



**REPUBLIC OF NAMIBIA**

MINISTRY OF ENVIRONMENT,  
FORESTRY AND TOURISM

# COVID-19 SOCIO-ECONOMIC IMPACT ASSESSMENT ON TOURISM IN NAMIBIA



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**COVID-19  
SOCIO-ECONOMIC  
IMPACT ASSESSMENT  
ON TOURISM  
IN NAMIBIA**

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# FOREWORD



**POHAMBA SHIFETA,  
MP, MINISTER OF  
ENVIRONMENT,  
FORESTRY AND TOURISM**

Since Namibia's independence, tourism has become a mainstay of the Namibian economy and showed sustained growth year on year up to 2019. The arrival of the Covid-19 pandemic in early 2020 has had a profound and unprecedented impact on the sector both here at home and globally.

This socio-economic assessment of the impacts of Covid-19 on the tourism sector is a significant publication that lays bare the complex and different ways the pandemic has affected the sector.

The Ministry of Environment, Forestry and Tourism has taken full note of the impacts demonstrated by this report on tourism businesses (our restaurants, accommodation establishments, tour guides, transport operators, etc.). This includes the decline in revenues, scaling down of operations, capital losses, retrenchments and wage reductions, increased prices of inputs, disruptions to supply etc. Never before have businesses in the sector had to endure such shocks to their operations.

As a Ministry, we have also experienced the impacts on operations to our national parks as well as the communal conservancies and community forests that we support. We are experiencing increased pressure on the fiscus and the budget for our operations and it has proven extremely difficult to provide adequate support to a sector that is now on its knees.

Yet we remain optimistic and rely on the findings from assessments such as this one to provide evidence-based solutions going forward to recover the sector. I thank all stakeholders from the sector that contributed to this assessment and in particular those that participated in the surveys undertaken. I would like to extend special thanks to the United Nations Development Programme (UNDP) Country Office and the Crisis Bureau for their financial and technical support to the Ministry in carrying out this important assessment.

On behalf of the Ministry, I assure you of our commitment to spearheading and coordinating the recovery of the sector going forward. We look forward to continue engaging with all stakeholders so that we act quickly and dynamically to safeguard the future of the sector and the livelihoods of those that depend on it.

# PREFACE



**ALKA BHATIA,  
RESIDENT REPRESENTATIVE  
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**I**n Namibia, the novel Coronavirus has significantly impacted lives and livelihoods. The tourism sector and industry has been one of the hardest hit by the COVID-19 pandemic. To fully understand these impacts, the Ministry of Environment, Forestry and Tourism (MEFT) initiated an impact assessment, partnering with the United Nations Development Programme (UNDP) Namibia, UNDP SURGE Data Hub of the Crisis Bureau's Country Support Management Team (CSMT), and the UNV (United Nations Volunteers) Tandem Unit. Two assessments were undertaken: policy simulations carried out using a Computable General Equilibrium Model (CGEM), combined with four digital surveys: (a) Tourism Questionnaire; (b) Nature-Based Enterprises Questionnaire; (c) National Parks, Conservancies and Community Forests Questionnaire; and (d) a Tourist Exit Survey. Due to limited responses, the findings analyzed in this report do not include perspectives from the tourist exit survey. The data was collected from all 14 regions of the country.

The findings and recommendations of these assessments have been combined into a Tourism Socio-Economic Impact Assessment (Tourism Digital SEIA) Report. This combined report brings together the macro and socio-economic perspectives. It provides useful insights and reflections on the impact of COVID-19 on the tourism sector and industry. Besides the findings, the MEFT included the way forward towards the development of the inclusive Tourism Recovery Plan.

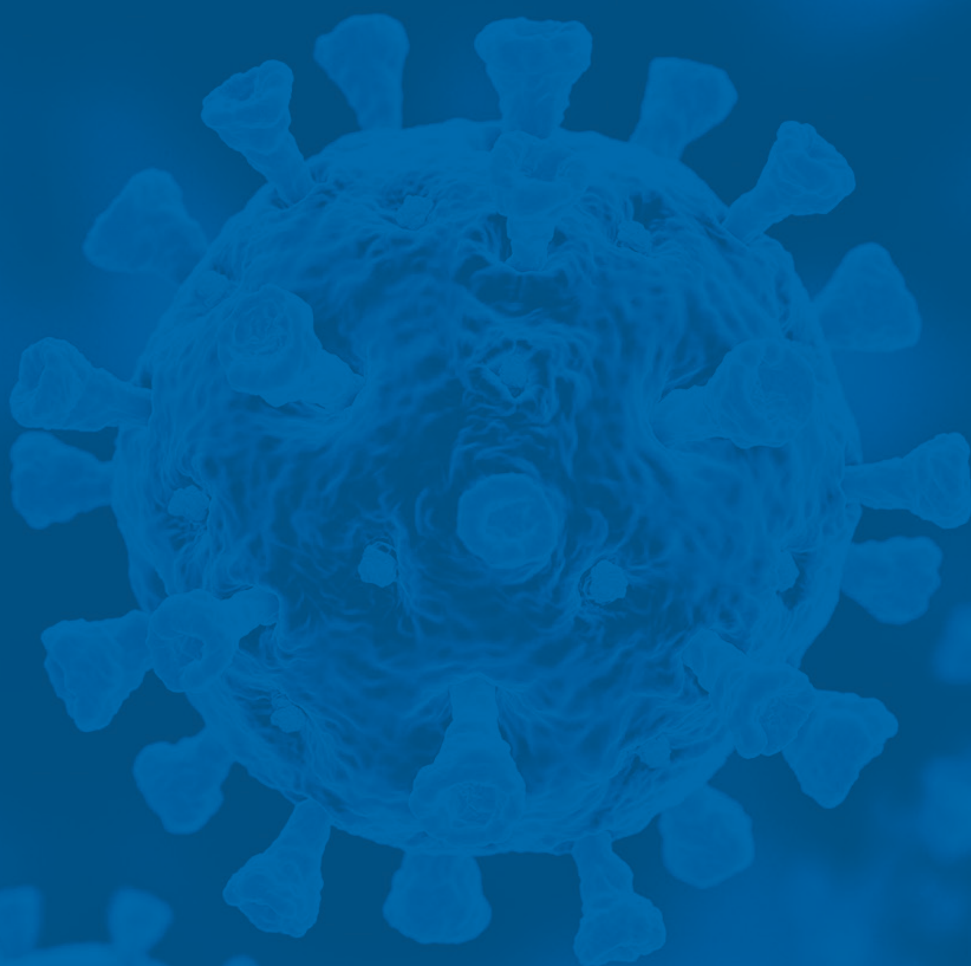
Through the assessment, it is clear how exposure to health risks and vulnerabilities in health systems can have profound implications for the economy and social developments. Effects on the critical sectors such as tourism have been substantial, and with huge implications for other sectors of the economy. COVID-19 has seriously affected the tourism sector resulting in sharply rising unemployment rates and deepening income inequalities. The Tourism Digital SEIA report reveals that the pandemic has brought a sudden halt to the increasing trend since the 1990s. The number of visitors was reduced from 1.5 million in 2019 to near zero entries in mid-2020.

The report comes with an online easy to navigate interactive visual dashboard which provides data that can be generalized at a national scale. It covers data on the enterprise profiles, production, operational and other impacts, coping strategies, government measures and looking ahead. It also contains key figures from the Multidimensional Vulnerability Index (MVI) analysis on tourism-related businesses. With the tourism sector being one of the priority sectors in Namibia, with potential to create jobs and secure livelihoods, there is a demand to establish strategies to build back better from the COVID-19 pandemic.

Whilst the unprecedented socio-economic impacts of the COVID-19 pandemic have been damaging to both the tourism sector and economy, it also represents an opportunity to reset and build back better. It is our hope that the recommendations, policy options and strategies that are contained in the Tourism Digital SEIA Report with the revelations from the interactive visual dashboards will assist policymakers to make tourism one of the most resilient sectors.

As the UNDP Country office, we are glad to have been part of the MEFT's efforts to assess the impacts on a sector that is important to the economy. If it is not sustainable, it is not development.





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# ACRONYMS

**CGEM** – Computable General Equilibrium Model

**CBNRM** – Community Based Natural Resource Management

**CRRRF** – Conservation Relief, Recovery and Resilience Facility

**EIF** – Environmental Investment Fund of Namibia

**ETEA** – Emerging Tourism Enterprise Association of Namibia

**FENATA** – Federation of Namibian Tourism Associations

**GDP** – Gross Domestic Product

**GFC** – Global Financial Crisis

**HAN** – Hospitality Association of Namibia

**HWC** – Human-Wildlife Conflict

**IATA** – International Air Transport Association

**ILO** – International Labour Organisation

**IMF** – International Monetary Fund

**INFF** – Integrated National Financing Framework

**MEFT** – Ministry of Environment, Forestry and Tourism

**MICE** – Meetings, Incentives, Conferences and Events

**MPI** – Multidimensional Poverty Index

**MSME** – Micro, Small and Medium Sized Enterprise

**MTEF** – Medium-Term Expenditure Framework

**MVI** – Multidimensional Vulnerability Index

**NACSO** – Namibian Association of CBNRM Support Organizations

**NATIS** – Namibia Transport Information and Regulatory Services

**NBE** – Nature-Based Enterprise

**NBT** – Nature-Based Tourism

**NDP** – National Development Plan

**NESPS** – National Employment and Salary Protection Scheme

**NGO** – Non-Governmental Organization

**NILALEG** – Namibia Integrated Landscape Approach for Enhancing Livelihoods and Environmental Governance to Eradicate Poverty

**NPC** – National Planning Commission

**NSA** – Namibia Statistics Agency

**NTB** – Namibia Tourism Board

**NWR** – Namibia Wildlife Resorts

**OECD** – Organisation for Economic Co-operation and Development

**PPE** – Personal Protective Equipment

**PPP** – Public-Private Partnership

**SADC** – Southern African Development Community

**SDG** – Sustainable Development Goals

**Digital SEIA** – Socio-Economic Impact Assessment

**SEIAC-NAM** – Socio-Economic Impact Assessment of COVID-19 in Namibia

**SERP** – Socio Economic Recovery Plan

**SSC** – Social Security Commission

**TRI** – Tourism Revival Initiative

**TTCI** – Travel and Tourism Competitiveness Index

**TTF** – Tourism Task Force

**UNDP** – United Nations Development Programme

**UNESCO** – United Nations Educational Scientific and Cultural Organization

**UNV** – United Nations Volunteer

**UNWTO** – United Nations World Tourism Organisation

**WEF** – World Economic Forum

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Finally, we would like to deeply thank all of the survey participants, including respondents from the Nature-Based Enterprises, Community Forests, Conservancies, National Parks, Restaurants, Lodges, Crafts Saleswomen/men, Tour Operators, Shuttle and Transport Operators, Rest Camps, Campings, B&Bs, and all of the other subsectors that comprise the tourism industry. We also deeply thank Ms. Lorna Dax, Mr. Markus Ndara, Mr. John Lucas, Ms. Monica Toivoh and Mr. Paulus Ihemba Ndeletu for their provision of a personal testimony to present in the report. Lastly we thank the Namibia Tourism Board for the design and layout of this report.

The elaboration of the Tourism Revival Strategy emanating from this report would have been impossible (and very possibly inadequate) without the key insight and accumulated experience in the tourism industry provided by the hundreds of participants in the surveys. It is truly with the hope that their concerns will be addressed that the combined effort of the UNDP and the MEFT in putting together this report has been requested.

## EXECUTIVE SUMMARY

**T**ourism is a priority sector in Namibia's Fifth National Development Plan (NDP5) and a key contributor to employment and gross domestic product (GDP). This report aims to assist policymakers in the Ministry of Environment, Forestry and Tourism (MEFT) to better understand the macroeconomic effects of the ongoing COVID-19 pandemic and to provide strategic guidance for rebuilding and reviving the tourism sector.

In order to achieve this, qualitative and quantitative data analysis stemming from three original surveys are combined with the estimation of a Multidimensional Vulnerability Index (MVI) for businesses in the tourism industry. In addition, various policy simulations are carried out using a computable general equilibrium model (CGEM) of the Namibian economy, in efforts to provide strategies to inform the Tourism Revival Initiative (TRI).

Evidence-informed decision making is important to ensure the credibility and effectiveness of the response by policymakers and optimal allocation of scarce resources. With tourism and its related activities uniquely exposed to the pandemic, policymakers and stakeholders must act quickly and creatively to safeguard the immediate future of the sector and the livelihoods of those that depend on it.

The overall objective of this Socio-Economic Impact Assessment (Digital SEIA) focused on the Namibian Tourism Industry is to provide recommendations on how to build back better from the COVID-19 pandemic. This is done in two parts. First, the Digital SEIA consists of undertaking an analysis of the impact of the COVID-19 pandemic on key the tourism sector entities, including businesses, nature-based enterprises, National Parks, Conservancies and Community Forests. From the conclusions of this assessment emerges the second part, which entails guiding the development of a medium-term strategy that will assist Namibia to develop, finance and implement its tourism sector revival efforts so that the sector can continue its efforts to recover in the short run, increase its attractiveness and competitiveness in the medium run and strengthen its resilience in the long run. This Digital SEIA is implemented with the hopes that conclusions emanating from it will feed into the national and sectoral budget process as well as the preparation of the Medium-Term Expenditure Framework (MTEF).

### **Main findings from the Survey Analysis and the Multidimensional Vulnerability Index study**

- Three surveys were conducted: tourism-related businesses counted with 485 respondents, Nature-Based Enterprises (NBEs) with 36 respondents and National Parks, Community Forests and Conservancies with 113 respondents in total.
- The MVI analysis reveals that, with a vulnerability threshold of six out of thirteen possible indicators, 78% of surveyed businesses are vulnerable. Upon further inspection, 66% of businesses are exposed to the COVID-19 pandemic, 68% of the businesses are sensitive to the shock and 60% of firms lack the capacity to cope with the consequences of the pandemic.
- The onset of the COVID-19 pandemic brought a sudden halt to the increasing trend since the 1990s, reducing the number of visitors from 1.5 million in 2019 to near zero entries in mid-2020.
- Tourism businesses (e.g., restaurants, hotels, tour guides, transport operators, etc.) suffered a 97% drop in demand and a 93% decline in revenue, with a 58% decline for NBEs. With 90% of the surveyed firms being Micro and Small enterprises – key for employment and progress in the SDGs – the scaling down of operations and capital loss will prove to be painfully hard to gain back. Although the loss seems to have been larger for businesses dependent on foreign tourists, local tourism has not been strong enough to

offset the losses incurred by almost the totality of businesses.

- Six out of the nine NBEs reporting an increase in demand since COVID-19 are community-run farms. This could be due to the fact that border closures and ensuing disruptions in international trade have left a hole in the supply for fruit and vegetables, benefitting Namibian producers.
- More than 50% of surveyed entities have reported retrenchments and wage reductions since the COVID-19 pandemic. Concerning women employment, one in four women employed in the tourism sector have lost their job. Regarding working hours, 79% of businesses report having to reduce their staff's hours worked, with one in four workers transitioning to part-time work.
- These findings confirm the MVI analysis showing that the decline in demand and hours worked, due to the movement restrictions and border closures, are the two biggest contributors of the MVI.
- Supply chains in the tourism industry have been significantly disrupted, with 68% of businesses reporting drops in the procurement of inputs to be resold. Other main ways in which businesses have been impacted by the COVID-19 pandemic include reduced investments and business expansion (46%), increased costs in personal protective equipment (44%), increases in input prices (35%) and reduced logistics services (30%).
- To deal with cashflow shortages, 46% of business owners have had to use personal savings or family contributions, 18% delayed payments to suppliers and 17% have asked for repayment holidays from banks. In addition, 60% of businesses have decreased prices to increase attractivity.
- Government intervention has been overall deemed inadequate and insufficient by 60% of businesses, with 75% of them having not received any assistance at all. Quite noticeably, 67% claim a lack of Government awareness towards the needs of private sector entities. Regarding NBEs, 83% have not received any assistance and half classify government assistance as inadequate.
- Regarding optimism surrounding recovery in the tourism industry, the 83% that were optimistic before COVID-19 had a fourfold decline, with 60% now being pessimistic about the future.
- National Parks, Community Forests and Conservancies report between a 50% and 63% decline in visitors since the COVID-19 pandemic, and half declare not having earned any income at all since the State of Emergency in March 2020. The lack in earnings has disrupted the functioning of these Protected Areas, hindering their capability to pay for fuel for vehicles and machinery, constraining the purchase of new camping equipment for the staff working on water provision for wildlife, law enforcement and general parks patrols as well as cancelling Annual General Meetings crucial to collect feedback on the community forests' achievements or challenges faced during the pandemic.
- Around 50% of National Parks, Conservancies and Community Forests classify government support measures as adequate. Main sources of assistance include government grants (mostly from the CRRRF Emergency Fund), wage subsidies and cash transfers for businesses.
- Since the pandemic hit, only three in ten surveyed natural entities are optimistic about the future of tourism in Namibia as of November 2020, with the rest being either neutral or pessimistic, showing the overwhelming uncertainty in the industry.
- Geographical disaggregation of the MVI analysis show that the North-Eastern regions are the least vulnerable while the North-Western regions are the most vulnerable. Sectoral disaggregation of the MVI analysis displays that Activities/experience are the most vulnerable, followed by hotels and B&Bs, followed by transport operators and restaurants (least vulnerable).
- Main points from the Tourism Revival Strategy
- Short run: Maintain support and stimulate recovery
- Continue providing forms of financial assistance & payment exemptions, including unemployment benefits to workers who have lost their jobs in the tourism sector during the pandemic; accessibility of cheap credit;



extension of wage subsidies to businesses with tourist clientele; provision of subsidies for utilities and tax breaks. As these are costly operations and the Government's fiscal capacity is constrained, targeted cost-efficient policies of this type include the suspension of regular fees (e.g., NTB levies), transport for employees traveling long distances to go to work, food provision for employees and license renewals in 2021 at no cost.

- Provide standardized, transparent and clear information to businesses on the requirements for receiving government support to avoid misapplications and strengthen governance. This also includes increasing the efficiency of administration processes, especially when it comes to setting up financial government support in response to the pandemic.
- Reduce uncertainty in the tourism industry by 1) Providing clear information on business operation during the ongoing crisis, 2) Putting in place a digital bimonthly newsletter, or distribute physical copies to local government to be redistributed to surrounding businesses, 3) Creating a temporary certification standard for accommodation establishments that can receive more than ten people to indicate that all COVID-19 related health and safety requirements are being met, and 4) Providing regular updates on advances regarding vaccination.
- Maintain support to businesses by increasing confidence in the sector. This can be done by 1) the public sector fulfilling contractual obligations on payments to businesses that have signed up to be isolation facilities, and 2) reducing the sluggishness in VAT repayments and tax refunds.
- Prepare the grounds to receive foreign tourists once international travel resumes. Main recommendations include 1) Increasing the frequency and availability of rapid tests to facilitate cross-border mobility and quicken the process of tourism recovery from foreign countries, and 2) Creating more diverse and specialized visitor categories with relaxed visa requirements (e.g., work nomads, sports training, professional conferences)
- Leverage the expertise of currently existing entities to improve traveller confidence by 1) advertising Namibia's open natural spaces that adhere to social distancing requirements, and 2) using targeted professional marketing and promotion campaigns in key tourist markets across multiple platforms.

### **Medium run: Increase competitiveness and visibility**

- Increase transparency in the sector by making visible how the 2% levy for the NTB is being used and transmitting this information to business owners, thus nurturing a more integrated and virtuous relationship between the private and public sector.
- Update the tourism sector database of the NTB registry annually, to better track COVID-19 recovery as it progresses, improve on the delivery efficiency of social security programmes by having up-to-date information, and facilitate communication between the private and public sector.
- Increase the visibility of untapped tourism potential via the Tourism Revival Strategy, focusing on 1) Developing an integrated national museum development strategy to ensure their survival, 2) diversifying the geographical distribution of tourism activities across the country, and 3) preserving the known cultural heritage sites.
- Increase Government regulation of entities in the tourism sector that disrupt local competition.
- Substantiate national park entry fees, as they could bring about income that could in turn facilitate funding for preservation, wage payments and other forms of reinvestment in the tourism sector.
- Build the Brand Namibia aggressively by securing the services of successful advertising agencies capable of increasing visibility abroad, advertising across various platforms appropriately and highlight possibilities of ecotourism in Namibia.

- Improve accessibility and inclusivity for tourists with specific access requirements, such as people with disabilities, from the visa application stage through to arrival at the airports, car rental or transport agencies and ultimately the accommodation.
- Keep promoting local tourism by aggressively marketing it and preserving the variety of attractive packages for Namibians.

### **Long run: Strengthen resilience and sustainability**

- Sustain investments in tourism-related infrastructure improvements, such as the improvement of road networks in areas with rough terrain (e.g., rest camps along the Angolan border to the West of Ruacana), rural electrification, water management and higher quality of sanitation.
- Pursue data collection and research on COVID-19 impacts on the sector for the years to come, especially regarding 1) Researching the potential long-term negative impacts on female employment in the NBEs, 2) Investigating the effect on communal conservancies which have hundreds of households depending on the environment, and 3) Carrying out the Tourist Exit Survey to assess where further interventions are needed to fine-tune the Tourism Revival Strategy.
- Realize an integrated tourism industry by 1) Nurturing an integrated National Tourism Strategy with a virtuous cycle of cooperation and re-investment between the public and private sectors, 2) increase ties among the local, regional and national tourism businesses, 3) synergize the strategies of NBT entities such as Conservancies, Community Forests and Nature-Based Enterprises, and 4) Create trust in the community by engaging the people and making efforts to increase legitimacy.
- Differentiate between nature-based tourism and other forms of tourism to increase the precision of targeted interventions rather than more costly catch all policies.
- Increase the geographical distribution of investments from large international organisations including the UNDP and the Environmental Investment Fund in conservancies.
- Leverage the expertise of logistics and mapping entities such as NACSO, and organisms looking at expanding successful local solutions that help foster legitimacy such as the UNDP Accelerator Lab.

# INTRODUCTION

**T**he Namibian tourism industry has been one of the hardest hit by the COVID-19 pandemic and ensuing socio-economic crisis. The closure of borders and the complete absence of visitors from abroad since March 2020 has had a major impact on the direct and indirect beneficiaries of the tourism sector, including accommodation facilities, restaurants, travel agencies, entertainment facilities, transport companies and tour operators. Also severely disrupted by the crisis are Namibia's nature-based tourism (NBT) operators such as the communal conservancies, community forests and national parks. The sudden stop in foreigner arrivals now lasting more than a year has left a lasting impact on revenue earnings, halting projects mid-way and causing mass retrenchments across the board.

The inherent nature of the tourism sector being interconnected with a myriad of subsectors in the industry has caused ripple effects reaching every corner of the Namibian economy. The massive disruptions in the tourism sector's value chains have put in unprecedented uncertainty for conservation management practices, consequently underscoring the importance of tourism for the well-being of the majority of local and indigenous communities in Namibia's rural areas.

With much of Namibia's tourism sector being built around its natural beauty and wildlife reserves, the fortunes of wildlife, habitat conservation and the environment are closely tied. Due to the pressing need to understand, measure and quantify the nature of the impacts, the Government of the Republic of Namibia has commissioned a socio-economic impact assessment of the tourism industry, with the hopes of shedding some light on what can be done to revitalize it in the coming years.

Tourism business models in Namibia have tended to favour a more exclusive experience and higher price point targeting wealthy local and international visitors. Based on Namibia's strong tourism growth over the last decade, this strategy has proved remarkably successful. Unfortunately, the pandemic and subsequent containment measures have decimated international travel and tourism activity around the world during 2020. In Namibia, as in many countries, regulations also limited domestic travel and shut down hotels and restaurants for a period of time to help contain the virus' spread. For a sector and business model so dependent on attracting visitors and tourists, the economic impact has been catastrophic.

During the second and third quarters of 2020, statistics showed a year-on-year drop of over 80% in hotel and other short-stay occupancy rates and, not surprisingly, very few international tourist arrivals given the restrictions imposed. Of further concern is the fact that tourism is projected to recover much slower than other sectors. Despite borders in Namibia and many other countries reopening (at least partially) during the last quarter of 2020, the fallout from the pandemic continues to severely impact the sector well into 2021. It is for these reasons that the present report aims to contribute to the prompt and sustainable recovery of the sector.

Whilst the unprecedented socio-economic impacts of the pandemic are a crisis for both the tourism sector and economy as a whole, it does present certain opportunities to reset and rebuild for an even more successful and sustainable future. Within this context, the Namibian government launched its Tourism Revival Initiative (TRI) in September 2020 to help kickstart the recovery process. A Tourism Task Force (TTF) comprising key stakeholders was also established as part of the TRI. As demonstrated through the various chapters in

this report, numerous strategies were elaborated to identify the channels of transmission of the COVID-19 impacts, so as to propose the most viable and recommended short-term and long-term interventions of the broader recovery effort. Firm-level surveys, the elaboration of a unique multidimensional vulnerability indicator, along with an economic model with policy simulations as well as five testimonies have been included to feed into the overall recovery and revitalisation initiative.

Following up on the understanding of the impacts, there is an opportunity to rebuild the tourism sector by rethinking the country's approach to tourism to ensure that Namibia becomes a more sustainable destination, and for tourism to enrich the lives of all people through a sector which is financially self-sustaining in the longer term. This calls for a development of a time bound and well-defined strategy to rebuild the tourism sector. This socio-economic impact assessment's overall purpose is thus to guide the elaboration of a medium-term strategy that will assist Namibia to develop, finance and implement its tourism sector revival efforts so that the sector is rebuilt in a more resilient way and is able to recover from the COVID-19 impacts as quickly as possible. The purpose of the medium-term strategy is to provide COVID-19 specific analysis and recommendations to the Government of Namibia to feed into the national and sectoral budget process as well as the preparation of the Medium-Term Expenditure Framework (MTEF) to recover from the impacts of the pandemic on the Tourism sector with a focus on the national parks, conservancies, community forests and NBT enterprises.

This report is part of a broader initiative by the United Nations in Namibia to provide evidence-based recommendations to the Government of the Republic of Namibia concerning COVID-19 recovery. It follows a first Socio-Economic Impact Assessment of COVID-19 in Namibia (SEIAC-NAM) and a subsequent Socio-Economic Recovery Plan (SERP), both documents published by the United Nations in Namibia.

The elaboration process of this assessment has been filled with inclusive consultations, engagements and exchanges with three main key stakeholder groups, namely the Government of the Republic of Namibia along with several of its key agencies (i.e., National Planning Commission, Namibia Statistics Agency, the Ministry of Health and Social Services and the Ministry of Finance), the most direct sectoral lead (i.e., the Ministry of Environment, Forestry and Tourism) along with its partner institutions (i.e. the Namibia Tourism Board and the Namibia Wildlife Resorts), and the tourism industry role players, including the Federation of Namibian Tourism Associations (FENATA) and the Emerging Tourism Enterprise Association (ETEA).

The report is structured as follows: Chapter 1 provides an overview of the Namibian economy along with a detailed look at the tourism sector. Chapter 2 describes the methodology and processes behind the three surveys realized by the UNDP and MEFT, as well as reporting the key findings on how 1) tourism-related businesses, 2) nature-based enterprises and 3) national parks, conservancies and community forests have been impacted by the COVID-19 pandemic.

Chapter 3 delivers an estimation of the Multidimensional Vulnerability Index for Namibia, given the survey's results. Chapter 4 provides a computable general equilibrium model of the Namibian tourism sector, along with modelled scenarios and simulation results that inform policy recommendations. Chapter 5 presents five personal testimonials from businesses and entities in the tourism industry, looking into specific cases of the impacts of the COVID-19 pandemic. Finally, Chapter 6 concludes the report with a summary of the recommendations for the tourism recovery and revival strategy.



# CHAPTER I THE NAMIBIAN TOURISM SECTOR

## I.A. OVERVIEW OF THE NAMIBIAN ECONOMY

Namibia is a small open economy heavily dependent on trade linked to its agriculture, mining and tourism industries. It is also a country with immense natural beauty, mixing dramatic desert landscapes with an abundance of wildlife that attracts many international visitors. Namibia's commitment to achieving its targets for the Sustainable Development Goals (SDGs) – now institutionalised in its National Development Plan (NDP) – has created a progressive economy that carefully seeks to strike a balance between extracting economic benefit from its natural resources, and conservation.

The basic structure of the Namibian macroeconomy has changed relatively little over the last two decades. As is common in developing economies, the share of labour (compensation of employees) in GDP has steadily increased over time, rising from under 40% in 2000 to over 45% in 2019 (see Table 1 and Table 2 below). Of some concern is the drop in investment spending and volatility of exports relative to GDP in recent years. Investment (gross fixed capital formation) peaked in 2014-15 reaching a share of over 33% of GDP but has since fallen to below 20% of GDP.

A widening trade deficit following the Global Financial Crisis (GFC) in 2008-09 has also placed pressure on Namibia's macroeconomic stability. Real GDP growth was strong up to 2015, especially in the years after the GFC, but has slowed significantly since then, causing investment to stagnate and the economy to fall into recession. Unfortunately, the slowdown prior to COVID-19 has placed the country's fiscus in a vulnerable position to effectively mitigate against the economic fallout triggered by the pandemic.

Over the last decade, Namibia debt to GDP ratio has risen to over 50% from a low of 16% before the GFC. Like many other countries, Namibia's budget deficit and overall debt to GDP ratios are now expected to balloon even further in the medium term due to the effects of COVID-19 on economic activity and tax revenue collection. The constrained fiscal outlook places even greater emphasis on the efficient allocation of resources following the pandemic to ensure that any stimulus spending provides maximum relief and support to the economy.

Table 1 – GDP at market prices from the income side (N\$m)

| Components of GDP income side           | 2007   | 2013    | 2019    | Avg Share |
|---|--------|---------|---------|-----------|
| Compensation of employees               | 24,835 | 51,957  | 81,675  | 43.3%     |
| Gross operating surplus                 | 32,580 | 61,072  | 85,100  | 48.8%     |
| Gross Domestic Product at Factor Cost   | 57,415 | 113,029 | 166,775 | 92.1%     |
| Net taxes on production and imports     | 4,666  | 9,763   | 14,459  | 7.9%      |
| Gross Domestic Product at Market Prices | 62,081 | 122,792 | 181,234 | 100%      |

Table 2 – GDP at market prices from the expenditure side (N\$m)

| Components of GDP expenditure side                  | 2007   | 2013    | 2019    | Avg Share |
|---|--------|---------|---------|-----------|
| Final consumption expenditure by households         | 35,637 | 80,808  | 131,650 | 67.7%     |
| Final consumption expenditure by general government | 12,834 | 31,912  | 46,300  | 24.9%     |
| Gross fixed capital formation                       | 14,696 | 32,565  | 30,525  | 21.2%     |
| Exports of goods and services                       | 31,496 | 50,572  | 64,034  | 39.9%     |
| less Imports of goods and services                  | 32,310 | 71,280  | 85,167  | (51.5%)   |
| Change in inventories and residual item             | -272   | -1,785  | -6,109  | (2.2%)    |
| Gross Domestic Product at Market Prices             | 62,081 | 122,792 | 181,234 | 100%      |

**Note:** Tables 1 and 2 display a summary of the national income and expenditure accounts in current prices in 2007, 2013 & 2019.

**Source:** Bank of Namibia Quarterly Bulletin, September 2020.

At a sectoral level (see Table 3), the economy has always been somewhat exposed to external shocks given its dependence on both imports and exports. Diamond and copper mining are Namibia's largest export industries, typically responsible for over 30% of all export earnings. However, commodity markets are notoriously cyclical, and Namibia's primary sector export performance reflects this reality. Tourism, broadly represented through the performance of the 'hotels and restaurants' industry, has shown consistent growth over the last two decades and has become another important export commodity.

Tourism has subsequently become a key source of employment with nearly 50,000 jobs directly linked to the industry and many more indirectly via upstream and downstream activities. Unfortunately, as previously noted, tourism and its related activities are uniquely exposed to current events and have been one of the hardest hit sectors in the Namibian economy in 2020. Given these factors, tourism will require innovative ideas, targeted interventions, and support from government to protect both capital and labour in the short to medium term.

Table 3 – GDP at basic prices by sector (N\$m)

| GDP SECTORS AND SUB-SECTORS OF ACTIVITY       | 2007   | 2013   | 2019    | AVG SHARE |
|---|--------|--------|---------|-----------|
| Primary Sector (SIC 1-2)                      | 12,191 | 24,009 | 29,766  | 19.4%     |
| Agriculture, forestry and fishing             | 5,375  | 7,790  | 13,195  | 7.7%      |
| Diamond mining                                | 3,535  | 10,683 | 7,042   | 6.3%      |
| Other mining and quarrying                    | 3,281  | 5,536  | 9,529   | 5.4%      |
| Secondary Sector (SIC 3-5)                    | 13,622 | 20,588 | 32,398  | 19.5%     |
| Manufacturing                                 | 9,774  | 13,509 | 22,112  | 13.3%     |
| Electricity and water                         | 1,562  | 2,332  | 6,118   | 2.9%      |
| Construction                                  | 2,286  | 4,747  | 4,168   | 3.3%      |
| Tertiary Sector (SIC 6-9)                     | 32,252 | 70,317 | 105,708 | 61.1%     |
| Wholesale and retail trade                    | 6,769  | 14,212 | 18,182  | 11.5%     |
| Hotels and restaurants                        | 1,115  | 1,929  | 3,751   | 2.0%      |
| Transport, storage and communication          | 2,955  | 5,765  | 7,877   | 4.9%      |
| Business services                             | 7,524  | 17,080 | 25,812  | 14.8%     |
| Public administration and defence             | 5,157  | 13,974 | 20,945  | 11.7%     |
| Education and health                          | 6,429  | 14,094 | 24,847  | 13.3%     |
| Other community, social and personal services | 2,403  | 3,263  | 4,294   | 2.9%      |

## I.B. TOURISM SECTOR IN NAMIBIA

**T**ourism is a priority sector for economic development in Namibia's Fifth National Development Plan (NDP 5) and has been one of the most successful and fast-growing sectors of the Namibian economy over recent years. Tourism statistical reports have shown sustained annual increases in tourist arrivals to Namibia since independence, going from 560 thousand in 1999 to a record high 1.596 million tourist arrivals in 2019 (UNWTO, 2001). Prior to the effects of the pandemic becoming known, this number was forecast to rise to 1.650 million in 2020. The tourism industry is also a key provider of employment. As the 2016 National Labour Survey estimates, 47.840 Namibians were employed in the accommodation and food service sector.

