passenger transport	Passenger transport by international and coastal seagoing vessels, and inland water passenger transport
Air passenger transport	Scheduled and non-scheduled air passenger transport, and rental of aircraft
Travel agency and tour operator services	Booking services, selling of tickets, or tour operation
Motor vehicle hire or rental	Hiring of cars, trucks, buses and camper vans
Imputed rental on holiday homes	Imputed rental on second homes used only (or partly) by the owner; these may be made available to third parties for holidays, leisure and business activities
Libraries, archives, museums and other cultural services	Libraries, archives, museums, zoos, and nature reserves
Other sport and recreational	Recreational parks and gardens, horse and dog racing, golf

Types of tourism products	
services	course operation, swimming pools, ski-fields and other recreational services
Tourism-connected products	
Retail sales (alcohol)	Alcoholic beverages purchased from liquor stores, supermarkets and other retail outlets
Retail sales (clothing and footwear)	Articles of clothing and footwear
Retail sales (fuel and other automotive products)	Petrol, diesel and motor oils
Retail sales (retail medicines, toiletries)	Toiletries, cosmetics and medicines
Retail sales (tourism consumer durables)	Tents, sleeping bags, luggage, skiing equipment, climbing/tramping equipment, diving equipment, motor vehicles, pleasure and sporting boats
Financial services	Exchange dealers
General insurance (including travel insurance)	Travel and other general insurance
Social and health-related services	Health and medical services, and social services
Gambling services	Gambling at a casino and other gambling services
Tourism-non-specific products	
Communication services	Telecommunications, postal and courier services, and other tourism products
Personal services	Laundry services, film processing, hairdressing and beauty services

Chapter 3: Overview of tourism in Namibia and review of world tourism phenomena

3.1 Introduction

The mission statement of the tourism sector in Namibia is (NPC 2002:277) –

> to develop the tourism industry in a sustainable, equitable and responsible manner and to contribute substantially to the economic development of Namibia and to the quality of life of her people.

Namibia Vision 2030 states that (OP 2004b:29) –

> tourism has more potential as a sustainable industry than virtually any other form of economic development.

Similarly, the Vision Statement of the Namibia Tourism Board is to ensure that the tourism industry overtakes traditional industries such as mining and fishing, and becomes the top creator of jobs in the economy. Tourism has the potential to lead the Namibian economy in terms of employment creation, foreign exchange earnings, and the creation of wealth for all. The Ministry of Environment and Tourism is entrusted with protecting and maintaining Namibia's natural beauty while providing fertile policies to effect tourism growth and sustainable development.

The tourism industry comprises direct and indirect public and private enterprises, as well as agents, who all provide goods and services to tourists. These include (DoT 2004b) –

- accommodation
- tour operators and guides
- craft enterprises
- trophy hunting
- car rental services
- restaurants

- entertainment and casinos
- community-based tourism enterprises
- tour booking and guiding, and
- other related enterprises.

Tourism activities include hunting, soaring, tour guiding, coastal and freshwater angling, white-river rafting, dune skiing, mountain biking, equestrian sports, hot-air ballooning, and hiking.

Namibia has 26 parks and reserves occupying about 15% of the total land surface area. Of these, 12 are government-owned rest camps, managed by Namibia Wildlife Resorts, a parastatal. Being a semi-arid country, Namibia still possesses a comparative advantage in its natural beauty, wildlife parks and conservancies, as well as in its cultural diversity. The major tourist attractions include the world's reputedly oldest desert, the Namib, with its immensely high sand dunes, situated along the country's western seaboard; the Etosha National Park; the Fish River Canyon; and the Skeleton Coast (NPC 2002).

Namibia's independence, which stabilised its politics, witnessed the expansion of tourism activities and the arrival of foreign tourists. The majority of tourists are from South Africa and Germany, followed by Angola, Botswana, United Kingdom and Zimbabwe. Their average length of stay is 11 days, with their average daily expenditure being N$600. Overseas tourists spend more days in Namibia than regional tourists do. Most tourists stay in hotels and lodges. About 75% of tourists use road transport, while 25% use air transport – mostly South African Airways. Around 42% of tourists prefer using rental vehicles, private vehicles, guided luxury tours, air-conditioned tourist buses, or overland trucks (DoT 2004a).

Previous estimates revealed that tourism might have contributed about N$1.3 to the country's GDP in 1996. This estimate further forecast tourism to have generated 9,000 direct jobs. Since 1996, the number of tourism establishments has increased

(DoT 2004a), which would obviously have had different impacts on tourism income and employment.

3.2 Performance targets

For the period 1995–2000, NDP1 set targets on tourist volumes, income, and employment. It projected the following impacts:

- Tourist numbers increasing to 740,000
- An 8% contribution to GDP
- The creation of 9,000 direct jobs
- The establishment of profitable conservancies in the Caprivi, Kunene and Otjozondjupa Regions of the country
- Upgrading of all resorts, and
- The establishment of the parastatal, Namibia Wildlife Resorts, to run these resorts profitably.

Statistics from entry records show that tourist numbers increased from 502,012 in 1997 to 626,751 by 1999. Rough estimates by the WTTC showed that the sector created about 27,000 direct jobs during the five-year period.

3.2.1 The White Paper on Tourism Policy

Namibia's tourism development activities are coordinated through the White Paper on Tourism Policy approved by Cabinet in March 1994. This policy document is currently under review for final approval by Cabinet.

The strategic objective of the policy is to develop and sustain a competitive tourism industry to play a key role in national wealth, while taking due consideration of environmental and sociocultural assets. The policy strives to guide tourism programmes, projects and strategies. In this regard, it clarifies the roles and responsibilities of the public and private sector in tourism industry operations in order to devise enabling strategies for the industry's success. It advocates a "high-yielding quality tourism" (GRN 1994), while seeking to introduce quality-monitoring mechanisms to ensure up-to-date standards and the fostering of human resource capacity-building.

Cabinet further approved a Community-based Tourism Policy in 1995 to enable the establishment of conservancies and other community-related tourism enterprises. This supplements efforts towards rural development by encouraging previously neglected communities to participate in development initiatives as equal partners. Meanwhile, Parliament introduced draft legislation on a tourism policy in April 2000, which provided for the establishments of the Namibia Tourism Board and Namibia Wildlife Resorts (NPC 2002).

3.2.2 Economic benefits of tourism

Tourism consumption cuts across many, if not all, the industries in the economy. Over the next five years to 2006, NDP2 seeks to broaden knowledge about the sector by describing it in detail and, in so doing, cover both the statistical and qualitative aspects of the industry. This is vital for planning tourism development projects and marketing strategies (NPC 2002).

Tourism is Namibia's third-largest foreign exchange earner. National parks and reserves continue to serve as the pillars of the country's tourism industry. The 1996 estimates by Suich (2001) reveal that the sector generated N$1.3 billion to GDP, which is forecast to increase to N$2 billion in 2002.

3.2.3 Players in the tourism industry

Both the public and private sectors drive the tourism industry. Through the MET, the government plays a key role in designing and coordinating legislation, policies, regulations and implementation strategies (DEA 2000). These, among others, include the maintenance of standards at tourism enterprises and the conservation of natural resources for tourism. The MET comprises six Directorates working conjunctively in planning policy and conserving the nation's biological and cultural diversity for tourism promotion. The government also provides fertile ground for the establishment of tourism-related initiatives such as allocating land and wild animals for the development of community conservancies.

The Namibia Tourism Board plays an intermediary role between the public and the private sector. In addition, the Federation of Namibian Tourism Associations (FENATA) works closely with the government and the Namibia Tourism Board to maintain quality standards.

3.2.4 Potential challenges and opportunities in the tourism industry

Generally, low occupancy rates, weak human resources, insufficient infrastructure, and limited marketing efforts have been identified as potential threats to the growth of tourism sectors in general (NPC 2002).

The country's climatic conditions, being arid to semi-arid, make the physical environment more fragile in respect of over-utilisation by tourists (Barnes et al. 1997). Moreover, Namibia, unlike other African countries, is committed to the sound conservation of its unique physical and human environment. Additionally, good infrastructure and political stability encourage tourists' willingness to visit the country.

However, the political turmoil in 1999 caused by the Caprivi secession attempt negatively affected tourist arrivals and, thus, tourism receipts in the Caprivi and Kavango Regions as well as the adjacent enterprises. Meanwhile, political instability in neighbouring countries such as Angola and Zimbabwe also negatively affects the Namibian tourism industry. Tourists cancel their trips when they hear news of political insecurity. In June 1999, the Ministers of Tourism in SADC states declared the maintenance of peace in the region as a priority, and condemned movements that fomented instability and caused tourists to avoid the region.

Moreover, a lack of proper tourism infrastructure in Namibia's rural areas continues to hamper tourism demand and development. These include the lack of tarred roads, accommodation establishments, and telecommunication and energy facilities, as well as a lack of tourism villages or cultural groups organised by communities. Nonetheless, the usual low exchange rate of the Namibia Dollar against major currencies, particularly – given the European markets – the Euro, makes the country an affordable destination choice (DEA 2000).

Furthermore, Namibia's famed wide, open spaces provide an opportunity for more tourism establishments such as guest farms or lodges along the main roads, in order to entice tourists on their way to and from major destinations within the country.

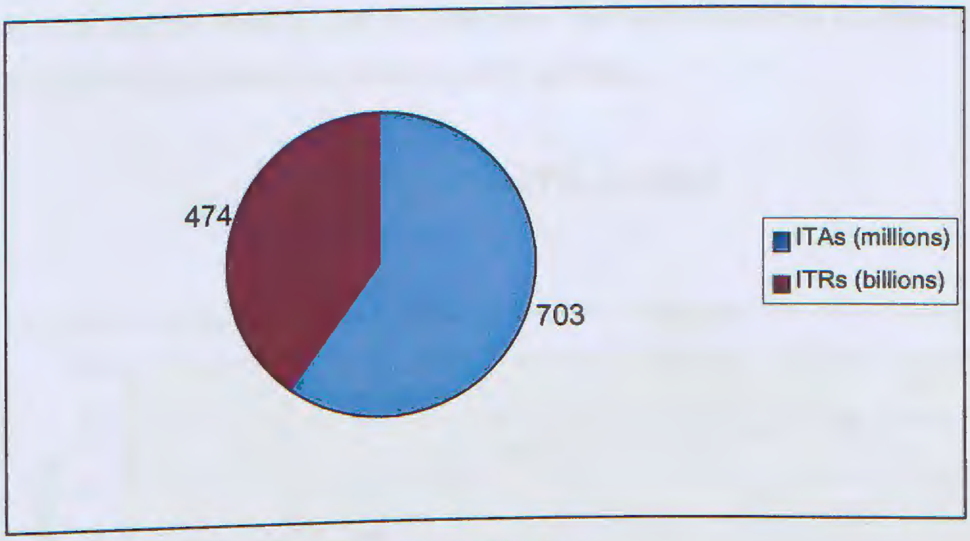
Recent records indicate that tourists visit some places rather than others. Destinations reported with overcrowding during the peak tourist season are Etosha National Park, Sossusvlei, the Fish River Canyon and Swakopmund (DEA 2000). The southern part of the country has low tourism activities and, thus, low tourism demand. However, once the new eastern border post at Mata-Mata is open, the proposed Kalahari Gemsbok National Park in the south-eastern part of the country may stimulate demand in that area.

3.3 International tourist profile

This section demonstrates tourism patterns in terms of tourism arrivals, purpose of visit, and consumption. It will start with the global picture and further narrow down to Namibia.

Figure 3 below illustrates ITAs in relation to ITRs worldwide, in US Dollars.

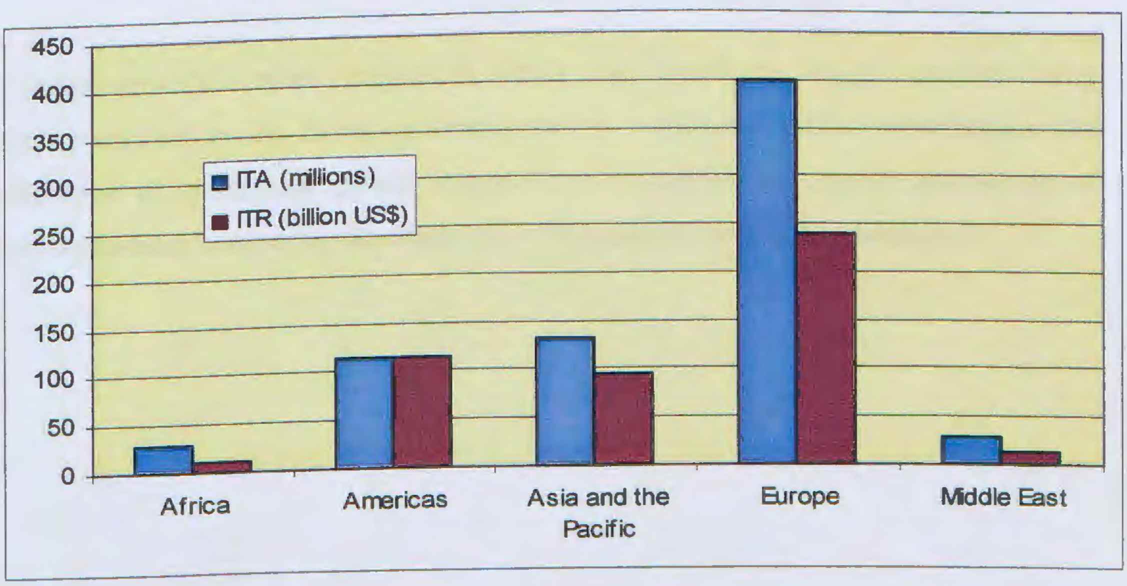
Figure 3: Overview of tourism worldwide



Source: WTO (2004a)

During 2002 alone, 703 million foreign tourists travelled around the world. In this regard, international tourism is reported to have generated US$474 billion. However, these two figures exclude the value of domestic tourism, which is also equally important in revenue generation. Statistics in world tourism indicate that domestic tourism accounts for about 50% of tourism activities within many economies. However, domestic tourists spend relatively less than their international counterparts.

