Tourism investment in Namibia: perceptions of investors

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Abstract: Namibia’s Vision 2030 and NDP 4 recognize tourism as one of the strategic economic sectors which need to be promoted and marketed extensively. The country has some of the most enviable attributes that can make it a formidable competitor and an exquisite destination. However, Namibia fails to feature as a prominent investment destination and continues to rank low on various competitiveness ratings. The investment climate has on many occasions been raised as needing attention and this is evidenced by an inability to significantly draw investment particularly in the tourism industry, commensurate with the potential it offers. This study unravels why the Namibian tourism industry is struggling to draw investment albeit its potential. It interrogates the investment climate covering incentives, regulatory framework, skills, and government support and suggests some measures how more investment can be attracted in the tourism sector.

Keywords: tourism sector, investment, Namibia, skills shortage, destination marketing

I. INTRODUCTION

Tourism is an important economic sector which contributes significantly to the economic growth as well as economic development of Namibia. It is without doubt that tourism contributes to a) direct, indirect and induced employment (WTTC, 2012), b) balance of payment through its foreign exchange earning ability (WTTC, 2006), c) poverty reduction through household income generated by the creation of jobs (Jäni, 2011), d) preservation of culture and heritage through their incorporation into the tourism product offering (Christie & Crompton, 2001) leading to an improved understanding as well as appreciation of global cultures and traditions, e) government revenue through levies, fees, charges, payroll tax, value added tax and corporate tax (Keyser, 2004) and f) improvement to basic infrastructure and public services such as education, health, sanitation, water and energy which benefits the poor communities (Jäni, 2011).

Although the tourism industry has experienced tremendous growth since 1991, particularly on the demand side; investment in the tourism industry in Namibia has relatively been modest and there is a need for investment stimulation (MET, 2012). Most of the investment was made by Namibian citizens and permanent residents (Asheeeke & Katjiuongua, 2007), and most of the enterprises are fairly small, which apart from large hotels, employ less than 20 people (Southern Africa Competitiveness Hub, 2006).

Profile of the Namibian Tourism Sector

One of the key drivers is that Namibia still remains a destination, yet to be uncovered, with its richness of being one of the remaining oasis with pristine and authentic nature, culture, and Kaleidoscope landscapes. It is imperative that this momentum should not only be sustained, but information must be gleaned with regards to economic and social benefits which travel and tourism contributes to Namibia as a nation (WTTC, 2010).

According to MET (2012), Namibia is not yet a tourism investment destination of choice due to difficulties to invest in the sector. WTTC (2006) suggests that demand for any tourism destination grows sharply if marketing and promotion are well funded and effective. The Namibia Tourism Board has during the period 2003/04 to 2010/11 been operating on a shoe-string budget of about NS26 million per annum (MET, 2012) whilst it is learnt that tourism demand is fueled by effective marketing (WTTC, 2006).

On the Namibian front, according to the MET statistical report, there was a decrease of 2.8% in foreign arrivals in 2010 compared to 2009, following an increase of 5.3% in 2009 compared to foreign arrivals in 2008. The report further states that in 2010 the number of foreign arrivals was almost five times bigger than that in 1993, rising from 316,104 to 1,178,487 in 18 years (MET, 2011). These are positive trends which need to be used as a competitive advantage to entice investment in the industry.

II. OBJECTIVES OF THE STUDY

Investment, whether domestic or foreign, has a positive impact on the growth of a country because foreign investment brings skills and technology into the economy (Sherbourne, 2006), while proceeds from domestic investment get re-invested into the local economy, resulting in more money in circulation (Nuyoma, 2006).
With the realization that there are areas in need of significant levels of investment in the tourism industry, the objective of this study was thus to investigate and identify factors which inhibit Namibia from attracting increased levels of investment in the tourism industry to capture and capitalize on the potential the industry offers; and suggest how the aforesaid could be addressed in order to create a conducive investment climate that will unleash the country’s investment potential in the tourism industry.