Ever since independence, tourism based around its vast wildlife and natural resources have grown to become an integral part of the Namibian economy. Despite its success, the tourism industry has significant untapped potential. The World Economic Forum's biennial Travel & Tourism Competitiveness Index (TTCI) ranks countries across a broad spectrum of indicators. Over the last decade, Namibia has never ranked higher than 70th and is currently ranked 81st in terms of its overall TTCI.

Policymakers and stakeholders in the tourism sector would no doubt like to see Namibia placed much higher given its status as a priority sector. A breakdown of the index components reveals that there are many general areas of concern and institutional weaknesses in the Namibian economy that create negative spillovers into the tourism sector. It follows that a closer look at the TTCI (see Table 4) may also help national and regional stakeholders develop targeted policy interventions in underperforming areas that may be crucial to the sector's growth prospects and improving Namibia's general standing as a tourist-friendly destination.

*Table 4 – Namibia TTCI components (ranking)*

| TTCI COMPONENTS                          | 2011     | 2013     | 2015     | 2017     | 2019     |
|--|----------|----------|----------|----------|----------|
| Overall TTCI country ranking             | 84th/139 | 91st/140 | 70th/141 | 82nd/136 | 81st/140 |
| Business environment                     | 55       | 64       | 39       | 38       | 44       |
| Safety and security                      | 86       | 96       | 90       | 82       | 103      |
| Health and hygiene                       | 106      | 106      | 117      | 117      | 114      |
| Human resources and labour market        | 124      | 130      | 122      | 106      | 85       |
| ICT readiness                            | 109      | 100      | 77       | 90       | 90       |
| Prioritization of travel & tourism       | 62       | 68       | 75       | 61       | 65       |
| International openness                   | 90       | 107      | 90       | 92       | 98       |
| Price competitiveness                    | 47       | 53       | 29       | 30       | 38       |
| Environmental sustainability             | 22       | 36       | 40       | 92       | 68       |
| Air transport infrastructure             | 59       | 61       | 55       | 58       | 67       |
| Ground transport and port infrastructure | 44       | 60       | 58       | 66       | 65       |
| Tourist service infrastructure           | 67       | 72       | 47       | 73       | 52       |
| Natural resources                        | 47       | 43       | 31       | 40       | 46       |
| Cultural resources and business travel   | 123      | 127      | 132      | 127      | 126      |

*Note: Table 4 displays a summary of Namibia's TTCI ranking across all major index components from 2011 to 2019.*

At 81st in the overall TTCI rankings and 4th in Sub-Saharan Africa, Namibia is well placed to improve its global standing in the tourism market. Many of the index components in which Namibia are currently underperforming, such as safety and security, health and transport infrastructure are general factors that industry players do not have direct control over. Independent assessments such as the IMF's Article IV Country Report and indices such as the World Bank's Human Development Index or Heritage Foundation's Index of Economic Freedom confirms the presence of various structural and institutional issues impeding growth in not only the tourism sector, but the economy as a whole.

The NDP, alongside various other government policy documents, makes a clear commitment to improving in the quality of these general index components and the strengthening of key institutions. Should the government be successful in achieving this, tourism is likely to be one of the main beneficiaries in the economy. The same holds true for Namibia's neighbours, Botswana and South Africa. All three countries have positioned themselves and built a reputation as world-class destinations in similar niche markets. However, as highlighted by the TTCI, a comparable list of actual and perceived concerns about the enabling environment for tourism in these countries, including institutional factors, safety and security, etc. are viewed as limiting to the sector's growth across the region. Given that Namibia already shares various regional political and economic initiatives with its neighbours, including a long-standing customs union agreement, further cooperation to deal with areas of common concern, especially where it relates to international travel and tourism, should be encouraged and pursued where possible by policymakers.

Similar to Botswana and South Africa, tourism indicators in the TTCI for Namibia such as hotel price index, extent of staff training, marketing, environmental sustainability, quality of tourism infrastructure and attractiveness of natural resources are all ranked relatively highly compared to the country's overall ranking (see Table 5 below). This suggests that the sector is ready to take advantage of any positive spillovers emanating from stronger institutions and tourism-enabling policies and investments introduced by government and stakeholders.

Such a scenario is tested in the economic modelling section in Chapter IV of this report. As part of the post-COVID-19 revival strategy it will be important for Namibia's tourism sector and economy in general to not only improve areas of weakness noted in the various rankings, but also build on its areas of strength. As promoted by the MTEF itself, the comparative advantage of Namibia's tourism sector lies in its ability to provide an unparalleled nature and wildlife-centred experience without surrendering key sustainability initiatives. Policymakers looking to promote the sector further must endeavour to maintain this balance.



Table 5 – Namibia TTCI sub-index breakdown (2019)

| TTCI SUB-INDEXES  | RANK | TREND  | BEST PERFORMER     |
|---|------|--------|--------------------|
| Business, safety and security                               |      |        |                    |
| Private property rights                                     | 31   | Same   | Finland            |
| Effect of taxation on incentives to invest                  | 47   | Worse  | Bahrain            |
| Business costs of crime and violence                        | 110  | Worse  | Lesotho            |
| Reliability of police services                              | 75   | Worse  | Finland            |
| Labour and technology                                       |      |        |                    |
| Extent of staff training                                    | 43   | Same   | Switzerland        |
| Ease of finding skilled employees                           | 114  | Worse  | United States      |
| Degree of customer orientation                              | 124  | Better | Switzerland        |
| Internet use for biz-to-consumer transactions               | 105  | Worse  | Sweden             |
| Travel and tourism, openness and competitiveness            |      |        |                    |
| Government prioritization of travel and tourism industry    | 38   | Better | Lesotho            |
| Effectiveness of marketing and branding to attract tourists | 32   | Same   | Lesotho            |
| Country brand strategy rating                               | 55   | Better | Paraguay           |
| Openness of bilateral air service agreements                | 17   | Same   | New Zealand        |
| Hotel price index   | 19   | Worse  | Lithuania          |
| Environmental sustainability                                |      |        |                    |
| Enforcement of environmental regulations                    | 29   | Better | Finland            |
| Sustainability of travel and tourism industry development   | 15   | Worse  | Lesotho            |
| Baseline water stress                                       | 82   | Same   | Multiple Countries |
| Threatened species  | 62   | Better | Luxembourg         |
| Transport and tourist infrastructure                        |      |        |                    |
| Quality of air transport infrastructure                     | 63   | Same   | Singapore          |
| Quality of roads  | 28   | Worse  | Singapore          |
| Ground transport efficiency                                 | 74   | Same   | Japan              |
| Quality of tourism service infrastructure                   | 21   | Better | Singapore          |
| Hotel rooms   | 55   | Better | Seychelles         |
| Natural and cultural resources                              |      |        |                    |
| Total protected areas                                       | 28   | Worse  | Slovenia           |
| Attractiveness of natural resources                         | 15   | Better | Costa Rica         |
| International association meetings                          | 114  | Worse  | United States      |
| Sports stadiums   | 102  | Same   | United States      |

**Note:** Table 5 displays a summary of Namibia's TTCI ranking within key sub-index components linked to tourism for 2019.

**Source:** World Economic Forum, Travel & Tourism Competitiveness Report 2019

## I.C. THE IMPACT OF COVID-19 ON THE TOURISM INDUSTRY

**T**he first COVID-19 positive case was reported in Namibia on 14th March 2020. This resulted in a range of measures to contain the spread of the virus. On the 17th of March 2020, a State of Emergency was declared, followed by an immediate lockdown of two regions, travel restrictions, closure of national borders and restrictions on gatherings. Additional measures included instituting 14-day quarantine measures for people from high-risk countries, working from home policies, and closure of selected ports of entry with the exception of essential goods and services. When the country counted 16 confirmed cases, a nation-wide lockdown was declared in April 2020. This entailed instructing all non-essential organizations, state owned enterprises including NGO/CBOs, private sector and government ministries to lockdown, limit or operate in isolation for an initial period of 21 days.

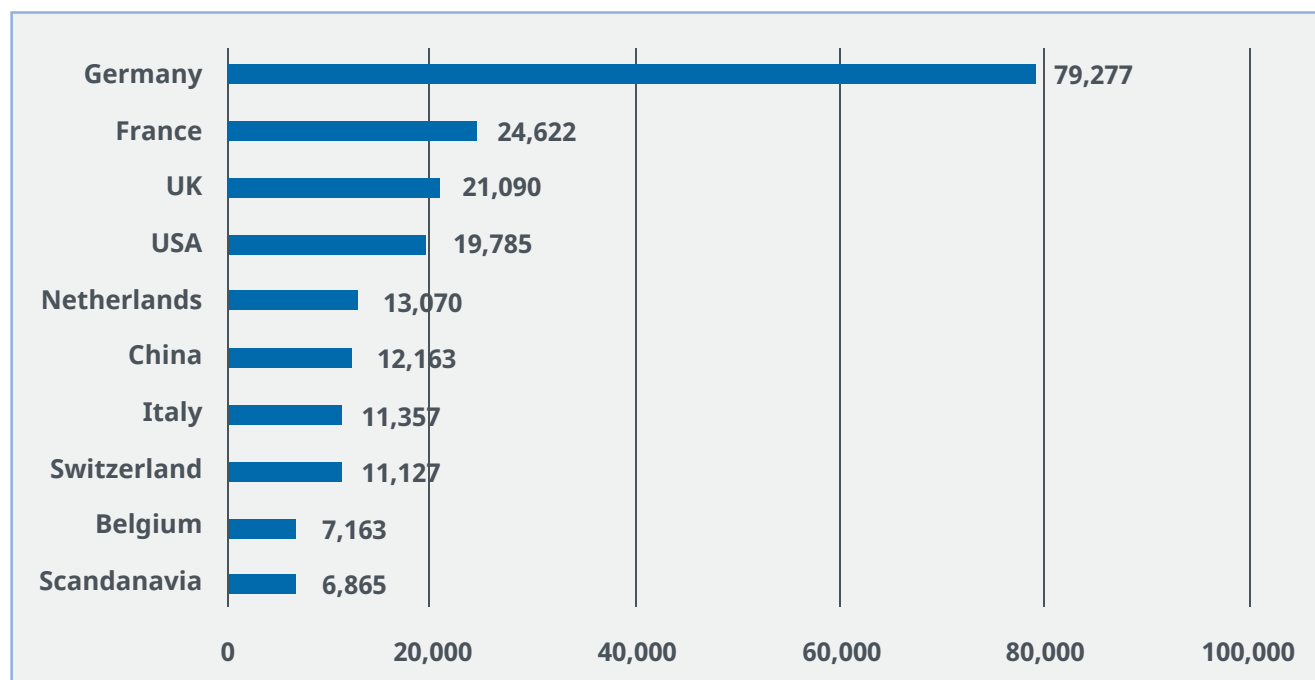
The economic fallout from the COVID-19 pandemic has disproportionately affected all tourism related industries, including travel agencies, hotels and other short-stay accommodation, food and beverage suppliers, restaurants, wildlife conservancies and other tourist destinations that depend on visitor spending. Culture-oriented tourist sites such as museums, heritage sites, galleries and craft markets have also not been spared. Combined, these industries directly employ over 50.000 workers in Namibia out of a total of nearly 750.000 economy-wide, with many more jobs indirectly supported by tourism activities.

This is in line with global estimates linking nearly 1 in 10 jobs to tourism. Whereas many other sectors were able to reopen and start their recovery process after initial lockdown restrictions were lifted, tourism has remained heavily constrained due to limitations on international travel in key markets. Many potential tourists have also taken a more cautious approach to travelling, either cancelling or postponing trips until greater certainty emerges on a global scale regarding the containment of the virus. The UNWTO released a statement encouraging tourists to “stay home today, travel tomorrow” with the understanding that until the pandemic is under control, tourism will not be able to return to normal.

As of January 2021, great uncertainty remains about the impact of COVID-19 on global tourism markets in the short to medium term. Policy responses and their success in terms of limiting both health and economic impacts have varied a great deal throughout the world. Whilst many countries have reopened their borders, others have either maintained their closure or returned to various levels of lockdown during the second half of 2020.

The optimism surrounding COVAX’s promise that recently approved vaccines will become available on a global scale during 2021 has been offset by the effects of second and third waves of infections in many parts of the world, including South Africa and key European and North American markets. As can be seen in Figure 1 below, this poses a problem as these countries are part of the main market that Namibian tourism businesses cater to.

Figure 1 – Namibia top ten overseas tourist visits in 2019



Source: Ministry of Environment, Forestry and Tourism, Tourist Statistical Report 2019

Northern hemisphere tourists wishing to travel during the 2020 December holiday period would have provided a welcome kickstart for the sector's recovery effort. However, given the likelihood of continued international travel restrictions and uncertainty, Namibia's short-term focus will have to shift to domestic tourism and attracting more tourists from regional countries, such as South Africa, that have partially reopened their borders. A summary of the unprecedented impact on travel and tourism activities in Namibia since 2020 Q2 when COVID-19 containment measures were first implemented, as measured by occupancy rates and tourist arrivals, are shown in Figure 2 and Figure 3. Reference to these indices from 2019 are first provided to place the impact in context and benchmark the baseline tourism market in Namibia.

Figure 2 – Beds and rooms occupancy indices September 2019 – September 2020

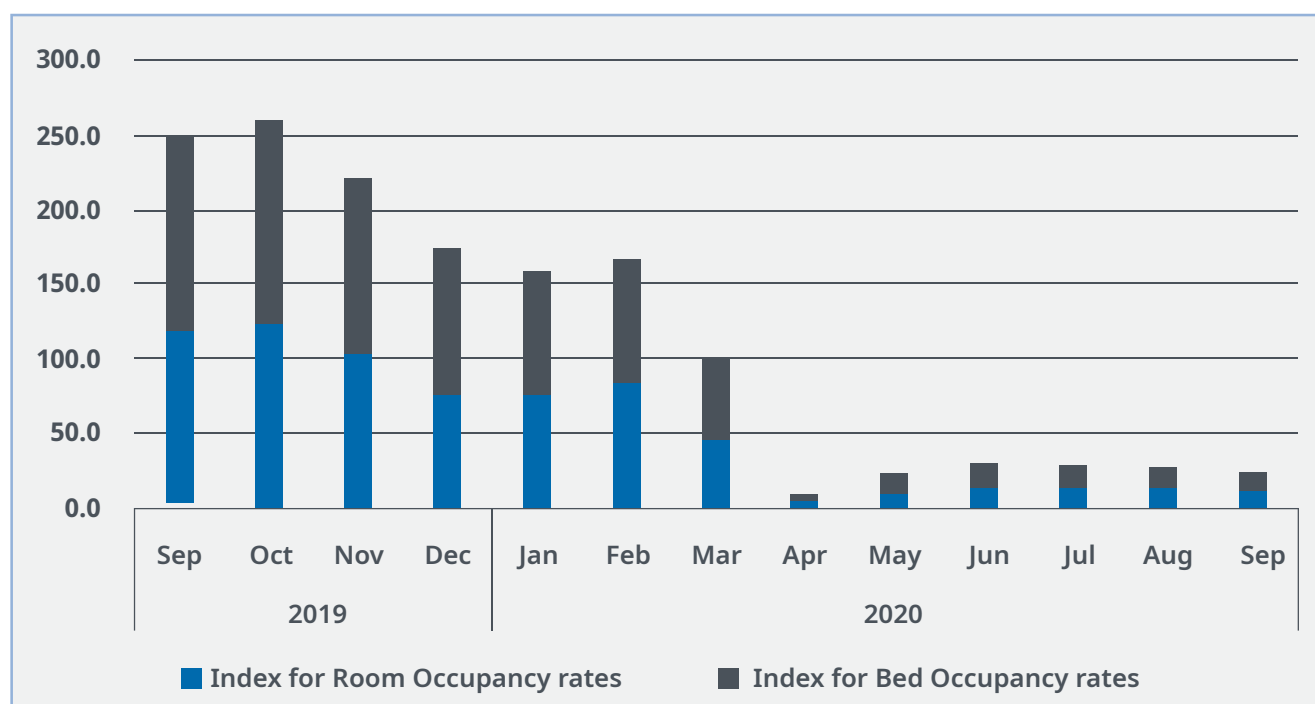
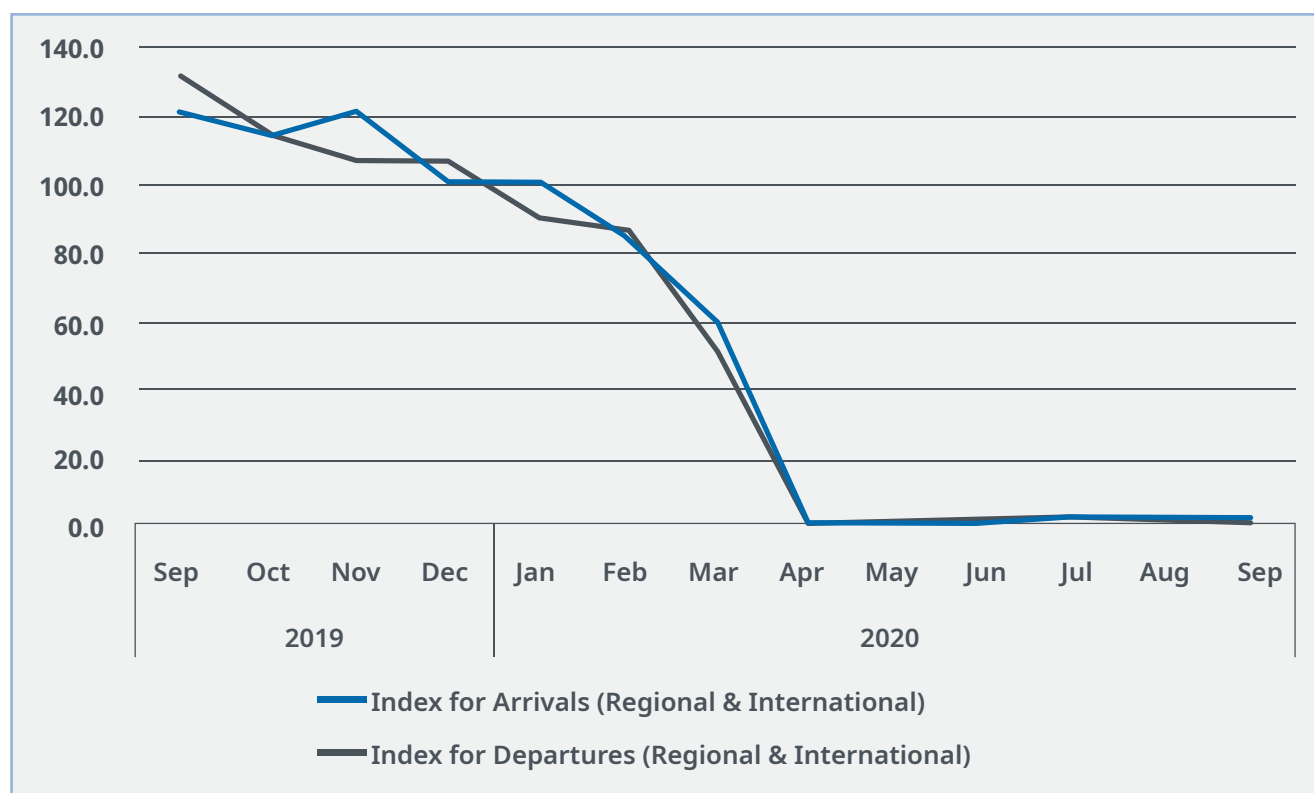


Figure 3 – Regional and international arrivals and departures indices: September 2019 – September 2020



Source: Namibia Statistics Agency, Tourism Sectoral Report November 2020

Many tourism-related businesses are convinced that as long as travel restrictions are not lifted in important markets including Germany, the UK and America, the negative economic outlook will continue as is. The longer the situation remains the same, the more probable it will be for businesses to retrench workers and eventually perhaps close down for good. While establishments have shown their optimism regarding travel gradually picking up with many locals coming to their establishments, national curfews discourage free movement, due to people's fear of not reaching their destination on time. In what follows, the results of three original nation-wide surveys examining how the COVID-19 pandemic and ensuing socio-economic crisis have impacted tourism-related businesses, nature-based enterprises, conservancies, national parks and community forests are reported.

## CHAPTER II TOURISM ASSESSMENT

### I.A. SURVEY METHODOLOGY

In September 2020, following a request by the Ministry of Environment, Forestry and Tourism (MEFT) to provide a Socio-Economic Impact Assessment (Digital SEIA) of the COVID-19 pandemic on the tourism sector and propose recovery options, UNDP Namibia partnered with the UNDP Crisis Bureau, as well as the United Nations Volunteers (UNV) Tandem Unit to carry out the study. The Surge Data Hub of the Crisis Bureau have conducted Socio-Economic Impact Assessments of COVID-19 on various economic sectors and could offer support for the development of questionnaires and dashboards for this tourism assessment. To provide a sectoral assessment of the direct and indirect effects of the COVID-19 pandemic and crisis, the UNDP and the MEFT commissioned four nation-wide surveys. Namely, these are the

- 1) Tourism-related businesses survey;
- 2) Nature-based Enterprises survey;
- 3) National Parks, Conservancies and Community Forests survey;
- 4) Tourists exit survey.

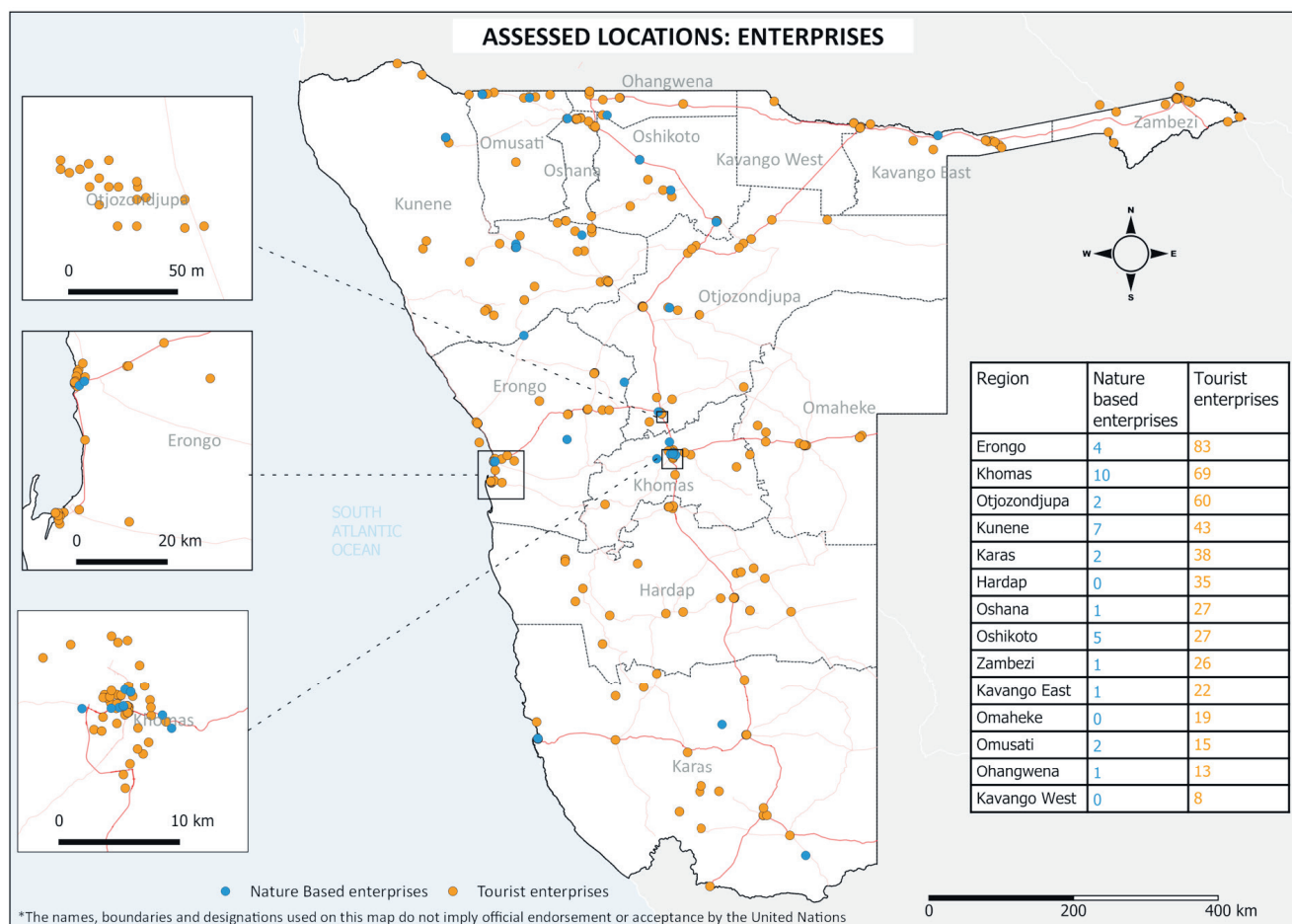
Establishments that were interviewed include hotels, lodges, guest houses, restaurants, backpacker hostels, tour operators, conservancies, community-run businesses, campsites, community forests, national heritage sites, museums, national parks and shuttle operators. The period during which the surveys were available for completion online (i.e., the duration of the data collection) was from 20th November 2020 to 9th February 2021.

Figure 4 below displays the geographical location of the respondents in Namibia (tourism-related businesses and nature-based enterprises), while Figure 18 displays the location of the national parks and community forests. In addition, the figure includes a table with a disaggregation of respondents across the 14 Namibian regions, as well as a closer look at three locations with a high concentration of participants.

The information collected through these surveys were treated with the strictest confidence and have not been used for any purpose other than research. Given the very low number of foreign tourists entering (and thus exiting) Namibia during the time the surveys were being conducted, the insufficient number of respondents for the Tourism Exit questionnaire has led to its exclusion from the report.

The importance of monitoring the socio-economic impacts of COVID-19 lies in identifying the support needed by Namibians and do the best to provide it, whilst also proposing novel mechanisms and policy recommendations to build a more sustainable, resilient and integrated tourism sector.

Figure 4 – Geographical location of survey respondents



## II.B. TOURISM ANALYSIS

### II.B.1. Tourism-Related Businesses

#### Tourism-related businesses in Namibia: a sectoral analysis

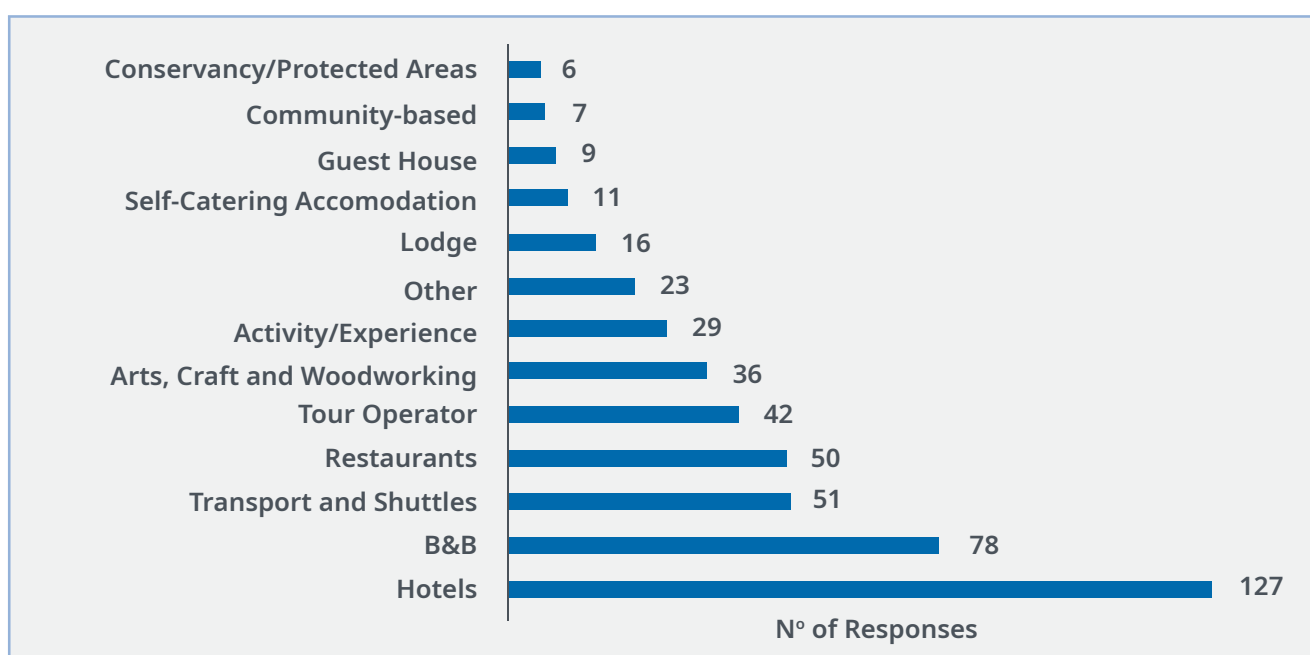
The Tourism survey counts with a total of 485 respondents across Namibia. As can be seen in Table 6 below, responses across the whole fourteen regions vary from 8 (Kavango West) to 83 (Erongo). When examining the responses per subsector in the tourism industry, an overwhelming number of respondents were in accommodation, evidenced in Figure 5 below with 127 Hotels, 78 B&Bs, 16 Lodges, 11 Self-Catering Accommodation, 9 Guest Houses, 6 Rest Camps and 5 Campsites. Another notable sector in the Other category includes Arts, Crafts and Woodworking (36), with a majority located in the city of Okahandja in the Otjozondjupa region. Additionally, there are 51 respondents in the Transport and Shuttle service (both formal and informal), 50 Restaurants, 42 Tour Operators and 29 in Activity and Experience.



Table 6 – Responses per region

| REGION       | RESPONSES  |
|--------------|------------|
| Erongo       | 83         |
| Khomas       | 69         |
| Otjozondjupa | 60         |
| Kunene       | 43         |
| Karas        | 38         |
| Hardap       | 35         |
| Oshana       | 27         |
| Oshikoto     | 27         |
| Zambezi      | 26         |
| Kavango East | 22         |
| Omaheke      | 19         |
| Omusati      | 15         |
| Ohangwena    | 13         |
| Kavango West | 8          |
| <b>Total</b> | <b>485</b> |

Figure 5 – Responses per sector



<sup>1</sup>See [Annex I](#) for a complete disaggregation of the “Other” category. The smaller include Museums (4), Hunting facilities (3), Backpacking hostels (2), Biltong salesperson (1), Vehicle and equipment rental (1) and Health and fitness instructor.

<sup>2</sup>When answering this question, 38 responded “Other” and 89 did not answer. Since many accommodation and restaurants are owned by a couple, it could be that men choose to place themselves as the owner, while women choose “other” or don’t answer instead. This could lead to an underrepresentation of women as business owners. In addition, both in the case of high responses in the Hotel and Museum sector, the high response in “Other” as a gender could attest to the business belonging to organisations or being part of a chain (thus signalling no specific person as owner) rather than individuals not identifying as either Male or Female.

<sup>3</sup>Since conservancies are not privately/individually owned, respondents here refer to people in leading positions rather than owners.

When examining the distribution of the gender of owners, the survey reveals that 57% of owners are men. At the sectoral level (see Table 7 below), no sector seems to have a majority of women business owners. On the contrary, sectors including Transport and Shuttles, Activity/Experience and Tour Operator, count with 90%, 71% and 62% of men as business owners, respectively. The sectors that have an equal representation are B&B, Conservancies, Rest Camps and Community-based businesses, with the three latter not allowing for a generalization due to the very small number of responses. Other notable responses where the majority of owners are men include Hotels (the biggest sector in terms of responses) with 46% of them being male, and Restaurants where six in ten owners are men.

*Table 7 – Gender of owner per sub-sector (in %)*

| TOURISM INDUSTRY SUB-SECTORS |                               | GENDER |      |       | TOTAL RESPONSES |
|------------------------------|-------------------------------|--------|------|-------|-----------------|
|                              |                               | Female | Male | Other |                 |
| Activity/experience          |                               | 21%    | 71%  | 8%    | 24              |
| B&B                          |                               | 47%    | 46%  | 7%    | 70              |
| Community-based              |                               | 43%    | 43%  | 14%   | 7               |
| Conservancy/protected areas  |                               | 50%    | 50%  | 0%    | 4               |
| Hotels                       |                               | 31%    | 46%  | 23%   | 105             |
| Other                        | Arts, Crafts and Woodworking  | 62%    | 38%  | 0%    | 16              |
|                              | Lodge                         | 25%    | 75%  | 0%    | 16              |
|                              | Self-Catering accommodation   | 20%    | 80%  | 0%    | 10              |
|                              | Guest House                   | 14%    | 86%  | 0%    | 7               |
|                              | Rest Camp                     | 50%    | 50%  | 0%    | 6               |
|                              | Campsite                      | 25%    | 50%  | 25%   | 4               |
|                              | Museum                        | 0%     | 0%   | 100%  | 3               |
|                              | Hunting                       | 67%    | 33%  | 0%    | 3               |
|                              | Backpacker                    | 0%     | 100% | 0%    | 1               |
|                              | Biltong sale                  | 0%     | 100% | 0%    | 1               |
|                              | Health and Fitness Instructor | 100%   | 0%   | 0%    | 1               |
| Restaurants                  |                               | 41%    | 59%  | 0%    | 49              |
| Tour operator                |                               | 33%    | 62%  | 5%    | 21              |
| Transport & Shuttles         |                               | 8%     | 90%  | 2%    | 48              |
| Total                        |                               | 33     | 57   | 10    | 396             |

*Note: Total responses in the table excludes respondents with "blank" answers (89), leaving 396 responses for the question relating to gender of the establishment's owner. The "Other" option in Gender signifies that the business belongs to more than one owner, to a larger franchise, or that the owner identifies as neither male nor female.*

<sup>4</sup>Half of those comprising that 11% are people working in crafts, which is generally an informal activity located all over Namibia (notable cities include Okahandja, Tsumeb and Omaruru).