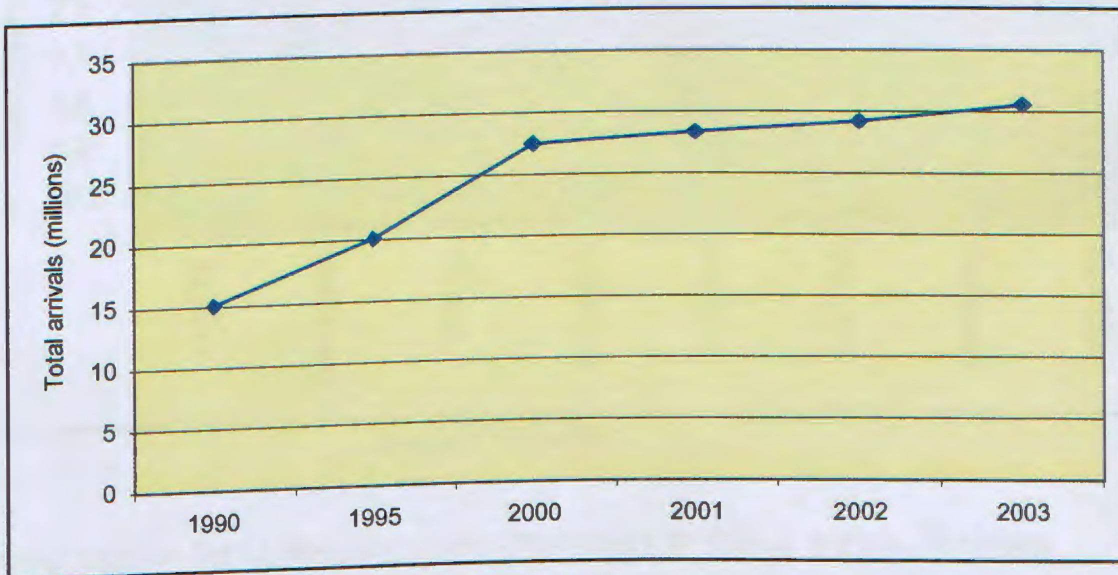
Figure 4: International distribution of ITAs and ITRs



Source: WTO (2004a)

Africa and the Middle East yield very low arrivals and revenues compared with Europe, Asia and the Pacific, and the Americas. The low turnover in the Middle East is associated with incidences of terrorism and conflict.

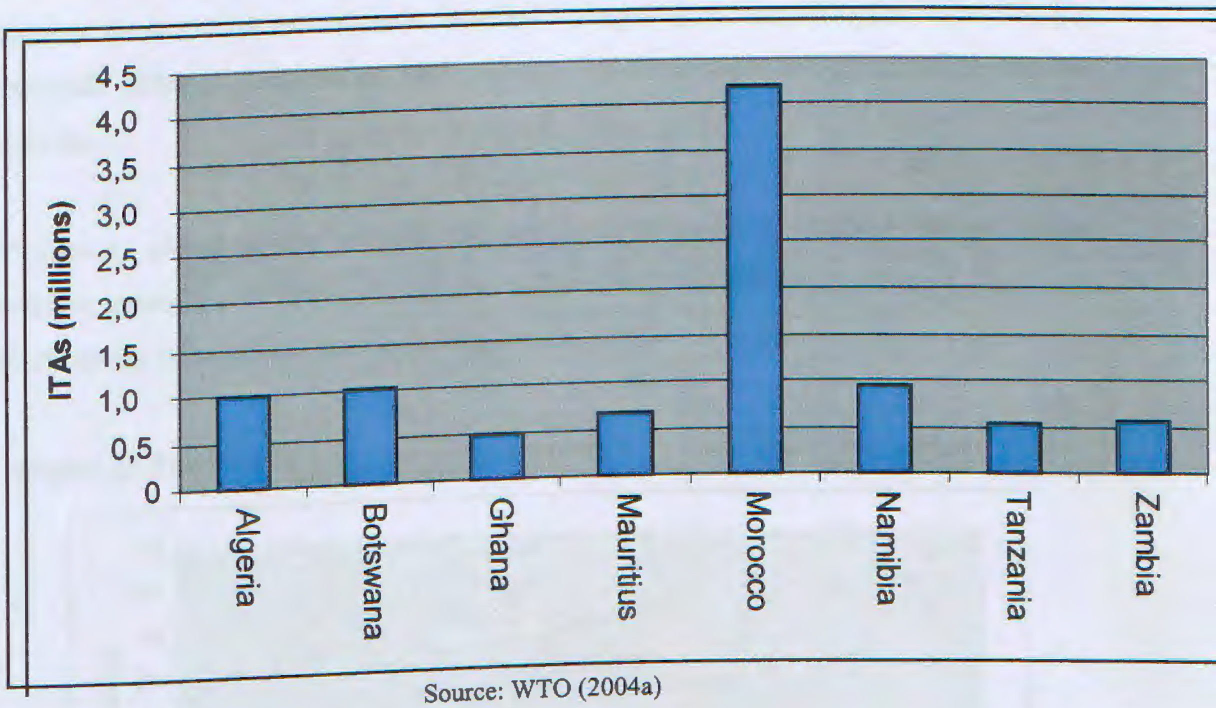
Figure 5: Trends in ITAs to Africa



Source: WTO (2004a)

Tourism growth is more sluggish in Africa than elsewhere. Despite tourism being widely reported as the fastest-growing industry worldwide, Africa demonstrates the likelihood of its tourism growth stagnating. This implies a thorough assessment of the weaknesses hampering development in this sector needs to be conducted.

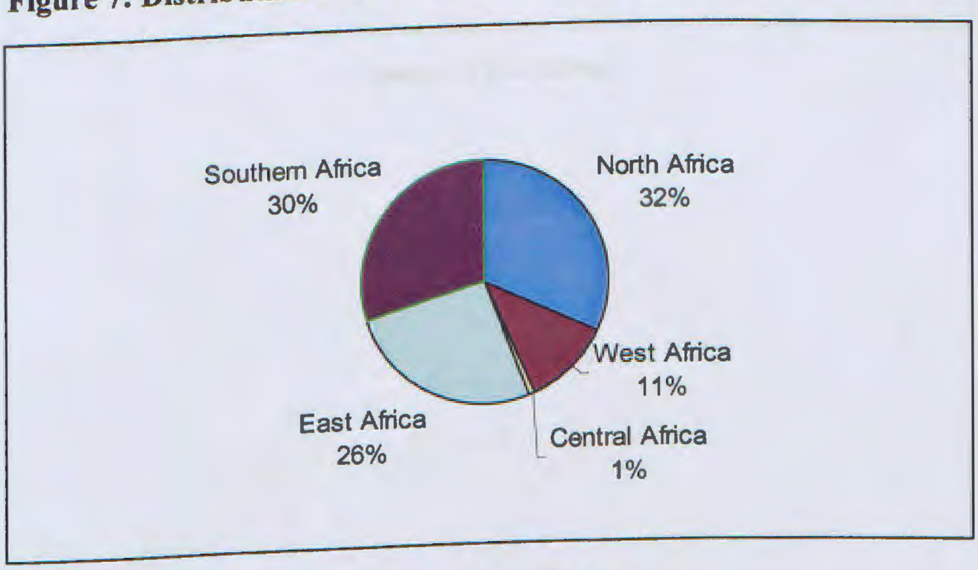
Figure 6: ITA distribution among world's top emerging tourist destinations located in Africa



Source: WTO (2004a)

Morocco tops the list of emerging tourist destinations in Africa. Algeria, Botswana and Namibia are on par. Interestingly, many of the top countries are in the SADC region.

Figure 7: Distribution of ITAs and ITRs among the African groupings

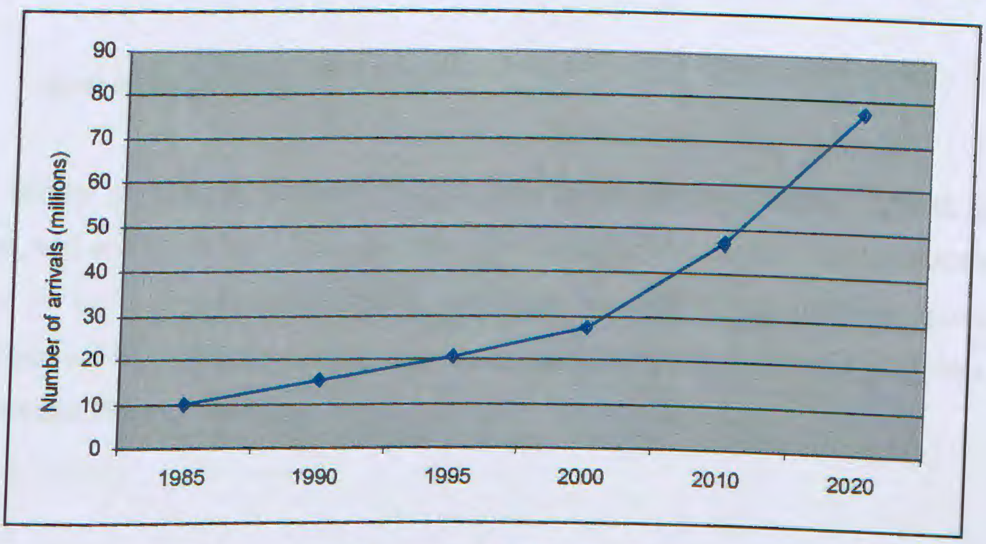


Source: WTO (2004a)

Northern, Southern and East Africa are Africa's major tourist destinations. Tourism demand is lowest in Central Africa, mainly because of the conflicts there. Generally, tourists do not visit areas where conflict is ongoing or has recently occurred. For example, after 11 September 2001, North America experienced negative tourism growth.

Moreover, global tourist arrivals are predicted to grow to 1,006.4 billion, while tourism receipts will rise to US$1,550 billion by 2010. However, these impacts are predicted to be relatively low in Africa.

Figure 8: The World Tourism Organization's "Vision 2020" on African ITAs[1]



Source: WTO (2004a)

[1] Arrivals from 1985 to 1995 are actual, while those for 2000 to 2020 are forecast.

Chapter 4: Methods

4.1 Introduction

The research methodology has two approaches: quantitative and qualitative. The quantitative analysis estimated tourism income and employment. The research collected and analysed secondary data on tourism consumption and tourism employment by each type of tourism enterprise, e.g. accommodation or transport. Qualitative methods were used to search for weaknesses in the industry. Direct and telephonic interviews were conducted with tourism establishments and other stakeholders in the tourism sector.

4.2 Survey population

The survey population included lodges, rest camps, hotels, holiday resorts, guest farms, bed and breakfasts, tour operators, and car hire companies. Respondents were asked for interviews by appointment, and were informed of the interview questions in advance. They were then asked about impediments within their establishments and the tourism industry at large.

Table 2: Composition of respondents at enterprise level and their localities

Sector	Number per Region										
	Erongo	**Karas**	**Kavango**	**Khomas**	**Kunene**	**Ohangwena**	**Omaheke**	**Oshana**	**Oshikoto**	**Otjozondjupa**	**Total**
Accommodation establishment											
- Bed and breakfast	1	-	-	2	-	-	1	1	1	1	**7**
- Guest farm	2	1	-	-	1	-	1	-	-	2	**7**
- Guest house	1	-	1	1	-	-	1	-	-	-	**4**
- Hotel	2	1	1	2	-	-	1	1	2	1	**11**
- Hotel pension	1	-	-	-	-	-	-	-	-	-	**1**
- Hunting farm	-	-	-	2	1	-	2	-	1	2	**8**
- Lodge	1	1	1	2	-	1	1	1	-	1	**9**
- Rest camp	1	1	1	-	-	-	-	-	1	-	**4**
Other											
- Car hire services	2	1	-	2	-	-	-	1	1	1	**8**
- Tour, activity and travel operator	1	-	-	2	-	-	-	-	1	1	**5**
Total per Region	**12**	**5**	**4**	**13**	**2**	**1**	**7**	**4**	**7**	**9**	**64**

4.3 Data sources

4.31 Quantitative

A comprehensive analysis of the economic benefits from tourism requires a wide range of detailed data sources. Thus, the primary source of data for this study was visitor exit surveys, tourism industry surveys, labour surveys, national accounts and other publications on the tourism industry. Visitor exit surveys and domestic tourism surveys are conducted to determine patterns of tourism expenditure on different goods and services.

4.3.2 Qualitative

The qualitative analysis sought to obtain deeper insights into the constraints affecting the performance of tourism industry in Namibia. In this regard, structured and semi-structured questionnaires were designed for interviews conducted with different stakeholders in the tourism sector.

Structured questionnaires were administered for interviews with managers at different tourism establishments. Semi-structured questionnaires were administered for the key informants such as directors and senior officials at the MET, the Namibia Tourism Board, Namibia Wildlife Resorts, the Ministry of Trade and Industry, the National Planning Commission, the Development Bank of Namibia, the Bank of Namibia, and Air Namibia, as well as at non-governmental organisations such as the Namibia Economic Research Unit (NEPRU), Namibia Community-based Tourism Association (NACOBTA), FENATA, the Namibia Professional Hunting Association. Academics at the School of Tourism and Hospitality at the Polytechnic of Namibia were also interviewed.