III. RESEARCH METHODOLOGY

The research area for this study was the whole of Namibia covering existing investors as questionnaires were emailed and distance was not an inhibiting factor. This exploratory research used a mixed methods approach to explore insights into what encourages or discourages investment decisions in the tourism sector in Namibia. The data was mainly collected by means of questionnaires and was supplemented to a lesser extent by unstructured interviews. The study population consisted of 3837 tourism establishments registered with the Namibia Tourism Board. NTB database was cleaned by removing duplicate establishments (businesses with more than one business ventures under their wings to only reflect a singly entry), community based enterprises and establishments with incomplete contact details. This exercise resulted in a reduced population of 1876 establishments. The sample size was kept at approximately 10% of the original population size, hence a total of 375 questionnaires were mailed using the systematic random sampling by selecting every 3rd unit on the cleaned database (1876/375). However, only 40 completed questionnaires were received back yielding a response rate of 10.4%

The main research instrument used for collecting data from primary sources was a questionnaire supplemented by unstructured interviews. The questionnaire used was structured with a few open-ended questions, with the rest being close-ended. The questionnaire was pre-tested and revised before it was sent to the sample respondents. Interviews were conducted with selected government officials, institutions of higher learning and commercial banks. These were unstructured interviews conducted on a face to face basis and over the telephone. Their purpose was to deepen the researcher’s understanding of several matters pertaining to this research and to perceive certain issues from the respondents’ viewpoints. Quantitative data was analysed using descriptive statistics and presented through graphs, tables and charts. Using descriptive data, the responses were grouped into the following categories, based on the type of questions being answered: a) demographics of the respondents, b) opportunities to propel growth in the tourism sector in Namibia, c) comparison of the Namibian tourism sector with other countries and d) challenges impeding tourism investment. The content of responses to open ended questions were analysed to ensure meanings are understood and an attempt was made to identify any relationships within the categories of responses.

IV. FINDINGS OF THE SURVEY

Profile of Respondents

Majority of the establishments are closely operated by the sole owners (55%) and partners (40%). The fact that the questionnaire was completed predominantly (95%) by the owners is an indication of their active involvement in the daily operation of the enterprises. Tourism is a service industry and a significant proportion of tourism experiences are delivered by people (employees, managers, owners). The service encounter creates the first impression and evidence of the service quality which is long remembered (Cooper & Hall, 2008). Majority of respondents (82.5%) had 10 or more years’ experience in tourism industry, having an in-depth understanding of the intricacies of the sector. With regard to the tourism sub-sector in which the respondents operate, 35% were tour and safari operations, 27% were from accommodation sector, 18% were tour facilitators, 11% were booking agents and 9% were from the rest of the subsectors.

Opportunities to propel growth in the tourism sector in Namibia

A destination’s natural endowment is first and foremost magnet for attracting tourism investment (Christie & Crompton, 2001). This conclusion is particularly true in the African context where these natural attractions are the primary reasons why tourists visit such destinations. Mauritius known as a sun, sea and sand destination (Christie & Crompton, 2001) enchants visitors with its white spotless beaches and breath-taking landscapes; Tanzania draws visitors because of its mountainous terrains, languid beaches, deep forests, national parks and bird sanctuaries; while Botswana attracts its visitors with its quality activities pitched at the top end of the market (Christie & Crompton, 2001), the ever majestic Okavango Delta, the Kalahari Desert, the salt flatland expanse of Makadigkadi pans as well as prehistoric human settlement. The factors that motivated investment in the tourism sector in Namibia (Figure 1) include its flora, fauna and landscapes (37%), country’s reliable infrastructure (18%) its cultural diversity (14%) and its investment climate (12%) among others.

