

Executive Summary

Namibia is known for its vast open spaces, abundant wildlife, and rich cultural diversity. The country's low population density of 2.8 persons per square kilometre and good environmental management practices have resulted in the preservation of scenery and increased wildlife populations. The tourism sector in Namibia has enjoyed steady growth since the country's independence and has been regarded as the third largest contributor to the country's Gross Domestic Product. The country's commitment to conservation has also contributed to the growth of its tourism industry, which is one of the most competitive in the world. Namibia is ranked 10th in Africa and 88th in the world by the World Economic Forum Travel and Tourism Development Index 2021 (TTDI). The TTDI benchmarks and measures the set of factors and policies that enable the sustainable and resilient development of the Travel and Tourism sector.

The Namibian tourism sector is characterised by a number of players ranging from regulators to industry associations, from tour guide operators to travel agencies, as well as hospitality establishments of various types and catering to the different needs of tourists. The full spectrum of accommodation providers in this industry includes hotels, guest houses, guest farms, lodges, rest camps, pension hotels, backpackers and bed & breakfast establishments. All of these operate in a volatile environment, with significant swings occurring in both supply and demand. Tourism customers consist of both business and recreational travellers from domestic and foreign markets, mainly from Africa and Europe.

The tourism sector was not spared from the negative impacts of the COVID-19 that affected global economies. The loss of income and jobs, and closure of businesses, among others, still reverberates through the sector. However, there's a glimmer of hope as evidenced by the strong growth (98.1 percent) in the number of tourist arrivals from 2021 to 2022. In 2022, the top ten markets for tourists were South Africa, Angola, Germany, Zambia, Botswana, France, UK, United States of America, Italy and Switzerland.

Namibia's tourism industry offers unique attractions and heritage sites, but its potential remains largely untapped. Given the country's low population, there is still a lot of pristine land with ample opportunity for investment. The industry is, therefore, expected to expand substantially in the coming years and offers real value for investments.

Investment opportunities exist across nine (9) areas, namely;

- Wildlife tourism
- Trophy hunting tourism for wildlife management
- Coastal tourism
- Community-based tourism
- Cruise tourism
- Circuit development/route development model
- Meetings, incentives, conferences and events tourism (MICE)
- Medical and retail tourism.
- Cultural Tourism

Opportunities can also be found within film tourism, sport and adventure tourism (hiking, camping and wildlife safaris), as well as in cultural tourism. Potential investors are, therefore, encouraged to do detailed research into these value chains in order to identify bankable opportunities.

Overview of the Sector

Namibia's major tourist attractions are its landscape and scenery, wildlife and cultural diversity. The country offers an immersive and unforgettable travel experience. Conservation efforts are a cornerstone of the Namibian tourism industry. Namibia was the first African country to incorporate into its national constitution the protection of the environment. Today, over 46.8% of Namibia's surface area is under conservation management, this includes national parks and reserves, communal and commercial conservancies, community forests, and private nature reserves. The country has 86 registered communal conservancies. Moreover, Namibia boasts one of the best road infrastructure networks in Africa, which makes it a fun destination for self-drive tours. Most importantly, the country enjoys peace and political stability, as well as a relatively low level of crime. This combination of factors create a safe environment in which travellers can relax and indulge in adventure.

Namibia is ranked 10th in Africa and 88th in the world, by the World Economic Forum Travel and Tourism Development Index 2021 (TTDI). The TTDI benchmarks and measures the set of factors and policies that enable the sustainable and resilient development of the Travel and Tourism sector. Therefore, this ranking places the country amongst the world's most sustainable and most resilient economies in terms of travel and tourism. The National Tourism Investment Profile & Promotion Strategy 2016–2026 envisions a growing, vigorous and dynamic sector that brings social and economic benefits to all Namibians, placing emphasis on the generation of jobs and incomes.