4.4 Data limitations

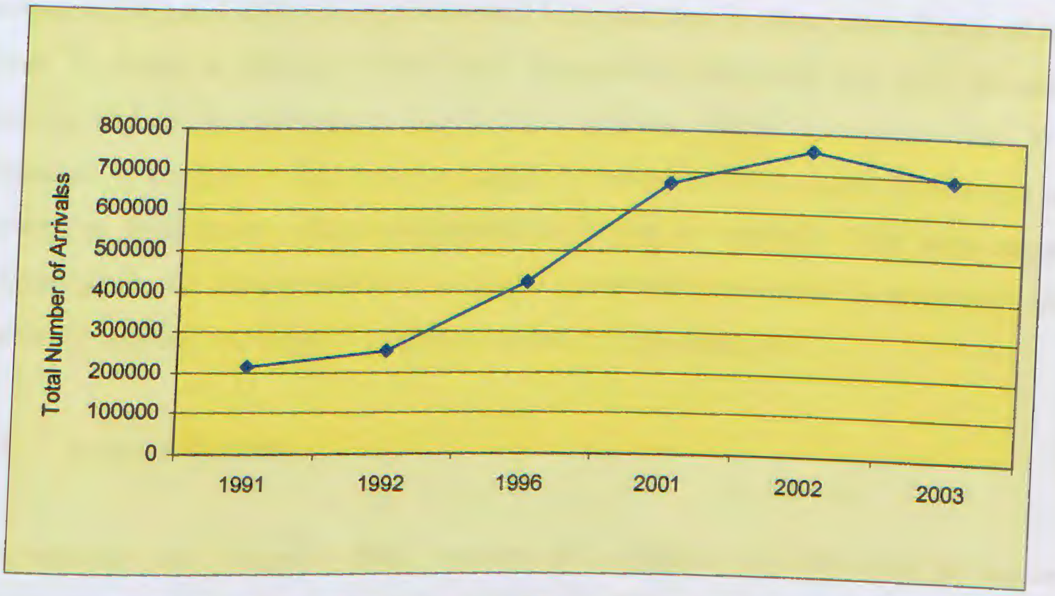
The quantitative analysis was confined to the 2002 period. This is because the above-mentioned surveys obtained data for 2002 only, and no comprehensive data were available after 1996 when the Namibian preliminary tourism satellite account was developed.

Namibia has also not yet carried out a domestic tourism demand survey. This may result in an underestimation of overall tourism income. In this regard, the estimation of income generated by domestic tourism is based on the share of domestic tourism expenditure at national parks, as derived from a survey conducted in 1997.

Chapter 5: Constraints in the tourism industry

5.1 Introduction

Figure 9: Total ITAs to Namibia, 1991–2003



Source: Various statistics, Directorate of Tourism

During 2003, for the first time since independence, Namibia experienced a decrease in the number of ITAs. The Directorate of Tourism report (DoT 2004b) on tourist statistics attributed this trend to an 8.5% decrease in South African and Angolan tourists, as well as to a 5.2% decline in German tourists. Simultaneously, Namibia's room occupancy rate decreased from 54% to 34%. International statistics on tourism consumption indicate that overseas tourists visiting Namibia spent far more than African tourists did. Among other overseas countries, Germany represents the majority of arrivals. Although both losses, continental and overseas, are not healthy for the tourism industry, the loss of overseas tourists – particularly from Germany – may severely damage the growth of the tourism sector if it is allowed to continue. Continentally, South African tourists are in the majority, followed by Angolans. Their loss will also be negatively felt in the sector. This declining trend symbolises weaknesses in the strategies and programmes implemented to accelerate tourism growth.

5.2 Harvesting tourism benefits

Despite Namibia being one of the top emerging tourist destinations in Africa, tourism business is believed to be on the decline. The vast majority of establishments ranked their level of revenue as "Medium" to "Low". The decrease in tourist arrivals between 2002 and 2003 was accompanied by a decrease in the average length of stay from 12 nights in 1996 to 11 by 2002. Respondents attributed this trend to unfair pricing and loose standards at some of the tourism enterprises countrywide. This situation is critical to the tourism sector. A decrease in tourism benefits at an enterprise level may reduce willingness to invest in tourism. This may impact negatively in the conservation of the fragile environment and natural resources, thus reducing tourists' willingness to visit the country in the long run.

5.3 Quality tourism

International and business class tourists are sensitive to standards at tourist establishments, particularly accommodation and restaurant services. In terms of the government's position, the slogan for tourism has been "Quality rather than quantity". For this reason the Namibia Tourism Board was entrusted with the task of ensuring high quality standards at tourism establishments countrywide (DEA 2000). Additionally, the Namibia Academy for Tourism and Hospitality is expected to monitor standards in line with international specifications, especially those that apply in Europe.

However, many small establishments, mostly accommodation and restaurant services, hardly maintain tourism standards. This makes it difficult for them to compete with similar but well-established operations in their vicinity. Instead, they substantially reduce prices. Consequently, they cater only for low-income, mostly domestic, tourists. Standardised establishments reported repeat visits by tourists, while the opposite was true for non-standardised establishments.

Furthermore, establishments observed a non-transparent grading system. The grading system needs to be published and made known to tourists, e.g. what the difference is between the services offered by three- and five-star hotels. With this information, tourists would be able to make better choices in line with their aspirations, and so avoid disappointment. This also enhances accountability and satisfaction in service delivery on the part of the establishments concerned.

5.4 Standards at Namibia Wildlife Resorts

Namibian resorts, i.e. national parks and the like, have been identified as the principal tourist attraction sites countrywide. According to Soderstrom (2002), the Etosha National Park is the single most important tourist destination in Namibia, and attracts a large number of German and South African tourists. Tourism enterprises adjacent to the main roads also benefit substantially from tourist flows to and from these resorts.

The major finding here was that many establishments believed the resorts run by Namibia Wildlife Resorts were not up to international standards in terms of accommodation and catering services. Prices charged to tourists were not commensurate with the services delivered. Additionally, tourists were dissatisfied with the malfunctioning of facilities within the parks, such as public toilets that did not work. As a result some tourists prefer to visit the national parks as day visitors, and overnight at accommodation establishments elsewhere. Consequently, the national parks lose extensive tourism revenue. Thus, despite a large number of visitors to national parks, Namibia Wildlife Resorts has been unable to make a profit or break even, meaning that they continue to rely heavily on public funding.

Another detracting factor mentioned by the interviewees was that gravel roads in national parks fail to be maintained. The gravel road between Okaukuejo and Namutoni in Etosha is utilised by a vast amount of tourists and park management vehicle. Several accidents have already been reported on the road, which has developed severe drifts and threatens drivers' safety. According to the park's management, a shortage of funds has remained the principal reason for not being able to maintain and upgrade the infrastructure and services. The MET (DEA 2000) acknowledged that, in the past, parks and protected areas countrywide experienced problems with maintaining their facilities. This problem was usually due to a lack of finance. However, studies on park entry fees revealed that tourists were wiling to pay more if it meant that parks would be better able to conserve the wildlife and maintain the facilities (Barnes et al. 1997).

As stated by Lawson and Baud-Bovy (1977), –

> a destination image is the expression of all objective knowledge, impressions, prejudice, imaginations, and emotional thoughts an individual or group might have of a particular place.

Thus, in view of the situation prevailing at the popular national parks, Namibia may lose quite a number of tourists both in the short and long term. It is healthy for the tourism industry to maintain a good memorable image of the country for tourists so that Namibia can market itself through tourism. Chon (1992) stated that destination images, based on experience and expected satisfaction, influence the potential tourist's choice of destination. Not addressing the prevailing situation at national parks is critical to the tourism industry: not only may it reduce tourist arrivals over the short and long term, but it may also erode other tourism benefits associated with the parks.

5.5 Pricing within the tourism industry

The study revealed that visitors have observed high prices in the country's tourism industry compared with other SADC destinations such as South Africa. High pricing is mostly observed among accommodation establishments and car hire enterprises. As a result, many tourists prefer camping to staying in hotels. Also, many tourists hire South African vehicles rather than Namibian ones. The increasing number of South African-registered hired vehicles in tourism enterprises testifies to this. Papatheodorou (2001) found that excessive price increases at tourism enterprises make destinations less affordable and less competitive, which in turn increases the opportunities available to competitors with similar attractions in the vicinity.

Taylor (2001) comments that a minimal increase in the price of tourism goods and services does not significantly affect tourism demand in destinations. In the Namibian context, and in view of Taylor's comment, pricing might not be a significant factor determining tourists' choice of Namibia as their destination, but rather the lower standard of goods and services. This study reveals that, on several occasions, high prices did not translate into high quality – contrary to what is held by traditional consumer theories. Therefore, tourists divert to other destinations that offer practically the same in aesthetic value, but better quality in terms of goods and services.

The transfer of government-run resorts to the parastatal Namibia Wildlife Resorts was a strategic option. It aimed at vigorously marketing Namibia as an international tourist destination, and making Namibian resorts and parks affordable, while maintaining high standards as well as the sustainable utilisation of the ecosystem's resources (DEA 2000). It became necessary to monitor standards and pricing in the tourism industry constantly and to make the necessary adjustments whenever possible.

5.6 Factors influencing pricing in the tourism sector

Many tourists, especially overseas tourists, book through travel agents or tour operators. Experience has shown that some tour operators tend to overcharge tourists. This frustrates visitors to the extent that they are unwilling to return on another visit. Moreover, tourists who have suffered this misfortune spread negative reports about Namibia in their home countries as well as any others they may be visiting. This detracts from Namibia's image as a potential destination and may cancel out any marketing efforts. As regards pricing among SADC countries, Namibia had the competitive edge in 1991 compared with South Africa and Botswana (Agren &

Nyysola 2002). Moreover, the fact that no tourists need visas to enter Namibia saved them time, effort and money.

5.7 Crime and tourism in Namibia

Tourists are security-centred. Crime limits tourists' ability to move to different destinations. This is testified by negative growth in the United States' tourism industry after 11 September 2001. Petrick (2004), in his comparative studies on the relationship between perceived security value and repeat visits, found that first-time visitors were unlikely to revisit destinations perceived as negative.

Crime in Namibia is increasing rapidly and has remained a major threat to tourist safety. The Namibian Police's statistics testify to crime escalating at an alarming rate. Several fatal tourist-related crimes have also been reported. Given the nature of information technology, such as web-based media, tourists are able to access this information and respond negatively by cancelling their trips to Namibia.

Respondents at establishments also indicated that most of their visitors complained about crime in Namibia. Criminal activities involved armed robbery, tourist hijacking, breaking into tourists' vehicles, and snatching tourists' bags and other belongings. The respondents further indicated that they had experienced booking cancellations when tourist-related crimes were reported. The same happened when the government announced critical departures from policy. For example, news on land expropriation in Namibia has become one of the observed threats to tourism. This situation is increasingly creating insecurity among potential tourists and negative perceptions about the country as a tourist destination.

According to Papatheodorou (2001), the negative perception associated with tourism safety is difficult to revise in the long run. Thus, for tourism to grow, crime should be prevented at all costs. The recent murder of a German tourist at Swakopmund, one of Namibia's most famous destinations, sent major shockwaves across the globe, but particularly in Germany, where it was widely published in the media. Considering

Germany is Namibia's primary overseas tourist market, and that the average tourist expenditure and number of nights is high, this situation is critical to the number of tourist arrivals from Germany and other European countries and, if not addressed, is likely to retard tourism growth. Ritchie and Grouch (2000) stress that an increase in crime and associated terrorism in major cities and towns affects tourists' choice of destination.

Respondents also revealed persistent disturbances of tourists by street children. On several occasions, street children begged money and food from tourists stopping at local supermarkets and public parking. In some instances, they broke into tourists' cars. As a result, tourists had to pay high insurance premiums to car rental companies as well as on-the-spot repairs in order to continue their trips. Travel agents revealed that tourists falling prey to crime tended to change their initial travel arrangements to reduce their stay and the places they visited. They also indicated that many tourists had expressed extreme dissatisfaction about the country and had vowed not to return.

Furthermore, the study found that tourists travelling by air to Africa and particularly to Namibia suffered from stolen luggage items. However, it was difficult to determine where such crimes originated since tourists came to Namibia via various connecting flights. Luggage theft is a clear signal of loose control at airports in many African countries. Syndicates mostly targeted valuable items such as still cameras, video cameras, luxury perfumes, and laptop computers.

Escalating crime countrywide bears critical testimony to the national authority's failure to contain this social disease. Consequently, respondents requested that local government establish security forces to guard cities and towns on a 24-hour basis to root out all forms of crime. In this respect, the institution of the Windhoek City Police may pave the way for other towns in the country to follow suit.

5.8 Tourism, the economy, and environmental and political stability in Namibia

Stable tourism growth and development requires political, environmental and economic stability. The vast majority of respondents appealed to the government, through the MET, to protect and maintain the country's natural beauty and heritage. As stated in Namibia's community-based tourism policy (MET 2002), –

> tourism is dependent on the environment – an environment which is not cared for, with little wildlife and resources[,] will not attract visitors to the country.

Moreover, economic instability associated with volatile exchange rates and inflation has been described as the principal cause of uncertainty among international tourists. This does not apply to South African tourists, of course, because the Namibia Dollar is pegged to the South African Rand.

The tour operators interviewed observed that tourists were less likely to travel during peak political events in the country concerned, e.g. national elections. In this regard as well, the negative effects of the occasional barbaric attacks by União Nacional de Indepênçia Total de Angola (UNITA) in the Kavango Region before the end of the war in Angola, and the secession conflicts in the Caprivi during 1999, were reportedly still being felt by the tourism industry. Fortunately, Namibia is generally known for its political stability: its functioning multiparty democracy and free and fair elections testify to this being the case.

Furthermore, global instability such as terrorism attacks continues to threaten the tourism industry in Namibia, as elsewhere. The attack on the United States on 11 September 2001 has spread fear among the tourist community across the globe. In Africa, where security for tourists has always been considered rather unpredictable, now suffers doubly as a result. Additionally, severely contagious diseases such as Severe Acute Respiratory Syndrome (SARS) have affected the travel and tourism industry. Other life-threatening diseases such as malaria as well as water-borne diseases have also affected tourism demand in developing countries, including Namibia.