Envisaged Future Investment by Private Sector

The future investment in tourism sector in Namibia as indicated by respondents is expected in tour operations and activities (43%), accommodation (29%) and conservancy based tourism (11%). 81% indicated willingness to invest equal to or less than N$5 million, while 19% indicated willingness to invest N$6-15 million in the next two to three years. The desire of existing investor to increase their investment in near future is a good indication for the growth of tourism sector.
Role of Destination Marketing in Investment Decisions
At the centre of growing a tourism destination lies effective marketing and promotion (Paliwal & Mutumbu, 2012). Respondents were asked what role destination marketing by the Namibia Tourism Board plays in their investment decisions. 63% of respondents indicated that it plays a little or no role while on the other hand 37% indicated that it does play an important role. The results above could be a sign that the industry has lost confidence in the effectiveness of the marketing efforts of NTB, either because of their resource constraints (MET, 2012) or a lack of skills which all hamper its ability to compete effectively in international context.

Air Access
Due to market size being small, airfares in Africa are among the highest in the world. Monopolistic practices of some larger airlines have led to some countries foregoing national air carriers in favour of other practical solutions which can still and more efficiently bring tourists to their destinations (Christie & Crompton, 2001). In itself, the ease and cost of air access is perceived as one of the challenges that impedes the growth of the sector and its contribution to economic growth. This challenge is even bigger for Namibia as it is a long haul tourist destination and its primary European markets (MET, 2012) need at least 10 hours (approximate duration of direct flights from London or Frankfurt to Namibia) to travel from source market to the destination. For a growth market such as Namibia, it is important to develop policies that attract greater traffic such that tourists are seamlessly drawn to (and easily transferred from source to the) destination even if this might mean steps that compromise national pride.

Figure 1: Opportunities to Propel Growth - Factors that Motivated Investment in Tourism in Namibia

Challenges impeding tourism investment in Namibia
Human Resource Challenges
The Namibian Tourism Growth and Development Strategy assert that Namibia has a skills shortage in particularly key executive positions. It thus needs to attract world class skills to fill such gaps while at the same time invest aggressively in skills transfer and training (MET, 2012). 50% of the respondents indicated that skills shortage in the sector is a serious concern which impacts business operations as it either results in higher training costs or increases reliance on foreign experts whilst the other 50% indicated that it has no effect on their business ventures. However, 25% of the respondents requested government to permit them to import world class skills to close the skills gap. Critical skills shortages are found in food preparation (37.5%), housekeeping (35.3%) and guiding (31.6%) (NTB, 2011).

Business Registration and Start-up Challenges
The study revealed that it is not easy to register a tourism business in Namibia, obtain licenses as well as finance. On a question about interventions government needs to make to improve the investment climate, 22% of the respondents requested government to employ competent officials, twenty 21% requested that red tape be removed while19% called for the eradication of corrupt practices in government institutions. If government officials at strategic points of business registration are not competent, and the registration process is marred with rigorous procedures (which at times are not necessary) and all these are compounded by corruption and solicitation of bribes, the business and investment climate of a destination will suffer as a consequence. As Bull (1998) states tourism products can be of a very specialized nature, rendering them unfit for other non-tourism uses in times of economic difficulties which might necessitate alternative uses of such fixed improvements. They are however mostly only fit for purpose in the tourism industry with limited versatility. Therefore, the attractiveness of a destination to tourism products which can be easily and lucratively (known as
mixed use ventures) be used for non-tourism purpose as well, lends itself suitable for increased investment levels. The vibrancy of the domestic market goes a long way in assisting the creation of mixed use ventures.

**Required Government Assistance and Tourism Incentives**

Respondents were also asked whether there are any incentives they want government to put in place. As presented in Figure 2, 25% of the respondents affirmed they would like to be permitted to employ foreign experts who will train locals and ensure business success, 23% of the respondents opted for assistance to secure licences and permits while 25% of the respondents chose to be given low interest loans in the formative years of their business ventures, as their priority government incentive. The other interventions expected from the government included assistance with finding co investors, assistance with preparing business plans and securing finances etc.

![Figure 2: Required Government Assistance and Incentives](image)

**Comparison of the Namibian tourism sector with other countries**

Christie and Crompton (2001) identified the following critical success factors for a tourism destination: physical safety of tourists, standards of hygiene in accommodation and food outlets and good health facilities; tourism related infrastructure; marketing and promotion strategies; knowledge and expertise; competitively priced (air) transportation system, availability of finances; investment incentives; good governance and labour laws.