A curious finding from this survey is the very high number of formally registered businesses, given Namibia's very large informal economy. From a total of 485 respondents, a whopping 95% of them (460) have classified themselves as registered businesses. What is more, 81% of businesses have complete bookkeeping, with only 11% keeping track of its accounts through informal records of orders, sales and purchases. This result is striking in a country with 57.7% of the employed population being informal (NSA, 2019). Out of the 18 that classified as unregistered, 10 are in the Transport and Shuttles category.

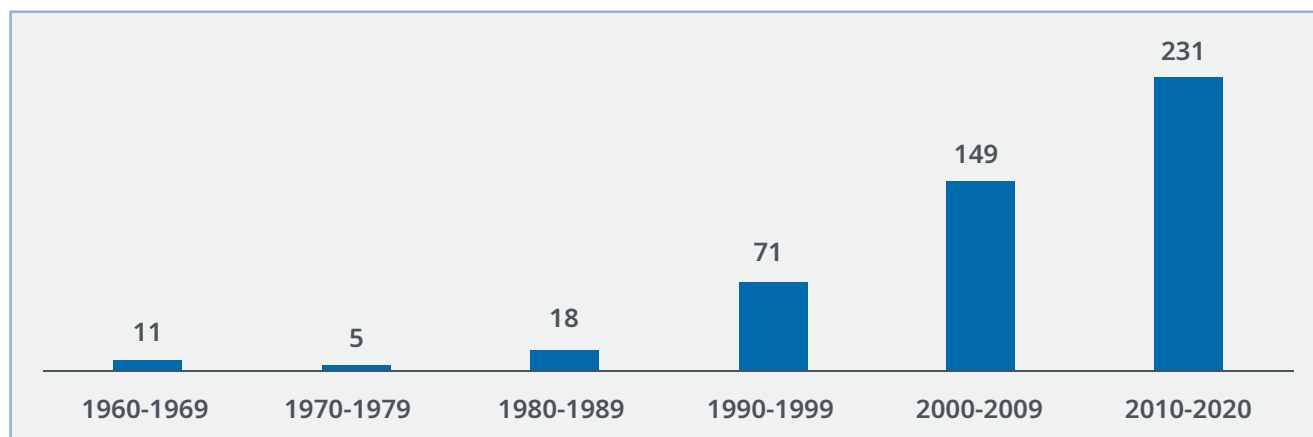
One possible reason for this unusually high number of businesses declared as formal, is the fact that while the business itself is formal (due potentially to the need of being formal as tourism is a very visual sector), employees themselves are not. Another potential cause could be a self-selection into the survey. Succinctly put, there could be a higher propensity for formal businesses to answer the survey either because the informal ones might be fearful of appearing as such in a national database, or because informal businesses are harder to contact and have less access to platforms allowing participation. For instance, informal businesses may not be as visible as formal ones, as they might not appear on online travel booking sites, google maps, social media, nor listed in the NTB national dataset as well as lacking publicly available email addresses, own online pages or phone numbers.

A significant share of the respondents claim to have at least one form of presence in online platforms. Specifically, around 65% of businesses publicize via social media, 58% have an official website and 40% use online travel agencies including Trivago, Booking.com, Hostel World and Airbnb among others. When examining how this impacted on client reservations, 70% of businesses had less than 50% of bookings via online channels. Furthermore, two in five businesses do not invest in online marketing, and one in four invests between 1% and 5% of their earnings.

Before the COVID-19 pandemic hit, and as seen in Chapter 1, the Namibian tourism industry had been following an upward trend. Results from the survey provide further evidence of this, as there seems to have been an increasing amount of business openings since the 1960s (see Figure 6 below). Even by not taking into account the years prior to 1990 (indeed there is a higher probability of older businesses not existing today to participate in the survey), there has been an increasing trend of tourism-related business openings since Namibia's independence.

The growth of the number of tourism-related businesses has also been inclusive, with a prevalence of micro and small businesses. Indeed, in December 2019, 33% of respondents had between 10-49 employees. If we take the definition of the International Labour Organization (ILO) – which classifies as micro enterprises those having up to 9 employees, small enterprises as those between 10 and 49 and Medium/Large enterprises as those that have 50 or more – then we can see that 90% of respondents (437) are micro and small businesses (ILO, 2019). In contrast, only 10% of respondents (48 businesses) seem to classify as medium or large businesses. In other words, this survey reveals that micro and small enterprises are vital to the tourism sector in Namibia.

Figure 6 – A recently booming tourism industry



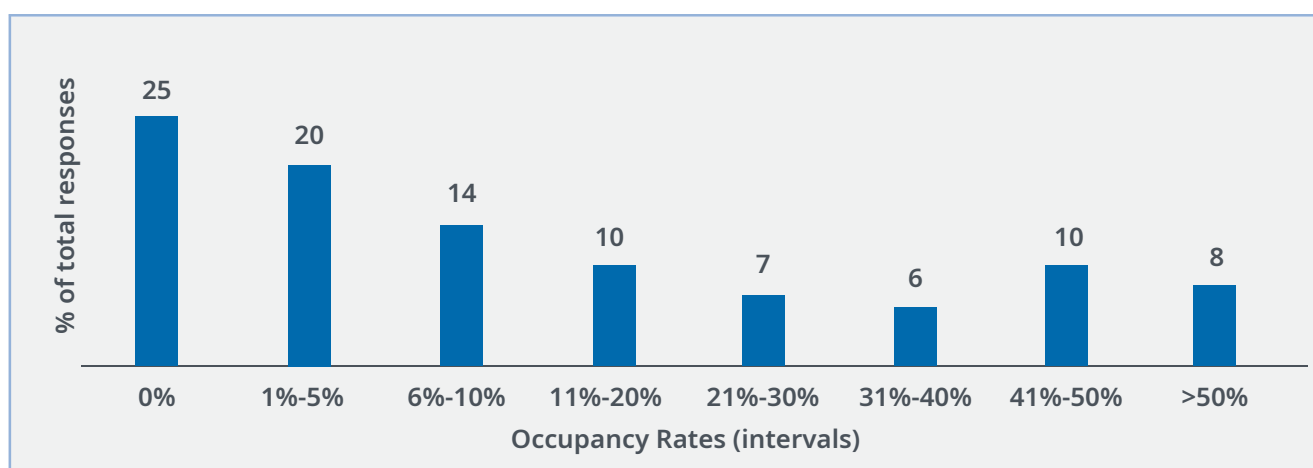
Note: Figure 6 displays the opening year of the businesses for all 485 respondents. Bars in the chart are divided in 10-year intervals.

### The impact of the COVID-19 pandemic and socio-economic crisis on tourism businesses

Since the beginning of the COVID-19 pandemic however, this trend seems to have come to an abrupt halt. Because of COVID-19 and the ensuing governmental movement restrictions and border closures, tourism-related businesses were deprived of both domestic and foreign clientele. In turn, this had a significant effect on the number of visitors in all establishments. Particularly, 97% of businesses report either a moderate or significant decline in the number of visitors since the advent of COVID-19. As a result of this, a considerable 25% of businesses that answered the survey reported their occupancy rate at 0%, and around 70% of surveyed businesses evaluated their occupancy rate below 20% (see Figure 7 below).

The toll of the COVID-19 pandemic and ensuing crisis on tourism-related businesses is most tangible when observing the figures in Table 8 below. Specifically, a striking 92% of businesses report having experienced a decline in clientele since the COVID-19 pandemic started. As a consequence of this massive decline in demand, 79% of surveyed businesses reported a drop in working hours of their staff. With regards to the reselling of materials purchased from other suppliers – such as restaurants procuring ingredients to sell as food or shops procuring crafts to sell to tourists – 68% of respondents report a drop. These stark declines contrast with the figure showing the large rise in tourism-related business openings since the 2000s, with a large increase since the 2010s. These findings attest to the severity of the shock to a previously booming tourism industry.

Figure 7 – A drastic decline in occupancy rates: March-October 2020



Note: the bars in the figure display the percentage of respondents for each interval of occupancy rates. The number above each bar represents the number of responses that the percentage of respondents represents.

Table 8 – The impact of COVID-19 on hours worked and demand

| HAVE THERE BEEN CHANGES IN...  | INCREASED | SAME | DECREASED | DON'TKNOW |
|--|-----------|------|-----------|-----------|
| Total hours worked per month? (in %)   | 1         | 19   | 79        | 1         |
| Total demand for the establishment's products and services? (in %)   | 1         | 5    | 92        | 1         |
| The establishment's supply of inputs, raw materials, or finished goods and materials purchased to resell? (in %) | 1         | 14   | 68        | 18        |

Note: The elements inside each row sum up to 100%.

One notable finding originating from the survey's results is that the tourism businesses less dependent on foreign demand suffered a lower shock than those that catered to foreigners as a primary activity. However, domestic and regional tourism was clearly not enough to compensate for the losses. As can be observed in Table 9 below, 63.3% of businesses stated that foreigners were their primary market, followed by Namibians at 27.6% and regional tourists (SADC region) at 9.1%. From the table it is possible to examine that no matter the primary market, tourism-related businesses took a very large hit in demand due to the COVID-19 pandemic. As displayed in Panel A, 87% of businesses with primarily Namibian clientele claim to have observed a decline in demand for their goods and services, with this value increasing for those depending primarily on regional tourists (89%) and equalling 95% for those with primarily international tourists. Although this shows that businesses less dependent on foreign travellers had a lower propensity to report a decline in sales, it attests to the fact that Namibian demand for tourism-related services was not enough to counter losses incurred by the businesses.

Table 9 – The link between the dependence on foreign demand and severity of the crisis

| PANEL A: ESTABLISHMENT'S PRIMARY MARKET AND DEMAND FOR PRODUCTS AND SERVICES |                   |       | PANEL B: ESTABLISHMENT'S PRIMARY MARKET AND TOTAL HOURS WORKED PER MONTH |                   |       | PANEL C: ESTABLISHMENT'S PRIMARY MARKET AND RESELLING OF PURCHASED GOODS |                   |       |
|--|-------------------|-------|--|-------------------|-------|--|-------------------|-------|
| International  |                   | 63.3% | International  |                   | 63.3% | International  |                   | 63.3% |
|  | Yes, increased    | 1%    |  | Yes, increased    | 0%    |  | Yes, increased    | 0%    |
|  | No, it's the same | 3%    |  | No, it's the same | 16%   |  | No, it's the same | 14%   |
|  | Yes, decreased    | 95%   |  | Yes, decreased    | 83%   |  | Yes, decreased    | 77%   |
|  | I don't know      | 1%    |  | I don't know      | 1%    |  | I don't know      | 9%    |
| Domestic   |                   | 27.6% | Domestic   |                   | 27.6% | Domestic   |                   | 27.6% |
|  | Yes, increased    | 2%    |  | Yes, increased    | 2%    |  | Yes, increased    | 2%    |
|  | No, it's the same | 9%    |  | No, it's the same | 28%   |  | No, it's the same | 17%   |
|  | Yes, decreased    | 87%   |  | Yes, decreased    | 68%   |  | Yes, decreased    | 51%   |
|  | I don't know      | 2%    |  | I don't know      | 2%    |  | I don't know      | 30%   |
| Regional   |                   | 9.1%  | Regional   |                   | 9.1%  | Regional   |                   | 9.1%  |
|  | Yes, increased    | 2%    |  | Yes, increased    | 2%    |  | Yes, increased    | 0%    |
|  | No, it's the same | 7%    |  | No, it's the same | 12%   |  | No, it's the same | 4%    |
|  | Yes, decreased    | 89%   |  | Yes, decreased    | 84%   |  | Yes, decreased    | 55%   |
|  | I don't know      | 2%    |  | I don't know      | 2%    |  | I don't know      | 41%   |

Note: Panel A indicates for each primary market of the tourism-related businesses (International, Domestic and Regional), whether the demand for the establishment's services and goods increased, stayed the same or decreased since the onset of the COVID-19 pandemic. Panels B indicates the same for the hours worked per month and Panel C does so for the purchase of goods to be resold to clients.

However, a decline in economic activity was to be expected for most businesses regardless of their primary market: while border closures caused a drastic decline in foreign clients, movement restrictions and lockdowns prompted a drop in Namibian customers. The extent to which foreign-dependent businesses were more highly impacted than those relying on a Namibian clientele becomes a bit clearer when observing the changes in total working hours of business staff (Panel B).

For instance, while 83% of businesses relying mostly on sales to foreigners stated a decline in total hours worked, 68% of businesses depending on a national clientele report a decline. This difference is still rather small however, further indicating the degree of the crisis' severity on all tourism-related businesses. This trend is also visible when observing the relationship between an establishment's primary market and the re-selling of purchased inputs, materials and final goods. When observing how these enterprises were impacted, it is also clear that the activity of businesses oriented towards a Namibian clientele was less disrupted than that of businesses targeting a foreign one. As can be observed in Panel C, 77% of foreign-oriented businesses reported a decline in the purchase of inputs to run their activities, while this value declines to 55% for those with a regional clientele and reaches half for those with a majority of Namibian clients.

All of these factors have had a clear immediate and negative effect on revenue. A whopping 93% of businesses (453 respondents) claimed to have seen a decline in both sales and revenue in the first two quarters of 2020, compared to the same time in 2019, with a mere 2% reporting an increase. The scale of the impact however has not been the same for every business. As displayed in Table 10, around 25% of respondents claim to have decreased the hours worked of their workers from full-time to part-time. This attests to the hardship that business owners were willing to endure to maintain their workers in business.

This hardship is shown by the fact that two out of three respondents experienced more than a 50% decline in demand for their services. This complements the fact that around 58% of surveyed businesses claimed to have an occupancy level lower than 10% between March and October 2020. Finally, around 43% of tourism-related businesses reported a more than 50% decline in goods purchased to be resold. This severe decline attests to disruptions in tourism supply chains, including the agricultural (farmers, transport, restaurants) and accommodation (lodges, activities and hunting) sectors.

*Table 10 – The extent of the crisis on business operations*

| Has there been a change in...  | No Decrease | Less than 50% | 50% | More than 50% |
|--|-------------|---------------|-----|---------------|
| Total hours worked per month? (in %)   | 21%         | 22%           | 25% | 32%           |
| Total demand for the establishment's products and services? (in %)   | 8%          | 11%           | 14% | 67%           |
| The establishment's supply of inputs, raw materials, or finished goods and materials purchased to resell? (in %) | 32%         | 14%           | 11% | 43%           |

*Note: The table displays the percentual decline in work hours, demand of services, and the purchase of goods to be resold due to COVID-19. Concerning working hours per month, "50%" is shown separate as the answers for that particular number were prominent. This makes sense, as many employers passed their employees to half time workers to avoid retrenchments.*



One of the main hardships brought about by the crisis has been job loss. Out of a total of 4396 employed women, 1061 were retrenched. In other words, around one in four women working in the tourism-related businesses having participated in this survey (24.1%) were retrenched due to the COVID-19 pandemic and ensuing socio-economic crisis. As reported by the UNWTO (2021), 63.64% of worldwide employees in accommodation and food services are women. In the 2018 Namibia labour survey, this value is higher, standing at 77% of 83,056 employees in the accommodation and food services activities (NSA, 2019).

Either way, it is clear that more women are employed in the Namibian tourism sector relative to men. It is thus a curious finding that despite around 7 in 10 employees in the tourism sector being women, women and men have been retrenched in approximately the same number. This finding contrasts with predictions from other agencies, such as McKinsey estimates that women's jobs are 1.8 times more vulnerable to the COVID-19 crisis than men (McKinsey, 2020). Although around 50 more women have been retrenched than men (1014 retrenched) when examining results from the survey, one could have expected a higher proportion of job loss for women in the sector than what can be observed.

The survey has also revealed that there would seem to be a positive correlation between the size of the businesses and the number of retrenched workers. On one hand this is to be expected: the bigger the business, the larger number of employees that can potentially be retrenched. On the other hand, and as shown by the additional notes from the survey, the smaller the business, the closer the relationship between employers and their workers. Specifically, dozens of micro and small enterprise owners interviewed had developed close relationships with their employees, trying to avoid retrenchments at all costs, whilst this might not have been observed with larger businesses. The COVID-19 crisis has surfaced very humane realities, where business owners have been confronted with the terribly hard decision of retrenching workers that had become very close after years (or decades) of employment, or keeping them in the payroll at a potentially high and often unsustainable financial cost.

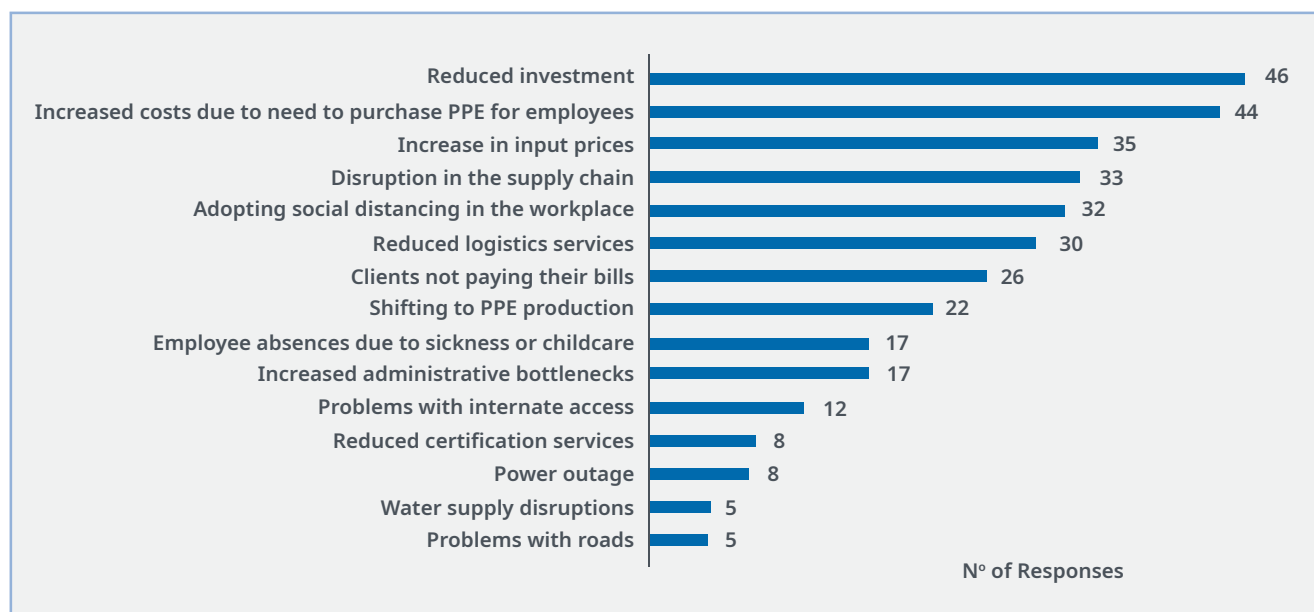
The ways in which the COVID-19 pandemic has disrupted businesses in the tourism industry unfortunately does not stop at revenue decline and retrenchments. Indeed, as illustrated in Figure 8 below, the biggest impact would seem to have been in reduced investment (46%), increased costs in the procurement of personal protective equipment (44%), an increase in input prices (35%), disruptions in supply chains (33%), adopting social distancing in the workplace (32%) and reduced logistics services (30%).

Other channels throughout which the COVID-19 pandemic has impacted businesses include increased expenditure to cover home office expenses, additional cash shortages due to the government not re-imbursing VAT on time, the need to refund months-worth of cancelled bookings and general confusion with regards to truthful information about COVID-19. Concerning reduced investment, the fact that almost half of surveyed businesses have had this problem attests to the reduction of economies of scale. Explicitly put, the cessation in capital expansion – and potential sale of business assets to deal with cash-flow issues – will complicate the resumption of rapid profit earnings once tourism resumes to recoup many months of no income.

<sup>5</sup>The best available information proxy for tourism services is "Accommodation and Food Services", which is why we refer to this category.

<sup>6</sup>See Annex I for Table displaying, for each category of business size, the number of retrenched workers.

Figure 8 – How the COVID-19 pandemic affected tourism-related business (% of positive responses)



Given the severity and extent of the COVID-19's impact, it is surprising that only 13 of the 485 businesses having participated in the survey claim to have filed for bankruptcy protection or insolvency. In addition, out of 485 respondents, only 6 businesses have permanently closed: 5 restaurants and 1 B&B. However, this is surely due to a self-selection effect. That is, it is more probable that businesses that are still fully or partially open, or in temporary hibernation answer the survey rather than closed businesses.

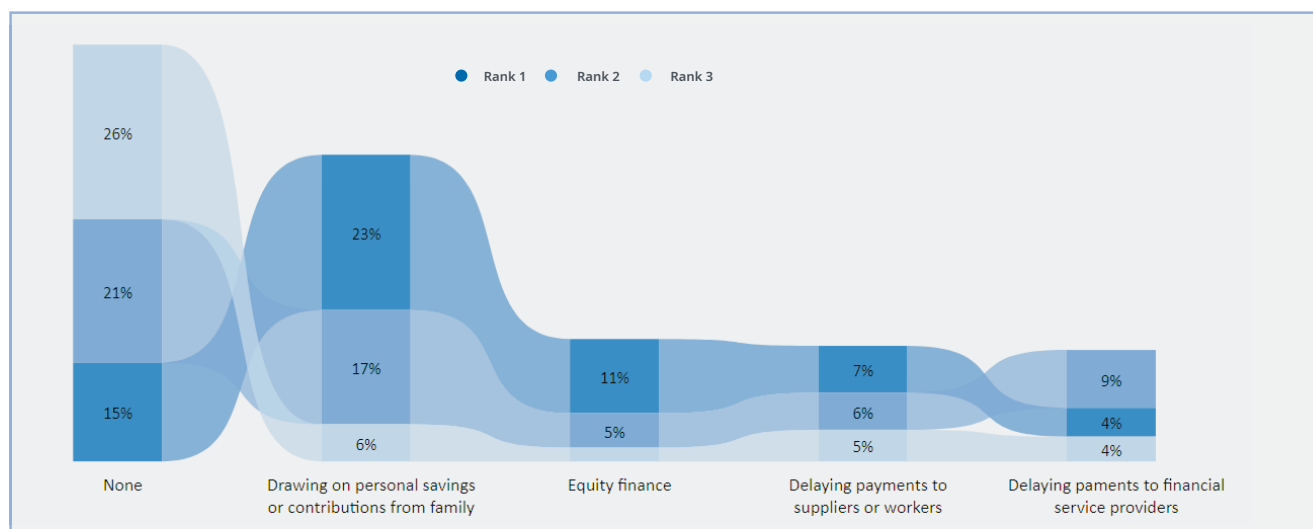
In addition, since the vast majority (more than 85%) of the respondents for this survey were contacted by people either at the MEFT or the UNDP (by email, phoned or visited physically), these were all open businesses, as closed ones could not be contacted for obvious reasons. This caveat of the survey points to a policy recommendation: the necessity to annually update the official NTB registry of open tourism businesses (see Chapter VI). The need for this is reinforced when the survey shows temporary business closures lasting more than the lockdown periods. Namely, 233 businesses closed for more than a month, and 50 had a hiatus lasting more than half a year. This reality shows the extent to which it is crucial to provide a follow up study to this report to examine whether these businesses managed to survive through 2021.

### How have Tourism-related businesses dealt with the COVID-19 pandemic?

Businesses have used different strategies to deal with cashflow shortages. When asked the question in the survey, 84 businesses claim to have delayed payments to suppliers or workers and 49 have asked for repayment holidays from banks. In addition, 223 businesses have had to sell off personal assets, 84 of them claim to have sold business assets and 41 have had to draw on personal savings.

A notable result from this survey, as exhibited in Figure 9 below, is that "Drawing on personal savings or contributions from family" comes up as number one in all potential sources, be it primary, secondary or tertiary. This further displays how battered many businesses have been by the crisis, as it has reduced business owners' personal savings not only to maintain livelihoods during the COVID-19 pandemic, but also to keep their businesses afloat. It is thus to be expected that when tourism returns to business as usual (if it does), many will have to start over rather than resume.

Figure 9 – How have businesses dealt with cash-flow shortages?



*Note: The figure displays the most common methods establishments have used to deal with cash flow shortages. The percentages represent the number of businesses stating that source.*

Another way that businesses have tried to increase their income (or reduce their loss) since the onset of the pandemic in March 2020 has been by changing the prices of goods that they offer. A total of 60% claim to have had to decrease the prices of the goods sold or services rendered in the hopes of attracting more clientele during the time of crisis. In addition, twenty-seven of the thirty businesses part of the 6% that increased their prices also declared massively reducing the number of hours worked of their staff, while all but one declared having a reduction in sales compared to 2019. This thus shows different strategies employed by business owners to recoup income losses (some choosing to decrease prices to attract more clientele while others opting for higher prices to earn more per client), rather than them being successful during the pandemic. There have been other strategies employed by businesses to deal with cashflow shortages. For one, some have started using their facilities for COVID-19 isolation patients. Thirty-one hotels declare having been used as COVID-19 isolation or quarantine facilities (21%).

The percentage is similar for B&Bs (20%), with 20 out of 100 having had contracts with the government to be COVID-19 isolation facilities. A second source has been to ask for bank overdrafts or new loans. A total of 147 businesses (30%) have asked for and received a loan or credit from a source to deal with cash flow issues. This shows the financial strain that these businesses are in and shows the danger that they could face in the future if tourism does not resume in 2021 and revenue remains low. Repayment to these sources of credit could be problematic in the near future as businesses have to refund clients having cancelled, pay fixed costs to keep the business running (utilities, rent, loans) and clients are still not coming. All in all, the tourism sector has been fragilized and will require support and a steady recovery if it is to become a more integrated and resilient one. A third strategy has been to stay ahead of competitors in a variety of ways. The main strategy seems to have been to reduce prices, as two thirds of businesses have resorted to this. Around 39% have diversified or improved the goods that they provide, 34% have also increased advertisement and 22% have started looking for other customers, particularly focusing on attracting a Namibian clientele rather than an international one. Specifically, out of the 105 respondents claiming to be personally looking for new customers, 85% had primarily an international clientele before COVID-19.

<sup>7</sup>As the data was collected asking the number of weeks, six months has been defined by 26 weeks.

<sup>8</sup>See Figure in Annex I to see how businesses have dealt with cashflow shortages.

## Government support during times of COVID-19

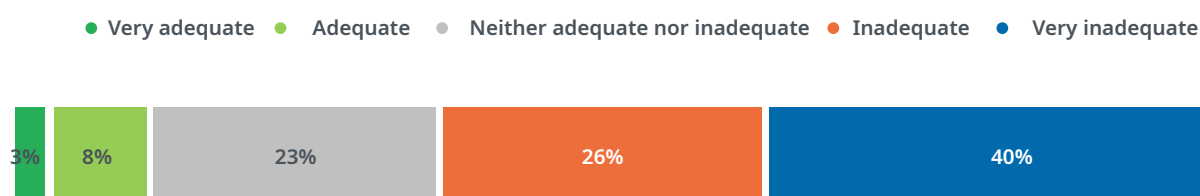
A key focus point of the survey was to identify what governmental support businesses had received during the COVID-19 crisis. As displayed in Table 11 below, in this regard 75% of surveyed businesses claim to not have received any form of assistance or support from the government. Of the 119 businesses that did, 77 received wage subsidies (18% of the wage bill paid for), 13 received some form of loan repayment relief from banks and 12 received cash transfers for their businesses.

Another form of assistance received includes social security grants from the Social Security Commission. Given the governmental support that businesses had received or not, they were also asked to evaluate whether the response had been adequate or not, given the resources available. The results from this question can be observed in Figure 10. Alarming, two in three surveyed businesses in the tourism sector consider the government's response to the COVID-19 pandemic and crisis to have been inadequate, with 40% of total respondents classifying it as very inadequate. Conversely, only 11% of respondents deem the government's response as adequate.

Table 11 – Governmental support to tourism-related businesses

| WHAT GOVERNMENTAL SUPPORT, IF ANY, HAVE BUSINESSES RECEIVED SINCE COVID-19 |   | N° OF RESPONSES |
|--|---|-----------------|
| No assistance received   |   | 366             |
| Received Assistance  | Wage subsidies  | 77              |
|  | Deferral of credit payments, rent or mortgage, suspension of interest payments, or rollover of debt | 13              |
|  | Cash transfers for businesses   | 12              |
|  | Distribution of masks, hand sanitizers, soap, Personal Protective Equipment                         | 7               |
|  | Access to new credit schemes  | 4               |
|  | Fiscal exemptions or reductions   | 4               |
|  | Cancellation of electricity and water charges   | 2               |

Figure 10 – How businesses in the tourism sector evaluate the Government's response to COVID-19



<sup>10</sup>See Annex I for the table showing the results per strategy.

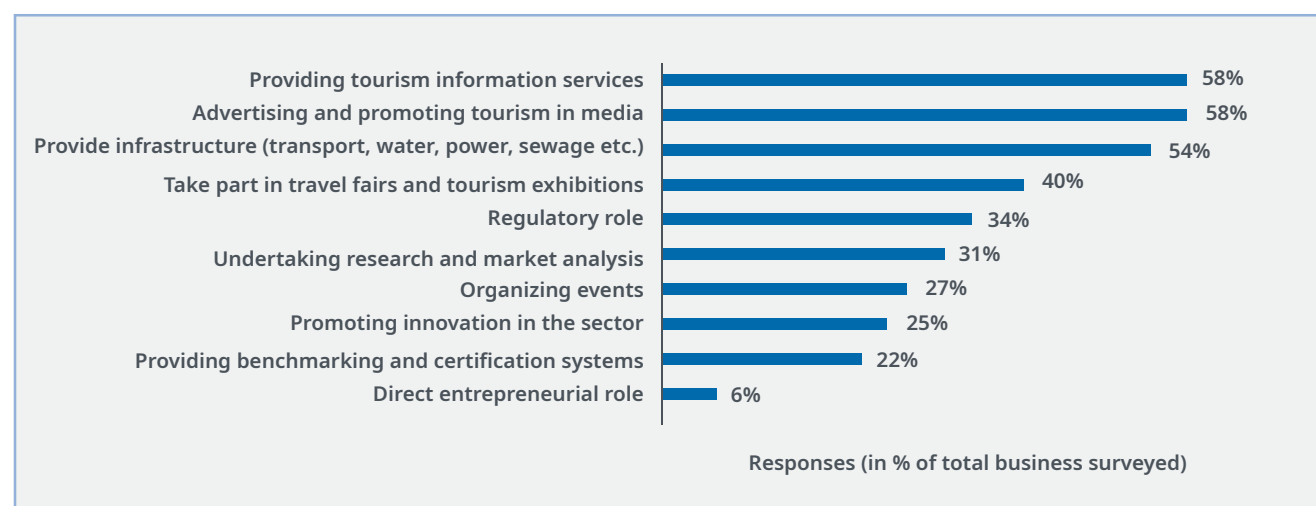
Another very insightful result of this survey has been to map out what businesses think the government should do in the tourism industry, illustrated in the Figure 11. There are four main takeaways. First, one of the responsibilities the government should have is to promote Namibian tourism destinations and activities both domestically and abroad. Specifically, 58% of surveyed businesses claim that the government should advertise and promote tourism in the media, 40% state that it should also take part in foreign travel fairs and tourism exhibitions, and 27% argue that it should organize events to increase attractivity.

Second, there is a series of initiatives that the government could put in place to make the tourism sector a more transparent and uncertain environment for private entities. Particularly, 58% of businesses responded that they think the government should provide tourism information services, 34% state that it should take on a regulatory role (i.e., dictate environment laws, formulate tourism policy, etc.) and 22% are in favour of the government providing both benchmarking and certification services. Third, 54% claim that the government should provide basic tourism-related infrastructure such as transport, water, power and sewage. It is notable that this type of infrastructure crosscuts directly with increasing living standards for the population across Namibia.

Indeed, these investments would not solely make locations in Namibia more attractive for tourists, but it would also advance the 2030 Agenda of the Sustainable Development Goals by increasing access to electricity (SDG 7), providing better sanitation (SDG 6) and connecting Namibians with improved transport-related infrastructure (SDG 9). A fourth outcome of the question in this survey is the less enthusiastic role that businesses think that the government should play in promoting innovation in the sector, although this seems to be less the case when observing that 31% of respondents would like to see the government undertake research and market analysis.

A possible interpretation of this is that respondents currently prioritize immediate financial solutions over research and innovation, given the urgency of much-needed financial relief. This probably connects to the last big takeaway in this regard: a low public presence in the tourism business as a profit-seeking entity. As seen in the figure below, 94% of surveyed businesses are not convinced that the public sector should have a direct entrepreneurial role, such as for instance running government hotels, safaris or other ventures.