5.9 Infrastructure, information technology and the tourism industry

The main finding in terms of the road infrastructure was that many potential tourism routes were either not tarred or did not exist. The respondents described gravel roads during the rainy season as dangerous, mostly because loose stones make the surface slippery. This was one of the reasons why many tourists, especially repeat visitors, did not visit the country during the rainy season. Furthermore, respondents revealed that many roads with potential tourist attractions were not tarred or had not been established. It was stressed that the road network in the country was not tourist-friendly. Towns were not connected in cost-effective ways. For instance, South African tourists visiting the Hoba Meteorite near Grootfontein had to go via Windhoek and Otavi to Grootfontein (instead of a more effective route via Gobabis). The current route was regarded as economically inefficient and could prevent tourists from visiting certain items of interest in the country.

Furthermore, airports were not distributed evenly across the country. For example, all the major airports were centralised in Windhoek. The vast majority of respondents indicated that tourists preferred landing at the coast or in rural areas such as Ondangwa. Unfortunately, airports in the rural areas were less developed and could not handle large passenger aircraft.

The unavailability of standard ablution facilities, restaurants and rest camps at famous tourist sites such as the Brandberg and the Hoba Meteorite site were also reportedly an area of concern for tourists. This implied a low level of entrepreneurial skills associated with a poor understanding of the tourism industry among local communities at such sites.

The study also revealed that information technology was not widely used by tourism establishments. Many establishments did not have websites where tourists could make their bookings themselves rather than via travel agents, which cost them more than the price of the services they actually consumed.

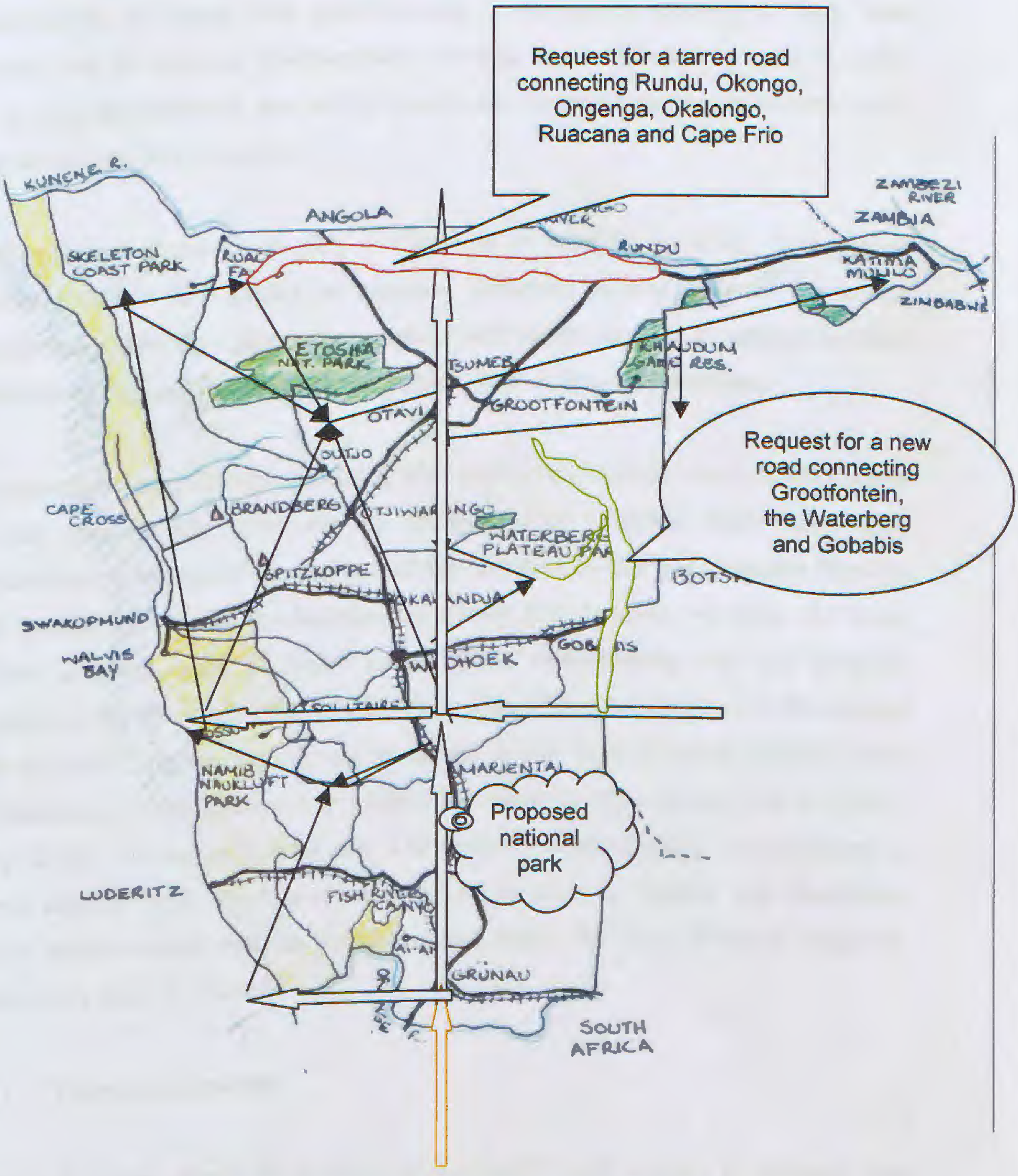
5.10 Distribution of tourism benefits

The principal finding with respect to the distribution of tourism benefits was that tourism activities were concentrated in commercial areas, leaving the rural areas with low-level participation. Moreover, the maximisation of tourism revenue depended on the location itself and the items of interest it contained. As mentioned previously, some tourism enterprises were strategically located, e.g. along the roads leading to national parks and in the vicinity of major tourist destinations. The capital, Windhoek, continued to entice the majority of international visitors.

It was found that tourism establishments in small towns with no nearby items of interest to tourists suffered low occupancy rates. These towns included Arandis, Karibib, Keetmanshoop, Okahandja, Omaruru, Otavi, Rehoboth, Tsumeb and Usakos. Tourists used these towns merely as transit points and did not overnight there. As a result, establishments in these areas relied heavily on hosting conferences, locally organised events and, to some extent, low-income domestic travellers. Consequently, they also suffered reduced revenue, making it impossible for them to upgrade their services and maintain tourism standards. According to Morais and Davis (2004), local communities in rural towns – who represent a substantial knowledge base in this regard – can increase the range of tourist-centred activities by offering information on their cultural heritage and local sites of historical significance. Such activities could not only increase tourism demand in these towns, but could also be inviting to academic and other researchers.

Although northern towns such as Ondangwa, Oshakati and Oshikango do not have much to offer to tourists, their revenue is reported as being satisfactory throughout the year. This is due to business-related tourism activities associated with the high potential for business opportunities in the area, as opposed to other small towns in the country. The opening of the Nakambale Museum in Olukonda and the new gate into Etosha National Park at Onankali also increased the range of tourist-oriented activities in these towns.

Figure 10: Major tourist routes and destinations in Namibia[2]



Source: http://www.namibian.org/travel/maps/namibiap.htm

[2] As observed from the weaknesses faced by tourism establishments in different parts of the country

As indicated on the map, the south-eastern part of the country has relatively low tourist attractions and thus suffers minimal tourism demand. Given this situation, plans have been under way to establish a national park in the area. Meanwhile, the interviewees associated with establishments in the south reported to have been running out of business. North-eastern Namibia, apart from the so-called Caprivi Strip, also has relatively few tourist attractions. However, emerging conservancies may ameliorate this situation.

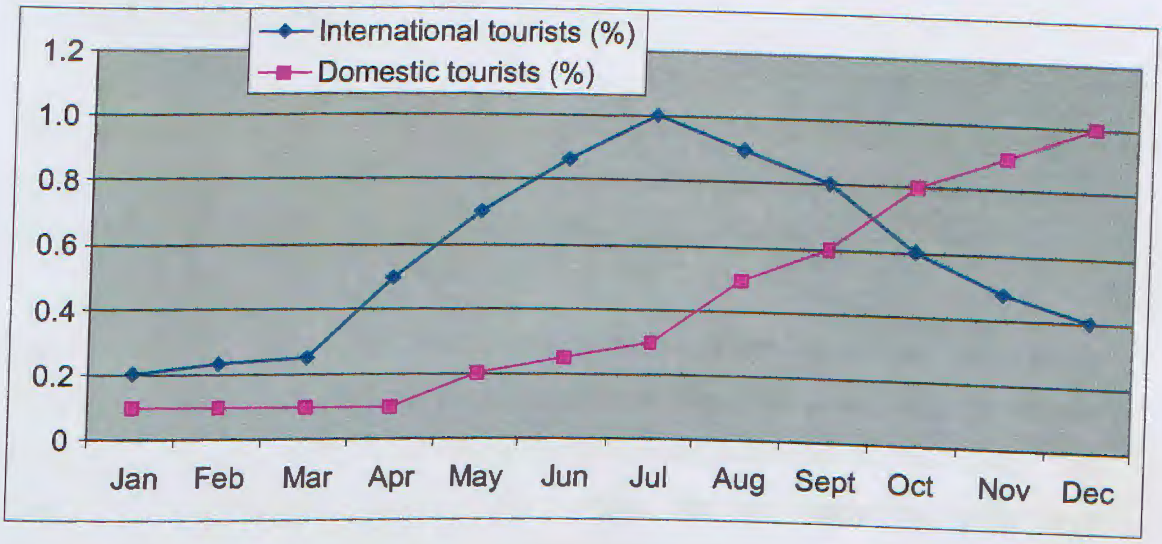
Rail transport continues to play a vital role in tourists' mobility. TransNamib provides tourists with quality rail services. However, railway lines are not widely distributed across the country. As a result, tourists are not able to connect to other domestic or regional destinations, apart from South Africa and Botswana.

Moreover, the interviewees associated with tourism enterprises reported that visitors coming from South Africa via the Trans-Kalahari Highway were increasingly dissatisfied by the hours of operation of the Buitepos border post between Namibia and Botswana, whereas the Noordoewer border post between Namibia and South Africa remained open 24 hours a day. Since Johannesburg was the principal destination for the whole of southern Africa and, thus, a major gateway for tourism into the SADC region, considering the length of the Trans-Kalahari Highway from Johannesburg to Buitepos, many tourists travelling by road arrived late at night – only to find the border post closed. The sense of dissatisfaction was sufficient to divert tourists from Namibia to other countries such as Zambia and Zimbabwe, which disadvantaged tourism establishments along the Trans-Kalahari Highway, particularly those in Gobabis.

5.11 Tourism seasonality

Figure 11 below shows the patterns of seasonality with respect to domestic and international tourists, as observed by the respondents interviewed:

Figure 11: Tourism seasonality, as indicated by respondents



Namibia's high season for tourists starts in April and ends in September, followed by a moderate peak between October and December, then a low peak for the first three months of the year. July is the zenith of tourism activities.

An interesting finding is the variation between domestic and international tourism demand activities. Although domestic tourism demand remained relatively lower, it increased when international tourism demand decreased during the last three months of the year. The low demand by international tourists was attributed to the climatic conditions in the tourists' native countries and in Namibia. In this regard, it was revealed that the majority of tourists – especially those from Europe – visited Namibia during the winter months, i.e. during summer in the northern hemisphere. Similarly, domestic tourists were more likely to travel during the spring and summer periods, and their usual port of call was the coast during the hot or festive seasons.

Krakover (2000) observed that tourism seasonality was an international phenomenon, although it was felt differently in different regions. In other words, different establishments in different localities experienced seasonality differently. For example, tourism-related enterprises in northern Namibia experienced a peak season during the months of April and December, with steady tourist flows for the rest of the year. There has always been a decrease in tourist numbers for the first three months of the year.

Furthermore, domestic tourism reaches a peak during December. This is ascribed to the high number of people visiting their friends and relatives over the festive season, as well as celebrations of other festive occasions such as weddings.

January, February and March are generally regarded as the low season countrywide in terms of tourism. Some establishments attributed this trend to its being the peak of the rainy season, which sees heavy falls, flooded rivers, and roads washed away. This situation is particularly dangerous for tourists who are unfamiliar with local conditions. Tourists were also said to fear the slippery roads – a fact noted by car hire companies, who reported that the poor road conditions were responsible for accidents and, hence, escalating vehicle insurance premiums. On the other hand, diseases associated with the rainy season, such as malaria, were also said to contribute to low tourist numbers in many areas. In fact, some establishments in small towns closed their operations during such periods.

Tourism seasonality associated with changes in climatic conditions is a normal phenomenon. However, given these findings, the country could capitalise in domestic tourism promotion during downturns in international tourist demand, while working out ways to promote more even patterns in tourism demand.

The seasonality of tourism activities also affected the industry, causing fluctuations in establishments' income and affecting tourist industry jobs (Krakover 2000). In this situation, Pittaway et al. (1998) stress that there is a deficiency in policy research to determine the factors contributing to the seasonality problem. Namibia, for example, takes seasonality as a significant challenge to the sector's prosperity. According to the Directorate of Tourism (DoT 2004b), "Namibia needs to revisit its product mix to enable the country to become a destination for all seasons". It is against this background that the Namibia Tourism Board was tasked with a product research audit to determine what products were required to ensure a smooth pattern of tourist arrivals throughout the year. According to Hudson and Shephard (1998), countries that run successful tourism industries review their strategies for marketing products and rendering quality services, and strive for a competitive advantage in different areas of tourist interests. They (ibid.) noted sport tourism as one of the fastest-growing tourism activities. Namibia would do well to explore the latter avenue.