According to the Tourist Statistical Report 2022, Namibia welcomed a total of 527,610 inbound tourists, mainly from Africa and Europe. While this is still low relative to the average of over 1.5 million tourists arrivals recorded over the four-year period which preceded the onset of COVID-19 (2016 to 2019), it is a welcomed sign of recovery in a sector. The hotels and restaurants subsector contributed an average of 1.75 percent to the country's GDP during the period 2015 to 2022.

The Namibian tourism industry is characterised by a number of players ranging from regulators to industry associations, car rental companies, from tour operator companies to travel agencies as well as hospitality establishments of various types and catering to the different needs of tourists. The sector is dominated by small and medium-sized tour operators, guest houses and bed and breakfasts. The full spectrum of accommodation providers in this industry includes hotels, guest houses, guest farms, lodges, rest camps, pension hotels, backpackers and bed & breakfast establishments. The market in Namibia is typically a business-to-business market, with most tourists booking their holiday through an outbound international operator who in turn relies on inbound operators or destination management companies to be their "eyes and ears" at the destination. The operators tend to sell package tours instead of individual products and therefore have a strong influence on where, how much and for how long tourists spend in Namibia.

Policy Environment

The tourism sector in Namibia is guided by a number of laws, policies and strategy documents. Most of them are under the custodianship of the Ministry of Environment, Forestry and Tourism (MEFT) and the rest fall under different government Offices, Ministries and Agencies (OMAs). Table 1 provides a list of some of the most relevant laws and policies.

Table 1: Legislation and Policy Documents

Legislation / Policy	Responsible OMA
<i>Nature Conservation Ordinance (1975) as amended by the Nature Conservation Act of 1996 Game Products Trust Fund Act (1997):</i>	Ministry of Environment, Forestry and Tourism (MEFT)
<i>Environmental Investment Funds Act (2001);</i>	MEFT and Environmental investment Fund
<i>Namibia Tourism Board Act (2000)</i>	MEFT and Namibia Tourism Board
<i>Lotteries Act (2002) as amended in 2010;</i>	MEFT
<i>The Namibia Wildlife Resorts Act (1998);</i>	MEFT and Namibia Wildlife Resorts
<i>Environmental Management Act (2007);</i>	MEFT
<i>The Casino and Gambling Houses Act of 1994 as amended;</i>	MEFT
<i>Immigration Control Act;</i>	Ministry of Home Affairs, Immigration, Safety and Security (MHISS)
<i>National Tourism Policy (2008);</i>	MEFT
<i>Statistics Act 9 (2011);</i>	National Planning Commission (NPC) and Namibia Statistics Agency
<i>Protected areas and Wildlife Management Bill (pending);</i>	MEFT
<i>Departure from Namibia Act of 1993;</i>	MHISS
<i>Foreign Investment Act (1993);</i>	Ministry of Industrialisation and Trade (MIT) and Namibia Investment Promotion and Development Board
<i>National CBNRM Policy 2013;</i>	MEFT
<i>National Policy on Protected areas ' Neighbours and Residing Communities 2013;</i>	MEFT
<i>Policy on Tourism and Wildlife Concessions on State Land (2007);</i>	MEFT
<i>Companies Act 1973 (as revised in 2004)</i>	MIT and Business and Intellectual Property Authority
<i>Communal Land Reform Act of 2002;</i>	Ministry of Agriculture, Water and Land Reform (MAWLR)
<i>National Waste Management Policy, June 2010;</i>	MEFT
<i>Namibian Broadcasting Act of 1991;</i>	Ministry of Information, Communication and Technology (MICT)
	Ministry of Labour, Industrial Relations and Employment

<i>Employee's Compensation Act of 1995;</i>	Creation
<i>Statistics Bureau Act of 2011;</i>	National Planning Commission
<i>National Heritage Act of 2004;</i>	Ministry of Education, Arts and Culture
<i>Labour Act of 2007;</i>	Ministry of Labour, Industrial Relations and Employment Creation (MLIREC)
<i>Affirmative Action Act, Act number 29 of 1998;</i>	MLIEC and Employment Equity Commission
<i>Namibia Film Commission Act 2000</i>	MICT

Source: National Sustainable Tourism Growth and Development Strategy 2016 -2026

Key Players in the Sector

The key government Offices, Ministries or Agencies (OMAs) that have an influence on the sector include:

- Ministry of Environment, Forestry and Tourism;
- Ministry of Home Affairs, Immigration, Safety and Security;
- Namibia Civil Aviation Authority;
- Namibia Tourism Board;
- Namibia Wildlife Resorts.