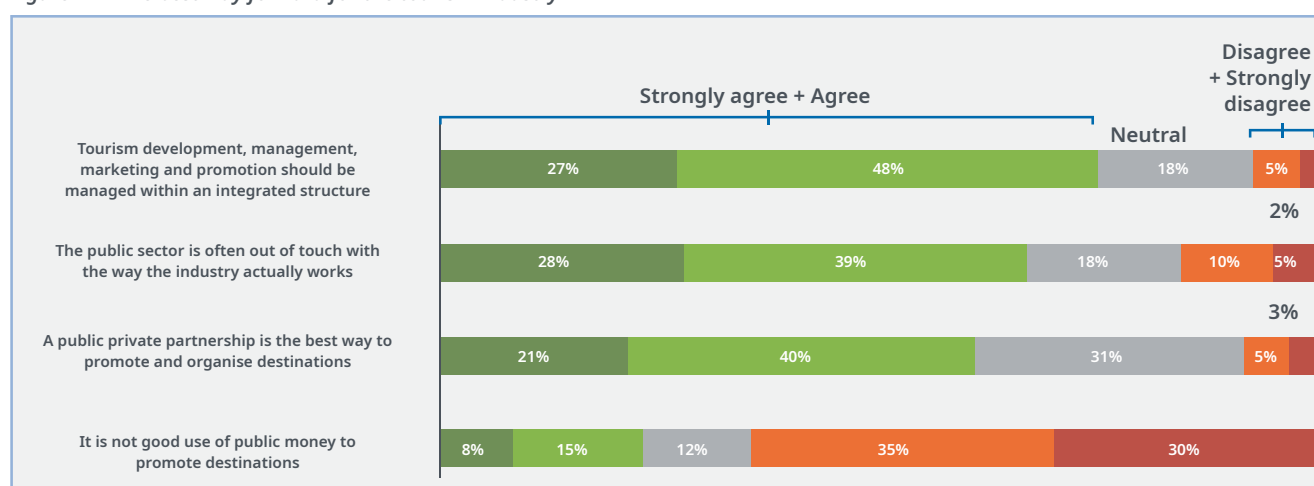
*Figure 11 – What should the Government be responsible for?*



*Note: The figure displays what the businesses think the government should be responsible for, concerning the tourism industry.*

To provide a more detailed idea of what the private sector thinks what role(s) the public sector should play in the tourism industry, respondents were also asked to agree or disagree on certain statements displayed in Figure 12. As can be observed, three in four businesses think that tourism development, management, marketing and promotion should be managed within an integrated structure, thus requiring close cooperation between the public and private sector. What is more, 61% are convinced that public and private partnerships are the best way forward in promoting and organizing destinations. It is important to note that of the remaining respondents, 31% were indecisive and less than 10% disagreed. It is thus quite striking when 67% of all surveyed businesses (363 respondents) claim that the public sector is often out of touch with the way the tourism industry works.

Figure 12 – The best way forward for the tourism industry



Note: The figure displays, for certain statements presented in the survey, the aggregation of businesses' answers. The options are to strongly agree, agree, strongly disagree, disagree, and neither. The sum of all percentages in the same row add up to 100%.

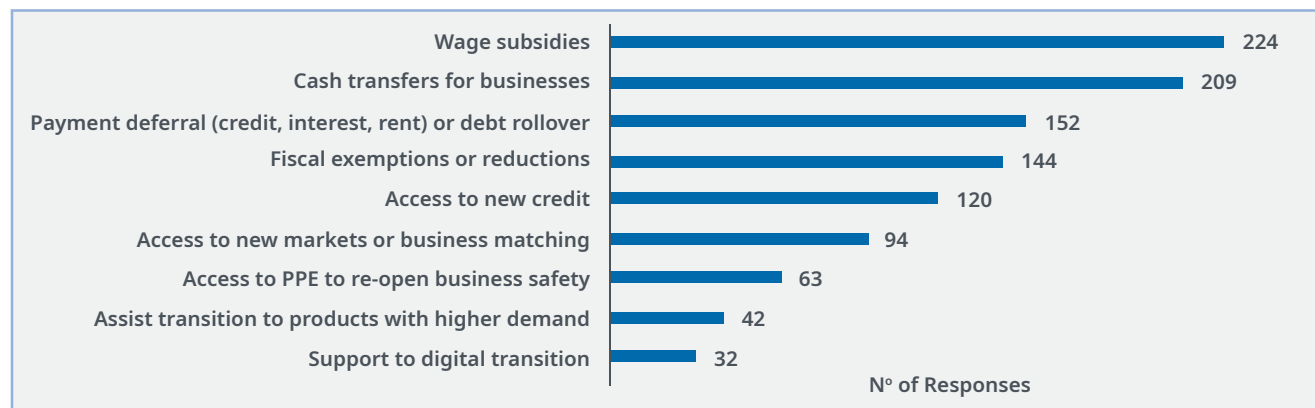
Finally, respondents were also asked to provide their opinion on which support measure would be most helpful in dealing with the COVID-19 crisis. As can be seen in the Figure 13 below, the biggest source of support that the surveyed businesses wish the government to provide is financial assistance. Namely, 224 ask for wage subsidies to avoid having to retrench their workers during times of almost null activity and 209 solicit direct cash transfers for their businesses to pay for overhead costs, wages, suppliers and repay loans. The second type of support has to do with reducing the payments that businesses owe to both public and private entities.

As can be observed, 152 businesses would like to be granted a deferral of payments (credit, interest, rent, mortgage) or a debt rollover, and 144 request fiscal reductions or exemptions. Apart from these two pressing measures that entail either a reduction or exemption in taxes or loan repayments, 120 businesses also ask for access to new credit from the private sector or overdrafts to be able to stay afloat and operational long enough to ride through the current storm. Other less pressing government support measures include assisting in the finding of new markets (19% of respondents), providing personal protective equipment to re-open safely (13%) and supporting the transition to selling products (or providing services) with higher demand (9%) .

<sup>10</sup>Additional measures include the provision of subsidies for payment of utilities (water, electricity), for the repayment of VAT returns and tax refunds to be dealt with quicker, for the payment of COVID-19 isolation deals with accommodation to come through on time, to subsidize transport for employees traveling long distances for work, clearer and regularly updated information on government assistance, permits for vehicles for tourism-related services, Food provision for workers during times of COVID-19), Information on vaccination programmes and logistics to restart businesses quicker, to temporarily suspend NTB levies, increase transparency of the NTB and provide corrections on fake COVID-19 rumours or conspiracy theories.



Figure 13 – What Government support measure would be most helpful to deal with COVID-19 crisis?



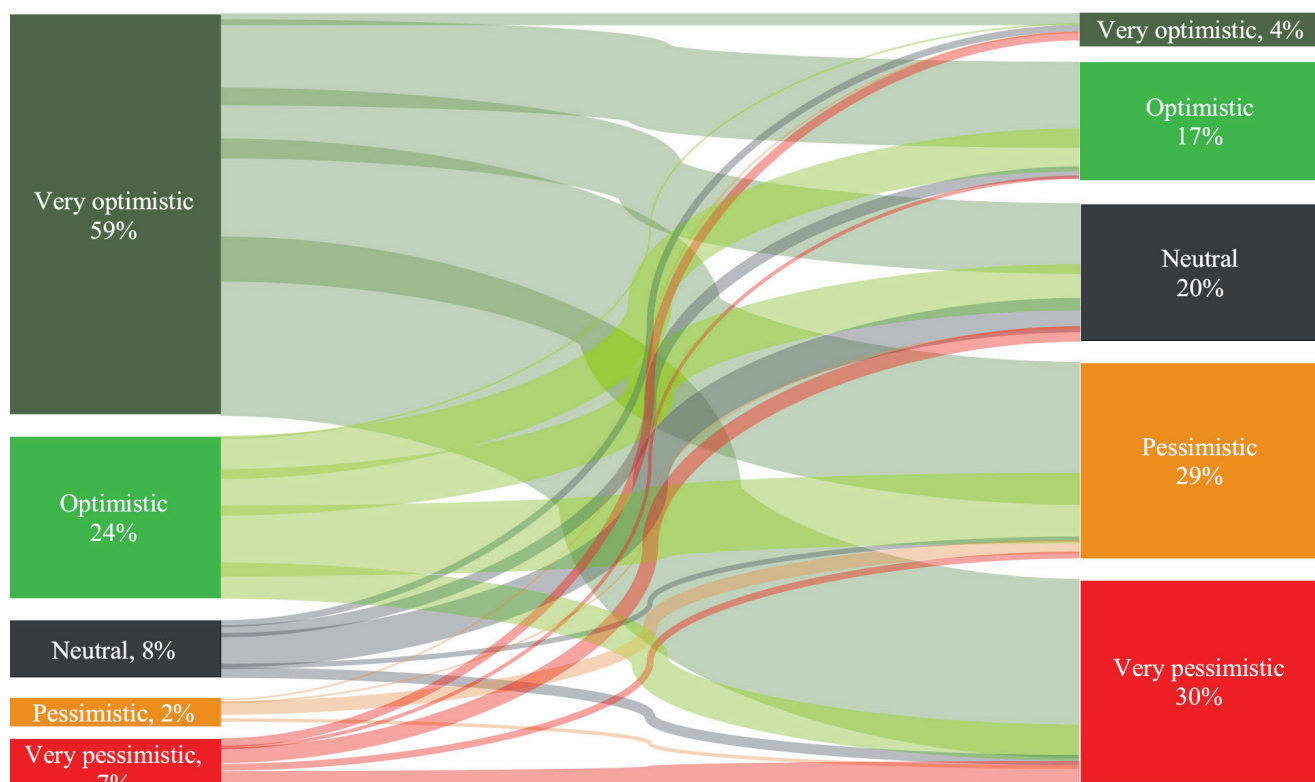
Note: The figure displays the aggregation of businesses choices when opting for government support measures to deal with the COVID-19 pandemic. Since each business was given three possible choices, the sum of all options do not add up to the total number of respondents (485).

### The Tourism Industry after COVID-19?

Before the advent of COVID-19, 83% of respondents (400 out of 485) were either very optimistic or optimistic about the future of their business and the future of tourism in Namibia, and only 9% had either a pessimistic or very pessimistic outlook. It unfortunately comes with no surprise that 75% of those that had had an optimistic outlook before the COVID-19 do not have it any longer, and that the number of businesses with a negative outlook on future prospects of the tourism business increased more than sixfold, now representing 59% of surveyed enterprises (see Figure 14 below). With regards to future prospects, 50% of businesses believe that it will take 6 months or more (from December 2020) for business as usual to resume. Less than 15% believe that recovery of business will be before June 2021 and 28% have no idea. All of this proves to show how pessimistic the view from business owners is regarding a rapid recovery, and the extent of the uncertainty that the COVID-19 pandemic has brought about in the tourism sector.

Before COVID 19

After COVID 19



Building on this point, almost half of surveyed businesses expect to have to decrease their staff's working hours, more than two in five businesses expect a decline in wages and one in four businesses expect a reduction in their workforce, despite already having seen massive retrenchments (see Table 12 below). Another point worth mentioning is that only 10% expect an increase in prices. Since 67% have decreased their prices due to the COVID-19 pandemic in efforts to increase sales – and many are operating at cost instead of gaining profits – this probably signals that businesses are generally pessimistic about a quick recovery.

*Table 12 – Expected changes in employment, prices, wages and working hours in 2021*

| (VALUES IN %) | DURING THE FIRST HALF OF 2021, DO YOU EXPECT CHANGES IN |               |             |             |
|---------------|---|---------------|-------------|-------------|
|               | WORKFORCE   | WORKING HOURS | WAGES       | PRICES      |
| Increase      | 6%  |               |             | 10%         |
| Same          | 51%   | 34%           | 35%         | 71%         |
| Decrease      | 24%   | 48%           | 42%         | 10%         |
| Not sure      | 19%   | 18%           | 23%         | 9%          |
| <b>Total</b>  | <b>100%</b>   | <b>100%</b>   | <b>100%</b> | <b>100%</b> |

Ultimately, respondents in the Accommodation industry were asked whether they had managed to get anything positive out of the COVID-19 crisis. In total, 109 out of the 125 respondents in this category mentioned at least one positive aspect stemming out of the COVID-19 crisis. As displayed in Table 13, businesses mostly claim to have made efforts to increase their resilience: while 54 have made contingency plans for the future, 30 have designed new rules and cancelling policies. In addition, businesses seem to have focused on becoming more cost-efficient, with 56 asserting that they have taken a deeper look at finances by reorganizing hired staff and limiting services and goods sold to those most profitable.

*Table 13 – Positive outcomes and seized opportunities of the COVID-19 crisis*

| HOW HAS YOUR ORGANIZATION BEEN POSITIVELY IMPACTED BY THE COVID-19? | N° OF RESPONSES |
|---|-----------------|
| Deeper look into finances, seeking efficiencies                     | 56              |
| Contingency planning for the future                                 | 54              |
| Creation of new rules and cancelling policies                       | 30              |
| Last-minute bookings (from a COVID-19 hotspot to a non-hotspot)     | 25              |
| Time to invest in other things, such as upgrading company website   | 25              |
| Downtime  | 23              |
| Greater staff ability to work remotely                              | 6               |
| <b>Total</b>  | <b>219</b>      |

On a final note, a whopping 35% of businesses surveyed claim that there is a possibility for closure due to the COVID-19 pandemic, especially if lasts beyond June 2021. Particularly troubling is that only less than 3 out of 10 businesses can confirm that there is no risk of closure, and almost two in five are uncertain about the future of their activity. Due to the devastating effects of the COVID-19 pandemic on the tourism sector, 27% of businesses owners are also considering changing their sector of activity. Those that have already done so have mostly moved towards other activities including producing and selling foods (jam, relishes, meat, crops, charcoal production), or have maintained their income by working in supermarkets, in taxi services, in administrative work, selling livestock and gardening among others.

## II.B.2. NATURE-BASED ENTERPRISES

### Nature-Based Enterprises: a fundamental part of the Namibian development strategy

It is no little-known fact that Namibia is a country with abundant natural resources. Whether it be thriving wildlife and ecosystems or precious minerals and stones, opportunities abound. Since the 1990s, the Government has stimulated the appearance of conservancies and Nature-Based Enterprises (NBE) to achieve two objectives: harness these opportunities in a way that enhances socio-economic development and do so in a way that is environmentally sustainable.

Indeed, in supporting the appearance of these NBEs was perceived a strategy to eradicate poverty in the country's rural areas by increasing household income and improving community livelihoods. Given their importance, there thus appeared the need to develop NBEs to both exploit natural resources whilst ensuring biodiversity conservation. As defined by the MEFT and the UNDP, a NBE is an organisation, project or intervention that falls into one of the three following categories:

- Type I – Better use of protected natural ecosystems.
- Type II – Nature-Based Solutions (NBS) for sustainability and multifunctionality of managed ecosystems.
- Type III – Design and management of new ecosystems.

Given the double nature of the NBEs and the specific objectives that they aim to accomplish, the UNDP and MEFT have included a separate survey targeting them. Table 14 below displays the disaggregation of respondents per type of NBE. As can be observed, there is a total of 36 NBEs that have answered the survey. This has an important implication on any analysis that could originate from the data collected through this study. Specifically, the low number of responses does not allow for a generalization of answers from this survey at the national scale.

For one, the NBE classification structure is still in its infancy, thus proving to be a challenge for the survey conductors to identify them. Even when they did, some that were identified felt that they did not fit into the category, thus opting to not go ahead with the survey. Secondly, there is a relatively low number of responses per Type of NBE: with the exception of Type 1 that counts with 18 responses, Type 2 has only 4 entries and Type 3, none. Furthermore, there are four of the Namibian regions that count with a single entry (Kavango East, Ohangwena, Oshana and Zambezi), and three of them that do not have a single one (Kavango West, Hardap and Omaheke) .<sup>11</sup>

Table 14 – Respondents disaggregated by type of NBE

| WHICH OF THE FOLLOWING TYPES BETTER REPRESENTS THE NBE?                      |  | N° OF RESPONSES |
|--|--|-----------------|
| <b>Type I</b> - Better use of protected natural ecosystems                   |  | 18              |
| <b>Type II</b> - Sustainability and multifunctionality of managed ecosystems |  | 4               |
| Other (13)   | Conservation and preservation of cultural heritage | 2               |
|  | Harvest and manufacture of Namibian products       | 8               |
|  | Preservation of natural habitat and animals        | 3               |
| NA   |  | 1               |
| <b>Total</b>   |  | <b>36</b>       |

However, given the importance of the NBEs regarding inclusive and sustainable development in Namibia, its exclusion from any nationwide analysis aiming to understand how the COVID-19 pandemic has impacted the tourism industry would not do justice to the myriad of entities mobilized and resources put in place to ensure their prosperity. For these reasons, the findings stemming from the analysis of these 36 NBEs should not be taken as an indicator of what all Namibian NBEs have experienced during the first year of the pandemic, but rather as an insight on how these have been impacted, and what could be done to support them going forward.

As can be examined in Table 15 below, 13 out of 36 NBEs are community-based adaptations. The objective to harness natural resources idiosyncratic to Namibia is also clearly visible from the survey's results: 19 aim to manage natural resources in a sustainable way and 14 specialize in agriculture, agro-forestry and aquaculture. In conjunction with what is also reported in Table 16 below, two important characteristics of these NBEs come to the fore. First, twenty respondents underline the economic opportunities and green jobs that their enterprise aims to accomplish. Indeed, one of the key roles that the NBEs should play as highlighted by the MEFT is to increase value addition of harvested or exploited natural resources.

It is by doing so that supply chains can form around the elaboration of chosen products and employment generation can increase, thus ensuring sustainable business earnings that can ensure livelihood increases in the communities responsible for running them. The success of these objectives is at the heart of the MEFT's development strategy via the focus on increasing the annual revenue of Community Based Natural Resource Management (CBNRM) in the NDP5, as well as the UNDP via the NILALEG programme. A second inherent characteristic of the NBEs is the climate dimension, namely the importance of including climate mitigation and adaptation in their projects. The survey reveals however that only one in three NBEs attempt to solve this challenge, perhaps showing the insufficiency of the consideration of this determining aspect of the enterprises.

*Table 15 – Approaches taken by the NBEs*

| APPROACHES  | N° OF RESPONSES |
|---|-----------------|
| Climate adaptation approaches                     | 8               |
| Community-based adaptation                        | 13              |
| Ecosystem-based adaptation                        | 5               |
| Ecosystem-based management                        | 6               |
| Ecosystem-based mitigation                        | 6               |
| Ecosystem-based disaster risk reduction           | 2               |
| Ecological engineering                            | 2               |
| Ecological restoration                            | 6               |
| Infrastructure related approaches                 | 5               |
| Natural resources management                      | 19              |
| Sustainable agriculture/agro-forestry/aquaculture | 14              |
| <b>Total</b>                                      | <b>86</b>       |

*Note: As NBEs can take more than one approach, the sum of all the elements amount to more than 36 (total respondents).*

Table 16 – The challenges the NBEs aim to solve

| CHALLENGES   | N° OF RESPONSES |
|--|-----------------|
| Climate mitigation and adaptation                  | 12              |
| Water management                                   | 9               |
| Green space management                             | 7               |
| Air quality  | 2               |
| Urban regeneration                                 | 1               |
| Participatory planning and governance              | 5               |
| Social justice and social cohesion                 | 4               |
| Public health and well-being                       | 4               |
| Potential of economic opportunities and green jobs | 20              |
| Protection of endangered species                   | 6               |
| Promotion of cultural heritage                     | 3               |
| <b>Total</b>                                       | <b>73</b>       |

*Note: As NBEs can address more than one challenge, the sum of all the elements amount to more than 36 (total respondents).*

*One valuable takeaway from the survey looking into Namibian NBEs is the myriad of initiatives that are currently operating. As seen in Table 17 below, these activities range from providing essential services including water, raw materials for increased productivity in farming and maintaining fisheries, to dealing with climate change by focusing on carbon sequestration, flood protection and erosion prevention. The main service being the maintaining of local populations and natural habitat parallels the previous finding that many seem to be a community-based adaptation. Finally, the fact that 13 of the NBEs focus on providing recreational activities, attests to their inclusion in the Namibian tourism industry.*

Table 17 – The types of services the NBEs provide

| SERVICES                                | N° OF RESPONSES |
|---|-----------------|
| Maintaining populations and habitats    | 18              |
| Recreation                              | 13              |
| Raw (biotic) materials                  | 9               |
| Intellectual and aesthetic appreciation | 8               |
| Soil formation and composition          | 5               |
| Water for drinking                      | 4               |
| Water for non-drinking purposes         | 4               |
| Erosion prevention                      | 4               |
| Spiritual and symbolic appreciation     | 4               |
| Pest and disease control                | 3               |
| Fisheries and aquaculture               | 2               |
| Raw materials for energy                | 2               |
| Water purification                      | 2               |
| Flood protection                        | 2               |
| Carbon sequestration                    | 1               |
| Local climate regulation                | 1               |
| Air quality regulation                  | 1               |
| <b>TOTAL</b>                            | <b>83</b>       |

*Note: As NBEs can provide more than one type of service, the sum of all the elements amount to more than 36 (total respondents).*

## The Impact of COVID-19 on Nature Based Enterprises

As has been the case for the tourism-related businesses analysed in the previous section, NBEs have also been at the forefront of the impact of the COVID-19 pandemic. For one, 21 out of 36 respondents report a decline in the demand for their products and services. Although the decline in hours worked and the purchase of primary inputs to be resold has been less severe than for the tourism-related businesses (see Table 18 below), almost half of NBEs report a decline. Given the importance given to these enterprises by the public and private sector, and the fact that 18 of them have opened rather recently (in the last 10 years), the fact that 40% of respondents report a decline does attest to an undesired U-turn to a previously increasing trend of activity and a deceleration of development for the communities that run (and depend on) them.

A rather different finding compared to the assessment on the tourism sector however is the amount of NBEs claiming an overall increase in demand since the COVID-19 pandemic. Quite surprisingly there are more NBEs declaring an increase in the demand for their products in a sample of 36 respondents, than there are tourism-related businesses declaring the same in a sample of 485 respondents. Upon further inspection, it is revealed that 6 of these 9 NBEs reporting an increase are community-run farms. It would thus appear that given the border closures and ensuing disruptions in international trade, the shock to imported foods from neighbouring countries (particularly from South Africa) has left a hole in the supply for fruit and vegetables that has benefitted Namibian producers. This might have important implications going forward, as the paradox between food insecurity and massive food imports from abroad, and the very tangible potential for Namibia to be a food exporter, has been further highlighted by the COVID-19 pandemic.

Table 18 – Comparing the first half of 2020 with the first half in 2019, has there been a change in...

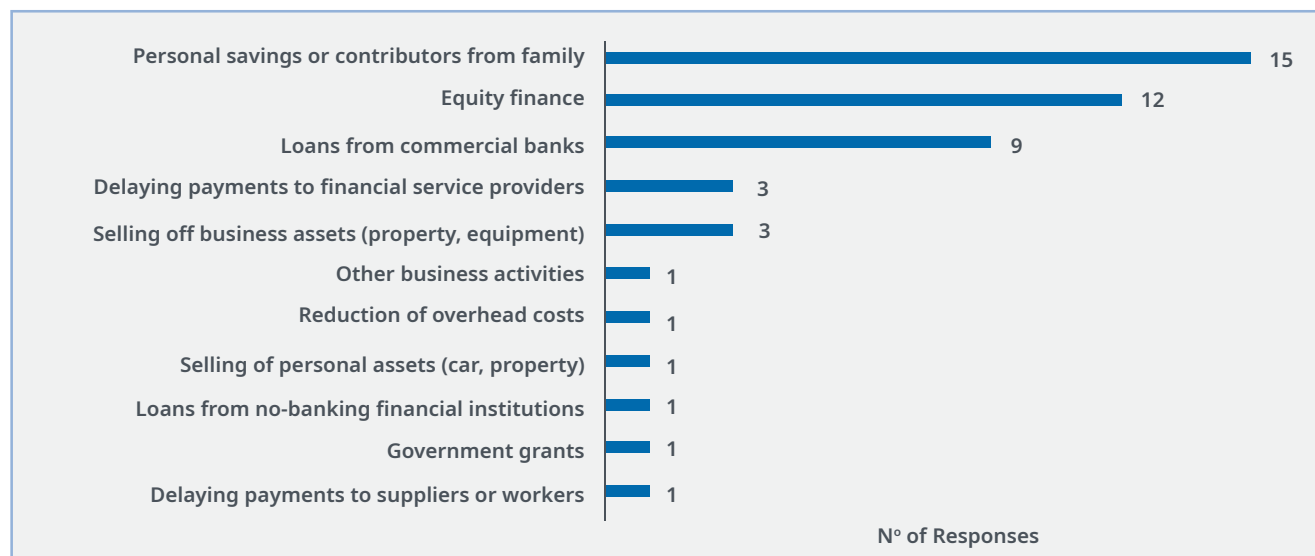
|                 | ...DEMAND FOR NBE'S PRODUCTS | ...HOURS WORKED PER MONTH | ...PURCHASE OF PRIMARY INPUTS TO BE RESOLD |
|-----------------|------------------------------|---------------------------|--|
| <i>Increase</i> | 9                            | 4                         | 4  |
| <i>Same</i>     | 4                            | 16                        | 10   |
| <i>Decrease</i> | 21                           | 15                        | 17   |
| <i>Not sure</i> | 2                            | 1                         | 5  |
| <b>Total</b>    | <b>36</b>                    | <b>36</b>                 | <b>36</b>                                  |

Regarding hardships endured by the NBEs having participated in the survey, 88 workers have been retrenched. With a total of 585 female workers in the combined 36 NBEs, the value amounts to around 8% of them losing their jobs during the COVID-19 pandemic (49 of the retrenched workers are female). Regarding female employment in the NBEs, 20 of them have female owners. The fact that female employment is an important part of these NBEs points to the potential long-term negative impact of job losses for women.

Once more, although the results from this survey stem from a sample too small to provide a generalisation that is valid for Namibia as a whole, this finding warrants further research going forward. In addition to retrenchments, 20 NBEs report that at least one project has had to be put on hold due to the COVID-19 pandemic and cashflow shortages. When researched on what the NBEs have done to deal with these cashflow issues, 15 of them declared having sourced from personal savings or family contributions, 12 benefitting from increased equity financing and 9 taking loans from commercial banks (see Figure 15).



Figure 15 – How have the NBEs dealt with cashflow shortages?



### Government Support and NBEs in a post-COVID-19 world

As the tourism-related businesses, an important part of the NBEs have been in socio-economic distress due to the COVID-19 pandemic and ensuing crisis, thus requiring governmental support. When asked what governmental support measure they had received since COVID-19, an overwhelming 30 out of 36 declared not having received any assistance. Out of those that received some form of support, 3 report wage subsidies for their workers, 2 mention distribution of PPE and 1 has received a cash transfer under the form of a government grant. Once more, the low turnout for this survey does not allow for a generalization at the national level, but it does point out that at least thirty NBEs located around the country, and that tackle a wide variety of environmental and economic challenges, are in distress due to the crisis. Furthermore, half of the respondents classify the government's response to the COVID-19 pandemic as inadequate, 13 as neither and only 5 as adequate (see Figure 16 below).

Figure 16 – How do NBEs evaluate the Government's response to COVID-19?



Note: The sum of every category's number of responses equals 36.

On a final note, when asked what government support measure would be most desired to deal with the crisis, 29 of the 36 NBEs requested some form of financial assistance, be it in the form of wage subsidies (15) or cash transfers such as government grants (14). As also illustrated in Figure 17, the second form of assistance consists in postponing payments such as fiscal reductions or exemptions (7) or deferring payments to commercial banks (9). The urgency and necessity of the NBEs receiving some form of these measures is evident in the Table 19 below, which displays whether they risk closure as a consequence of the pandemic or not. Quite distressingly, only less than half of the respondents affirm that there is no risk of closure. Despite only one being at imminent risk of having to close down, 5 are convinced that they will unlikely last beyond 2021 and 14 of them are uncertain of their situation. The fact that 14 of the NBEs think that business will not resume as usual at least until June of 2021, along with 13 not being able to provide any estimate, attests to the uncertainty into which the COVID-19 pandemic has plunged the enterprises.

Figure 17 – What Government support measure would be most helpful to deal with COVID-19 crisis?

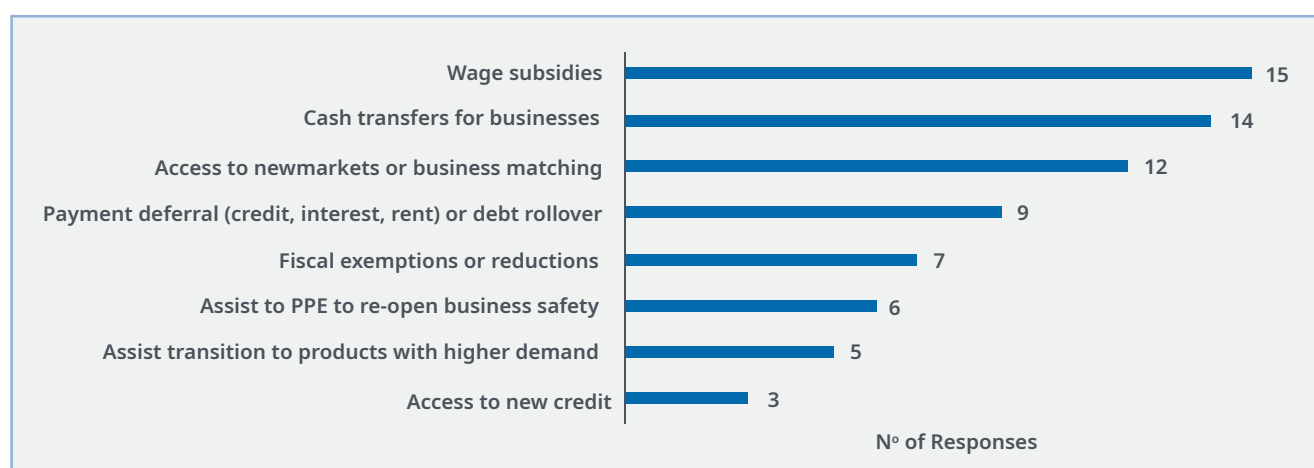


Table 19 – The potential risk of NBE permanent closure due to the COVID-19 crisis

| IS THERE A RISK OF CLOSURE FOR THE NATURE-BASED ENTERPRISE? | N° OF RESPONSES |
|---|-----------------|
| No risk of closure  | 16              |
| Not sure  | 14              |
| Yes, within 1 month or less                                 | 1               |
| Yes, within 4-5 months                                      | 3               |
| Yes, within 6 months or more                                | 2               |
| <b>TOTAL</b>  | <b>36</b>       |

## II.B.3. NATIONAL PARKS, COMMUNITY FORESTS AND CONSERVANCIES

### General Characteristics

Namibia's vast territory and rich natural resources has led to the categorization of three other nature-related ventures, whose particularities warrant its own survey. First, Namibia has a total of 20 state run National Parks that together cover around 18% of the country (see Annex I for list). These protected areas include a myriad of outdoor activities including camping, hiking and wildlife watching among others. Second are the communal conservancies.

These are self-governing entities run by their members, with fixed boundaries that are agreed with adjacent conservancies, communities or landowners. Communal conservancies are obliged to have game management plans, to conduct annual general meetings, and to prepare financial reports. They are managed under committees elected by their members. As of February 2021, there are 86 conservancies in Namibia covering about 166,045km<sup>2</sup> of the country and housing an approximate 227,941 number of people.

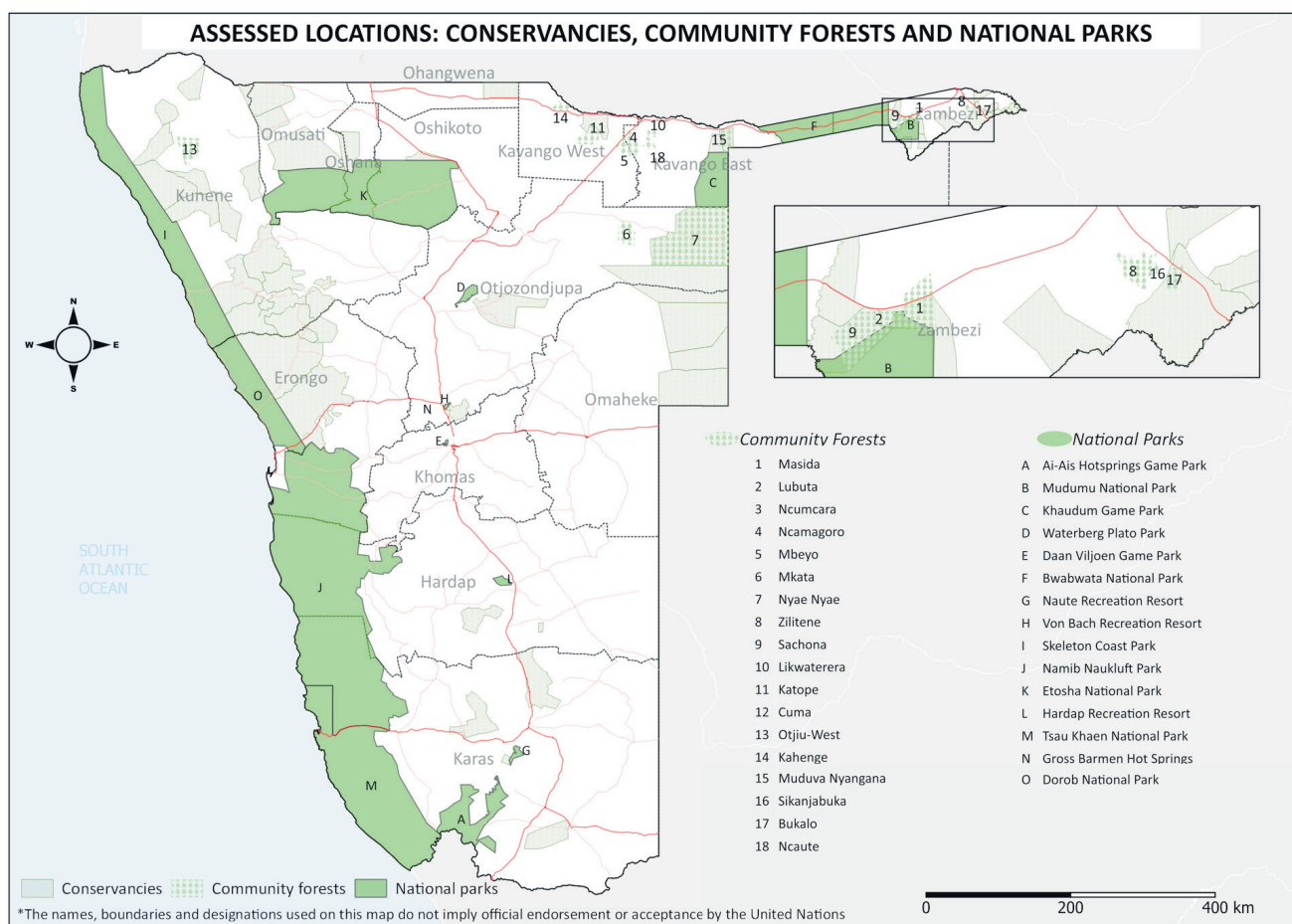
These conservancies are distributed across the country as follows: 38 are in the Kunene region, 15 in Zambezi, 8 in Otjozondjupa, 5 in Kavango East, 4 in //Karas, 4 in Erongo and the rest have between 1 and 3, except for Khomas which has none. Third are community forests. Also self-governing entities, they are responsible for managing plant resources in specific areas within communal lands and aim both to protect resources and improve livelihoods. Community forests are legally recognized by the MEFT and receive support from

the Directorate of Forestry within the Ministry as well as from NACSO. Currently there are 43 registered and emerging community forests in Namibia, covering about 72,537 km<sup>2</sup> within ten regions in the northern part of the country, of which 95% overlap with communal conservancies.