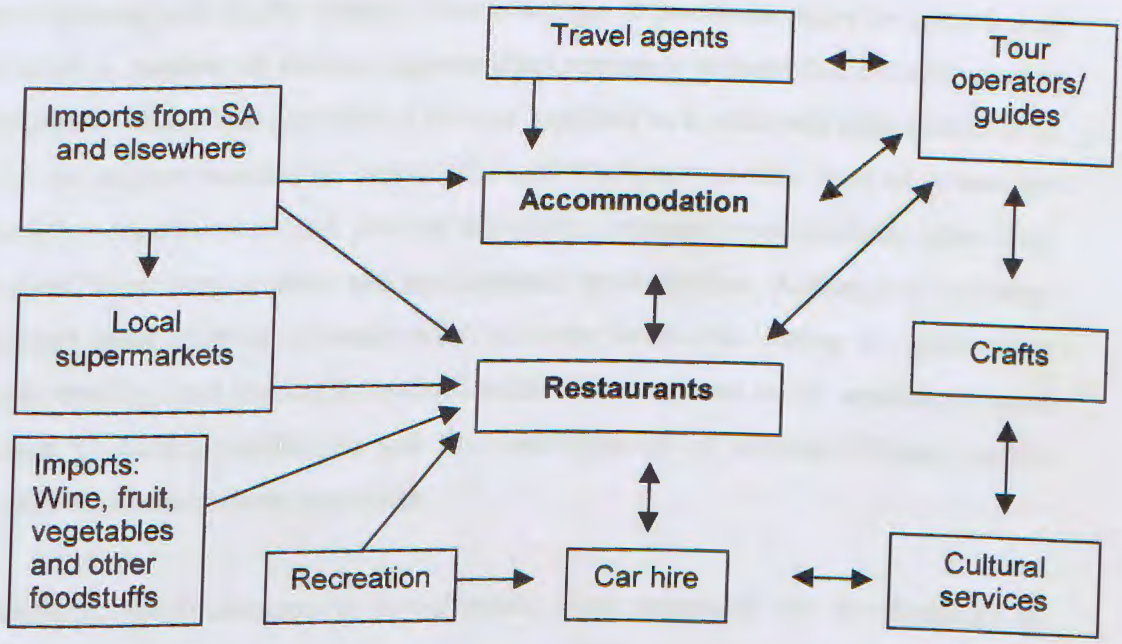
5.12 Entrepreneurship and capital for the tourism industry

The commercial banks' policy with regard to allocating capital presents a major setback to emerging tourism enterprises in Namibia. Traditionally, commercial banks refrain from lending capital to fledgling enterprises in areas that the Ministry of Regional and Local Government and Housing has not officially proclaimed as towns. This makes it much harder for entrepreneurs to establish tourism enterprises in such areas. This situation may hamper the maximisation of tourism benefit in terms of income and employment creation, especially at community level. Mechanisms are required, therefore, to level the playing field in regard to capital loans.

5.13 Linkages within and leakages from the tourism industry

One of the economic objectives of the White Paper on Tourism Policy is the creation of economic linkages within the units of production associated with the tourism industry. Interviewees who were associated with tourism enterprises reported that travel agents and tour operators played a crucial role in distributing tourists to the various establishments through bookings, organised tour safaris and same-day transit visits. Additionally, Namibia Beverages emerged as a major supplier of beer and soft drinks to many tourism establishments, particularly those offering accommodation and food. Depending on their location and accessibility, other establishments preferred to purchase their stock from local retailers such as Shoprite, Pick 'n' Pay or Spar, which mostly got their stock from Windhoek or South Africa. Owners of establishments in small towns with no major retail outlets nearby travelled long distances – mostly to Windhoek – to purchase their stock.

Figure 12: Observed linkages within and leakages from the tourism industry, as observed by the respondents[3]



Moreover, there are leakages from the tourism industry. This occurs specifically on imports from South Africa. Although most establishments acquire their supplies – mostly foodstuffs, wine and hard liquor – from local outlets, the latter import most of these products from South Africa. Namibia depends on South Africa for about 80% of its imports. This ranges from basic to capital goods. A study by the United Nations Environmental Programme (UNEP 2003) found that developing countries suffered a leakage of 40–50% of gross tourism earnings due to imported tourism goods and services. Leakages such as these usually occur when domestic economies are unable to produce or supply the goods and services demanded by tourists.

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[3] In respect of linkages, this diagram only depicts those within the tourism establishments interviewed. There might be other related linkages, but they fall beyond the scope of this study. It is hoped that a specific study on overall tourism linkages can be undertaken in the near future.

5.14 Unexploited opportunities in the tourism industry

5.14.1 Untapped opportunities

As mentioned earlier, tourism in Namibia is mostly nature-based, dominated by game viewing and trophy hunting. However, the respondents interviewed believed that quite a number of tourism opportunities remained untapped. One of the areas emphasised was cultural tourism. This was regarded as a relatively easy initiative as it did not require substantial capital. Cultural tourism was also seen as a tool for economic empowerment and poverty alleviation amongst communities, since they generated their own income and employment opportunities. Among the activities suggested were cultural activities such as tours conducted during the cultivation period, milking, and sharing household tasks. Other options to be considered were displays of cultural traditions, and the establishment of cultural villages within Namibia's various cultural groupings.

Furthermore, establishments in low-demand areas suggested the development of aquaculture. With this endeavour, tourist could engage in catching a variety of freshwater fish species. If the aquaculture ventures are well developed and maintained, they could potentially attract a wide range of tourists to such areas. To make such a project work for drier regions of the country, water could be channelled into manmade dams during the rainy season. Such dams could also cater for a wide range of other recreational activities for tourists.

NACOBTA is entrusted with developing community-based tourism initiatives countrywide. According to the respondents interviewed, however, the organisation's efforts in achieving this aim was minimal. It was felt that communities, especially in the rural areas, were not tourism-oriented. Clarke (2004) maintains that small- and medium-scale enterprise (SME) development in tourism by community members brought experiences of greater quality to tourists than many urban-based tourist activities that differ little from those offered in the tourists' countries of origin. In this regard, local communities could engage in different tourism-related activities to increase tourist inflows with the help of coordinating organisations and their umbrella bodies.

5.14.2 Marketing Namibia

Although the Namibia Tourism Board was established to vigorously market the country as a tourist destination, most establishments believed that Namibia and what it offered was relatively poorly known – domestically and internationally – in comparison with other countries in Africa such as Kenya and South Africa. Papatheodorou (2001) found that, among other factors, the quality of information about a country was a crucial determinant for a tourist's decision to travel there. According to the Namibian Directorate of Tourism's international exit survey in 2002, both the Namibia Tourism Board and Namibian missions abroad were ranked lowest in terms of tourists' sources of information about Namibia (DoT 2004c).

The role of the SADC-initiated Regional Tourism Organisation of Southern Africa (RETOSA) was also strongly emphasised. Most establishments revealed that they could hardly afford to advertise because of the high costs involved. Establishments also observed limited cooperation among themselves to market each other. Against this background, different establishments' pamphlets could be posted at all the establishments countrywide to allow tourists to decide where to travel next and what to expect at such places.

5.14.3 Tourism surpluses

Soderstrom (2002) found that tourists entering parks such as Etosha and Sossusvlei were willing to pay higher entrance fees if the money went towards biodiversity conservation. This signifies how important natural assets are in determining tourism demand. In fact, several countries have introduced Environmental Protection Funds to which tourists and tourism enterprises contribute to support environmental reconstruction and conservation (Hillary et al. 2001). Similarly, recent tourism-oriented studies in Namibia on wildlife viewing and wildlife conservation (e.g. Barnes et al. 1997) revealed that, on average, tourists were willing to pay around N$100 each towards Namibia's Wildlife Conservation Fund. This could generate N$28.7 million annually towards the Fund.

5.15 Evaluation of existing tourism programmes and strategies

5.15.1 Analysis of tourism-related legislation, policies, projects and programmes

A number of tourism-related programmes and strategies were revealed for this study. In March 1991, Cabinet declared tourism a priority sector for economic development. Following this declaration, funds were secured from the European Union to conduct an in-depth tourism analysis, by means of which a tourism development plan and the White Paper on Tourism Policy were developed. Since then, the Tourism Act, 1995 has been promulgated for the conservation of protected areas.

Despite Cabinet's declaration of tourism as priority development sector, there have been no significant incentives to accelerate tourism growth and development as has been done with other sectors in the economy. Most of the tourism projects that have emerged have been foreign donor-funded. Through such funding, Namibia has witnessed a mushrooming of tourism-related projects, made up mostly of conservancies. Foreign donors also assisted in setting up tourism development plans, different research programmes such as the visitor exit and tourism industry surveys, and training of communities to manage their own resources for tourism. This was achieved through the Namibia Tourism Development Programme, a cooperative agreement between the Namibian Government and the European Union, and institutionalised in the Directorate of Tourism. The sustainability of these projects has been questioned with donor funding having ceased.

It is generally believed that Namibia's tourism industry is mostly nature-based. Therefore, the conservation of its natural beauty and biodiversity, the maintenance of high-quality tourism standards, and the supervision of tourism establishments are prioritised in the White Paper on Tourism Policy and the Constitution of the Republic of Namibia (GRN 1990). In this regard, the Ministry of Environment Tourism introduced legislation to establish the Namibia Tourism Board, which was tasked with ensuring high standards at all the tourism establishments countrywide were being maintained. The legislation concerned also paved the way for the management of state-owned tourism resorts to be transferred from the MET to a newly instituted parastatal, Namibia Wildlife Resorts, which would manage Namibia's resorts in accordance with international standards to ensure their profitability. However, this study found that standards at many tourism establishments had worsened; the same was true for standards and the profitability of resorts run by Namibia Wildlife Resorts. This points towards a need to redefine efforts geared towards realising the intended outputs.

In promoting a sustainable tourism industry, a number of tourism associations were established. The umbrella body, FENATA, which linked tourism businesses to the government, spearheaded these. Members of FENATA include –

- the Hospitality Association of Namibia, representing the interests of accommodation establishments
- the Namibian Professional Hunters Association, representing trophy-hunting farms (hunting is also undertaken under the close supervision of the MET through the Directorate of Parks and Natural Resource Management to avoid the over-exploitation of wild animals)
- the Association of Tour and Safari Operators
- the Association of Namibian Travel Agents
- the Car Rental Association of Namibia
- NACOBTA, the umbrella body for tourism development enterprises, and
- and the Namibian Tourist-related Business Association.

All these associations are accountable to FENATA, the Namibia Tourism Board and the Namibian Government, for providing high standards of ethics within their respective enterprises.

In addition, to ensure good customer care in the tourism industry, particularly the hospitality industry, the Hospitality Training Centre. Here, members of staff working at accommodation establishments and restaurants are trained. However, given the weaknesses revealed in earlier sections, the tourism sector has reached stagnation point in terms of ITAs and ITRs, which implies that these bodies have not been successful in enhancing the tourism industry.

Moreover, the interviewees associated with tourism establishments further observed that the aforementioned programmes, projects and policies were ineffective in promoting growth and development in the tourism sector. Although the measures established by the Namibia Tourism Board had reportedly revived hope that standards in the tourism industry would be maintained, establishments in small towns expressed their dissatisfaction that local communities were still not being adequately represented on an institutional level. This meant they could not participate equally in tourism development initiatives that could help them to generate income and alleviate poverty in their local communities.

In the key informants' opinion, it was generally felt that although government had declared tourism a priority, unlike fishing, agriculture and manufacturing, the tourism sector was not receiving sufficient attention in terms of resource allocation. For example, the White Paper on Tourism Policy remained unfinished ten years after its adoption. Some high-ranking officials in the sector attributed this to poor reporting as regards the impacts of tourism on national revenue and employment creation. This was mostly due to policymakers' failure to acknowledge the fact that tourism consumption cut across all sectors in the economy, and that proper analysis had been difficult – especially in developing countries, which are usually unable to fund advanced research. According to Suich (2001), tourism impact in the national accounts was underrepresented in that many tourism-related sectors were ignored or integrated into other economic sectors. This, it was felt, contributed to the complexities associated with accounting for tourism's share of the total consumption output.

As mentioned earlier, the Minister of Finance was adamant that, through PEMP, budget allocation to different sectors would be based on the empirical effect that a sector had on the nation's welfare and the achievement of *Namibia Vision 2030*. In addition, the Minister of Environment and Tourism had stated that the tourism sector might be disadvantaged in terms of budget allocation if credible tourism impacts on the economy remained obscure.

5.15.2 International and local tourism programmes

SADC, of which Namibia is a member, embarked upon a number of tourism initiatives that culminated in the formation of RETOSA in 1996. RETOSA's strategic headquarters are in South Africa, which is the major tourist destination and tourism gate for the entire SADC region. RETOSA aims to market the whole of southern African as a major tourist destination. In 1998, SADC member states ratified a Tourism Protocol. The Protocol aims to develop tourism within the SADC region, particularly facilitating tourist access into and out of the region. However, no organisation has formally been established to deal with regional conflicts, tourist safety, or airport theft of tourism goods.

In Namibia, a number of regional tourism development forums have been proposed to uplift tourism development and promote demand activities. One of the emphases is advertising in groups rather than individually. This may reduce the high costs associated with individual advertising. On the other hand, these forums also seek to play a significant intermediary role in promoting links amongst themselves, with the Namibian Government, and with FENATA.