A comparative analysis of Namibia and selected countries is presented below, highlighting some of the issues listed above.

At the time of deciding on their tourism investment destination, 39% of the respondents only had Namibia on their cards (i.e. no competition with other destinations), 17% also considered South Africa, 13% considered Botswana, 11% considered Angola and 9% Zambia as potential investment options together with Namibia. It can thus be concluded that South Africa, Botswana and Zambia should be considered as competitors to Namibia as Angola has somewhat different dynamics. The fact that Lonely Planet (2010) acknowledged that Namibia is a better alternative to South Africa and Botswana with regard to value for money is a confirmation that this competition does exist. Having this view can assist the country in developing a strategy that can ensure it keeps being competitive in the region.

Zambia has a wide array of tourism investment incentives which Namibia does not have (UNCTAD, 2011). It also features natural attractions like waterfalls, lakes and rivers, national parks and museums, white-water rafting, canoeing, rock-climbing, hang-gliding, fishing, bungee jumping walking safaris, cultural tourism and movie tourism, although some of these can be enjoyed in Namibia as well. As the biggest economy in Africa, one would expect South Africa to be the leader in the provision of investment incentives in the tourism sector. Although a massive amount is spent on tourism in South Africa, there has been a stagnation in international tourist arrivals over the past six years and international arrivals fell to 2,1 million in 2011 compared to 2,2 million in 2010 (MET, 2012).

**Trend of Investment Climate in Tourism in Namibia and Reasons for Opting Out**

Respondents were required to give their opinion on tourism investment climate over the period of time. As depicted in the Table 1 below the percentage of respondents viewing it to be very attractive has dropped from 73% to 25%, while percent of those considering to be moderate has increased from 23% to 51%.

**Table 1: Trend of tourism investment climate in Namibia**

<table>
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<tr>
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<th>% of respondents</th>
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<tr>
<td></td>
<td>Before 2000</td>
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<tr>
<td>Very attractive</td>
<td>73</td>
</tr>
<tr>
<td>Average</td>
<td>23</td>
</tr>
<tr>
<td>Not attractive</td>
<td>4</td>
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Source: Survey findings (2013)
As noted by Asheeke and Katjiuongua (2007); the tourism industry is predominantly owned by white Namibians, therefore it can be deduced from this response that either there may have been deliberate measures in place to support the industry in the days of the previous dispensation or the response is deliberately biased towards that dispensation. If it is factual that the climate was better then, it can further be assumed that such measures were either inadvertently removed or spread among sectors, hence the notion that the sun shone brighter then.

In comparison to South Africa, 28% of the respondents reported that Namibia is of average attractiveness whilst 15% indicated that it is not attractive. On the other hand, forty one percent 45% reported that Namibia is attractive and 12% very attractive, thus affirming their dominant position (80%) that they will not forego Namibia in favor of another destination.

**Possibility of dropping Namibia as tourism investment decision:**
The results of this research revealed that 80% of the respondents will not consider foregoing investing in Namibia over another destination. From the 20% who indicated that they may consider forgoing investing in Namibia, their reasons were cited as follows (Figure 3):

**Figure 3: Reasons for dropping Namibia**

Source: Research Findings

When the 20% of the respondents who would consider dropping Namibia for another destination were further asked about their alternative investment destination, this question yielded the following outcome (Figure 4):

**Figure 4: Alternative investment destination**

On the other hand, visitors from European countries who were asked to indicate other alternative destinations they considered before deciding on Namibia indicated the following (Figure 5):
The visitor results are an indication that among the countries sharing borders with Namibia, South Africa, Botswana and Zambia are the biggest competitors. Namibia needs to position itself strategically to ensure that it does not lose out on its tourist’s base due to fierce competition from these countries. South Africa and Botswana already outperform Namibia with regard to tourist arrivals and tourist receipts (RETOSA, 2011).