Private sector stakeholders include relevant associations such as the Hospitality Association of Namibia (HAN), the Federation of Namibian Tourism Associations (FENATA) and individual companies.

Tourism customers consist of both business and recreational travellers from both domestic and foreign markets. In 2022, Namibia's tourism market concentrated mainly in Africa (55.4 percent) and Europe (33.6 percent). South Africa (25.4 percent), Angola (17.8 percent) and Zambia (5.4 percent) took the top three spots of the highest African source market contributors to tourist arrivals. The overseas market was dominated by Germany (13.6 percent), France(3.8 percent) and the United Kingdom(2.8 percent) were the top three contributors to tourist arrivals.

Table 2: Top Ten Tourist Markets

Country	Number of Tourists
South Africa	116 897
Angola	82 199
Germany	62 691
Zambia	25 041
Botswana	19 761
France	17 503

United Kingdom	12 705
United States	12 419
Italy	10 617
Switzerland	9 108

Source: Namibia Tourist Statistical Report 2022

The top ten tourist markets (Table 2) accounted for 80% of total tourist arrivals in the 2022 tourism season. Overseas tourist arrivals grew by 65.9 percent in 2022 in comparison to 2021 (Table 3). This shows that Namibia's tourism sector continues to attract visitors from various parts of the world.

Table 3: Overseas Tourist Arrivals

Year	Number of Tourists
2018	303 065
2019	344 193
2020	57 530
2021	70 047
2022	205 392

Source: Namibia Tourist Statistical Report 2022

Tourists who came for holiday purposes were the majority (48.6 percent), followed by those who came to visit friends and relatives (31.4 percent) (Table 4). The average intended length of stay for all tourists in Namibia in 2022 was 16 nights, which is less than the 24 nights average length of stay for tourists in 2021.

Table 4: Purpose of Visit in 2022

Purpose of Visit	Percentage
Visiting friends / Relatives	31.4
Holiday	48.6
Business	15.2
Other Purposes	4.8

Source: Namibia Tourist Statistical Report 2022

Some of Namibia's major attractions are the Etosha National Park, the Skeleton Coast Park and the Fish River Canyon. Tourists can see Namibia utilising comfortable coach tours, fly-in safaris, self-drive tours, or guided tours tailored to individual needs. Additionally, many lodges and guest farms are found all over the

country. Tourist arrival numbers exhibit seasonal trends, with the period September to December being the peak, followed by the period May to August. The rest of the year tends to be relatively quiet in terms of tourist arrivals.

Economic Contribution

The Namibia Tourism Satellite Account estimates that tourists spent about N\$14.8 billion (Table 5) in the Namibian economy in 2022. Over 63 percent of the total estimated expenditure was spent on accommodation, shopping, road transport, and food and drinks. In terms of activities, game drives accounted for the highest spending (N\$756.8 million), with an average of N\$2,714 spent by tourists in 2022.