5.15.3 Tourism regions in Namibia

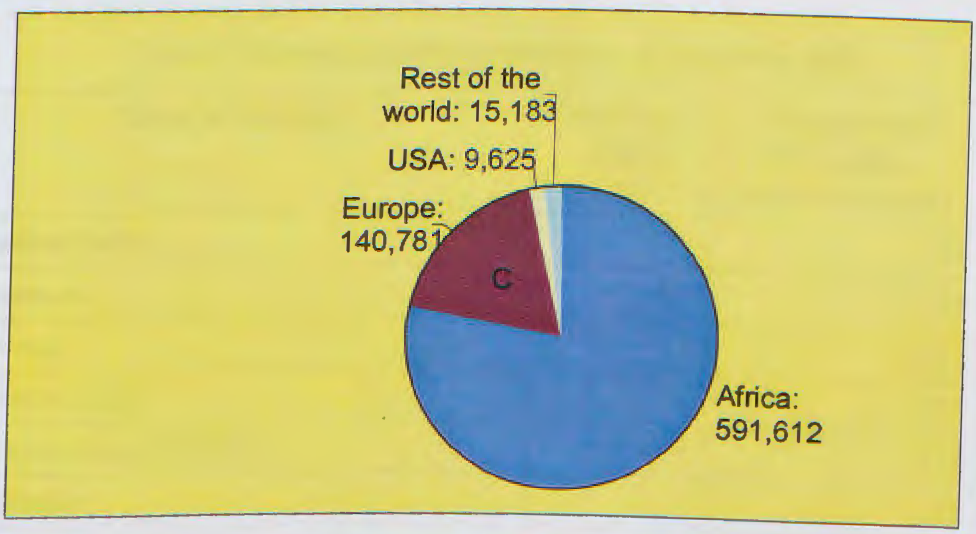
Efforts were made to subdivide the country into four tourism regions, namely Northern, Central, Western and Southern. However, marketing does not clearly delineate these regions. This caused confusion among tourists, who had to differentiate what each tourism region offered for them. For instance, since there is no "Eastern" region, the vast majority of establishments in the eastern parts of the country, e.g. in Gobabis, are marketed as part of the Central region, which mainly covers the Windhoek district. As a result, tourists that book for accommodation in the Central region find themselves travelling long distances to eastern parts of the country.

Chapter 6: Economic performance of the Namibian Tourism Industry

6.1 Introduction

Tourism generates much-needed revenue and jobs in the host economies. Foreign currency earned through tourism assists in reducing current account deficits and generates trade surplus. This chapter estimates the direct income and employment from tourism in Namibia. This analysis, which used international methods and techniques from the tourism satellite account and the national accounts to derive the figures revealed therein, covers only the 2002 period.

Figure 13: Total ITAs to Namibia, 2002



Source: DoT (2004a)

The total number of tourists who visited the country during 2002 was 757,201. The majority of these were from Africa, followed by European visitors. In respect of the African tourists, 36.8% were Angolans, while 32.8% were South Africans. Together, the two account for 69.6% of tourists from the continent. Although the proportion of overseas visitors seems relatively low in relation to visitors from the rest of Africa, overseas visitors spend more than their African counterparts.

6.2 Tourism income

Earlier estimations from visitors' exit surveys and national accounts data show that the tourism industry generated $324 million in 1991 and $1,179 million in 1996. No further visitor exit surveys were conducted to estimate associated impacts until 2002.

6.2.1 Expenditure by international tourists

The estimation of expenditure by international tourists used information such as the average length of stay and average daily expenditure per tourist per country of origin and purpose of visit. These averages were then multiplied by the number of visitors from each country to obtain their total expenditure. The actual average daily expenditure in 2002 amounted N$578.05.

Table 3: Foreign tourist expenditure in Namibia, 2002

Type of expense	Tourism share (%)	Expenditure (N$ million, current prices)
Accommodation	36	1,714
Restaurants	28	1,363
Car rental	7	312
Domestic travel	3	154
Tour operators and guides	4	178
Handicrafts	3	125
Recreational and cultural activities	6	274
Shopping and other unspecified expenditure	13	693
Total	**100**	**4,815**

Source: All figures calculated from visitors' exit surveys conducted in 2002

Tourism revenue in 2002 was 35% more than in 1996. The unavailability of comprehensive statistics on international tourism consumption between 1996 and 2002 makes it hard to obtain a clear explanation for this trend. However, a number of variables may assist in explaining these changes. These variables include the total number of tourists and nights spent in the country; their country of origin and the purpose of visit (e.g. overseas and business-class tourists spend more than continental tourists); inflation; exchange rate fluctuations; and changes in tourist incomes.

6.2.2 *Composition of foreign tourist expenditure*

The composition of expenditure by foreign tourists in Namibia has changed over time. Accommodation accounted for the single largest share of all the industries in 2002. Restaurants also claimed a very high share (28%) of expenditure – more than double the figures for 1991 and 1996. Items such as handicrafts, recreational and cultural activities, and shopping and other unspecified expenditure retained similar shares in 1996 and 2002.

6.2.3 *Estimated tourism revenue for 2002*

Table 4: Tourism revenue in Namibia, 2002[4]

Number of foreign visitors	757,201
Mean length of stay (days)	11
Mean daily expenditure per person	N$578.1
Total estimated expenditure by international tourists (N$ million)	N$4,815
Total estimated expenditure by domestic tourists (N$ million)	N$958
Total estimated share of expenditure by domestic tourists (%)	30
Total estimated tourism expenditure: International and domestic tourists (N$ million)	N$5,377
Tourism GDP at current prices (N$ billion)	N$30,364
Estimated contribution by tourism to GDP (%)	16

[4] All Namibia Dollar amounts are current prices. The figures were gleaned from the MET's visitor statistics for 2002, the Central Bureau of Statistics' (CBS 2004) *Namibian national accounts 1993–2003*, and the Bank of Namibia's *Annual report 2002* (BoN 2003). The figure for domestic tourism expenditure, obtained from Barnes et al. (1997), was multiplied by the national account estimates for 2002 to obtain gross domestic tourism revenue.

The tourism industry generated about N$5.4 billion for the Namibian economy. This estimate corresponds with the WTTC (2001) tourism demand forecast for the country in 2001, namely that tourism was expected to generate N$5.2 billion by economic activity and contribute 15.2% to GDP. This is further forecast to rise to about N$16 billion by 2011, given an average annual growth of 3.8%. Tourism, therefore, accounted for 16% of the total national output in 2002 at current prices. Apart from government expenditure's share of GDP, this puts the tourism industry second in terms of national output (see also Appendix 3 for the 2002 GDP figures).

6.3 Tourism employment

Employment is the most important economic variable that concerns policymakers. Unemployment in Namibia is over 30% and most of the unemployed are young people aged between 18 and 35, with primary to secondary education (MoL & NPC 2002). Tourism-related industries such as accommodation establishments and restaurants are labour-intensive (WTO et al. 2001) and can generate substantial jobs. Considering that Namibia is one of the top emerging tourist destinations in Africa, it is hoped that the increased demand for tourism-related enterprises could create new employment opportunities for Namibians.

6.3.1 Estimation of tourism jobs created by 2002

There are difficulties associated with accurately quantifying tourism-related employment. For example, the seasonality fluctuations and the absence of recruitment formalities (no contracts signed between employers and casual workers) are notable. A survey (MET 2000) of the tourism industry conducted in 2002 established the total number of jobs at the various tourism establishments. The estimation calculated the average number of jobs per type of enterprise, multiplied by the total number of establishments in the same category, e.g. hotels.

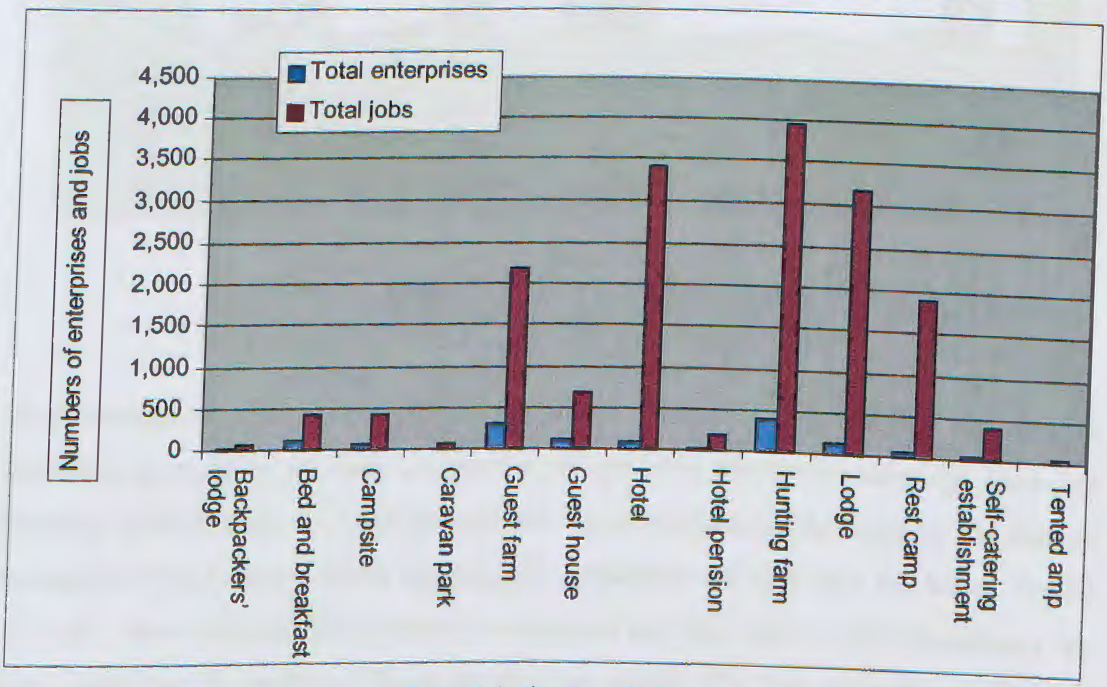
Table 5: Direct tourism jobs per type of tourism establishment

Category of tourism enterprise	**Total number of establishments countrywide**	**Average number of jobs**	**Total jobs estimated**
Backpackers' lodge	13	5	65
Bed and breakfast	108	4	432
Campsite	70	6	420
Caravan park	4	16	64
Guest farm	312	7	2,191
Guest house	112	6	672
Hotel	104	32	3,424
Hotel pension	18	11	198
Hunting farm	396	10	3,960
Lodge	145	22	3,190
Rest camp	68	28	1,904
Self-catering establishment	51	8	408
Tented camp	10	5	50
Total jobs by accommodation	1,411	160	16,978
Food and beverages	216	16	3,456
Car hire	83	7	581
Travel agencies, tour operators and guides	268	4	1,072
Cultural services	17	3	45
Recreation	122	7	854
Total jobs by non-accommodation categories	706	37	6,008
Total direct tourism jobs in 2002	**2,117**	**197**	**22,986**

Source: DoT (2004a, 2004b, 2004c); MoL & NPC (2002); WTTC (2001)

Tourism generated 22,986 direct jobs for the economy in 2002. This only represents 5.3% of total employment. Accommodation establishments and restaurants created about 74% of jobs. However, if the WTTC (2001) estimate on indirect tourism jobs is considered, tourism would account for about 10% of all jobs in Namibia. According to the WTTC (ibid.), the total number of jobs in the tourism sector is estimated at 46,827, representing 11.7% of total national employment figures and forecast to grow to 57,935 by 2011. From the total of 46,827 jobs, 23,568 represent direct employment in the industry. The latter figure is predicted to reach 28,221 jobs by 2011.

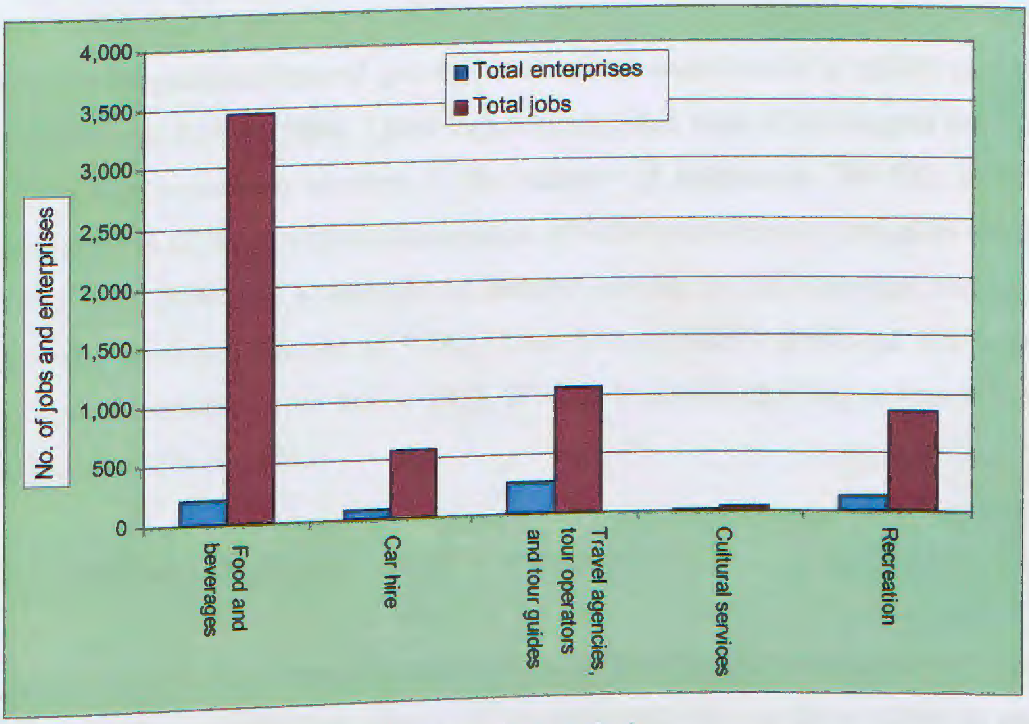
Figure 14: Direct tourism jobs per type of accommodation establishment



Source: Author's analysis

Large numbers of tourism establishments create large numbers of job opportunities. Thus, the many accommodation establishments such as hunting farms, hotels, lodges, rest camps and guest farms that exist in the country have created many jobs to date.

Figure 15: Direct tourism jobs in non-accommodation establishments



Source: Author's analysis

Accommodation and food and beverages are pillars of the tourism industry in Namibia, accounting for 89% of tourism-related jobs. However, although food and beverage establishments complement their accommodation counterparts, the former category of the tourism sector has actually created more jobs than the latter. Travel agencies, tour operators and guides, recreational services and car hire businesses are also significant in creating jobs in the tourism sector. The few cultural activities on offer translated into low employment creation in that sector. The promotion of cultural tourism services could generate more tourism revenue and jobs: respondents indicated that cultural tourism was ignored, despite its enormous potential to generate income and employment opportunities.