Tourism sector in Namibia is facing the following challenges among others:

i. The tourism investment climate is not necessarily conducive to attract significant investment especially from foreign investors as well as to allowing the destination to compete on an international platform (MET, 2012). Government offers incentives and support to other sectors such as manufacturing, but tourism investors find it an insurmountable obstacle to register and operate tourism businesses in Namibia (MTI, 2010). Central to this problem are a) obtaining licences and permits, b) finding suitably qualified and experienced staff, c) difficulty to fill the skill shortage by employing foreign specialist staff, d) bureaucracy, red tape and corruption within government departments, and e) accessing funds.

ii. There is an insufficient supply of adequately trained and skilled workers for the tourism industry in Namibia. Whilst there is a mismatch between the skills demanded by the labour market and the quality of graduates produced by most training institutions in the country, the quantity of such supply falls short of that demanded by the labour market.

iii. Tedious and often unclear tourism business registration procedures and requirements often result in potential investors switching either countries or economic sectors.

iv. Quality authentic customer service is the cherry on the cake for a memorable tourism experience. This fact is not well understood across the sectors that have an interface with tourism, just as the economic value of tourism is yet to be fully appreciated by all.

V. CONCLUSIONS

Based on the results of this research, Namibia is still a destination of choice for the existing operators. If laws and regulations are made more investor friendly and yet beneficial to government of the broader public, and if the tourism product base is diversified and/or broadened as suggested by Asheeke and Katjiuongua (2007), the sector’s attractiveness to investment could be enhanced. The majority of tourism owners are Namibians, hence their indication that instead of investing outside Namibia in consideration of the challenges raised in tourism, they will consider re-directing their investment to another sector in the country (50%). However, 25% may consider investing in the sub region while the rest (25%) might even consider investing overseas.

VI. SUGGESTIONS

NTB needs to work with all the sectors linked to the tourism industry to entrench an understanding of the importance of tourism at all levels. As asserted by Christie and Crompton (2001) this approach can also help increase the number of tourists by promoting regional and domestic tourism, which may imply greater innovation such as collaborating with regional competitors (instead of being afraid of the competition they pose) to package and sell the region as a whole to achieve a critical mass of visitors which can make tourism products more viable. As destination marketing efforts intensify, the destination becomes increasingly popular and tourism demand increases, there will consequently be a need to increase the carrying capacity of facilities as well as to diversify the product offering. This is particularly true because Namibia may be of standard attractiveness to first time visitors but this attractiveness reduces with every repeated visit (MET, 2012). It is of paramount importance that measures are put in place as a matter of urgency to improve the tourism investment climate and thus retain existing and attract new investment in the tourism industry in Namibia in order to
modernize the existing product offering and also diversify the tourism product mix. These measures may include:

i. The process of granting work permits for imported skills (in the skill shortage areas) needs to be improved and treated as an incentive for investment and business growth. In addition foreign direct investment in tourism should be rewarded with increased number of work permits attached to such investment.

ii. In identified skills shortage areas, at least two understudies are attached to every imported resource person, with a clear duration of the understudy period and milestones to be achieved throughout the period.

iii. Training of locals in “hard to fill jobs” to ensure that industry is fed with employees who are fit for purpose and that such skills are available at the right time and in the right quantity.

iv. Providing a seamless business registration process by setting up of a one-stop tourism business centre. This should house all strategic business units necessary during the business registration and start up process.

v. There must be increased coordination between all government functions which have a direct impact on the tourism industry to ensure that laws and regulations that are counterproductive to the promotion of tourism investment and the overall growth of the sector are kept to the minimum or completely eliminated.

vi. More funds be considered for marketing efforts but tied to major milestones to ensure that in the end, objectives are attained.

vii. Service delivery on the immigration front needs to be improved across the entire system, starting from the point of entry into the country to the point of exit to ensure visitors to the country (including expatriates) have a memorable time and sell Namibia through “word of mouth” when they leave the country (Christie & Crompton, 2001).

REFERENCES