As reported below and shown in Figure 19, the survey looking into how these three entities have been impacted by the COVID-19 pandemic has benefitted from a large coverage:

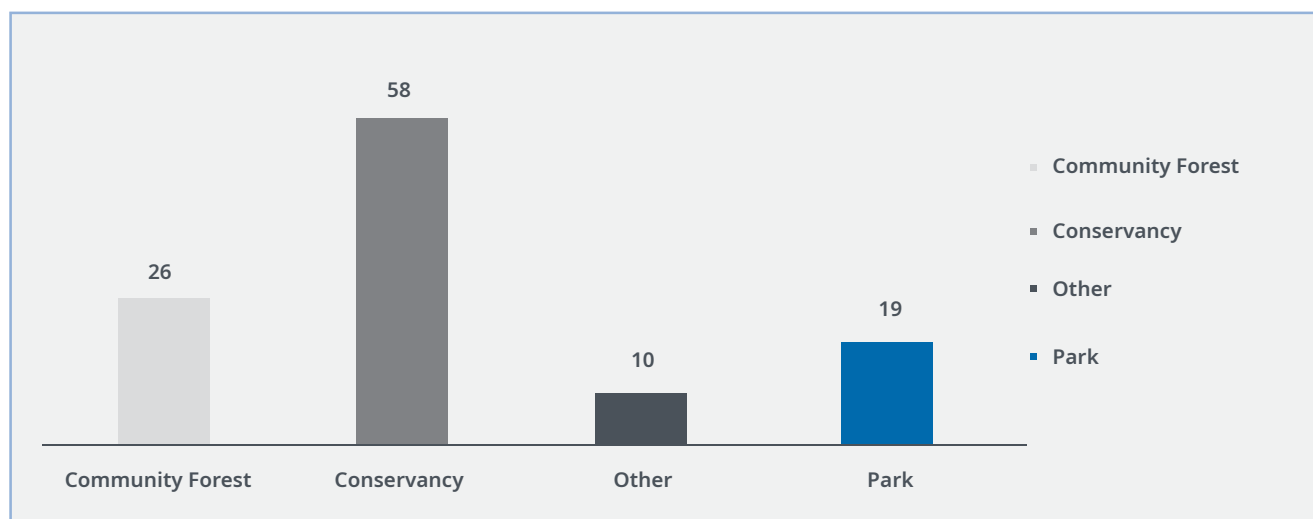
- 113 respondents in the National Parks, Conservancies and Community Forests Assessment survey.
- Out of 43 Community Forests in Namibia, 60% completed the survey.
- Out of the 86 Conservancies in Namibia, 67% completed the survey.
- Out of 20 National Parks in Namibia, 19 responded (95%).
- A total of ten facilities (camps and resorts) pertaining to the Namibia Wildlife Resort (NWR) – which are lodges located inside the parks – have also completed the survey.

Figure 18 – Geographical Location of National Parks, Community Forests and Conservancies



<sup>13</sup>Although the conservancies are recognized by the MEFT they are not governed by it. MEFT does, however, have the authority to de-register a conservancy if it fails to comply with conservation regulation.

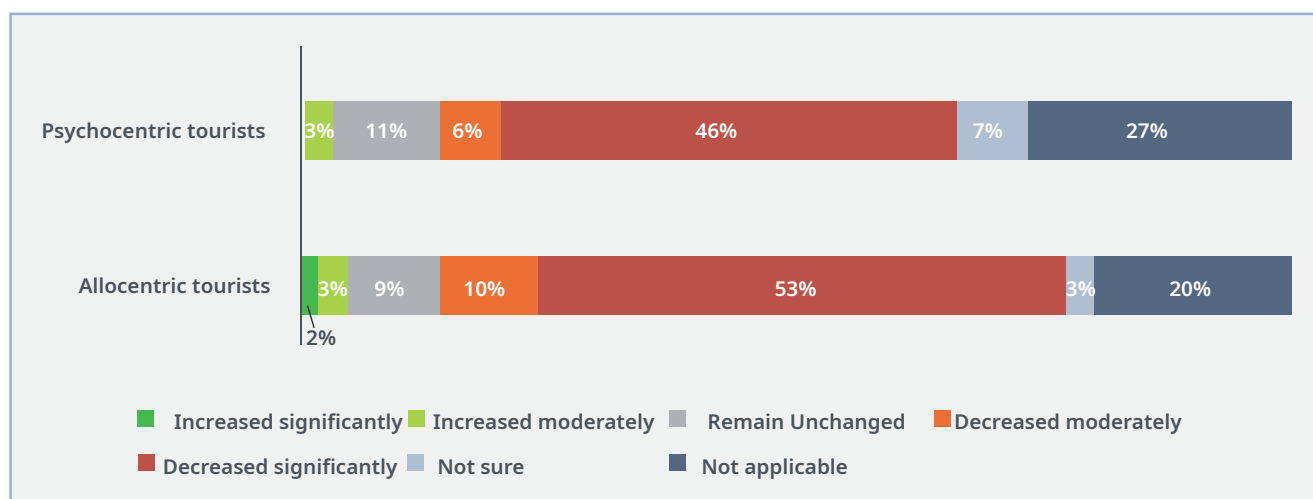
Figure 19 – Respondents per category



### The impact of the COVID-19 pandemic on Namibia's natural tourism entities

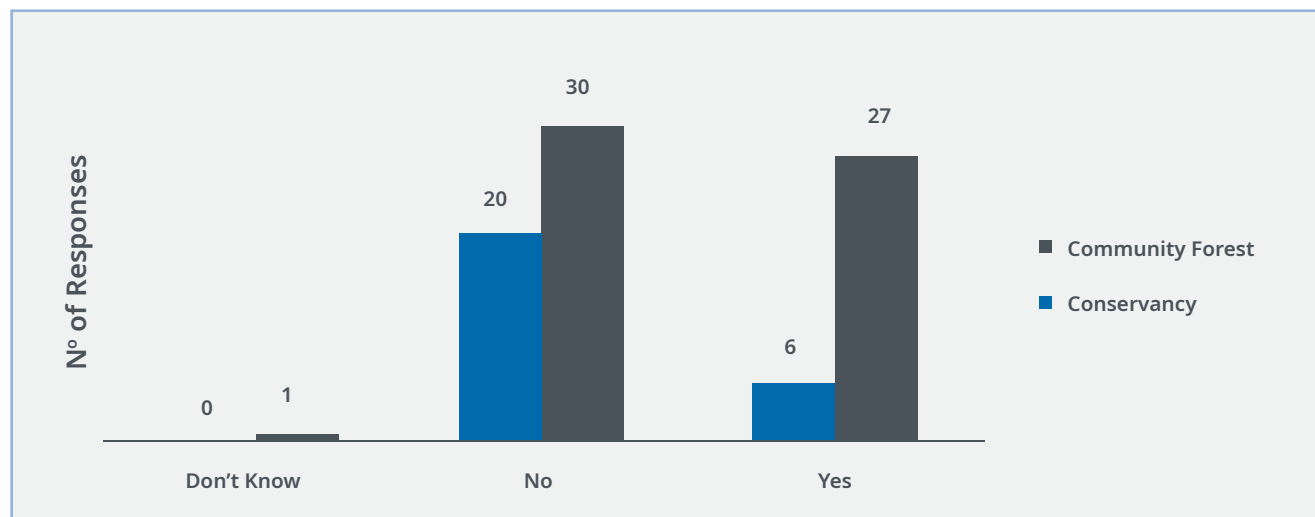
When asked about how the entities were coping with the pandemic, 59% of the respondents indicated that they had to close their establishments temporarily at one point due to COVID-19 and about 53% said they were operating partly due to the restrictions. Comparing the period between January and September 2020 with the same time in 2019, the number of tourists has declined due to the COVID-19 pandemic. This can be observed in Figure 20 below, which shows the change in both the psychocentric visitors (preference for crowded locations including beaches, historical places, etc.) and the allocentric visitors (preference for outdoor activities including hiking, climbing, etc.). In addition, only ten out of the 113 respondents claim to have been a COVID-19 isolation facility at a certain moment.

Figure 20 – Changes in the number of visitors in the January-September period 2020 vs 2019



During the lockdown period, at least 52 national parks, conservancies and community forests remained open, and 39 temporarily closed. Specifically, while 50% of the community forests and 47% of the conservancies were operating partially, almost 75% of national parks, 25% of community forests and 25% conservancies temporarily closed their doors. Although most of them have reopened since then, there has been a significant shock in earnings that continued well into January 2021. Since the State of Emergency entered into force in March 17th 2020, 50% of respondents claim to not have earned any income. As illustrated in Figure 21 below, particularly hard hit are the community forests, where 20 out of 26 surveyed report no revenue since then.

Figure 21 – Have the entities earned income since the State of Emergency (March 17th 2020)



Ongoing projects and activities run by the entities to generate income include trophy hunting, selling crafts, firewood and harvesting devil's claw among others. Before the COVID-19 pandemic, topping the list as the main income-generating activity for conservancies (29 out of 58) was Hunting, Trophy Hunting and Camping. Currently however, all of these are part of the 34 conservancies reporting a decline in revenue comparing the January-September 2020 period with the same for 2019. As can be observed in Figure 22 below, almost two in three entities surveyed have seen a decline in revenue, with only 5% observing an increase. There is an interesting example of a rare opposite case where a lodge located in the Skeleton Coast Park recorded its highest profits ever, more than doubling its revenue since lock down because of locals partaking in fishing activities, one of the activities offered by the lodge.

Figure 22 – Change in revenue comparing January-September 2020 with same period in 2019



A second source of income for these entities are entrance fees. However, out of 113 respondents, only 2 answered the question looking into changes since COVID-19. This concerning lack of knowledge on the value of entrance fees for these entities points to a lack of regulation and business plan. There is thus a potential for the government to provide assistance in determining entrance fees and prices for national parks and community forests across the country. Doing so would increase transparency and accountability in the income stemming from entry fees, and could facilitate funding for preservation, wage payments or other forms of reinvestment in the tourism sector. Introducing fees where they are absent and improving the regulation of those that already exist would be a way of taking advantage of the low number of incoming tourists, likely to last until at least mid 2021.

With COVID-19 requiring a considerable amount of money to finance the Health sector and the Stimulus package, the budget allocation to most national parks among other entities has decreased (see Table 20 below). In particular, a considerable number of projects have been put on hold until further notice. Of the 54 claiming to have put projects on hold, 19 are financed by the private sector, 12 by the public sector and the rest by international organizations and development agencies among others.

Table 20 – Changes in the entities' budget allocation since the outbreak of the COVID-19 pandemic

| CHANGES IN BUDGET TO NATIONAL PARKS, CONSERVANCIES AND COMMUNITY FORESTS | N° OF RESPONSES |
|--|-----------------|
| <i>Increased</i>   | 2               |
| <i>Remained unchanged</i>  | 21              |
| <i>Decreased</i>   | 62              |
| <i>Not sure</i>  | 9               |
| <i>Not Applicable</i>  | 19              |
| <b>TOTAL</b>   | <b>113</b>      |

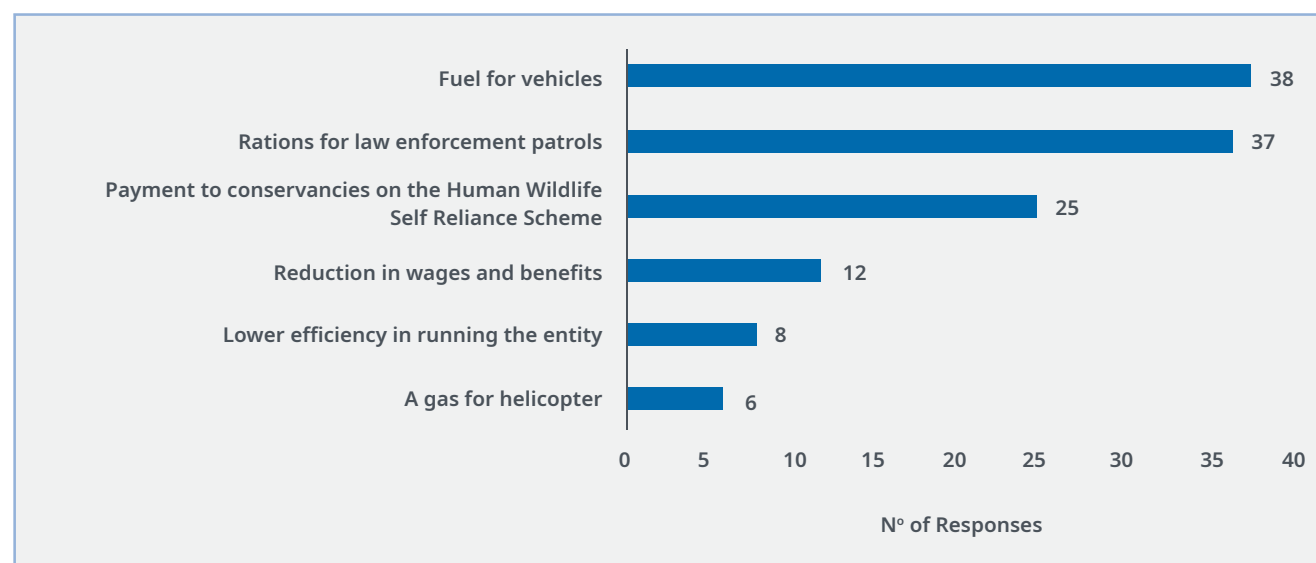
### How have National Parks, Conservancies and Community Forests dealt with the pandemic?

Concerning how the entities have been dealing with cashflow shortages since the COVID-19 outbreak, the most prevalent way has been through government grants. Specifically, participants indicated since the outbreak of COVID-19, the share of funds that are government grants has increased to equal 50%. Other sources include donations and NGO grants, discounts in efforts to cater to the Namibian population, and funds from the Conservation Relief, Recovery and Resilience Facility (CRRRF) Fund – a coordinated national effort to provide relief to conservancies affected by COVID-19.

As with other tourism-related businesses and nature-based enterprises, COVID-19 has not only impacted the revenue stream of the national parks, community forests and conservancies. Indeed, it has also directly and indirectly disrupted other functions and processes that could have significant medium and long run impacts. As illustrated in Figure 23 below, the lack of earnings and funding for these entities hindered their capability to pay for fuel for vehicles, boats and helicopters. This, along with the fact that rations for law enforcement patrols were reduced for one in three respondents (37) could lead in the future to a rise in poaching activities. Another result stemming from this survey is how the decline of earnings has impacted the pursuing of activities key for the successful running of the entities.

For instance, the lack of income has led to workers taking on tasks in which they are not specialized (e.g., fixing generators and machinery instead of calling on professional companies), it has constrained the purchase of new camping equipment for the staff working on water provision for wildlife, law enforcement and general parks patrols, and limited vehicle maintenance. In some cases, it has been reported that the inability to hold Annual General Meetings has made it impossible to collect feedback on the community forests' achievements or challenges faced due to the COVID-19 pandemic.

Figure 23 – How has the COVID-19 pandemic impacted the entities?



Note: 41 respondents answered Non-Applicable

Finally, the fact that many of these entities are community-run point to dangerous ramifications regarding living standards. Indeed, as reported by several respondents, the lack of activity has reduced the assistance provided to farmers at water points, eliminated pensioners' annual Christmas packages, resource delivery for soup kitchens, the provision of student financial support and the backing of Women, Youth and Sports groups. What is more, concerning national parks, the survey reveals that 360 households living in communities inside the park base their income on the park activity.

Information on the number of people basing their income on the community forest and conservancy activity however was lacking in this survey, with many reporting not knowing this value despite stating it was high. This provides an indication that more concrete research is needed in this regard, especially because the need for records on communities' general dependence on the environment cannot be overemphasized. Overall, a key result of this survey is thus that to fully comprehend the scale of the COVID-19's impact on social groups' activity, living standard improvements and the protection of the environment, follow-up analyses in the years to come will be crucial.

Due to COVID-19, numerous entities have had to retrench workers. Specifically, 71 male and 87 female workers have been retrenched from Conservancies and Community Forests (see Annex I to see table with entity-level data on retrenchments).

It is important to take note that until February 2021, the Namibia Wildlife Resorts' (NWR) establishments – whose lodges are located inside the National Parks – had not let go of any workers but had rather given the "Voluntary Separation" option to their workers, with early retirement also being an encouraged option. Voluntary Separation consists in resigning voluntarily and being offered a severance package. These workers then generally move on to find other sources of employment. It has been reported that only a few NWR employees have taken up this option, and usually employees close to retirement.

<sup>14</sup> 17 out of the 19 national parks included in the report provided an answer to this question.



## Government support during times of COVID-19

Regarding support from public entities (at the local and national levels), overall response seems to have been more positive than for nature-based enterprises and other tourism-related businesses. While 35% of respondents (40) indicated that they have not received any assistance from national or local government to recover from the impacts of the COVID-19 pandemic, 50% qualify the government support measures as adequate (see Figure 24 and Figure 25 below). Of those that received some form of assistance, the main sources seem to have been government grants (mostly from the CRRRF Emergency Fund), wage subsidies and cash transfers for businesses. About one in four surveyed entities also report receiving PPE including masks, soap and hand sanitizers. Seemingly, forms of assistance including cancellation of utility costs (i.e., water and electricity), access to new credit and fiscal exemptions scored the lowest in this category.

Figure 24 – Government support

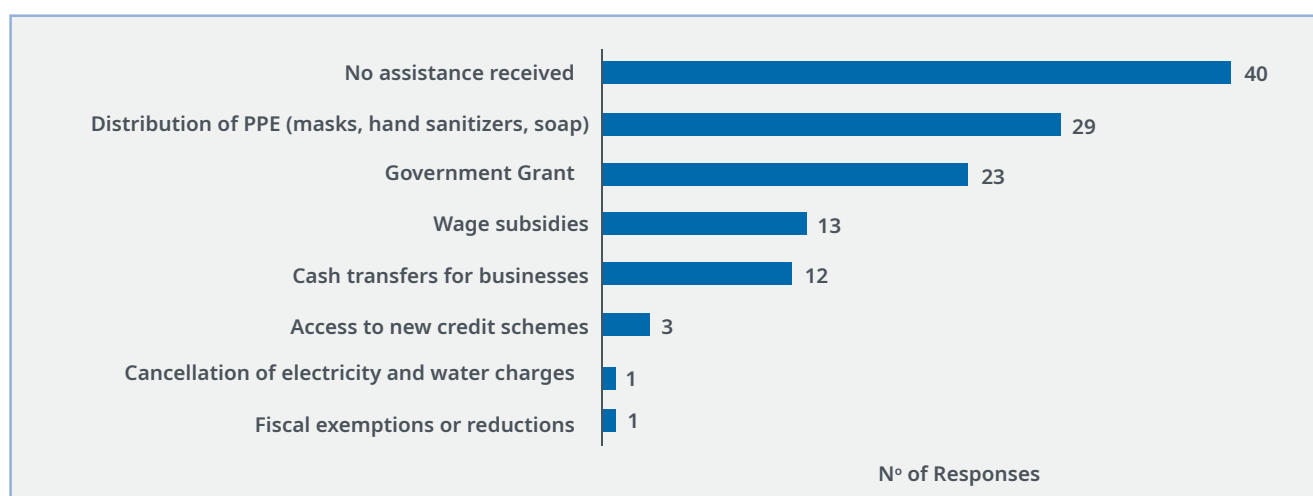
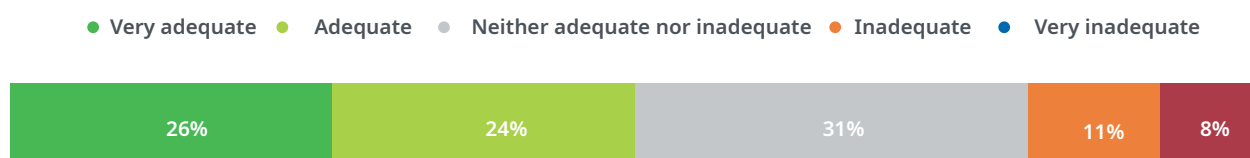


Figure 25 – Adequacy of Government support measures



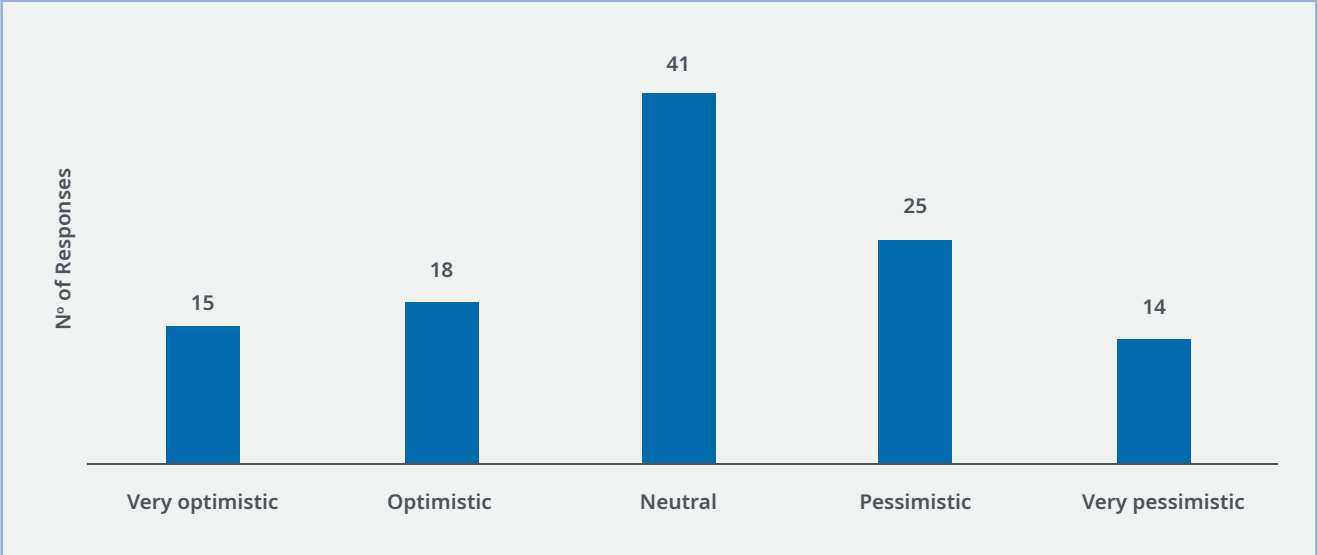
With regards to identifying the types of support that the national parks, conservancies and community forests needed the most, the top three included Financial Support for Recovery (85), Virtual training for upskilling entrepreneurs and staff (44), and Expert advice on business strategy and recovery (32). In addition, the majority of respondents state that the public sector should be responsible for providing basic tourism infrastructure (i.e., transport, water, power, sewage), advertise and promote tourism both in the media and in international travel fairs, play a regulatory role as well as increasing competitiveness in the sector, namely providing tourism information services and certification systems.

## National Parks, Conservancies and Community Forests: a post-COVID-19 environment?

As reported for the tourism-related businesses, before the COVID-19 pandemic struck, an overwhelming majority of managers in national parks, conservancies and community forests felt highly optimistic about the future of tourism in the country, expecting a steady increase in what was a booming industry. The majority of the establishments reported that they were either growing or performing at a consistently comfortable pace.

One year after the first case hit Namibia however, prospects still look bleak, with many respondents’ opinion being that recovery from the COVID-19 pandemic will not be as fast as desired. As illustrated in Figure 26 below, only three in ten surveyed entities are optimistic about the future of tourism in Namibia as of November 2020, with the rest being either neutral or pessimistic, showing the overwhelming uncertainty in the industry.

Figure 26 – Feelings about the future of tourism in the country (as of November 2020)



Regarding the conservation of wildlife, entities’ response has been ambiguous. On the one hand, some of them report not having had increases in human-wildlife conflict (HWC) since nature has been less tampered with, due to the drastic decline in tourism. On the other hand, people have been retrenched, relocated back to their communities and occupy space where wildlife grazes. As a consequence, cutting down trees for cattle posts in remote areas has resulted in a rise in HWC. Another determining factor when observing changes in wildlife population is the usual factor of climate: while wildlife has declined where there are prevalent droughts it has proliferated in areas with steady rainfall.

## CHAPTER III

# MULTIDIMENSIONAL VULNERABILITY INDEX

### Introduction and Methodology

**B**usinesses continue to face innumerable short-term challenges, concerning health and safety, supply chain disruption, cash flow shortages, the decline of the labour force, consumer demand and sales, and so forth. Such factors are likely to increase the vulnerability of businesses in the short term, with adverse consequences on their long-term survival. It is therefore important to assess the level of business vulnerability, enabling the design of effective policies for their recovery from the various challenges posed by the COVID-19 pandemic.

Blaikie et al. (2004) defined vulnerability as the ensemble of a person's (or entity's) characteristics that together define their capacity to anticipate, cope with, resist and recover from the impact of a natural hazard. This vulnerability, as shown by decades of research, is multidimensional, as it tends to be constituted by a host of factors; namely, the physical, social, environmental, economic and structural.

Each of these factors compound to heighten the ways and the extent in which a stakeholder, be it an individual or a business, is exposed to shocks. As such, measuring vulnerability requires consideration of its multidimensional aspects, which can be achieved via a Multidimensional Vulnerability Index (MVI).

There are numerous advantages in building and using an MVI. For one, its multidimensional aspect allows for a more nuanced and holistic analysis of how and why some entities are more vulnerable than others. Secondly, the possibility to disaggregate it by region, sector or population groups enriches the level of detail, allowing for more precise monitoring of progress through time as well as policy guidance on who or what to target for improvement.

Third, the intuitiveness behind its conception and relative easiness to interpret it, makes it a powerful tool for policymakers which can increase their evidence-based decision making. From all of these aspects, policies and programming can be designed to mitigate the varying and multiple factors which cause vulnerability and can protect those most at risk. UNDP Namibia thus joins countries like Bhutan (UNDP and NSB, 2020), Iraq (UNICEF and WB, 2020) and Honduras in providing an MVI analysis in the recovery plan from the COVID-19 pandemic.

Within the environmental and climate-change field, vulnerability has been conceptualized as a combination of three elements: exposure, sensitivity, and adaptive capacity (McCarthy et al., 2001; Brooks, 2003; Schröter et al., 2005; Adger, 2006; Luers et al., 2003; Turner et al., 2003a, b).

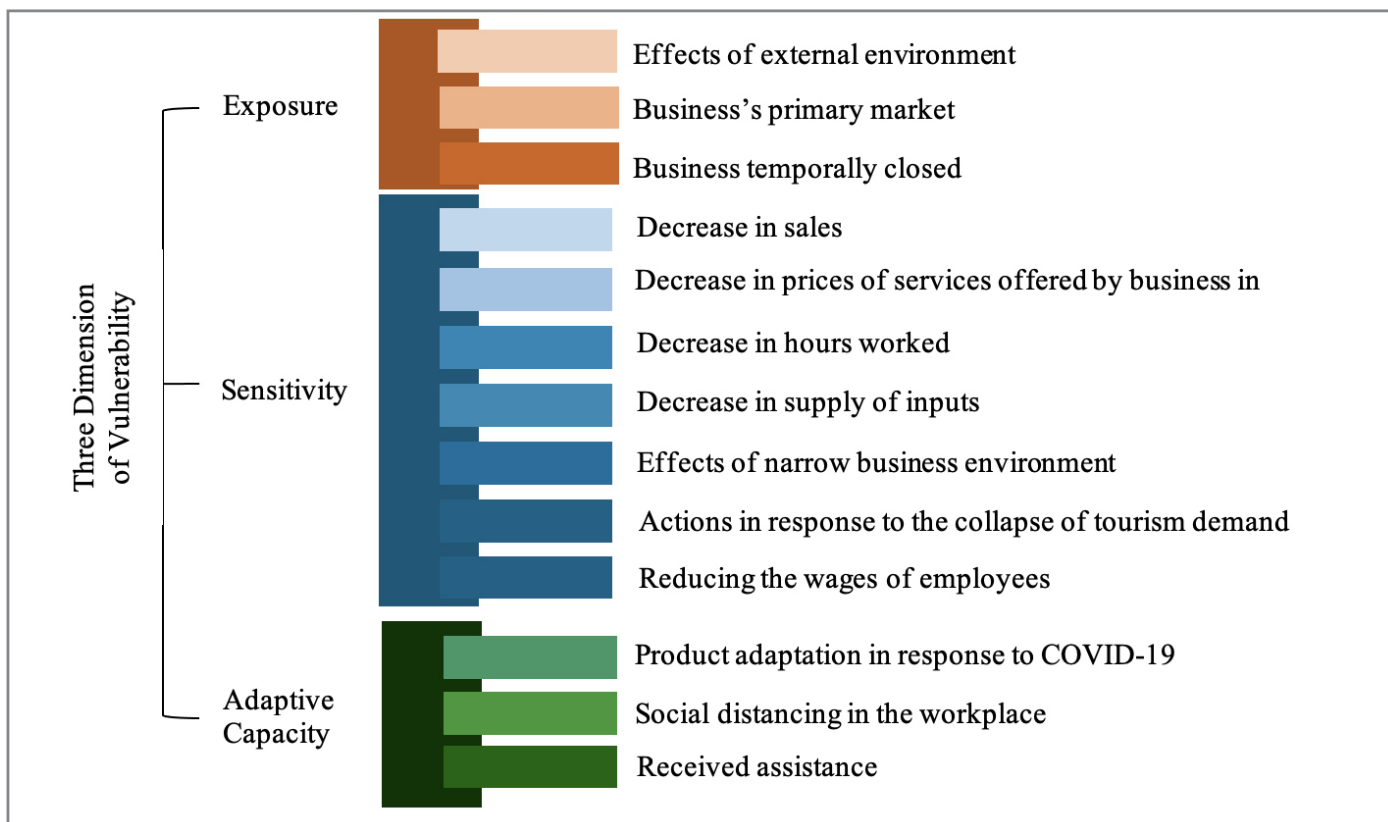
This conceptual framework is particularly useful to analyze not only business exposure to shocks, but also how they are impacted and how they respond to these shocks. It is thus crucial that the MVI capture both the degree to which each firm is impacted, along with its ability to cope with the disturbance. Hence, the following definitions are important:



where  $D$  is the total number of indicators and  $w_j$  represent the indicators' weights, where all of the  $w_j$  add up to 1. In this study, equal weights for all indicators are applied, meaning that  $w_j=1/d$ .

As mentioned, vulnerability is composed of three dimensions: exposure, sensitivity and adaptive capacity. This classification requires a set of indicators for each of these three dimensions depicting vulnerability. Figure 27 below displays the set of the thirteen indicators chosen to define the MVI in this study, detailing how businesses' vulnerability will be measured in this report.

**Figure 27: Composition of the MVI: dimensions and indicators**



Source: Surge Data Hub, UNDP

To calculate the MVI, we start by establishing a deprivation profile for each business. This entails showing in which of the 13 indicators businesses are deprived. Each business is characterized as deprived or non-deprived in each indicator on the basis of a deprivation cutoff. The choice of the cutoff for each indicator is based on the structure of the question used to measure the indicator. The information is displayed in Table 21 below, with the justification regarding the choice for deprivation cut-offs being in Annex II. As an example, businesses were asked if they closed temporarily as a result the COVID-19 outbreak, with possible responses being 'Yes' and 'No'. After recoding the variable into a dummy one, replacing 'Yes' by '1' and 'No' by '0', a business is considered deprived in this indicator if it selects Yes=1.

Table 21 – Dimensions and indicators of the MVI for business

| DIMENSION OF VULNERABILITY | INDICATOR   | DEPRIVED IF...   |
|----------------------------|---|--|
| <b>Exposure</b>            | <i>Effects of external environment on business operations</i>   | The business faced at least one of the following external shortages due to COVID-19: Reduced logistics services; Reduced certification services; Power outage; Water supply disruptions; Problems with internet access; Problems with roads; Increased administrative bottlenecks; Increase in input prices; Disruption in the supply chain. |
|                            | <i>Business temporarily closed due to COVID-19</i>  | The business closed temporarily for more than four weeks as a result of COVID-19.  |
|                            | <i>Business's primary market</i>  | The business' primary demand was international.  |
| <b>Sensitivity</b>         | <i>Decrease in the demand for this business' products</i>   | The demand for a business' products declined by 50% or more.   |
|                            | <i>Decrease in prices of goods/ services sold by business</i>   | The prices of the goods and/or services sold by the business decreased by 50% or more.   |
|                            | <i>Decrease in total hours worked per month</i>   | The business' hours worked per month decreased by 50% or more.   |
|                            | <i>Decrease in supply of inputs, raw materials, or finished goods and materials purchased to resell</i> | The business' supply of inputs, raw materials, or finished goods and materials purchased by the establishment to resell has decreased by 50% or more.  |
|                            | <i>Effects of narrow business environment on business operations</i>                                    | The business faced at least one of the following problems concerning the business environment: Clients not paying their bills; Employee absences due to sickness or childcare; Increased costs due to need to purchase PPE.  |
|                            | <i>Actions in response to the collapse of tourism demand</i>  | The business was forced to do one of the following: Sharply reducing business size and capacity, but continuing to operate; Scrambling for capital and want to survive; Placing the business in hibernation for the foreseeable future.  |
|                            | <i>Reducing the wages of employees due to COVID-19</i>  | The business owner/manager/supervisor was forced to use personal savings to deal with cash-flow shortages.   |
| <b>Adaptive capacity</b>   | <i>Product adaptation in response to COVID-19 not possible</i>  | The business does not have the capacity to adapt its products.   |
|                            | <i>Not possible to adopt social distancing in the workplace</i>   | It is not possible to adopt social distancing in the workplace.  |
|                            | <i>No assistance received</i>   | The business did not receive any assistance whatsoever.  |

Following the vulnerability criteria of the MPI, businesses are considered vulnerable if they are deprived in 20% to 40% of indicators, which correspond to 1/5 and 2/5 of the indicators. Since 13 indicators were used to calculate the MVI in this study, the thresholds which correspond to 1/5 and 2/5 are 3 and 6, respectively. To test the robustness of the results, we considered thresholds 4 – 7 and performed Spearman and Kendall's ranks correlation test on MVI classification by regions, sectors and business size.