Table 5: 2022 Estimated Tourism Expenditure (NAD)

Category	Average Expenditure	Total Expenditure
Accommodation	14,840	3,602,370,470
Shopping	7,001	2,476,744,351
Road transport	7,895	1,916,387,077
Food and drinks	5,708	1,385,662,346
Private car	2,818	984,252,785
Game drives/viewing	2,174	756,765,048
Other services	2,602	630,851,819
Other products	1,538	536,236,984
4x4 trails	966	335,154,737
Capital purchase (e.g. house)	1,138	276,314,515
Other mode of transport	751	259,535,566
Transport equipment rentals	944	229,076,454
Overland truck	629	217,520,776
Hunting	547	189,369,212
Air travel (within the country)	423	146,196,289
Coach/minibus tour	417	144,198,621
Entertainment	477	115,537,379
Cultural tours	289	100,015,952
Ballooning	233	80,408,993
Boat cruise/canoe	327	79,373,604
Quad Biking	200	69,193,004

Public transport	167	58,143,503
Hiking/trekking	133	45,945,415
Travel agency/reservation	149	36,041,383
Photography/filming	103	35,796,407
Birdwatching	90	31,217,583
Adventure sports	71	24,406,294
Archaeological/historical	70	24,090,625
Cultural services	68	16,511,703
Horse/camel riding	41	14,228,908
Sports and recreation	40	9,687,211
Skydiving	26	8,962,623
Stargazing	5	1,590,753
TOTAL	28,123	14,837,788,392

Source: Namibia Tourism Satellite Account 2022

Based on the 2018 Namibia Labour Force Survey figures, the 2022 Tourism Satellite Account estimates that tourism contributes 7.9 percent of total employment, and that all tourism-related industries contributed 14.4 percent of total employment in Namibia (Table 6). Accommodation services for visitors contributed the largest share and nearly half of total tourism employment (49.2 percent). This is followed by the food and beverage serving and the transport passenger industries which contributed 30.4 percent and 15.4 percent, respectively to total employment in tourism.

In 2018, 63 900 females and 19 156 males were employed in the accommodation and food services industry. This represents 17. Percent of all employed females and 5.2 percent of all employed males. The proportions in terms of gender remain almost unchanged when contribution to youth employment (age 15 to 34) is considered, which suggests that the two sub industries employ mainly youthful workers.

Beyond the figures in Table 6, indirect employment is also created as the tourism sector has one of the largest multipliers given its linkages to and reliance on other domestic sectors.

Table 6: Tourism-Related Employment

	All Tourism-related Industries	% of total employment	Direct Tourism employment	% of total employment	% Contribution to all tourism employment
Accommodation services for visitors	62,614	8.6	28,301	3.9	49.2

Food and beverage serving industry	20,442	2.8	17,499	2.4	30.4
Passenger transport	14,528	2.0	8,891	1.2	15.4
Transport equipment/rental	1,341	0.2	526	0.1	0.9
Travel agencies and other reservation industries	687	0.1	166	<0.1	0.3
Cultural industry	1,964	0.3	147	<0.1	0.3
Sports and recreational industry	2,946	0.4	2,042	0.3	3.5
Total	104,522	14.4	57,572	7.9	100.0

Source: Cirrus Capital (Based on: Namibia Tourism Satellite Account 2022)

The average monthly earnings of employees in accommodation and food service activities was N\$2,819 (NLFS, 2018), almost similar to the average monthly earnings of workers in the Agriculture, forestry & fishing industry (N\$3,393) but much lower when compared to the national average wage of N\$ 7,935 per month.

In terms of skills, the following are readily available in the country: cultural sensitivity; hospitality management - guest relations, reservation systems; tour guiding, language proficiency, safety and emergency response as well as geographical knowledge.

Level of Digitisation and Automatisation

Some larger tour operators and lodging companies provide state-of-the-art information technology solutions. However, many small operators have limited online presence. Moreover, digitalisation and information technology require technical and human resources, which tends to be unaffordable to many smaller companies. Therefore, companies that can provide cost effective internet-based marketing and booking solutions could find willing customers in Namibia.

Notable Trends

A few trends are observable in Namibia's tourism industry. One such trend is the *self-drive* tours where travel itineraries are planned and booked with the help of a local tourism booking agent or tour operator. However, the client drives the tour route by themselves using a rental vehicle. On the opposite side, '*package tours*', whereby tourists book spaces on a set-tour that usually involves groups of 20, 30, or more persons, travelling across the country in a bus with a local guide and driver, is increasingly falling out of favour and being replaced with *small tour* groups. Therefore, while some clients still prefer to travel with a dedicated driver and guide, they are opting to do so in much smaller groups.