Chapter 7: Conclusion and recommendations

7.1 Conclusion

Accommodation, food and beverages form the backbone of the tourism industry in Namibia. About 90% of tourism income and 60% of jobs directly created by the tourism sector are generated from these industries. However, tourists have reported dissatisfaction about these services, particularly in pricing and standards. Namibia lost 5.2% and 8.2% of the market share of German and South African tourists, respectively, between 2002 and 2003. The country also experienced an 8% decrease in the number of ITAs, from 757,201 in 2002 to 695,221 in 2003. As a result, revenue earned by enterprises reportedly decreased to 10%. Furthermore, the average number of nights spent in the country went down from 12 in 1996 to 11 in 2002. Low occupancy rates at accommodation establishments were also being reported. In addition, the income from tourism enterprises shrank between 1996 and 2002. These figures testify to a shock to the tourism sector, causing recommendations to be made for proper mechanisms to eradicate constraints to its development.

Namibia has four major tourist attractions:

- its national parks
- the capital, Windhoek
- the coast, i.e. Swakopmund and Walvis Bay, and
- the Caprivi Region, before the conflicts.

Tourists' willingness to visit a particular place over a given period of time is determined by the type and magnitude of items of interest in that place. Limited items of interest to tourists in small towns are critical to the profitability of many tourism establishments there. The promotion of tourism activities in such areas is necessary, therefore, in order to increase tourism demand.

The survival of many tourism establishments depends on tourist flows to and from Namibia's resorts. Despite this, the standards of service at tourism establishments, particularly small enterprises in low-demand areas, and the resorts run by Namibia Wildlife Resorts were described as deteriorating. Tourists were also reported to be increasingly dissatisfied with the service standards and pricing on accommodation and catering services. Tourists were unfamiliar with the standard grading system, which would enable them to make rational choices as regards services and quality. Invoices at tourism establishments also did not make a distinction between the actual cost of services and travel agents' commission. As a result, tourists were left with a poor image of such enterprises and, by implication, the country as a whole. This state of affairs impacts severely on the entire tourism industry.

Namibia is fast becoming an unaffordable tourist destination. Prices were believed to be too high in comparison with the services rendered. The grading system was also not well implemented, and methods of monitoring and evaluation were not applied effectively. As a result, tourists were spending fewer nights in Namibia.

Furthermore, crime is eroding Namibia's competitiveness as a tourist destination. The Namibian Police and the media reported an escalation in fatal tourist- and non-tourist-related crime. This sent negative shockwaves into the global community, especially to the country's prime tourism markets such as Germany, the United Kingdom, and other European countries. Street children also disturbed tourists' during their stays because they exhibited similar criminal behaviour. Moreover, tourists travelling by air to Namibia reported losing valuable property from their luggage at airports. Consequently, the tourists affected stay for fewer nights, probably spent less than they had planned, limited their willingness to revisit the country, and reduced the likelihood of their marketing Namibia positively back home or in their onward destinations.

Tour operators and travel agents necessitate the existence of most tourism enterprises through organised trips. To some extent, these operators and agents facilitate the marketing of various tourism establishments in Namibia. However, some of the respondents interviewed believed the role of travel agencies was non-transparent and exploitative.

Seasonality characterises tourism activities in Namibia, as elsewhere. International and domestic tourists were recorded to share a low season in the first three months of the year. Several factors attributed to this status quo; among them were slippery gravel roads in national parks and elsewhere in the country, including as a result of rain, and diseases associated with the rainy season such as malaria – the latter mostly applying to international tourists. This scenario also adequately depicts low tourist seasons across Africa.

Moreover, factors such as exchange rate fluctuations and conflicts – e.g. attempts at secession and land issues – were equally significant in diverting tourists from choosing Namibia as a destination. Thus, the preservation of peace and macroeconomic stability were fundamental to the prosperity of the tourism industry. The fixed exchange rate between the Namibia Dollar and the South African Rand also bore economic benefit for Namibia. Since the majority of international tourists to Namibia were South Africans, fluctuations in the exchange rate such as the appreciation of the Rand did not affect them. Namibia, therefore, benefits from this economic arrangement through tourism. Conversely, a deviation from this course would pose a major threat to the growth and development of the tourism industry in Namibia.

The capital allocation by commercial banks reportedly hampered tourism enterprise development in previously neglected areas. Areas that had not been formally declared as towns were discriminated against in respect of business loans. Many of these areas were rural, where about 70% of the total population live. This reduces the effectiveness of efforts to encourage community participation in the tourism industry, hampers the promotion of rural economic development, and aggravates the prevailing inequities in the distribution of tourism benefits.

The closure of Buitepos from dusk to dawn raised tourist discontent and reduced revenue for enterprises adjacent to the Trans-Kalahari Highway. As a result, tourists travelling along the Highway to Namibia slept in their vehicles to wait for the border post to open in the morning. This state of affairs not only detracted from the country's tourism benefits and its positive image as a tourist destination, it could also divert tourists away from Namibia. Consequently, tourism enterprises along the Highway were unable to capture potential revenue from these visitors.

The respondents felt that the country still had many untapped tourism development opportunities. Apart from viewing wild animals, cultural tourism was to be encouraged: Namibia's many diverse cultures and traditions could be showcased as sustainable tourism activities. These would, in turn, sustain local communities in terms of income and job creation. Small towns with few tourism activities were best suited to exploit the opportunities provided by cultural tourism. The south-eastern parts of the country, for example, where few tourist-related activities were on offer, could benefit from this type of tourism. Furthermore, the establishment of a new national park there required tourism to be promoted.

It was also found that tourism investment in Namibia was mostly under foreign control. Substantial revenues were not reinvested back into the economy but leaked out. In this regard, the tourism industry could generate a balance of payment problem or lead to a trade deficit.

7.2 Recommendations

The current constraints in the tourism industry symbolise institutional or policy failures. It is high time that the status quo changed and the tourism industry enhanced through sound policy action in order to maximise tourism benefits. Public–private sector partnership should lead the way on this course.

Hence, this study has established a series of policy recommendations in line with the sustainable tourism development framework to cope with the current challenges facing the tourism industry.

7.2.1 Interim arrangements

The decrease in ITAs between 2002 and 2003 is a warning sign to the tourism industry: it stands to lose considerably if German and South African tourists decline at the same time. The recommendation here, therefore, is for interim arrangements to be made to bring together tourism establishments, especially as regards accommodation and restaurants, to find an amicable solution to set service and pricing standards among the tourism establishments, and to develop strict controls to implement such policy measures.

7.2.2 Increasing tourism demand: Effective standards and pricing

Tourism competitiveness depends on the quality of tourism goods and services (Hassan 2000). Given the observed high pricing and low standards at tourism enterprises, the country should reassess its competitive advantage in different tourism activities, services, and infrastructures, in order to devise new pricing strategies and develop systems for measuring and monitoring quality standards. Value for money should be upheld for tourists at all times. The deterioration of standards in national parks is a shock not only to Namibia Wildlife Resorts, but the entire tourism economy, given the revelation that many tourism enterprises depend on tourist flows to and from these parks. The time is ripe for the Namibia Tourism Board – being entrusted to raise and maintain tourism standards and ethics at all tourism businesses – to take the first bold steps on its new path by setting acceptable standards for each category of tourism enterprise.

Moreover, the role of travel agents needs closer monitoring in respect of the commissions they charge. Their system needs more transparency and accountability.

That is, receipts at tourism establishments should differentiate clearly between the actual cost of goods and services consumed and the travel agent's commission.

7.2.3 Marketing the country as a tourist destination

Respondents associated with enterprises felt that Namibia was not well marketed, both domestically and internationally. The recommendation in this respect, therefore, is for the World Tourism Organization to liaise with facilitative organisations such as RETOSA and tourism association umbrella bodies in organising frequent worldwide tourism expositions where countries participate in marketing themselves as tourist destinations. All Namibians, especially the middle- and high-income groups, should be well informed of the tourism activities the country offers.

Furthermore, many tourism avenues remain to be explored. In this regard it is recommended that integrated research into potential historical and cultural tourism be conducted in order to uncover new items of interest to tourists, which would enable tourist activities and benefits to be distributed more evenly across the country. NACOBTA would be very relevant in such an initiative.

7.2.4 Adapting tourism demand to internal and external shocks

Namibia needs to maintain its fixed exchange rate with South Africa. Many overseas tourists visiting Namibia via South Africa also find it easy to conduct transactions in the two countries because of this since it reduces currency-handling costs. Deviation from this bilateral arrangement, e.g. if the Rand were to depreciate against the Namibia Dollar, would result in reduced ITAs from South Africa and severe job and income losses. Promotional discounts should be implemented when the Namibia Dollar appreciates against major currencies to encourage steady tourist inflows.

7.2.5 Tourism infrastructure, potential investment and internal affairs

Good roads redistribute tourism wealth by allowing tourists enhanced access to more places. Namibia's gravel road network is much more extensive than its tarred equivalent. This reduces travel during rainy seasons because the loose gravel becomes dangerous. It is recommended, therefore, that these roads should be made easy and safe for tourists to use, e.g. by tarring them. New roads would encourage new tourism establishments along them, which add value to the economy and create much-needed employment for local communities. This not only facilitates the movement of tourists, but also intra-regional commercial trade.

Furthermore, Namibia needs to decentralise its airport facilities. Catering for ITAs requires airports at major tourist destinations such as Katima Mulilo, Ondangwa and Swakopmund to be upgraded. Upgrading these facilities would also promote new business developments such as car hire enterprises, craft selling points, and the like.

Discriminatory practices on the part of commercial banks as regards capital allocation to new businesses in the rural areas need to be reviewed. For example, the viability of a business – and not whether a town has been proclaimed where the business is to operate – should determine capital allocation decisions. Moreover, the proclamation policy of the Ministry of Regional and Local Government and Housing should be reviewed in terms of clauses that might be triggering reluctance by banks to fund operations in unproclaimed areas. Public–private partnership platforms should also be established to solicit funds for viable community-based tourism projects.

Another recommendation is for the Ministry of Home affairs to review its hours of operation at the Buitepos border post to allow tourist mobility on a 24-hour basis, as is the case at other border posts in the country.

Moreover, leakages through tourism investments need to be minimised. Considering tourism is one of the principal foreign currency earners in Namibia, it will be economically disastrous if such leakages were allowed to continue. It is recommended, therefore, that a policy be drawn up to enforce revenue generated by the industry to be partially reinvested into the host economy. The Bank of Namibia and commercial banks should be empowered to support this cause. Alternatively, a comprehensive investment empowerment policy could be instituted to allow Namibians equity participation in foreign-owned tourism businesses.

7.2.6 Environmental conservation, security and political stability

Even well-protected environmental assets will eventually be destroyed if their tourism carrying capacity is exceeded or if mitigating measures are not taken. Namibia, therefore, needs to establish an environment protection fund to support efforts to maintain and protect important natural assets and items of interest to tourists. This could be done through additional site entry fees, and should be informed by thorough research on tourist surpluses.

Furthermore, citizens should be informed about showing friendliness to tourists. The nation should be educated on the importance of tourism on national development. Stiffer punishments should be imposed to those committing crimes against tourists, which should then increase the security of visitors to the country. Local authority police forces should be established countrywide to complement the Namibian Police. This would enhance the country's security operations both regionally and nationally. Meanwhile, impeding factors such as life-threatening diseases like malaria and HIV/AIDS[5] need to be mitigated at national, southern African and continental level to restore visitor confidence.

It is also recommended that effective security systems be introduced at all airports in Namibia and across Africa in order to eradicate luggage theft by ground staff.

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[5] human immunodeficiency virus/acquired immune deficiency syndrome

Namibia also needs to promote domestic tourism more forcefully. The Namibia Tourism Board and partners in the tourism industry should combine their efforts to introduce effective promotion strategies. This could bridge the gap associated with international tourism seasonality.

7.2.7 Areas for further research in the Namibian tourism industry

New quantitative information on domestic tourism demand is required to estimate the different impacts from international tourism consumption. The authorities concerned, the MET, the National Planning Commission and other economic agents should take up the challenge to obtain better information and reporting in the tourism sector. The study also recommends, therefore, that a countrywide survey be conducted to interview tourists on major discomforts they have experienced during their trips in the country. Such information should be prioritised in terms of guiding the formulation and implementation of strategic and sustainable tourism growth programmes and projects. Namibia should also undertake an economic survey to estimate leakages associated with the tourism industry, i.e. the tourism balance of payment and current account balances. In addition, the sector requires constant research to monitor and evaluate its performance and the constraints it faces.