The objectives surrounding the test is to investigate whether the classification of regions and sectors by level of vulnerability changes significantly when the threshold varies. In other words, if Region A is the most vulnerable according to threshold 4, would this change when we consider thresholds 5 and 6?

Kendall's and Spearman's ranks correlation test indicates that correlations between MVIs with thresholds 4 to 7 are strong and statistically significant at the 0.01 level for regions, sectors and business size (see Annex II), thus confirming that the results with thresholds 4 to 7 are robust.

To limit the number of parameters to interpret, a unique threshold of six (6) is chosen for this analysis. Moreover, the applied cut-offs for exposure, sensitivity and adaptive capacity are two or more, three or more, and two or more deprivations, respectively.

### Results of the MVI – General findings

Panel A in Figure 28 summarizes the results of business MVI by considering the number of deprivations. As is to be expected, as the number of deprivations increase, overall business vulnerability decreases. For instance, 99% of the firms are vulnerable in at least three indicators, 57% are vulnerable in at least seven indicators, and 20% are vulnerable in at least nine indicators.

The values that business vulnerability takes for each number of deprivations is displayed in Panel B of Figure 28. Business vulnerability for the cut-off of six indicators is 78%, meaning that 78% of the businesses are vulnerable in at least six indicators. Regarding the intensity, each business that is vulnerable suffers on average from 58.6% of all possible deprivations. Following the methodology detailed in the previous section, this gives an MVI of 0.454.

<sup>16</sup>The choice to set the threshold at six (6) deprivations to deem a business vulnerable instead of three (3), four (4) or five (5) is most visible when examining Figure 27. When choosing five deprivations (or less) as the threshold for classifying a business in the tourism survey as vulnerable, at least 91% of them are found to be vulnerable. Given how the tourism industry is one of the most (if not the most) impacted economic sector by the pandemic, as shown throughout this report, it stands to reason that most of the businesses be found to be vulnerable. If the aim of the report would have been to carry out an inter-sectoral analysis (e.g., to compare vulnerability between the tourism, ICT and mining sectors), the chosen threshold could have been lower than six, as a very high incidence level compared to other sectors would coincide with the extent in which the Tourism industry has been impacted. However, this assessment being an intra-sectoral analysis, there is the interest to have a minimum level of variation among businesses' vulnerability, so as to assess different exposure, sensitivity and adaptive capacity of businesses in the same sector. Said differently, there is an interest in relaxing the deprivation thresholds so that variability among businesses' vulnerability may be captured. The choice of six deprived indicators (out of a possible thirteen) also follows the MPI framework developed by Alkire and Foster (2011), by remaining in the 20% – 40% interval of deprived indicators.

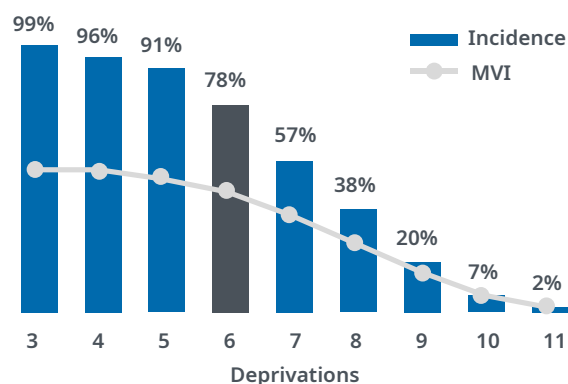


Figure 28 – Business MVI and the selected threshold

Panel A

| Number of deprivations | Incidence | Intensity | MVI   |
|------------------------|-----------|-----------|-------|
| 3                      | 99%       | 0.532     | 0.528 |
| 4                      | 96%       | 0.543     | 0.520 |
| 5                      | 91%       | 0.557     | 0.504 |
| 6                      | 78%       | 0.586     | 0.454 |
| 7                      | 57%       | 0.630     | 0.359 |
| 8                      | 38%       | 0.675     | 0.259 |
| 9                      | 20%       | 0.731     | 0.145 |
| 10                     | 7%        | 0.801     | 0.056 |
| 11                     | 2%        | 0.867     | 0.020 |

Panel B



In order to facilitate the understanding regarding how the MVI can be used to assess vulnerability among businesses, it is of use to present two examples of firm-level characteristics, namely business age and membership in an association.

First, disaggregating by business age has yielded interesting results. As shown in Figure 29 below, it would appear that vulnerability is relatively higher for “old” business, as compared to “young” ones. Indeed, the highest vulnerability is found for businesses with more than 20 years of operation in the market (0.50), whilst the lowest vulnerability rate is manifested by businesses which have been operating in the market for less than 2 years (0.37).

On the one hand, this could be explained by the fact that the proposed goods and services that the younger businesses’ offer are more tailored to recent market needs, as they have emerged to service a recently booming tourism industry.

On the other, one could have expected businesses that have been active for longer to be more resilient, given perhaps a higher level of savings and a more grounded clientele. Second, it is of interest to examine whether being a member of an association has played a role in decreasing a business’ vulnerability. As a matter of fact, it stands to reason that pertaining to a business association could provide an enterprise with support from other members during times of crises, consequently decreasing its vulnerability.

Results as reported in Figure 30 below seem to confirm this, as businesses that are not members of any association manifest higher vulnerability (80%), in comparison to those that are not member of an association (75%). This difference however is not large enough to conclude on the matter, as the MVI only differs by 1 percentage point. A follow-up study one year after this one would allow for a very useful insight on businesses’ vulnerability, almost two years after the beginning of the pandemic.

Figure 29 – Business vulnerability and business age

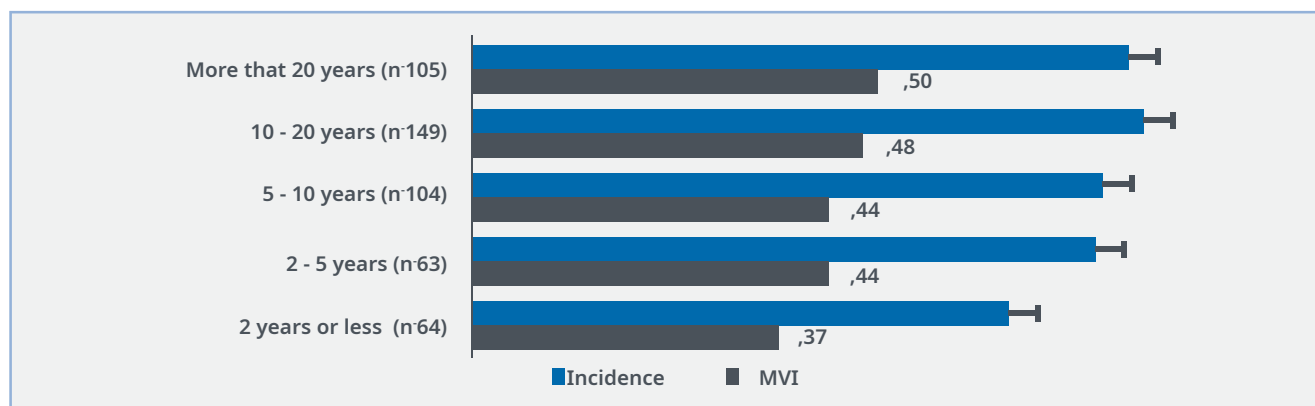
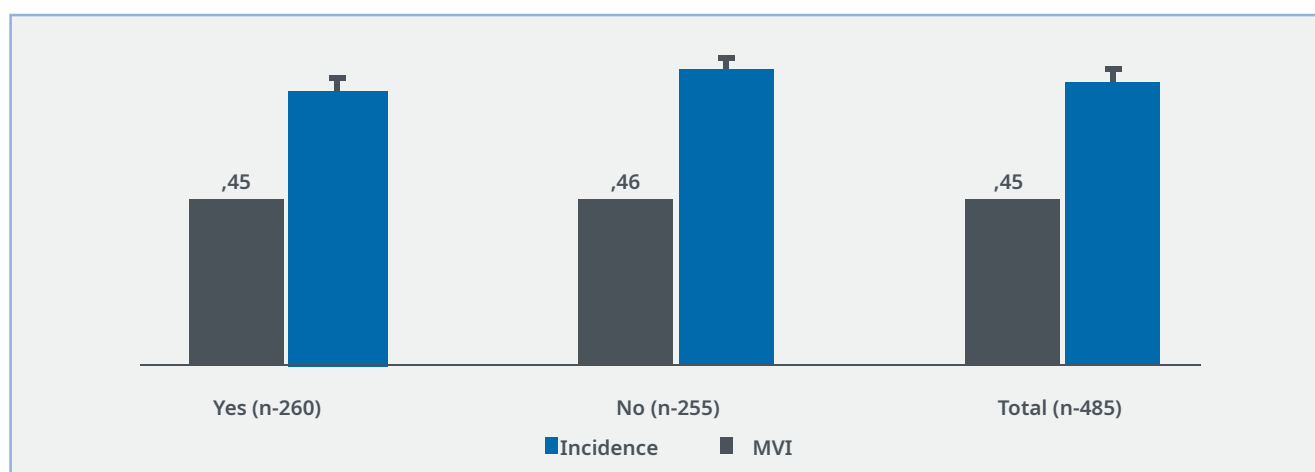


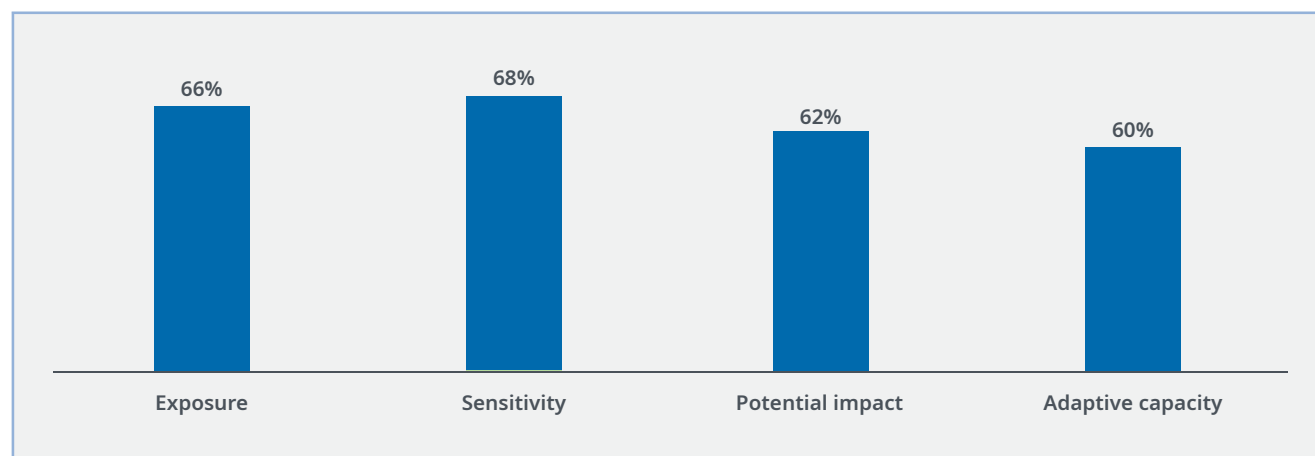
Figure 30 – Business vulnerability and membership of business association



One of the advantages of the MVI is that in addition to reporting “how much” a business is vulnerable given its characteristics, it also provides the opportunity to examine “how businesses are vulnerable”. Simply put, the vulnerabilities can be disaggregated to see what factor most contributes to a business’ vulnerability. As detailed in the previous section, the MVI is comprised of three dimensions: exposure, sensitivity, and adaptive capacity. In addition, a specific component labelled ‘potential impact’ is designed and is comprised of two of these dimensions: exposure and sensitivity.

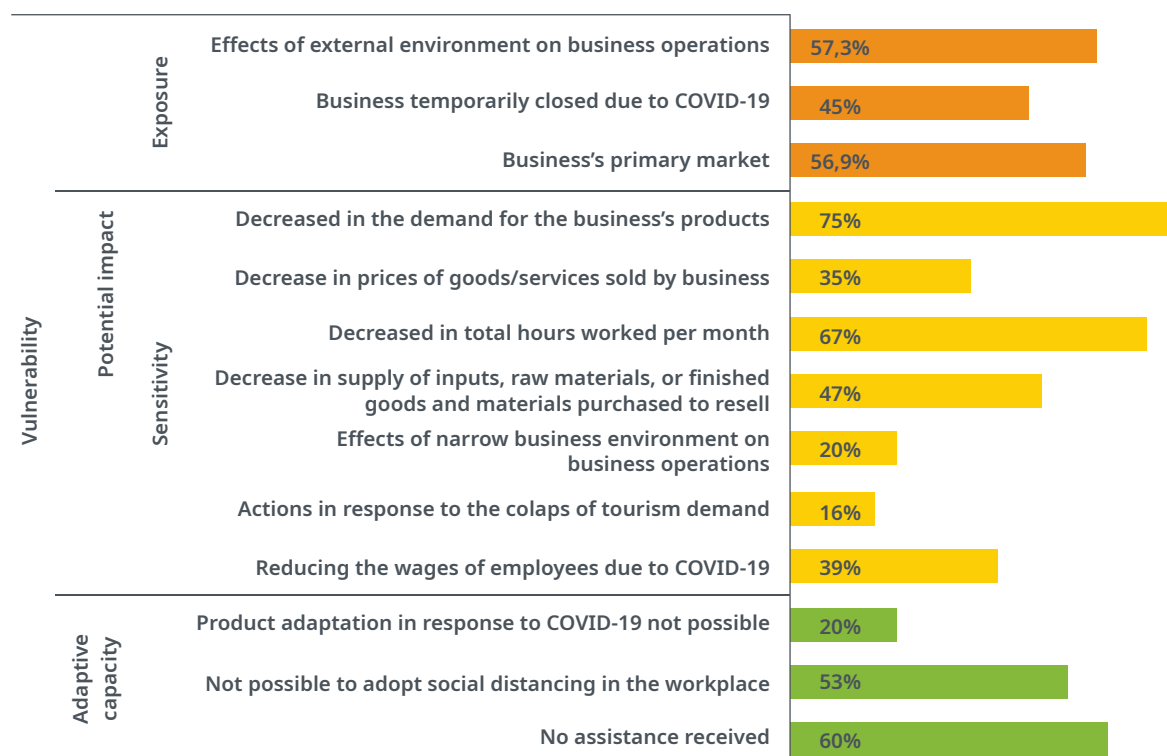
The cut-off value is set at five deprivations. Figure 31 below disaggregates business vulnerability by those three dimensions, along with the ‘potential impact’ component. The graph reveals that businesses’ vulnerability seems to come primarily from the sensitivity dimension (68%) and least from adaptive capacity (60%), with exposure at the middle with 66%. As means of interpretation, this means that 66% of businesses are exposed to the COVID-19 pandemic, 68% of the businesses are sensitive to the shock and 60% of firms lack the capacity to cope with the consequences of the pandemic. Finally, the ‘potential impact’ component being 62% signifies that around three out of five businesses have been impacted by the COVID-19 pandemic.

Figure 31 – Dimensions of business vulnerability



Further disaggregation can be observed in Figure 32 below, which illustrates the result of each specific indicator used for calculating the business MVI. As stated in the methodology section, the exposure dimension has three indicators, the sensitivity dimension has seven, and the adaptive capacity dimension has three. The average of these indicators' result gives the value of the global MVI, namely 0.45. The indicators displaying the highest rates are *decrease in the demand for the business' products* (75%) and *decrease in total hours worked per month* (67%), both in the sensitivity dimension. In other words, the decline in demand and consequently hours worked, due quite certainly by the movement restrictions and border closures, are the two biggest contributors of the MVI.

Figure 32 – Indicators of business vulnerability according to dimensions



**Note:** The average of all percentages is equal to the MVI.

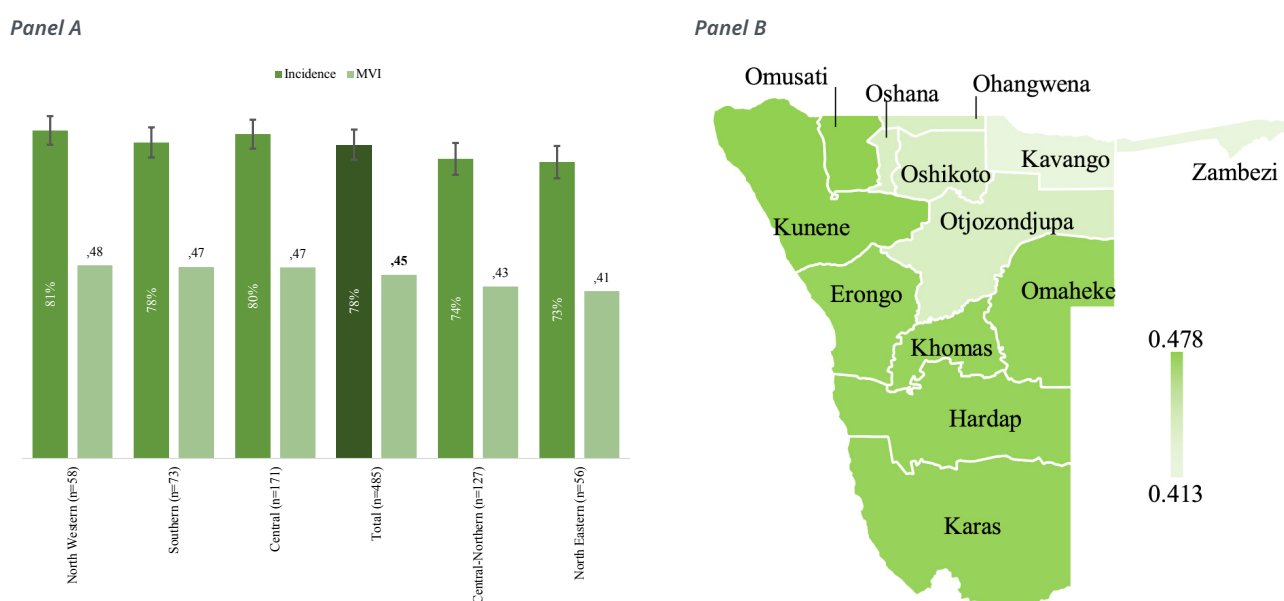
<sup>17</sup>This is because the cut-off for Exposure was set at two or more deprivations and the cut-off for Sensitivity was set at three or more deprivations. Ergo, the cut-off for Potential Impact is the sum of both dimensions, meaning five or more deprivations.

Upon inspection of the exposure dimension, it shows that both the effect of external environment on business operations and businesses' primary market have a rate of 57%. This result validates what was found in Chapter 2, where there would seem to be a positive correlation between the degree of dependence of a business on foreign tourists and a decline in demand and hours worked. Finally, within the adaptive capacity dimension, Receiving no assistance is the largest contributor to the MVI with 60%, followed by not being possible to adopt social distancing in the workplace at 53%. In what follows, a deeper dive into the geographical, sectoral and firm size characteristics of business vulnerability is done, so as to shed some light on deprivations across key determining factors.

### Geographical disaggregation of the MVI

It is of interest to first examine how business vulnerability and the MVI varies across the five regions (as categorized in the previous section). While Panel A of Figure 2 below displays the business vulnerability and the MVI for the five regions, Panel B illustrates it in a map of Namibia. Succinctly put, it would seem that there exist very small regional differences in business vulnerability, with only a seven-percentage point gap between the MVI of the most vulnerable North Western region (MVI=0.48) and the least vulnerable North-Eastern region (MVI=0.41). Between these two are the Southern (0.47), Central (0.47) and Central-Northern (0.43) regions. Despite the small differences among these regions concerning both the MVI and the incidence of vulnerability, it is a surprising result to see the North-Eastern as the least vulnerable of all five regional groupings. Quite notably, it outperforms the richer central region.

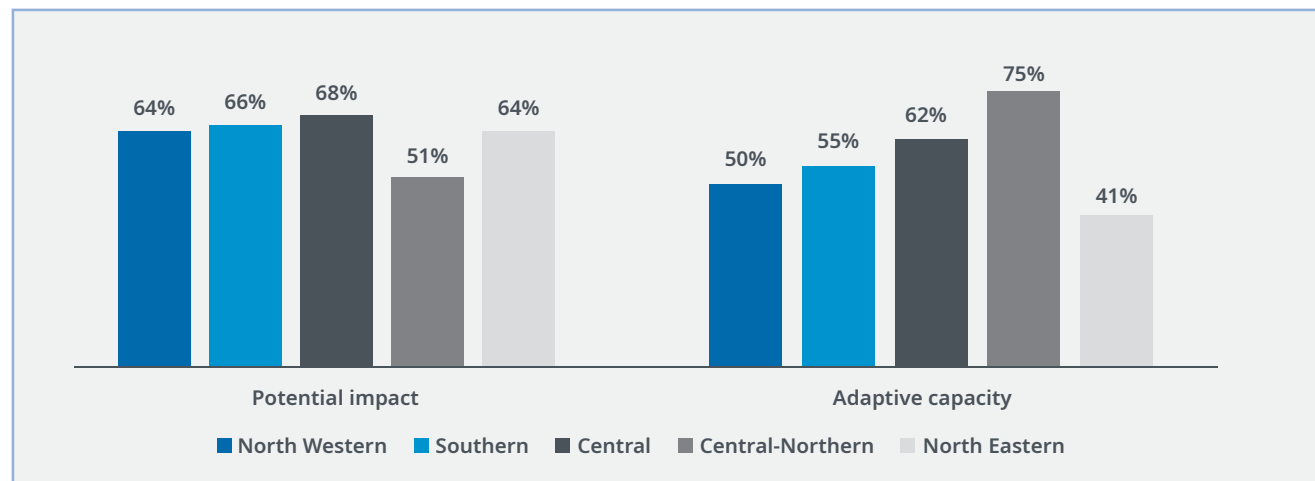
Figure 33 – Business vulnerability by region



To elucidate on this issue, Figure 34 below disaggregates among two dimensions, namely 'potential impact' and adaptive capacity. Businesses operating in the Central region experienced the highest rate in potential impact (68%), while those operating in Central-Northern region exhibit the highest rate of adaptive capacity (75%) (meaning less adaptive), as compared to businesses operating in other regions. Better results in

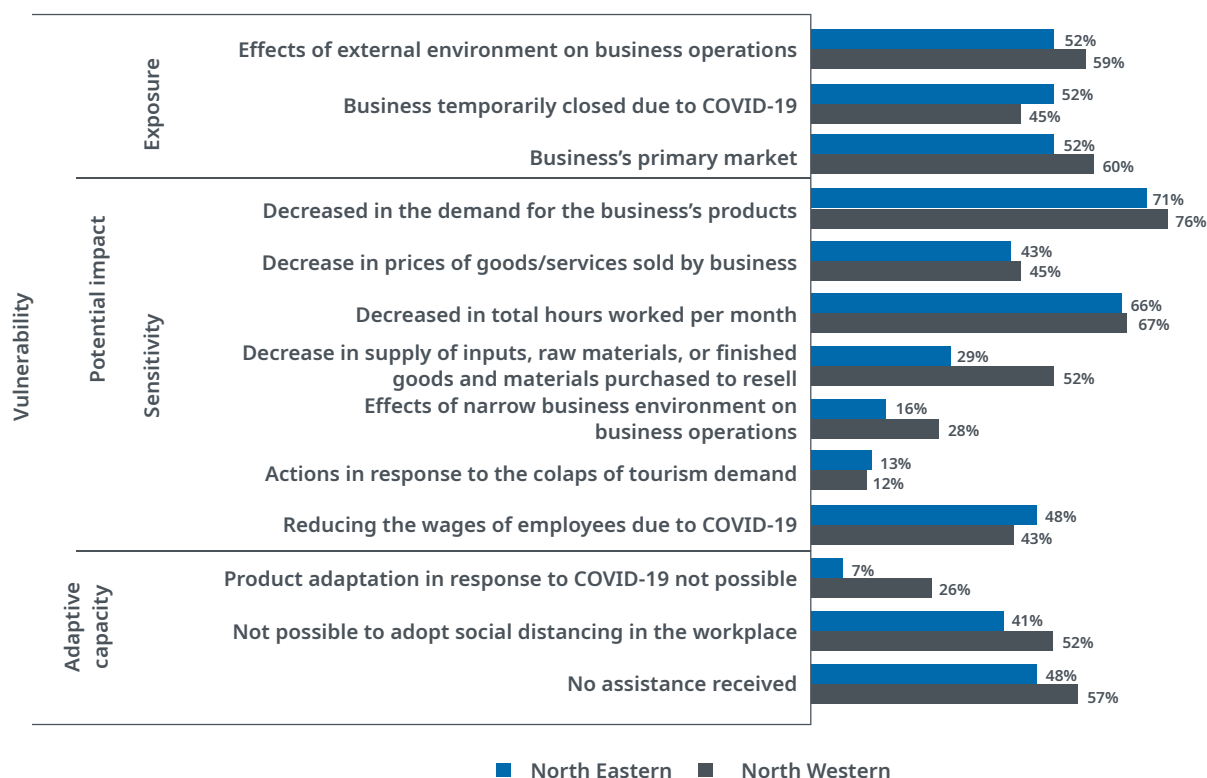
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Figure 34 – Potential impact and adaptive capacity by regions



potential impact is shown for businesses operating in the Central-Northern region (51%), while regarding adaptive capacity, the North-Eastern region reflected better results (41%). To better understand the gap between the vulnerability levels of different regions, Figure 35 displays the result of each specific indicator used for calculating the business MVI (much like Figure 32) for the region with the highest vulnerability (North-West) and the region with the lowest vulnerability (North-East). Several takeaways from the figure emerge. For one, both regions seem to have been impacted almost equally in the decline of demand, hours

Figure 35 – Indicators of business vulnerability for regions reflecting highest and lowest vulnerability



worked, and prices set by the business. Other indicators with similar vulnerability values include the reduction in wages and actions in response to the collapse of tourism demand. Secondly, the North-Eastern region would seem to have been much less vulnerable in two indicators.

First, it seems to have been much less sensitive regarding the decline in inputs or final goods purchased to be resold. This might be due to the disruption in supply chains being more severe in the Kunene region, where many rest camps are hard to access due to very low-quality roads around Kamanjab, as well as along the Angolan border from Ruacana to the West.

Second, businesses in the Okavango and Zambezi region seem to have adapted their products to a greater extent than those in Kunene and Omusati. This could signal higher flexibility in the services provided by the tourism-related enterprises in the region. However, both of these interpretations of the results in the figures above warrant further studies to be confirmed. To ensure a more resilient Namibian tourism sector in the future, it is of interest to learn from the adaptive strategies carried out by the successful businesses and study their possible implementation at a larger scale.

### **Sectoral disaggregation of the MVI**

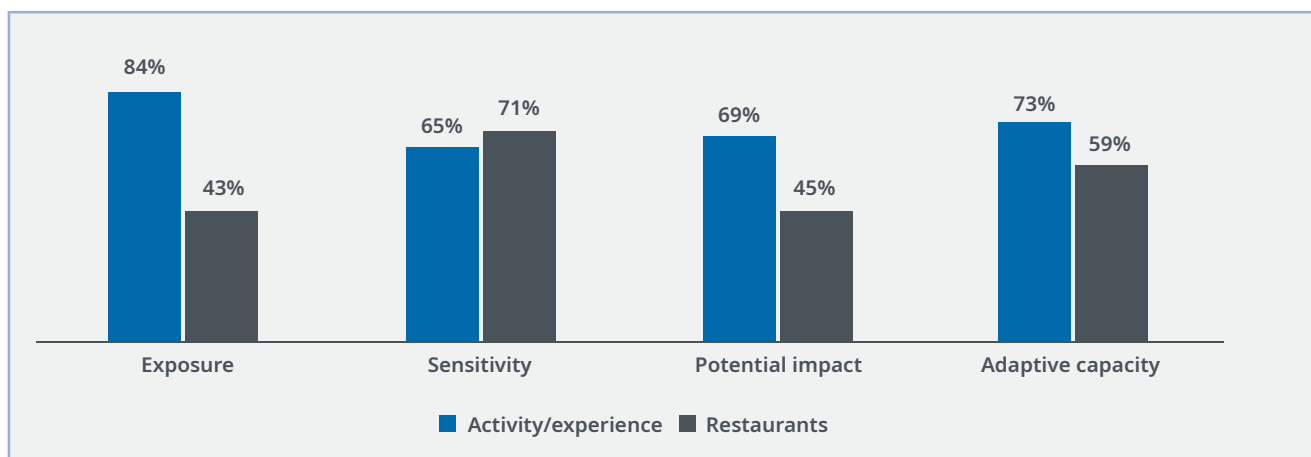
As evidenced by the report thus far and across countries worldwide, the tourism industry is among the most highly impacted sectors in the economy. One of the advantages of the MVI is the possibility of enriching the analysis, by providing an in-depth analysis at the intra-sectoral level. That is, contrasting how accommodation businesses have fared compared to restaurants, or tour operators against shuttle and transport. This sectoral disaggregation is displayed in the As can be observed in the figure, three groups stand out. First, the most vulnerable sub-sector of the tourism industry seems to be businesses focusing on activities and experience.

Quite notably, around nine in ten of these businesses are vulnerable, meaning that they are deprived in at least six out of the thirteen previously indicators. Second in line regarding vulnerability are the tour operators (81% incidence), followed by B&Bs (81%) and Hotels (77%). Finally, the least vulnerable in the tourism industry seem to be community-based businesses (71%), transport and shuttles (69%) and restaurants (65%), with Conservancies and protected areas being the lowest at 57% incidence. Due to the low turnout response in both community-based businesses and conservancies however, they are excluded from further analysis in this chapter.

To grasp the reasons behind the variability in both incidence and MVI among sub-sectors in the tourism industry, the most affected and least affected are compared, namely activity/experience and restaurants. While Figure 37 contrasts the two types of businesses examining the exposure, sensitivity and adaptive capacity dimensions (as well as potential impact), Figure 38 does so in greater detail at the indicator level.

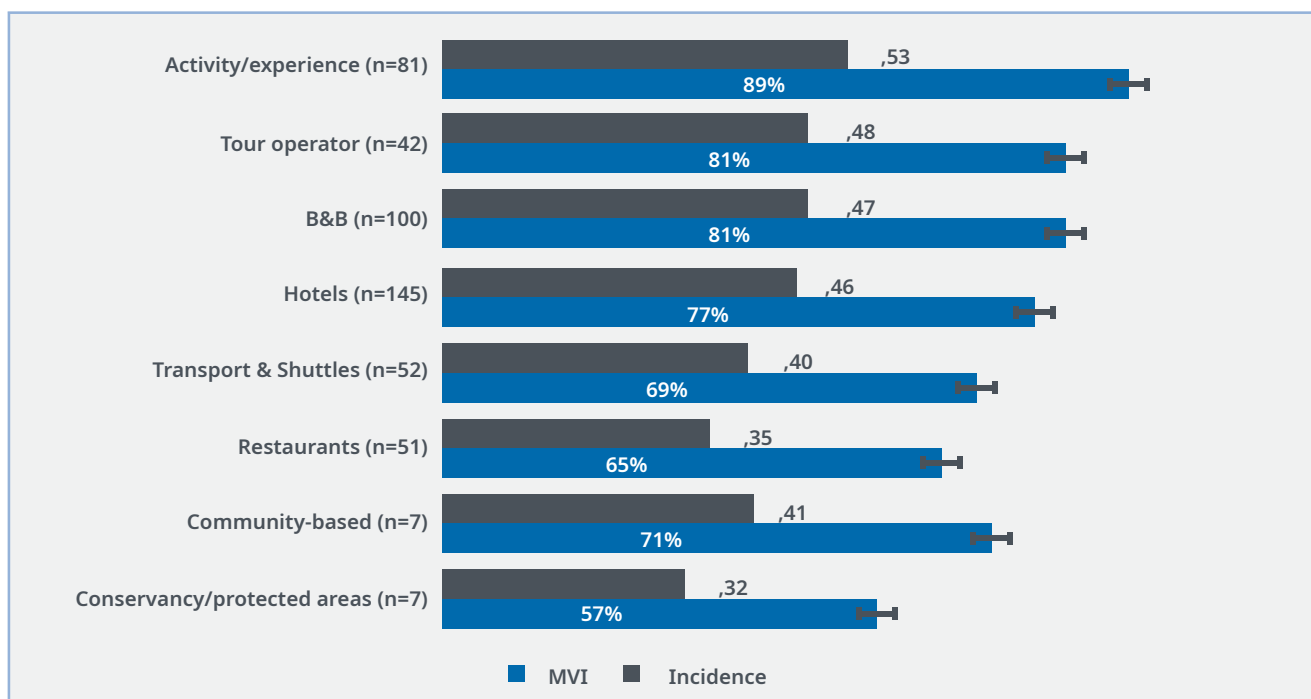
<sup>18</sup>In this regard the UNDP Accelerator Lab is tasked with finding innovative ad hoc solutions to problems such as the ones brought forth by the COVID-19 pandemic and examine the potential in expanding their application at a larger scale.

Figure 37 – Exposure, sensitivity, potential impact and adaptive capacity by sectors



below, where both the incidence and MVI are displayed.