As with rising demands for self-drive tours, there is a growing trend where customers are looking for

personalised and exclusive tourist services and products. Therefore, tourists with an interest in Namibia as a travel destination want a unique tour experience, tailored to their own needs and preferences and are more than willing to pay the premiums for such exclusivity. Therefore, many local tourist establishments and tour operators are beginning to offer personalised experiences.

Lastly, there's a notable global trend where certain services are increasingly becoming digitalised. This trend is much slower in Namibia's case where the focus appears to be on human interactions and personalised services. The booking systems would most probably benefit from improved digitalisation. However, the premium offered on personalised services provides a disincentive for establishments to accelerate the digitalisation of their services. This reluctance is encouraged by clients who prefer personal interactions with a live agent who can gather information, book a tour, address possible issues, and so forth; as opposed to dealing with an automated online system.

Challenges

The demand for tourism-related services tend to be volatile because travel is usually discretionary and is often one of the spending areas that get reduced when the economy is declining. Therefore, business opportunities are generally more limited during periods of low economic growth. In addition, advances in telecommunications, particularly the development of sophisticated video conferencing, create a credible substitute for business travel, which exacerbates seasonality in the sector.

Moreover, Namibia is a relatively small tourism market in global terms. Therefore, there are a few accommodation establishments which offer more than twenty rooms, for example, especially in remote areas. Furthermore, there is only a relatively small number of inbound operators in Namibia. The majority of these inbound operators have evolved by working with the German-speaking market, although there is a small number who deal with other language-specific markets such as France and Italy. This combination of factors has resulted in a monopsony (limited number of buyers) situation where a handful of inbound operators have developed a relatively strong market presence. This monopsony has the potential to slow the growth of Namibia's tourism sector and to exacerbate the seasonality thereof.

Lastly, there are issues related to the political economy of the sector that need to be addressed in order to improve the viability of the tourism sector. One such issue is the existence of core-periphery relationships at both regional (mainly South African dominated) and local level (mainly white elite). These dichotomies, if left unaddressed, could perpetuate inequalities amongst different demographic and geographical groups.

Available financial or non-financial incentives

There are no tourism-specific incentives available to investors in Namibia. However, there are some provisions made in the country's tax laws that could be beneficial to investors in all sectors, including those in the tourism sector. These includes:

- Deductibility of land-based transport costs (road or rail);
- Deductibility of expenditure on remuneration and training of employees;
- Unlimited carrying forward of losses;
- Foreign Tax credits. Only applicable to countries with which Namibia has a Double Taxation Agreement.

Specific tourism investment incentive packages have been proposed in the National Tourism Investment Profile & Promotion Strategy 2016 - 2026. This includes tax reductions and exemptions, as well as certain allowances. However, these proposals have not been implemented yet.

Investment Opportunities

With an expected increase in the number of tourist arrivals in the country resulting from the lifting of travel bans due to COVID-19, investment areas such as the development of hotels, holiday resorts, and private estates in identified and famous tourist destinations of the country offer great business opportunities. Moreover, the National Tourism Investment Profile and Promotion Strategy 2016 - 2026 has identified nine (9) entry point projects/products/ value chains (TEPPS) namely;

- Trophy hunting tourism
- Coastal tourism
- Community based tourism
- Cruise tourism
- Circuit development/route development model
- Luxury affordability
- Meetings, incentives, conference and events tourism (MICE)
- Medical tourism
- Retail tourism

Other opportunities in the tourism sector can be found within film tourism, sport and adventure tourism (hiking, camping and wildlife safaris) as well as in cultural tourism. Potential investors are required to obtain the relevant permits and licences prior to setting up any tourism establishment.