The following figure summarises the findings of an analysis of the observed strengths, weaknesses, opportunities and threats (SWOT) that obtain in the Namibian tourism industry:

7.3 SWOT Analysis of the Namibian tourism industry

Figure 16: shows the SWOT analysis of the Namibian tourism industry

Observed strengths	Observed weaknesses
Diverse cultures and history (German and United Kingdom markets)	Limited tourism activities in some parts of the country
Uniqueness of the environment (dunes and wildlife)	Harsh climate
Increasing number of tourism establishments (especially community-based tourism enterprises)	Insufficient tarred road network across identified tourism regions
Relatively high contribution to the state's wealth	Revenue leakages through imports and foreign investment
Moderate employment creation	Locals not tourist-oriented
Five neighbouring countries, and not land-locked	Highly seasonal tourism activities
Trans-Kalahari Highway facilitates tourist flows amongst Botswana, Namibia and South Africa	Centralised international airports
Namibia Dollar pegged to the South African Rand, which means constant exchange rates	Unexplored avenues of tourism
	Insufficient marketing
	Restrictive capital allocation policies in financial markets
	Weak public–private cooperation in tourism development
	Limited training in hospitality

Observed opportunities	Observed threats
Cultural tourism adventures	Becoming unsafe (crime and news associated with land reform)
Sport tourism	Limited upgrading of services at small tourism establishments
Promotion of domestic tourism	International terrorism activities and widespread infectious diseases such as SARS
Cost-effective road networks linking the various named tourism regions	Appreciation in the Namibia Dollar's exchange rate
Rural infrastructure development (enabling communities to participate in tourism-related activities)	Increase in the price of tourism goods and services
Product and market diversification to reduce consequences associated with seasonality	Diseases such as malaria during summer and HIV/AIDS
New discoveries of historical sites (prehistoric rock art and other indigenous traditions) leading to the establishment of cultural tourism activities	Decreasing number of ITAs
	Declining satisfaction expressed by visitors associated with a decrease in the quality of services and level of standards
	Competition from neighbouring countries

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Appendix 1

Part 1: Enterprise questionnaire

Questionnaire

I, Peter Muteyauli, from the Environmental Economic Unit of the Directorate of Environmental Affairs in the Ministry of Environment and Tourism, am hereby conducting a survey among tourism establishments to determine whether there are constraints hampering the operations of your enterprise since independence (in 1990). As one of the direct tourism operators, you are humbly requested to support this vital project in supplying reliable information. Your participation will be of great importance to the tourism sector in Namibia and to your enterprise in particular.

Your answers will be kept strictly confidential and will not be used for any other purposes. Should you have any queries, please don't hesitate to conduct the principal researcher.

Your cooperation will be highly appreciated

Name of establishment	
Type of establishment	
Number of years in operation	
Tourism region	
Name of the interviewee	
Position	
Postal address	
Phone No.	
Town or city	
E-mail address	

1. Programmes, policies and strategies to promote tourism growth

1.1 How do you rate the role of the tourism industry in employment and income generation?

High	1
Medium	2
Low	3

1.2 What are the strategies or programmes implemented to help the growth and development of tourism businesses?

Public sector programmes and strategies

___

___

___

___

Private sector programmes and strategies

___

___

___

___

1.3 How do you rate the turnover of your enterprise?

High	1
Medium	2
Low	3

1.4 What are the weaknesses and strengths of your establishment?

Weaknesses

___

___

___

Strengths

___

___

1.5 What have you done to improve the revenue and operation of your enterprises?

____

____

____

2. Constraints within implemented programmes

2.1 In each of the following settings, what do you think would be the factors affecting revenue maximisation and effective delivery of better-quality services in your enterprise?

Local

____

____

____

National

____

____

____

International

____

____

____

2.2 When is your revenue likely to decrease and why?

When?

____

Why?

____

____

____

2.3 Were there times when your revenue increased? If so, when and why?

When?

____

Why?

____

____

____

2.4 How do you rank the visits of domestic tourists to international tourists in the following months?

Month	International tourists (%)	Domestic tourists (%)	Total (%)
January			
February			
March			
April			
May			
June			
July			
August			
September			
October			
November			
December			

2.5 What facilities/infrastructures are needed to stimulate turnover and effective delivery of services at your enterprise?

____

____

____

____

____

____

3. Policy recommendations

3.1 What do you think the government should do to ease the turnover and operation of your business?

____

____

____

3.2 What do you think the private sector should do to ease the turnover and operation of your business?

____

____

____

3.3 What do you think your counterparts in the tourism industry should do to ease the turnover and operation of your business?

____

____

____

3.4 What do you think international partners in the tourism industry should do to ease the turnover and operation of the tourism sector in Namibia?

____

____

____

3.5 What is your major observation concerning the growth of the tourism industry in Namibia and what solution do you propose?

Major observation

____

____

____

Proposed solution

____

____

____

____

4. Linkages with other industries within and outside the economy

4.1 In the table below, please list different goods and services that your company purchases, hires or contracts. Give the location where the purchases are being made. Please specify the location, e.g. name of the town or country.

Type of goods or services	Source of supply (Name of business, region or country)

4.2 Indicate in the table below different tourism enterprises that you form a relationship with in delivering goods and services to tourists, e.g. banks, tour operators or travel agents.

Name of enterprise	Location (Country, region)	Type of relationship

Appendix 2

Part 2: Key informant questionnaire

Non-structured interview (key Informants)[6]

1. How do you perceive the role of the tourism industry in employment and income generation?

2. What are the public and private sector programmes or strategies in place to improve the performance of the tourism industry in Namibia and how effective are they?

   Public sector programmes or strategies

   Private sector programmes or strategies

3. What are the intergovernmental tourism agreements or programmes implemented and what are their effects on Namibia's tourism industry?

[6] These questions were subject to probing and did not necessarily follow the sequence given here.

4. How might the following aspects be affecting tourism growth in Namibia and what could be the possible solution?

Capital

____

Investment

Economic factors (e.g. the exchange rate)

Infrastructure development

Technology (bookings/reservation of rooms, air tickets)

Political stability

Cultural factors

Attitudes (of workers and the population at large)

Climate

Land tenure

Labour

5. How, do you think, does the absence of a tourism policy affect tourism development in Namibia?

6. What do you think has delayed the implementation of Namibia's tourism policy?

7. What reforms are required to promote tourism growth and generate substantial tourism wealth?

8. Any other information you may wish to add?

Appendix 3

Bank of Namibia GDP estimates for 2002

Figure 1: Real GDP growth forecast

Real GDP Growth forecast

	1998	1999	2000	2001*	2002	2003
Agriculture and forestry	-1.8%	11.1%	4.4%	-11.4%	-3.0%	-5.8%
- Commercial	-5.8%	1.4%	30.9%	-10.5%	-3.0%	-5.0%
- Subsistence	3.2%	22.4%	-21.2%	-12.8%	-3.0%	-7.0%
Fishing	21.9%	-1.4%	2.9%	-7.7%	-4.8%	-2.0%
Mining and quarrying	-2.6%	8.4%	-1.7%	-6.1%	7.9%	27.6%
- Diamond mining	1.3%	14.5%	-6.7%	-5.2%	5.1%	4.5%
- Other mining and quarrying	-10.8%	-6.5%	13.2%	-8.2%	14.9%	81.6%
Total Primary Industries	2.2%	7.2%	1.4%	-8.4%	1.3%	10.4%
Manufacturing	8.9%	-3.7%	3.6%	6.1%	6.2%	3.8%
-Meat processing	8.0%	12.6%	-9.0%	5.0%	5.8%	5.6%
-Fish processing	35.7%	-21.1%	-14.6%	-15.4%	-4.7%	-2.1%
-Other food products and beverages	10.9%	4.7%	2.0%	4.4%	3.0%	4.0%
- Other Manufacturing	-10.0%	-7.5%	25.0%	20.4%	15.0%	5.0%
Electricity, Gas and water	4.3%	20.2%	11.6%	3.3%	2.5%	3.5%
Construction	15.3%	-13.9%	-4.4%	49.4%	5.5%	3.1%
Total Secondary Industries	9.6%	-3.2%	3.3%	12.5%	5.6%	3.6%
Wholesale and retail trade, repairs	7.1%	3.3%	5.2%	1.9%	3.5%	3.8%
Hotels and restaurants	11.9%	-11.7%	7.2%	9.3%	2.5%	3.5%
Transport and communication	-10.3%	13.3%	6.3%	3.9%	4.6%	4.7%
- Transport and storage	-20.8%	18.4%	2.5%	3.1%	5.0%	5.2%
- Post and telecommunications	14.0%	5.0%	13.3%	5.3%	3.9%	3.8%
Financial intermediation	6.5%	2.4%	6.1%	1.8%	3.2%	3.0%
Real estate and business services	2.4%	3.7%	1.6%	1.8%	3.4%	3.2%
Owner-occupied dwellings	2.5%	2.5%	2.5%	2.4%	2.5%	2.5%
Other real estate and business services	2.2%	4.9%	0.5%	1.0%	4.2%	3.8%
Community, social and personal services	0.0%	0.3%	9.0%	-0.3%	2.6%	2.8%
Producers of government services	2.7%	3.3%	2.4%	1.8%	2.2%	2.8%
Other producers	2.0%	2.0%	2.1%	1.9%	2.0%	2.0%
Total Tertiary industries	2.1%	3.8%	3.7%	2.3%	3.0%	3.3%
Less: Financial services indirectly measured	5.1%	5.5%	-0.7%	6.0%	2.0%	2.9%
GDP at Basic prices	3.6%	3.2%	3.2%	1.7%	3.2%	4.7%
Taxes less subsidies on products	2.0%	4.9%	1.3%	1.3%	1.5%	3.5%
GDP at market prices	3.3%	3.4%	2.9%	1.6%	3.0%	4.5%

Figure 2: GDP – Constant 1995 prices

Gross Domestic Product--Constant 1995 Prices

	1998	1999	2000	2001	2002	2003
Agriculture and forestry	909	1,009	1,053	933	905	853
- Commercial	489	495	648	580	563	534
- Subsistence	420	514	405	353	342	318
Fishing	567	559	575	531	506	495
Mining and quarrying	1,117	1,211	1,190	1,118	1,206	1,539
- Diamond mining	793	908	847	803	844	882
- Other mining and quarrying	324	303	343	315	362	658
Total Primary Industries	2,593	2,779	2,818	2,582	2,617	2,888
Manufacturing	1,574	1,515	1,570	1,665	1,768	1,835
-Meat processing	99	111	101	106	112	118
-Fish processing	356	281	240	203	193	189
Food products and beverages	725	759	774	808	832	866
- Other Manufacturing	394	364	455	548	630	662
Electricity and water	223	268	299	309	317	328
Construction	423	364	348	520	549	566
Total Secondary Industries	2,220	2,147	2,217	2,494	2,633	2,728
Wholesale and retail trade, repairs	1336	1380	1452	1,480	1,532	1,590
Hotels and restaurants	285	251	269	294	301	312
Transport and communication	862	978	1,040	1,081	1,130	1,183
- Transport and storage	533	631	647	667	700	737
- Post and telecommunications	329	347	393	414	430	446
Financial intermediation	450	461	489	498	514	529
Real estate and business services	1,272	1,319	1,339	1,363	1,408	1,452
Owner-occupied dwellings	660	677	694	711	729	747
Other real estate and business services	612	642	645	652	679	705
Community, social and personal services	122	122	133	133	136	140
Producers of government services	3059	3160	3235	3,293	3,365	3,459
Other producers	281	286	292	298	303	310
Total Tertiary industries	7,667	7,957	8,249	8,438	8,690	8,975
Less: Financial services indirectly measured	144	152	151	160	163	168
GDP at Basic prices	12,336	12,731	13,133	13,354	13,776	14,423
Taxes less subsidies on products	1779	1866	1890	1,915	1,944	2,011
GDP at market prices	14,115	14,597	15,023	15,269	15,720	16,435

Source: BoN (2002)

Figure 3: GDP by activity – Current prices

Gross Domestic Product by activity --Current prices

Activities	1998	1999	2000	2001	2002	2003
Agriculture and forestry	**906**	**1,101**	**1,293**	**1,263**	**1,354**	**1,397**
- Commercial	459	532	792	780.0	836.0	869.7
- Subsistence	447	569	501	483.0	517.7	527.2
Fishing and fish processing on board	**933**	**971**	**1044**	**1,148.0**	1,207.7	1,295.9
Mining and quarrying	**1,835**	**1,950**	**2,441**	**3,459**	**4,067**	**5,131**
- Diamond mining	1358	1697	1934	3,012.0	3,499.1	4,002.1
- Other mining and quarrying	477	253	507	447.0	567.7	1,129.0
Total Primary Industries	**3,674**	**4,022**	**4,778**	**5,870**	**6,628**	**7,824**
Manufacturing	**2,041**	**2,074**	**2,370**	**2,439**	**2,855**	**3,243**
-Meat processing	131	139	121	139.0	162.5	187.9
-Fish processing on shore	543	451	547	317.0	333.8	357.9
-Other food products and beverages	912	1014	1090	1,215.0	1,382.9	1,574.8
- Other Manufacturing	455	470	612	768.0	975.9	1,122.1
Electricity and water	**451**	**541**	**605**	**662.0**	738.5	836.9
Construction	**528**	**483**	**481**	**772.0**	900.0	1,016.0
Total Secondary Industries	**3,020**	**3,098**	**3,456**	**3,863**	**4,494**	**5,096**
Wholesale and retail trade, repairs	**1727**	**1857**	**2058**	**2,285.0**	2,613.3	2,970.3
Hotels and restaurants	**359**	**344**	**403**	**481.0**	544.8	617.4
Transport and communication	**1,111**	**1,238**	**1,409**	**1,563**	**1,807**	**2,072**
- Transport and storage	698	787	871	1,024.0	1,188.1	1,368.6
- Post and telecommunications	413	451	538	539.0	618.8	703.4
Financial intermediation	**641**	**739**	**833**	**979.0**	1,116.1	1,259.3
Real estate and business services	**1,798**	**2,023**	**2,235**	**2,453**	**2,800**	**3,162**
Owner-occupied dwellings	956	1070	1194	1,317.0	1,491.7	1,674.2
Other real estate and business services	841	953	1041	1,136.0	1,308.1	1,487.3
Community, social and personal services	**155**	**171**	**201**	**219.0**	248.3	279.5
Producers of government services	**4129**	**4617**	**5064**	**5,671.0**	6,404.3	7,209.1
Other producers	**354**	**392**	**437**	**486.0**	547.8	611.8
Total Tertiary industries	**10,274**	**11,381**	**12,640**	**14,137**	**16,081**	**18,181**
Less: Financial services indirectly measured	216	259	273	339.0	382.1	430.4
GDP at Basic prices	**16,752**	**18,242**	**20,601**	**23,531**	**26,821**	**30,670**
Taxes less subsidies on products	2037	2453	2665	3,159.0	3,543.1	4,014.9
GDP at market prices	**18,789**	**20,695**	**23,266**	**26,690**	**30,364**	**34,685**

Source: BoN (2002)