Figure 36 – Business vulnerability by sector

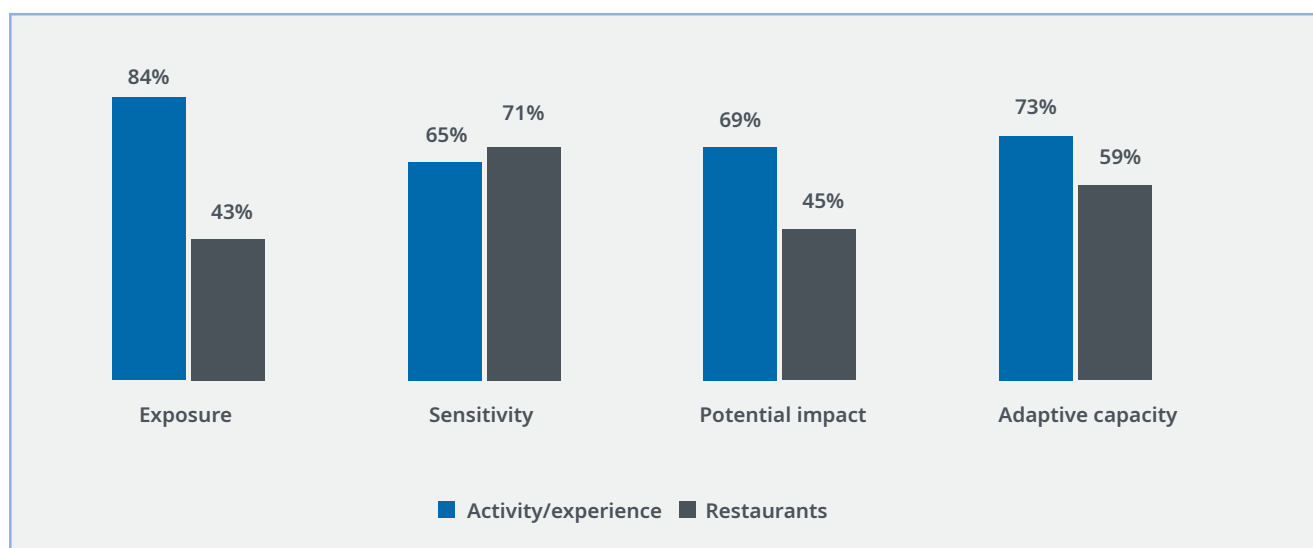


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Figure 37 – Exposure, sensitivity, potential impact and adaptive capacity by sectors



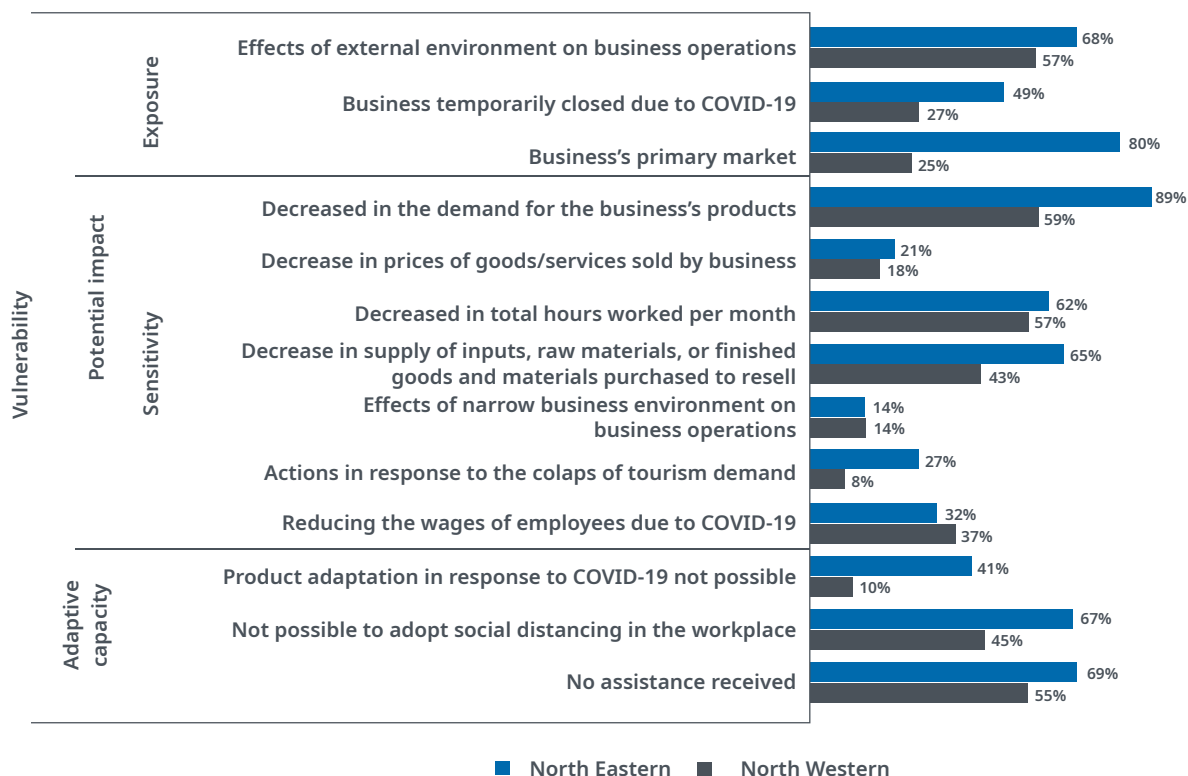
The calculations reveal that although there are large variations across all four dimensions, they are most significant in exposure. Quite notable, there is a forty-percentage point difference in this dimension. By taking a deeper look at the indicators comprising this dimension in Figure 38, it is clear that the business' primary market is the most important contributor to this contrast. Indeed, it stands to reason that businesses in the activity/experience domain as well as tour operators have a much stronger dependence on international tourists than other sub-sectors.

While these businesses would have trouble finding Namibians expressing the same interest as foreigners to pay for tours and activities in Namibia (and purchasing power to afford it), B&Bs and Hotels could adapt their business model to a more domestic clientele. To an even greater extent, restaurants and transport services are the least exposed to a sudden interruption of foreign tourists, as these are services that do not particularly target foreigners, although they are an important source of revenue.

This disparity in dependence on foreign tourists is further evidenced by the thirty percentage-point difference between activity/experience and restaurants regarding the intensity of the drop in demand. Finally, when examining adaptive capacity, there seems to be a stark divide between these two types of businesses, with restaurants being more able to adapt their products in response to the COVID-19 pandemic.

This stands to reason, as restaurants could shift their business model to a national clientele by reducing prices, focusing more on takeaways and deliveries in efforts to compensate for demand loss, whilst those dealing in activity and experience would be more specialized (e.g., equipment rental for outdoor activities, camping and tours, wildlife viewing), complicating diversification. Overall, this disaggregation provides evidence regarding the variability in the scale of the COVID-19's impact on different types of firms in the tourism industry, further highlighting the importance of the MVI study.

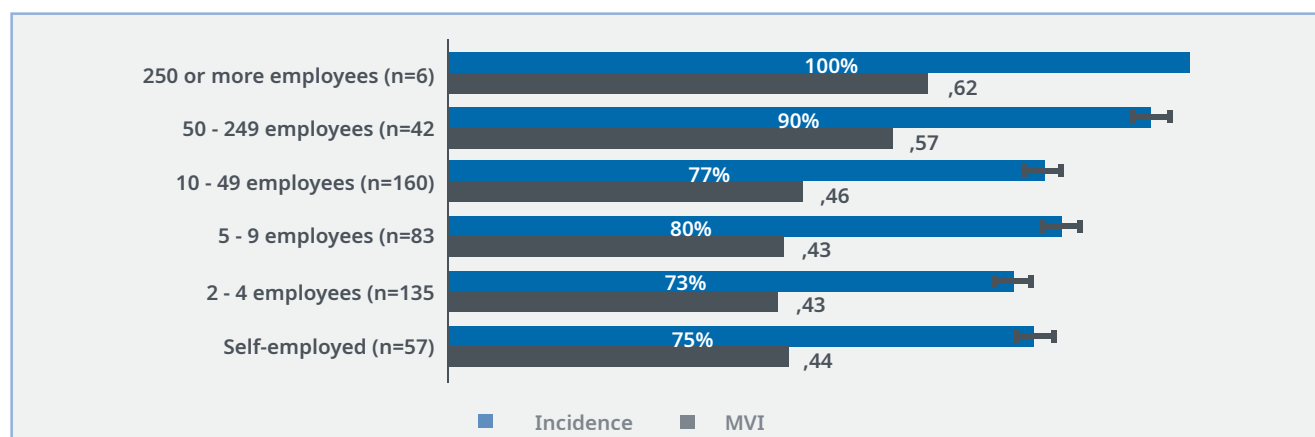
Figure 38 – Indicators of business vulnerability for sectors reflecting highest and lowest vulnerability



### Business size disaggregation of the MVI

An additional variable worthy of a fine-grained analysis concerns business size, and whether the MVI's behaviour is contingent on it. Indeed, a disaggregation based on the six possible categories of business size (as detailed in the survey in chapter 2) reveals that there is a positive correlation between business size and vulnerability. As illustrated in Figure 39, business with 50 – 249 employees exhibit the highest business vulnerability (incidence=90%, MVI=0.57), followed in a decreasing order by those with 10 – 49 employees (MVI=0.46) and 2 – 4 employees (MVI= 0.43). It is important to know however, that this decreasing trend of business size and vulnerability is not unbroken, as the categories of 5 – 9 employees and Self-employed seem to be less vulnerable than the categories directly above them. Since the respond rate of firms with more than 250 employees is low (n=6), it is not reasonable to interpret the result associated to that category.

Figure 39 – Business vulnerability by business size

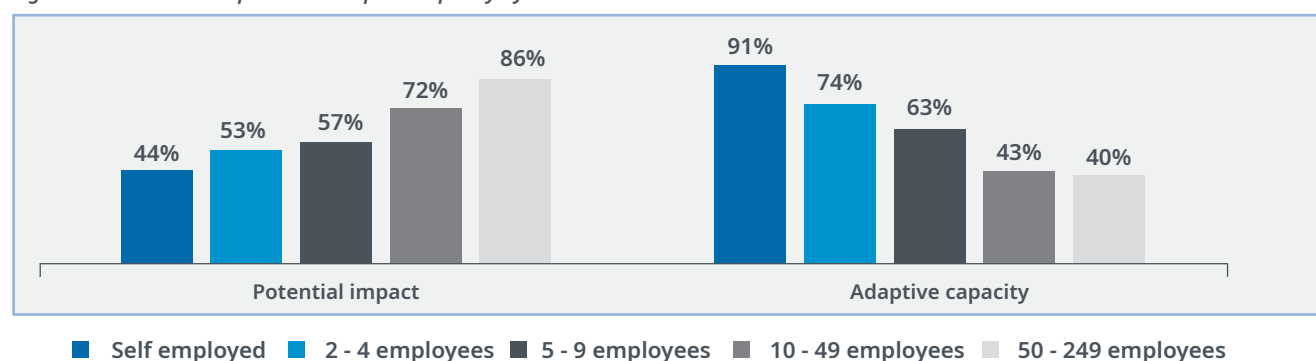


Note: Business size is proxied by the number of employees it has.

As the geographical and sectoral analyses that came before, it will prove insightful to disaggregate the MVI by its dimensions to grasp the reasons behind differing vulnerabilities due to the number of employees. Figure 40 below displays this by looking at potential impact and adaptive capacity. Upon inspection of the graph, the positive correlation between business size and vulnerability exposed previously comes to light. Specifically, as business size increases, so does the score of potential impact: it moves from a low 44% for self-employed to a high 86% for firms having between 50 – 249 employees. When it comes to adaptive capacity, the opposite seems to be the case: while the lowest value is now obtained for firms having between 50 – 249 employees at 40%, the highest is for self-employed at 91%. The conclusion originating from this finding is that the more employees a firm in the tourism industry has the more exposed and sensitive it is to the COVID-19 shock, but the better it seems to have the capacity to adapt. With regards to adaptive capacity, perhaps a smaller business proposes a smaller number of activities to its clients or has less resources to cope with the crisis, increasing its vulnerability and need for government assistance.

This becomes even more crucial comparing with what was advanced in Chapter 2, where 90% of the surveyed businesses in the tourism industry are micro and small enterprises, evidencing their important for employment and development in Namibia. Regarding larger businesses being more highly impacted by the COVID-19 pandemic, it is most probably related to scale: the larger the business, the more sensitive it is to large declines in demand and hours worked. A larger business might also need to temporarily close the business due to high overhead costs to simply keep it running.

*Figure 40 – Potential impact and adaptive capacity by business size*



### Limitations of the MVI study

Although substantial effort has been made to ensure robustness of results, some limitations remain. Firstly, the number of indicators used to calculate the MVI was constrained by the available data. Indeed, other indicators could have been considered to strengthen the analysis. As a consequence, if an important indicator was omitted, there is a risk that the calculated MVI would underestimate the actual level of vulnerability of tourism-related businesses in Namibia. Such is the concern of the lowest MVI value found for the North-Eastern regions, which are known for being among the poorest in the country. A second possible limitation of the analysis is the use of equal weight for all indicators. Indeed, this implies that all indicators have the same level of influence on the vulnerability of firms, which may not be the case. There are several ways to weigh the indicators and dimensions of the MVI. However, the recommended approach is to define the weights according to the country's vulnerability measurement objectives. For example, if the country wishes to focus on business' sales, sales indicators should be given higher weighting. Much like the recent effort of the UNDP to start implementing a national Multidimensional Poverty Index (MPI) for Namibia, adapting the weights to fit policy objectives make the MVI a powerful policy guiding instrument. This connects to further underlining the importance of data collection during times of crisis such as the current COVID-19 pandemic in order to both monitor progress and provide insight on the efficiency of policies aiming to address the issues.

## CHAPTER IV AN ECONOMIC MODEL OF THE TOURISM SECTOR

### IV. A. BASELINE PROJECTIONS

After setting up the Namibian Computable General Equilibrium Model (CGEM) and database (see Annex III), the next step in conducting the economic modelling is to establish a plausible business-as-usual baseline scenario for the economy against which the policy scenarios will be assessed. In constructing the baseline scenario, various data sources were considered, including the Mid-Year Budget Review published by the Ministry of Finance and the World Economic Outlook published by the IMF. Additional projections by the International Air Transport Association (IATA) were also considered. Following Table 23, important macroeconomic variables that were exogenously forecast in the baseline include real GDP, exports, inflation and population growth. These forecasts anchor the path of many other related variables in the economy, including the performance of the tourism sector. To contrast the difference in baseline projections before and after the start of the COVID-19 pandemic, we first show a selection of key macro and tourism projections from October 2019 in Table 22, followed by updated projections from October 2020 in Table 23 as used in our analysis. For tourist arrivals in the post-COVID projection we assume a 75% drop for 2020 and a 33% drop for 2021 relative to 2019 numbers. These projections are in line with a broad sample of forecasts for the travel and tourism industry. For 2022 and 2023 we assume a return to normal with no travel restrictions, enabling a recovery in tourist arrivals to above 2019 levels and annual growth of 3-4% thereafter. However, as seen in Table 22 versus Table 23, as well as in Figure 41, tourist arrivals are still expected to lag behind pre-COVID baseline projections over the medium term. For the baseline scenario projected in Table 23 and Figure 41, no explicit policy interventions are considered beyond the natural recovery described above.

*Table 22 – Macroeconomic baseline projections (October 2019)*

| MACROECONOMIC VARIABLES                  | 2019      | 2020      | 2021      | 2022      | 2023      |
|--|-----------|-----------|-----------|-----------|-----------|
| Nominal GDP (N\$m)                       | 200,325   | 214,002   | 230,510   | 250,566   | 274,891   |
| Real GDP                                 | -0.1%     | 1.5%      | 2.4%      | 3.2%      | 3.9%      |
| Exports of goods and services            | 0.5%      | 6.4%      | 4.6%      | 5.7%      | 6.7%      |
| Average consumer prices                  | 4.8%      | 5.5%      | 5.5%      | 5.5%      | 5.5%      |
| General government gross debt to GDP     | 49.2%     | 50.8%     | 51.4%     | 53.0%     | 54.3%     |
| Number of international tourist arrivals | 1,595,973 | 1,649,710 | 1,699,201 | 1,750,177 | 1,802,683 |

*Note:* Numbers represent year-on-year percentage changes.

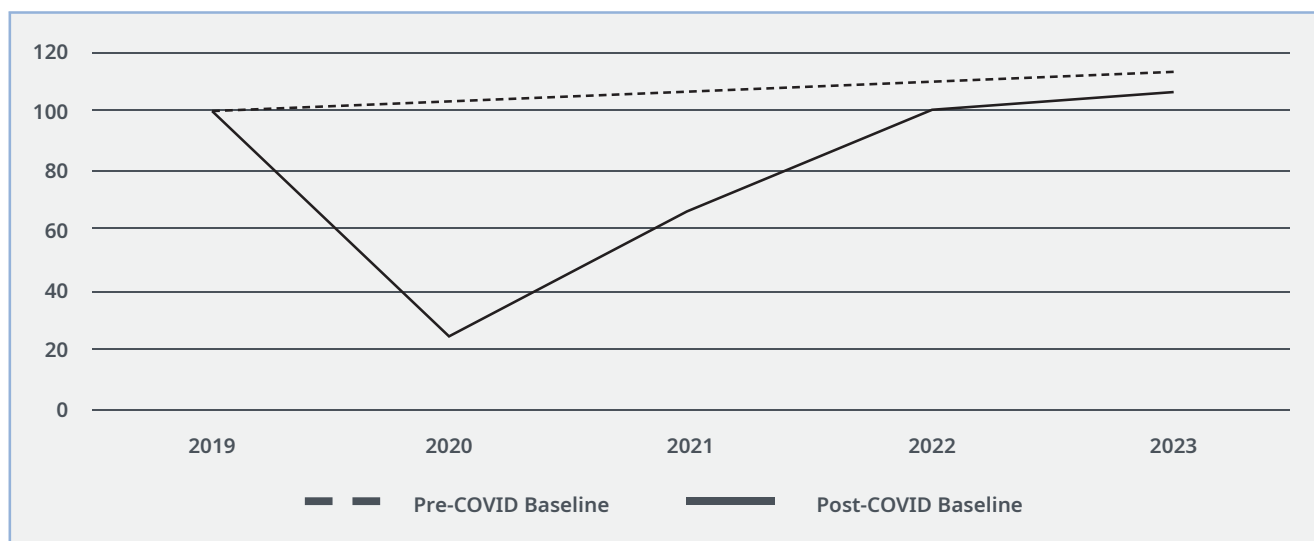
*Source:* Bohlmann's own calculations and International Monetary Fund, World Economic Outlook October 2019

*Table 23 – Macroeconomic baseline projections (October 2020)*

| MACROECONOMIC VARIABLES                  | 2019      | 2020    | 2021      | 2022      | 2023      |
|--|-----------|---------|-----------|-----------|-----------|
| Nominal GDP (N\$m)                       | 181,234   | 175,316 | 187,234   | 201,252   | 216,152   |
| Real GDP                                 | -1.0%     | -5.9%   | 3.4%      | 3.6%      | 3.2%      |
| Exports of goods and services            | -8.7%     | -17.2%  | 19.5%     | 10.1%     | 6.4%      |
| Average consumer prices                  | 3.7%      | 2.3%    | 3.4%      | 4.3%      | 4.5%      |
| General government gross debt to GDP     | 54.6%     | 67.6%   | 68.1%     | 72.7%     | 74.5%     |
| Number of international tourist arrivals | 1,595,973 | 398,993 | 1,063,982 | 1,627,892 | 1,676,729 |

*Source:* Bohlmann's own calculations and International Monetary Fund, World Economic Outlook October 2020

Figure 41 – Index of Pre- and Post-COVID Projections for Tourist Arrivals (2019 Index = 100)



Source: Adapted from Table 25

## IV.B. TOURISM POLICY SCENARIOS

The Ministry of Environment, Forestry and Tourism (MEFT) is actively seeking to develop a recovery strategy for the sector as part of its Tourism Revival Initiative (TRI). In efforts to complement the strategic interventions stemming from the survey's results and the MVI analysis, the policy modelling conducted in this chapter serve to i) quantify the macroeconomic effects of specific aspects of the COVID-19 shock, and ii) quantify the macroeconomic effects of proposed policy interventions aimed at mitigating the damages caused by the pandemic. Proposed actions include tourism-enabling investments and reforms such as improved infrastructure, safety and security and ease of doing business. The modelling scenarios in this report thus relate to the implementation of proposed policies and strategies aimed at boosting the sector's recovery and revival in the short to medium term.

Two key aspects determine the credibility of policy simulation design in CGE modelling. First is the identification of the relevant variable or variables to be shocked in the economic model for the given scenario. Second is running the policy simulation under modelling assumptions that most closely describe the economic environment under which the scenario is likely to occur. For the five (5) policy simulations conducted in this report, we mainly use standard policy simulation closures as described in Dixon & Rimmer (2002).

In choosing which policies to simulate, we considered key insights from recent WEF, UNWTO and OECD publications, as well as more country-specific interventions promoted for Namibia by the MEFT. The World Economic Forum's TCI (WEF, 2019) highlights various institutional weaknesses, at least in relative terms, that if addressed, would boost Namibia's desirability as a tourism destination.

Simulation P1 consists in a 5% increase in the primary-factor productivity of travel and tourism related industries over two years relative to the baseline. Simulation P2 captures a more general aspect of such policy interventions via a benchmark 1% once-off reduction in the expected rate of return by investors in the tourism industry as a result of a lower perceived risk premium. This effectively amounts to an improvement in investor sentiment and confidence relative to the baseline.

The World Tourism Organization (UNWTO) recently published high-level details of a COVID-19 tourism recovery technical assistance package (UNWTO, 2020). The proposals included therein are built around 3 pillars: i) economic recovery, ii) marketing and promotion, and iii) institutional strengthening and building resilience. Economic recovery includes measuring the quantitative and qualitative impacts of COVID-19 on the tourism sector and preparing research-based recommendations for recovery and support to tourism-related businesses. Marketing and promotion include a review of strategies, identifying and targeting markets that can help accelerate recovery, addressing product diversification, and guidelines in terms of pricing and packaging. Institutional strengthening and building resilience are aimed at assisting governments and tourism businesses to adapt their services to meet post-COVID working conditions in terms of health, safety, and restoration of consumer confidence, as well as promoting public-private partnerships and collaborative efforts for tourism recovery. Simulation P3 captures the successful implementation of a set of well-designed and tourism-boosting policy interventions that flows from the UNWTO technical assistance package via a benchmark 10% positive shift in the export demand curve for Namibian tourism activities over two years relative to the baseline.

Policy ideas for Namibia (and the SADC region) can also be found in a recently published OECD report. It contains policy proposals aimed at assisting recovery in the tourism sector, including examples of how some member states have already responded to the crisis (OECD, 2020). Key messages from the report stress the need for government support and prioritising the i) restoration of traveller confidence and support to tourism businesses, ii) sustainment of domestic tourism until the safe return of international tourism, iii) provision of clear information, limiting uncertainty as much as possible, iv) elaboration of dynamic response measures to adapt to an uncertain environment and address gaps in support, and v) starting to build toward a more resilient, sustainable tourism industry.

The OECD report further highlights the need for promoting domestic tourism to help offset the loss of overseas visitors, until traveller confidence is restored and borders in key international markets reopen. It should be noted that Namibia's high-end hotels and game lodges – whose pricing and business models target wealthy overseas visitors – will have to temporarily offer significant discounts to attract less affluent local or regional visitors, thereby reducing overall profits. Simulation P4 captures this temporary shift in consumer demand towards local tourism services against a lower rate of return. Finally, once the brunt of the COVID-19 pandemic shock subsides, competition in the international tourism space is likely to be fierce. The final Simulation P5 thus looks into a fiscal policy relief measure aiming to assist the tourism industry's recovery and to improve their competitiveness in the medium term.

This effect is captured via a reduction in production taxes on hotel and restaurant services, relative to the baseline. A notable caveat of this study is that the costs of implementing these policies are not directly considered, only the impact of their application. The following section presents the simulation results on selected macro and industry level variables, as well as a brief discussion on their implication.

## IV.C. SIMULATION RESULTS

The simulation results displayed throughout this section should all be interpreted as percentage change deviations in the underlying value of the variable, relative to its baseline projection, as a result of the shock or policy intervention. To allow for a good understanding of both the short- and medium-term effects, results

for the first five years after the shock (year t+5) are shown. The focus is set on the most important economic variables including GDP, exports, employment, and the performance of key industries.

### **Simulation P1: Primary-factor productivity improvements in the tourism sector**

The simulation P1 policy shock scenario captures the effects of a benchmark 5% increase in the primary-factor productivity of travel and tourism related industries over a two-year period, relative to the baseline (see Table 24). Such improvements can be achieved in several ways but will generally reflect infrastructure investments that are both productivity-enhancing and tourism-enabling. Capital and labour in the tourism sector will therefore be able to yield greater output and add value for any given amount of input. Improved facilities upon arrival such as faster processing through customs, clearly visible help desks offering a variety of services, efficient departure services including additional lounges and out-surveys, and enhanced staff training across all areas should be considered. Investment in general infrastructure related to tourist transport facilities, services and main routes would also ensure a quality experience.

**Table 24 – Simulation P1 results (% change)**

|                        | YEAR T | T+1   | T+2   | T+3   | T+4   | T+5   |
|------------------------|--------|-------|-------|-------|-------|-------|
| Macro variables        |        |       |       |       |       |       |
| Real GDP               | 0.27   | 0.52  | 0.50  | 0.48  | 0.47  | 0.46  |
| Household consumption  | 0.28   | 0.52  | 0.48  | 0.45  | 0.44  | 0.43  |
| Exports                | 0.19   | 0.42  | 0.45  | 0.47  | 0.48  | 0.47  |
| Investment             | 0.23   | 0.40  | 0.29  | 0.20  | 0.13  | 0.07  |
| Employment             | 0.14   | 0.23  | 0.16  | 0.12  | 0.08  | 0.06  |
| Terms of trade         | -0.05  | -0.10 | -0.11 | -0.12 | -0.12 | -0.12 |
| Industry activity      |        |       |       |       |       |       |
| Hotels and restaurants | 2.56   | 5.17  | 5.17  | 5.19  | 5.21  | 5.23  |
| Transport services     | 2.41   | 4.77  | 4.58  | 4.44  | 4.32  | 4.22  |
| Food and beverages     | 0.10   | 0.22  | 0.26  | 0.29  | 0.32  | 0.34  |

### **Key results of simulation P1:**

- Productivity improvements can be generated in many ways and is the most important long-run driver of economic growth in any sector.
- All key macroeconomic variables show significant growth relative to the baseline as a result of the productivity gains in the tourism sector.
- The policy shock yields a more efficient economy capable of producing more goods and services.
- With the productivity gains focused on the tourism sector, these industries as well as closely linked industries in its value chain such as food and beverages, are relative winners.

### **Simulation P2: Improvement in investor sentiment in the tourism sector**

The simulation P2 policy shock scenario captures the effects of a benchmark 1% once-off reduction in the expected rate of return by investors in the tourism industry (see Table 25). This effectively amounts to an improvement in investor sentiment and confidence in the sector, relative to the baseline. The policy intervention generates a greater supply of investable funds at any given rate of return due to the lower risk premium for investors. This can be achieved in a number of ways. Good leadership in the tourism sector, both from a



private and public perspective, is extremely important. Coordination between public officials and private enterprises is equally important. If there is trust between public and private entities in terms of upholding key institutional arrangements (e.g., private property rights, rule of law, provision of water and sanitation) and acting in good faith, investors are much more likely to supply the necessary capital to either build new tourist accommodations and attractions or keep maintaining and improving existing structures.

*Table 25 – Simulation P2 results (% change)*

|                        | YEAR T | T+1   | T+2   | T+3   | T+4   | T+5   |
|------------------------|--------|-------|-------|-------|-------|-------|
| Macro variables        |        |       |       |       |       |       |
| Real GDP               | 0.03   | 0.04  | 0.06  | 0.08  | 0.10  | 0.12  |
| Household consumption  | 0.09   | 0.08  | 0.08  | 0.08  | 0.08  | 0.08  |
| Exports                | -0.23  | -0.19 | -0.14 | -0.09 | -0.05 | -0.01 |
| Investment             | 0.50   | 0.55  | 0.58  | 0.59  | 0.58  | 0.57  |
| Employment             | 0.04   | 0.04  | 0.04  | 0.04  | 0.05  | 0.05  |
| Terms of trade         | 0.06   | 0.05  | 0.03  | 0.02  | 0.01  | 0.00  |
| Industry activity      |        |       |       |       |       |       |
| Hotels and restaurants | -0.02  | 0.32  | 0.64  | 0.92  | 1.17  | 1.40  |
| Transport services     | -0.02  | 0.34  | 0.66  | 0.93  | 1.17  | 1.37  |
| Construction           | 0.53   | 0.62  | 0.68  | 0.70  | 0.71  | 0.71  |

### Key results of simulation P2:

- Creating an environment conducive to an improvement in investor confidence – which can be interpreted as generating a higher expected rate of return for investors at any given level of risk – is one of the most important and profitable policy interventions that government and industry should endeavour to achieve.
- Real GDP and aggregate household consumption increase marginally over the simulation period for a tourism-sector only improvement, and even more if the gain in investor confidence is more widespread across the economy.
- Aggregate investment and the closely linked construction industry are the biggest relative winners in the short to medium term.
- Results for year t in the tourism sector reflect the lag in investment-capital behaviour, a slight real appreciation of the currency and crowding out caused by the booming construction industry.
- In the long run, the tourism sector as proxied by the hotels and restaurants and transport services industries are the biggest winners due to the strong growth in its capital stock.

### Simulation P3: Positive shift in tourism demand curve

The simulation P3 policy shock scenario captures the successful implementation of a set of well-designed and tourism-boosting policy interventions flowing from the UNWTO technical assistance package via a benchmark 10% upward shift in the export demand curve for Namibian tourism services over two years, relative to the baseline (see Table 26). As noted in the report, such conditions will generally be representative of a successful marketing and promotion campaign, or other general improvements that will increase demand for tourism services. Specific interventions include traditional (e.g., magazines, television) and modern (online) marketing campaigns that build a strong Namibian brand and instil confidence in international visitors. We restrict the bundle of goods affected by the shock to hotels, restaurants and transport services.

Table 26 – Simulation P3 results (% change)

|                        | YEAR T | T+1  | T+2  | T+3  | T+4  | T+5  |
|------------------------|--------|------|------|------|------|------|
| Macro variables        |        |      |      |      |      |      |
| Real GDP               | 0.00   | 0.01 | 0.03 | 0.03 | 0.04 | 0.05 |
| Household consumption  | 0.04   | 0.05 | 0.06 | 0.06 | 0.07 | 0.07 |
| Exports                | 0.16   | 0.17 | 0.18 | 0.19 | 0.20 | 0.21 |
| Investment             | 0.19   | 0.21 | 0.22 | 0.23 | 0.23 | 0.22 |
| Employment             | 0.00   | 0.00 | 0.01 | 0.01 | 0.01 | 0.02 |
| Terms of trade         | 0.17   | 0.17 | 0.17 | 0.16 | 0.16 | 0.16 |
| Industry activity      |        |      |      |      |      |      |
| Hotels and restaurants | 0.36   | 0.56 | 0.73 | 0.88 | 1.01 | 1.12 |
| Transport services     | 0.30   | 0.51 | 0.69 | 0.85 | 0.98 | 1.09 |
| Construction           | 0.20   | 0.23 | 0.26 | 0.26 | 0.27 | 0.26 |

### Key results of simulation P3:

- The successful implementation of generating higher demand for tourism services in Namibia (holding the position of export demand curves for other goods constant relative to the baseline) generates a significant boost in industry output and job creation in the sector.
- General export-enhancing policies (not modelled here) will create a boost in export demand beyond the tourism sector and have an even broader positive impact on the economy than shown for P3.
- The performance of the local tourism industry can be broken up into two parts: a slight reduction in domestic tourism demand as a result of being crowded out by increased external demand that raises prices, and a large increase in international tourism demand.
- The overall rise in imports relative to exports suppresses GDP growth in the short run. The short-run jump in inflation leads to some substitution toward imports in the manufacturing industry.
- In the long run, activity in non-tourism industries is slightly down relative to the baseline, but tourism industries are all well above the baseline.

### Simulation P4: Shift in local consumer demand towards domestic hotel and restaurant services

The simulation P4 policy shock scenario captures a temporary shift in consumer demand towards local tourism services, relative to the baseline, to offset the reduction in demand from international tourists as a result of lockdown and other travel restrictions (see Table 27). This effectively amounts to a consumer preference shift towards domestic tourism services, at the expense of all other goods and services. Targeted marketing campaigns, discounts offered to local residents, and sympathy towards the tourism industry given the disproportionate impact of the lockdown on the sector could all generate the conditions simulated in P4.

Table 27 – Simulation P4 results (% change)

|                        | YEAR T | T+1   | T+2   | T+3   | T+4   | T+5   |
|------------------------|--------|-------|-------|-------|-------|-------|
| Macro variables        |        |       |       |       |       |       |
| Real GDP               | 0.00   | 0.00  | 0.00  | 0.00  | 0.00  | -0.01 |
| Exports                | 0.07   | 0.06  | 0.06  | 0.05  | 0.05  | 0.04  |
| Terms of trade         | -0.02  | -0.02 | -0.01 | -0.01 | -0.01 | -0.01 |
| Hotels and restaurants |        |       |       |       |       |       |
| Industry activity      | 0.88   | 1.35  | 1.74  | 2.06  | 2.34  | 2.58  |
| Household demand       | 4.32   | 4.39  | 4.45  | 4.50  | 4.54  | 4.57  |
| Consumer prices        | 1.29   | 1.11  | 0.95  | 0.82  | 0.70  | 0.61  |

#### Key results of simulation P4:

- A simple shift in local consumer spending towards domestic tourist activities does not add to the gross national expenditure or affect key macroeconomic variables in any meaningful way.
- The increase in demand for domestic tourism services by local consumers is facilitated by a small decrease in all other goods and services in their consumption bundle.
- Given the structural change in consumer demand preferences, inflation in non-tourism industries falls, slightly improving competitiveness of export-oriented industries.
- This strategy may be worthwhile to pursue if the jobs saved in the tourism industry is not offset by job losses in other industries. Given the small decrease in demand for non-tourism goods and services, owners in those industries may be willing to accept a slight reduction in their rate of return, resulting in a net increase in employment, relative to the baseline.

#### Simulation P5: Reduction in production taxes on hotel and restaurant services

The simulation P5 policy shock scenario captures a reduction in production taxes on hotel and restaurant services, relative to the baseline (see Table 28). This fiscal policy relief measure aims to stimulate recovery in the tourism industry and improve competitiveness in the medium term. Given the sensitivity of tourism to international competitiveness, the direct tax revenue lost could be offset by increased industry activity and tax revenue generated throughout the value chain, relative to the baseline.

Table 28 – Simulation P5 results (% change)

|                        | YEAR T | T+1   | T+2   | T+3   | T+4   | T+5   |
|------------------------|--------|-------|-------|-------|-------|-------|
| Macro variables        |        |       |       |       |       |       |
| Real GDP               | 0.07   | 0.07  | 0.08  | 0.09  | 0.09  | 0.09  |
| Household consumption  | 0.11   | 0.10  | 0.10  | 0.10  | 0.10  | 0.10  |
| Investment             | 0.34   | 0.33  | 0.31  | 0.28  | 0.25  | 0.23  |
| Employment             | 0.11   | 0.09  | 0.07  | 0.06  | 0.05  | 0.04  |
| Terms of trade         | 0.04   | 0.04  | 0.04  | 0.03  | 0.03  | 0.03  |
| Hotels and restaurants |        |       |       |       |       |       |
| Industry activity      | 4.60   | 7.51  | 10.04 | 12.25 | 14.19 | 15.90 |
| Export demand          | 9.75   | 16.36 | 22.20 | 27.33 | 31.90 | 35.93 |
| Consumer prices        | -1.78  | -2.89 | -3.82 | -4.59 | -5.25 | -5.82 |

### Key results of simulation P5:

- The reduction in production taxes on tourism activities provides relief for the local industry and explains relatively large gains in the export demand for local tourism services.
- The tax cut enables tourism industries to improve their price competitiveness, and assuming a typically price-sensitive demand curve, attract greater local and international demand.
- The policy causes a slight real appreciation in the currency, hurting other exporting industries.
- One of the limiting factors of this policy proposal is its increase on the budget deficit – already massively affected by economic fallout of the pandemic. The extent of the tax relief will thus largely be governed by how much the fiscus can afford.
- Once the sector has stabilised and tourism demand returned to baseline levels, the tax relief measures can be gradually reversed.

## CHAPTER V FIVE TESTIMONIALS

### TESTIMONIAL 1 – Mr. Paulinus Ihemba Ndeletu: Carpenter in Windhoek

Paulinus Ihemba Ndeletu is a 52-year-old who lives in Windhoek with his family. He has five children, four boys and a girl. The youngest is of kindergarten age, one goes to primary school, two are in high school and one lives with their grandmother in Okavango. Paulinus is a carpenter whose main activity is making furniture. Like many others, his main clientele before the COVID-19 pandemic was international visitors.



*Mr. Paulinus Ihemba Ndeletu is one of the carpenters making and selling wooden furniture and products mostly to international tourists, at Truck Port in Windhoek*

He starts off by making me aware that *“last time you came to conduct the survey, you found the table that we are sitting around right here, you are now back two months later, and it is still here.”* Before COVID-19, they survived well he says. When the pandemic hit however, their lives were significantly altered. There was no longer money to support their families, whether it be paying the kids’ school fees or providing his family with food. The COVID-19 pandemic has not only stopped foreigners’ demand in Namibia, as it has also interrupted the orders he had received from outside the country. For instance, Paulinus described his last project outside the country stating that he *“was taken to Angola by a lodge owner to build his lodge but [that] he had to bring me back when COVID-19 hit! Now we are only surviving from local customers.”*

Paulinus and some of his counterparts who also make furniture at the Truck Port started his business in 1998. Perhaps this is a factor that makes it difficult for him to welcome change because currently, he has no plans to change his business even though it heavily depends on international tourists. The year-long lack in demand however has forced his hand, forcing him and other carpenters to divert their focus to the local customers to earn income. The design of their products has now changed since the COVID-19 outbreak, as it is now determined by local customers who generally have specific preferences. For instance, the carpenters have given the chairs a new design, inspired by the locals’ specific demand in designs.



The story of the carpenters at Truck Port might speak for many traders within the tourism industry, each with different needs to survive the negative economic outlook. Their appeal to the government is particularly linked to the fact that their products accumulate due to the drastic decline in demand, which is why they ask for safe locations to keep their goods so that they are protected from damage by both heat and rain. As the outcry of many, financial support would be the single most needed help to assist in reviving their businesses and ensuring their livelihoods.

## TESTIMONIAL 2 – Ms. Monica Toivoh: Crafts saleswoman in Windhoek

Monica Toivoh is a mother to two boys, three girls and a grandmother to thirteen grandchildren. She owns a stall which she started in 1992 and sells arts and crafts to tourists who shop around town. She lives with all of her grandchildren and takes care of their every need. With the tourist stall being her only source of income, the pandemic hit her very hard because taking care of thirteen grandchildren became an even bigger task. Monica talks of how after the first lockdown she would go and withdraw N\$1000 every week but never deposited anything in return. Months later, the situation remains bleak, with tourists still not coming and many of her savings now depleted. Like many other craft saleswomen and men, she says that she has to adapt and sell other types of products: “Now I’m selling sweets” she says.

Before the COVID-19 crisis, she kindly reveals that she would make roughly between N\$1500 and N\$3000 in a day and could divide this money to purchase some for groceries as well as pay for water and electricity, still leaving some to deposit and save. Since the lockdown in March 2020 however, she points out that she has not deposited a single cent into the bank due to the simple reason that there has been no income. Tasks that were previously ordinary such as paying for water and electricity, have now become a source of dread. Although she has diversified her small business to selling sweets, the money from there only allows one to buy very little food. Monica emphasises that “if borders do not open, we will suffer”. The pension is spent on the children’s school fees and utility costs. The government should at least help in providing food, she says. “The money I get from the sweets is nothing really, one just does not want to sit at home and do nothing.”

Monica’s outcry is no different from many entrepreneurs in the tourism industry. She stresses the fact that the government should try to provide money for people to start small businesses. In her case, her business would be that of meat selling, should she be given the money “...or even a small cow.” Ms. Monica believes that this, combined with selling sweets and vetkoek (fried dough food) could provide a steady income enabling her to fund the education of her grandchildren who attend kindergarten, primary school and high school, and increase their chances of a better future. “If they cannot give us money, then they must give us food at the end of every month...but give to all of us without judging that...this person has a big house...and this one is staying in a shack, you cannot do that...people do not eat a big house.”



*Ms. Monica Toivoh displaying some of the crafts that she sells to international tourists on Windhoek's Post Street Mall*

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### TESTIMONIAL 3 – Mr. John Lucas: Rest camp owner in Tsumeb

Mr. John Lucas is the owner of the Oshikoto Maroela Rest Camp in Tsumeb. Once a rugged rugby field ten years ago when he purchased the land, it has gradually been built up to become a rest camp at the heart of Tsumeb. When the UNDP went to see him in December 2020 to complete the survey, Mr. Lucas explained his path to how he had transformed a 1,6 hectares field into a rest camp. Moreover, he explained how the COVID-19 crisis threatened to halt in some months what had taken more than a decade to build up.



*The entrance and bar area of Maroela rest camp*

After purchasing the property in 2011 and initially leasing it out for sports activities for the next three years and using it as cycling tracks for kids, his inability to break even made him search for more profitable ventures. Thus, began his quest to create something of purpose capable of generating sustainable income. Inspiration finally came during a trip to the Okavango region. There, the structure of the lodges' rooms called chalets caught his attention, and on his way back he was motivated to emulate them in the middle of Tsumeb. With the construction of the chalets, came the idea to create an environment much like the one he had seen in the Okavango region. With his love of nature and keen desire for conservation, he started planting trees as he had done back when the land was still a sports field.

"Nothing was resting about this place, no trees, or stream of water. All you see now was planted and conserved" he narrated. As of March 2021, there are more than 200 trees in the camp, and it now starts to resemble the Kavango regions he had visited. During the chalet's construction, Mr. Lucas was also initiating his self-reliance plan of using every corner of the camp for various production. Terming the camp as "organic", he gardened various vegetables to feed his family and employees, as well as selling the surplus in markets, as well as producing and selling charcoal and compost. Once the chalets' construction concluded in 2018, the doors of the rest camp officially opened. The camp grew at a rapid pace: with foreign visitors noticing him, his staff increased to reach 35 people (of which 27 are women) in December 2021.



*A little piece of Kavango in Tsumeb*

Then came the COVID-19 pandemic. To respect social distancing measures and due to the sudden dip in foreign visitors, the camp closed for seven months starting April 2020. During that period, Mr. Lucas burned through his savings to pay his employees and service his loans.

By the time the most stringent government measures had been relaxed, his savings had been exhausted, and he was operating on a bank overdraft. Avoiding retrenchments at all costs, he looked into alternative revenue streams including their small-scale garden and charcoal production. With the outlook bleak, Mr. Lucas finally and



reluctantly decided to float his N\$15 million-worth investment to the market, seeking a buyer with pockets deep enough and mindset similar enough to maintain his patch of paradise at the heart of Tsumeb.

When UNDP staff returned two months later in February 2021, Mr. Lukas' situation had changed. Not having found a suitable buyer for his rest camp and having been granted another overdraft by a local bank, he decided to continue running it. His efforts did not come without sacrifice unfortunately, as he was forced to retrench eight of his workers. He now holds small events in his venue to generate income and increase advertisement and marketing of the place as much as possible. Like many other lodge, rest camp and camping owners across the country, it is with the hopes that soon business can resume and that retrenched workers can be hired again, that Mr. Lukas continues keeping alive the Oshikoto Maroela Rest Camp.

#### **TESTIMONIAL 4 – Mr. Markus Ndara: MEFT Representative in Kavango Community Forests**

Mr. Markus Ndara is the Ministry of Environment, Forestry and Tourism representative for the community forests in the Kavango region. He states that the main income generating activities conducted in Kavango West Region includes wood carving and carpentry, thatching with harvested grass, and selling the devil's claw plant.

When talking about the Mbeyo, Ncamagoro and Ncumcara community forests, Mr. Ndara explains that the majority of the buyers of their wood carvings have been tourists traveling on the Trans-Caprivi highway.



When the COVID-19 pandemic came however, the wood carving project was severely affected as tourists were not traveling, consequently reducing earnings to near zero. The crisis has also had an impact on domestic activity as well. For instance, thatching grass harvesting is another seasonal income generating project that these three community forests engage in. Mr. Ndara informs that the majority of the grass is sold to other regions in the country, with only a small portion being sold within the region (Kavango West). When measures to avoid the spread of the COVID-19 were implemented, income generated from thatching grass was also severely affected.

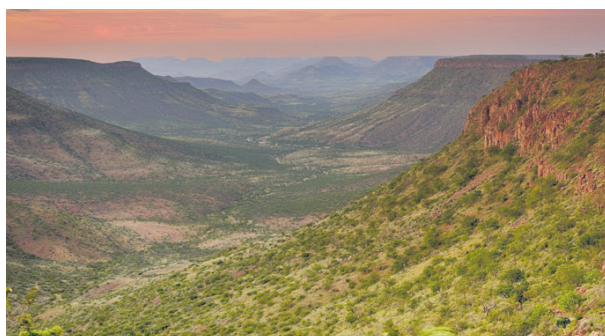
The prohibition of inter-regional travel severely disrupted the supply chain, disconnecting the harvesters with the transporters and the consumers. Namely, the grass could not be transported outside the region where the majority of the buyers are. To make matters worse, once the lockdown measures were relaxed, another ban on the transportation of grass outside the region came into force due to the emergence of Foot and Mouth Disease, still in effect as of March 2021. This gave the community forests no market to sell their grass to, thereby losing revenue and stock once the grass withered.

The members living inside the Katope community forest, also in the Kavango region, have another main source of income: the Devil's claw. They harvest the Devil's Claw and deliver them to the community forest office. In turn, the management committee facilitates the marketing and looks for buyers on behalf of the members, thus meriting a commission from the sales. From the onset of the COVID-19 pandemic, this project came to a halt as restrictions on movement and gatherings were imposed. Hence, members could not

effectively conduct harvesting activities and the buyers could not travel to purchase the devil's claw. Since the majority (if not all) of the buyers as Mr. Ndara indicates later sell the plant in international markets, income loss was one of the biggest adverse effects of the COVID-19 pandemic. This is yet another example of how the pandemic has instantly disrupted supply chains, threatening livelihoods for the foreseeable future.

#### **TESTIMONIAL 5 – Manager Ms. Lorna Dax: #Khoadi //Hôas Conservancy in the Kunene Region**

As stated by Ms. Lorna Dax, lodges are the main income generators for the Conservancy, followed by Conservation Hunting. When the COVID-19 pandemic struck, both the Conservancy and Lodge Operations were severely affected as they very much depend on international markets. With border closure and movement restrictions being implemented to curb the spread of the virus, tourist numbers at the lodges significantly declined, forcing them to close down the lodges for a few months and operate with minimal staff. As Ms. Lorna Dax informed, around 90% of the people employed at the lodges are local conservancy members, which made it that much more painful to have to send them home when tourist arrivals hit zero. The fact that there were salary cuts of between 50% and 25% has caused poverty to increase in the conservancy, and its effects are likely to last for a while.



*View from Grootberg Lodge, at the heart of the Conservancy*

*Credit: Robert Peacock (April 2017)*

The impact of the crisis has gone beyond reducing income and has affected other spheres of society. As all Conservancy activities and community benefits were based on income generated at the lodges, all community benefits such as funeral assistance, school donations, traditional authority and farmers association benefits have been put on hold. In addition, the need to social distance has interrupted the carrying out of regular community meetings that are required by the constitution, making it increasingly challenging for the conservancy to pursue its operations

## CHAPTER VI POLICY RECOMMENDATIONS AND STIMULATING THE RECOVERY OF THE TOURISM SECTOR

Namibia commenced with its own international tourism revival initiative on 1st September 2020. This initiative, established by His Excellency President Geingob and overseen by a cross-sectoral task force, put in place the necessary implementation protocols and guidelines for the resumption of foreign tourist arrivals as well as requirements for tourism service providers. The initiative resulted in the arrival of 61,663 foreign tourists to Namibia during the period September 2020 to March 2021. Although this was far below expectation, it has at least established a basis for the recovery of the sector in the continuing context of the pandemic. With COVID-19 likely to continue into the foreseeable future, there is a stronger need to build on this initiative, upscale and broaden its measures over the medium term (i.e., 3-5 years).

This section includes proposed policy recommendations and elements of a tourism recovery strategy for the sector. The policy recommendations proposed in this section are inspired from the findings provided in Chapters 2 through 5, and their implementation would aim to accelerate the recovery and revival of the Namibian tourism industry. It is crucial to state that all the proposals in this report are compatible with and aligned to Namibia's NDP, including its commitment to achieving the SDGs, and the UN framework for the immediate response for a COVID-19 response and recovery (UN, 2020). Many countries around the world have embarked on similar strategic initiatives and studies to help boost the tourism sector in the short run, enact interventions to increase competitiveness in the medium run and attempt to build back better with a more resilient and sustainable industry in the long run.

### SHORT-TERM POLICIES: Maintain support and stimulate recovery

As results from the survey analyses and the CGEM policy simulation show, the two most direct measures that tourism-related business demand in order to deal with the impacts of the COVID-19 pandemic and crisis are either financial assistance or payment exemptions. With regards to the former, such policies include extending unemployment benefits to workers who have lost their jobs during the pandemic, the accessibility of cheap and accessible credit, the extension of wage subsidies to businesses whose clients are majority tourists (despite not qualifying as a tourism-related business per se) and the provision of subsidies for utilities (e.g., water and electricity), transport for employees traveling long distances to go to work, and food. In turn, the latter refers to tax breaks and the suspension of regular fees (e.g., NTB levies). There is no doubt that were these to be enacted, it would help boost the tourism industry's chances of survival in the short run, and potentially allow for greater international price competitiveness in the longer term.

Given the fact that the government's resources are stretched thin due to a five-year long recession, debt levels are record-high and fiscal space is constrained, the materialization of these policies remain limited both in probability of implementation and in scale. Although tax breaks or cash transfers at the national scale might be fiscally implausible, the temporary interruption of certain targeted payments could be feasible and could significantly alleviate vulnerable business owners by helping them keep critically needed savings. For one,

<sup>19</sup>Some workers saw the 18% subsidy as a bonus rather than assistance, asking their employers to still pay their full wage.

numerous survey respondents claim that there could be exemptions in payments for yearly licenses, due to a rather uneventful 2020 in terms of business. For instance, tour operators and registered shuttle services have annual license fees to pay. Given the extraordinary revenue situation in 2020, respondents were frustrated by the fact that the fee needed to be paid for every vehicle in 2021 (as is usually customary). Other respondents have also claimed that the Namibia Transport Information and Regulatory Services (NaTIS) refused to waive licensing fees that cost them around N\$ 4,000 per month per coach, drastically reducing their incentives to maintain shuttle services active. Continuing to pursue these payments could result in struggling businesses that choose to exit the tourism sector altogether rather than renew licenses that they cannot afford.

Also in line with maintaining support to tourism businesses whenever possible, and in a cost-efficient way, is the provision of clearer and more standardized information on the conditions for receiving government support. The surveys revealed that a major reason as to why government support was perceived as mostly inadequate, was the lack of transparency and clarity on who and what could access social security. For instance, certain individuals that had asked for assistance from the Social Security Commission were rejected on the basis that they did not form part of the tourism sector, despite paying the 2% levy from the Namibian Tourism Board. Not rectifying these inconsistencies could diminish both investor confidence and the trust that the private sector has in public institutions, consequently eroding governance quality in the long run. In addition, a lengthy administrative process when asking for financial support has led to dissatisfaction with the financial support system put in place by the government, as part of its COVID-19 relief stimulus package. In particular, applicants faced numerous systematic barriers in accessing the National Employment and Salary Protection Scheme (NESP). Several business owners claim that they are still waiting for an answer on their request to receive part of the Wage Subsidy, having applied in April 2020. Furthermore, some employers would have preferred to receive the 18% wage subsidy themselves rather than have it sent directly to the worker, as they claim that it sometimes led to confrontations.

Concerning the dual need of maintaining support by increasing confidence in the sector and doing so in a cost-efficient manner, business owners have also been troubled by the sluggishness of VAT repayments and tax refunds. In times such as these, the public sector should not tolerate late payments to businesses, as it could lead to further socio-economic distress, including retrenchments, wage decreases and business closure. Another issue that warrants similar attention regards the payment of COVID-19 isolation deals with accommodation services. One of the business strategies to deal with cashflow shortages was to sign contracts with the Government, where they would host people that needed COVID-19 isolation for a certain number of days and provide three meals per day. When doing so however, accommodation businesses (e.g., lodges, B&Bs, hotels) explained in the survey that the Government would be late on payments, negotiate prices that would be very close to the cost of operation, and overall would display a lack of transparency and communication. By amending these two points, the Government would reduce the confidence loss from the private sector due to their inability to fulfil contractual obligations.

During the COVID-19 pandemic, a key short run policy that would support recovery of businesses and NTB is to reduce uncertainty in the market and society whenever and wherever possible. One way of doing so is for the public sector to provide clearer information on business operations during the ongoing crisis. Recurrent complaints from respondents regarded the lack of clear guidelines provided by the Government on how business should be run during COVID-19, especially for accommodation and restaurant services. Survey participants explained that they would not receive regular and uniform updates on what was allowed, putting

them in a constant state of uncertainty as to whether they were operating within the law or not. The creation of a digital bimonthly newsletter (or physical copies provided to local government to be redistributed to surrounding businesses), targeted solely to accommodation and restaurants, updating on guidelines and business operations would support in creating a less uncertain environment. This newsletter could also provide information debunking fake COVID-19 rumours or conspiracy theories as well as updates on the advances of the vaccination programmes.

With massive vaccination campaigns currently underway in many countries that the Namibian tourism industry caters to, it is crucial to prepare COVID-19 safety measures that would restore traveller confidence in the region. In order to ensure swift recovery, and that foreigners return to Namibia as a tourist destination as promptly as possible, it will be critical to increase the frequency and availability of rapid tests to facilitate cross-border mobility and quicken the process of tourism from foreign countries. Indeed, proposing rapid tests at the airports and border controls would disable the need for foreigners to quarantine at their own cost for one week, which is a very strong disincentive for leisure travel.

In addition, Namibia could promote or implement features that would further improve traveller confidence such as Namibia's wide open natural spaces that eases adherence to social distancing requirements, using unobtrusive technology to track and trace visitors, and creating a temporary certification standard for hotels or lodges that accommodate more than ten people to indicate all COVID-19 related health and safety requirements are being met. What is more, creating and promoting new types of visitor categories with relaxed visa requirements (e.g., work nomads, sports training, higher education, and hosting of academic and professional conferences) would facilitate tourist (or business) entry. To do so, the Government could leverage the expertise of currently existing organisms, such as the Meetings, Incentives, Conferences and Events (MICE) unit of the NWR, which facilitates the needs of tourists and business owners by taking care of logistics and organizing. It could also be possible to finance targeted professional marketing and promotion campaigns in key tourist markets across multiple platforms, with a renewed emphasis on Namibia's compatibility with international health and safety demands.

Overall, during the current crisis where the government drastically lacks funds, the public sector could avoid financing its own profit-seeking ventures which requires massive investments and i) exploit its comparative advantage of information provision, ii) seize its responsibility as a regulatory entity and iii) market Namibian tourism activities abroad to increase foreigners. It will also have a lot to gain in increasing governance quality and improving the trust of entrepreneurs in government facilities by making more transparent institutions, where collected funds through taxes to tourism-related businesses are reinvested to create a virtuous cycle of private profit and public tax earnings.

### **MEDIUM-TERM POLICIES: Increasing competitiveness and visibility**

Arguably the most frequent concern reported from the respondents referred directly to the Namibian Tourism Board (NTB). By law, registered tourism businesses need to pay a fee to the NTB equalling 2% of their earnings (per month). However, respondents stated that there is very little transparency as to what the money is used for. Whether it be reinvested in some form to promote the Namibian tourism industry, used to fund infrastructure investments that would increase connectivity for foreigners for tourism attractions, or kept as savings in case a crisis such as COVID-19 occurs to relieve struggling businesses, is never clearly communicated. This lack of transparency is not only detrimental to the relationship between the private and public sector,



it is also poised to generate mistrust over the long run in this institution, eroding progress on governance quality in the tourism sector. Overall, trying to identify ways in which the NTB can become more transparent, regain lost trust with the private sector (crucial for the development of tourism in Namibia) and design a more efficient and sustainable way in spending the collected funds, should be one of the focus points of the Tourism Revival Strategy.

Another intervention that would increase competitiveness in the tourism industry is to impose an annual updating of the official NTB registry of open tourism businesses. For one, doing so would be a cost-effective strategy of finding out how many businesses in the Namibian tourism sector close down every year, consequently painting a better picture of how the tourism sector evolves through time and track COVID-19 recovery as it progresses. Secondly, updated information on how many businesses there are, where they are located and how many workers they have, will assist on the delivery of social security programmes, thus increasing resilience of the sector. Third, an up-to-date data book (e.g., phone number, email, owner) will contribute to a more integrated public and private tourism sector, as it will definitely facilitate communication among both parties. It would be relatively cheap to update and would definitely facilitate coordination and cooperation. Overall, all of these policies would increase trust in governmental institutions, thus having a positive effect on governance.

A key aspect of the tourism revival strategy should be to increase visibility of untapped tourism potential across the country when it comes to cultural heritage. For one, all of the museums surveyed for this report claim that they had not been contacted at all by any public agency since the start of the pandemic almost a year ago. In order to keep different villages attractive for tourists all around the country, the survival of museums is critical, as they tend to be an important attraction for foreign tourists. For this reason, it cannot be overestimated how important it is for the tourism strategy to consider developing a national policy to direct museum development, where regular contact is ensured, and support provided to make sure that cultural legacies are preserved as well as tourism opportunities exploited.

In this line, it is also essential to increase the geographical spread of tourism activities, rather than solely concentrate on main locations like the Etosha pan or the Namib and Kalahari deserts. Specifically, the Government and the NTB have achieved minimal results in identifying cultural and heritage sites in regions including Omusati, Oshana, Ohangwena and some parts of Kavango West. Additionally, these regions experience deprivations in communication infrastructure, disadvantaging them from online booking access and reach. As a result of the lack in activities, many visitors in these regions are limited to accommodation, thus limiting revenues for the regions and rural tourism development. One such example that could warrant attention is the preservation of cultural heritage, as well as the mapping of cultural and natural wonders in the Oshana region.

In order to increase competitiveness, another role that the Government could occupy is that of a regulating entity. For instance, some respondents were sceptical to participate in the survey, stating as a reason that the Government has failed to regulate businesses like Airbnb, leading to unfair competition against the registered establishments especially during this difficult economic time. This matter becomes particularly interesting when examining entry fees in national parks and community forests. As stated in Chapter 2, determining entry fees to NBTs would have a positive effect on transparency, long term planning and could facilitate funding for preservation, wage payments or other forms of reinvestment in the tourism sector. Thus, it would be

beneficial to regulate park fees more strictly and introduce them where they are absent, whilst earmarking these funds for conservation expenditures. Large benefits from tourism could be realised by applying more efficient park pricing policies.

Having observed how short-term policies should focus on cost-efficient COVID-19 recovery interventions, medium-term policy proposals should be oriented towards increasing the competitiveness and visibility of tourist attractions across the country. One of the most direct ways of doing so is by increasing marketing and promoting Namibia's tourism possibilities. By building a strong national brand there is a great potential to deliver a high return on such an investment, as well as build a more resilient sector in the long run. The Namibian government would have a lot to gain by building on the relative strengths of its tourist offerings by promoting its world class selection of wildlife, nature-centred luxury hotels and lodges more aggressively. The exclusive and low-footprint characteristics of this category has a high level of compatibility with the preferences of wealthy and environmentally conscious tourists, as well as the sustainability initiatives in Namibia's NDP and the SDGs.

Additional changes that would further improve accessibility, is looking into the degree of inclusivity of the infrastructure for tourists with specific access requirements as per the new Inclusive Recovery Guides from the UNWTO. With the support of government, the investing in (and subsequent promoting of) such facilities (e.g., wheelchair friendly facilities, personnel trained to provide special assistance including to the elderly, compatibility with health and safety protocols, etc.) would simultaneously boost the economy in the short run through increased capital expenditure, and also benefit the sector over the long run by positioning it as a preferred destination for people with disabilities. All key areas related to the tourism experience, from the visa application stage through to arrival at the airports, car rental or transport agencies and ultimately the accommodation should be considered and evaluated along these guidelines to ensure ease of use and inclusivity. When it comes to building a strong Namibian brand, the use of all possible advertising platforms should be contemplated.

A combination of traditional (magazines, television) and modern (Facebook, Instagram, influencers) mediums should be used to broaden the reach and desirability of Namibia as a top tourist destination. Securing the services of a top advertising company is strongly advised in this regard. To accomplish this, the Government can exploit its comparative advantage by attracting tourists to Namibia, and having the private sector compete domestically to get the tourists to choose their establishment. This creates a more viable alternative to private entities each advertising to foreign markets, which would be expensive and very hard to accomplish for MSMEs. Moreover, efforts in improving marketing should be particularly placed in National Parks, Community forests, conservancies and nature-based enterprises. With regards to Ecotourism, a rapidly increasing trend in the global tourism industry, Namibia needs a marketing plan such as the one Gondwana Collection is pushing forward. It is also recommended to increase the variety of activities that conservancies and community forests propose (e.g., trail walking, nature walks, biking trails, etc.) to attract more visitors. Finally, an emphasis should be placed on aggressively promoting local tourism, such as introducing even better touring packages for locals, consistently encouraging Brand Namibia.

### **LONG-TERM POLICIES: the search for resilience and sustainability**

To ensure the building of a more resilient and sustainable tourism sector, it will be important to eventually align medium and long-term government budget allocations with the need to invest in general productivi-



ty-enhancing aspects of the Namibian economy. These include public health, safety and security, transport infrastructure and technology, which all serve as important tourism-enabling devices that make visitors feel safe and at ease. Various publications and rankings, such as the TICI, indicate the need for government to increase its contribution towards delivering quality public infrastructure and a tourism-friendly environment in which businesses can thrive and improve its relative standing as a tourist destination.

An example of these tourism-related infrastructure improvements are roads. Despite Namibia being rated as having one of the best road systems in Africa, certain locations remain inaccessible. Rest camps all along the border with Angola to the West of Ruacana are very remote despite the beauty and enormous tourist potential of the location. Sites in the Kunene region are also hard to access, despite it being the region with the highest number of conservancies. Specific and efficient investments could allow to tap into these locations. In this regard, and as recommended in Chapters 2 and 4, the formation of Public-Private Partnerships (PPPs) for these infrastructure investments would be crucial. To increase funding and provide a more competitive investment environment, the Government would have much to gain by aligning to the Integrated National Financing Framework (INFF) set in motion by the Development Finance Assessment Report, published in 2019. Another important infrastructure improvement is assisting with electricity provision and water management in rural areas, by protecting against floods, water distribution from the canals and making Namwater build water reservoirs. Information dissemination to rural participants is complicated as they are far from the national gridline/electricity. They need to be aware of opportunities, new developments, advancements and new legislation. Their exclusion would be a loss both for them and for the Namibian government, which would lose potential opportunities for earnings from taxes and increased visitors.

An important contribution of this report to the COVID-19 recovery path is the provision of data on the impact of the virus. Policy recommendations could only be provided with a high certainty of its efficiency thanks to the hundreds of business owners, managers, supervisors and directors that provided insights on how to best address their needs during the crisis. This provides further evidence for the importance of increased and continuous data collection, to evaluate the efficiency of policy measures in supporting businesses' recovery. To rebuild a more robust and resilient Namibian Tourism sector, one specific area that requires more information is Ecotourism. As reported by Krug, Suich and Haimbodi (2001), data on the share of nature tourism in the market is not available due to national statistics not differentiating between it and other forms of tourism. However, in Namibia the figures have been estimated at around 73%, thus showcasing how nature tourism – and specifically wildlife viewing – is clearly an essential activity (Fillion et al., 1994; MEFT, 1997). A crucial part of the Tourism Revival Strategy should thus include the improvement on the compilation of this type of data. This provides an indication that more concrete research is needed in this regard, especially because the need for records on communities' general dependence on the environment cannot be emphasized enough. Overall, a key result of this report is thus that to fully comprehend the scale of the COVID-19's impact on social groups' activity, living standard improvements and the protection of the environment, follow up analyses in the years to come will be crucial.

One such useful assessment would be for firms and government authorities to collect as much data and feedback as possible from tourists to determine areas of improvement. Once borders have reopened (even to a certain extent) it is recommended that resources be mobilized to carry out the Tourist Exit Survey. Easy-to-use and quick electronic surveys across a range of topics from entry to departure will be useful for researchers to pinpoint where further intervention is needed. The usefulness of its implementation lies in the need to collect

data to estimate tourist expenditures in the country and understand both the strong suits and fallbacks of the tourism sector in Namibia, as well as its handling of the COVID-19 response measures. Another notable use of data for the development of a stronger tourism industry in the upcoming years is for research on the potential long-term negative impact on female unemployment in the NBEs, among other sectors of the tourism industry.

A key result from the surveys as presented in Chapter 2 is the lack of an integrated and well-connected national tourism strategy. When asked whether they were connected to tourism information centres or worked with guides, many businesses responded that they did not. Upon further inquiry, it was revealed that it would help them if closer ties with the local, regional and national tourism businesses were fostered. The hotels in particular have already overcome this lack of integrated structure where the government takes the initiative, by being part of the Hospitality Association of Namibia (HAN). Members reported that, although it is necessary to pay a membership fee to be a part of it, it provides much needed information, monthly updates on developments regarding trends in the tourism industry and allowed networks to be created by organizing meetings during the year.

This clearly seemed to fill in the gaps that the NTB could not fulfil. If an integrated tourism sector is nurtured, with a virtuous cycle of cooperation and re-investment between the public and private sectors being stimulated, the tourism industry could boom at a faster pace, once travel restrictions due to COVID-19 are lifted. To do so, the Government needs to conduct research before implementing and rolling out tourism-related programmes in the country. Without this, interventions could be carried out in an incoherent manner, leading to unnecessary costs as well as confusion. To ensure this, the simplest way is to engage with people in the tourism business. Simply put, people have ideas and providing them with platforms to communicate them would increase their sense of ownership and could aggregate a myriad of different experiences into more specific, useful and cost-efficient policymaking in the tourism sector. As an example, there is a clear potential to synergize links between Conservancies, Community Forests and Nature Based Enterprises, in order to provide holistic policies rather than low-scale activities occurring in isolation. A way of doing so is by installing tourism-specific regional councils in the areas to improve connectivity and efficiency in the tourism sector.

On a final note, Namibia could benefit from further diversifying the geographical distribution of EIF and UNDP investments in conservancies. Conservation interventions by the government, UNDP and the EIF are not well diversified, with the central northern and the eastern regions being somewhat disadvantaged. There are small conservancies in the highlighted parts with basic needs such as offices, printing papers and electricity that do not possess resources to get it themselves. They also indicated that neither the MEFT nor the EIF and all those in charge of the environment and preservation portfolios are in touch with rural projects that are preserving various cultural, heritage and environment.

One of the main issues raised by both the MEFT and UNDP field work was the lack of trust in both of the institutions in eventually doing something about the crisis. It is clear that the sector has a trust issue with the Government in a way that it only gathers information without providing feedback or solutions to the challenges that the sector is faced with. This concern seemed to go beyond partisan and political beliefs, attesting to governance issues and an overall lack of presence on the ground. Although many respondents were aware that the State has very limited resources, especially after five years of economic recession exacerbated by droughts, efforts should be made to increase both the Government's and the UN's legitimacy.

Namibia faces significantly complex needs, as has been highlighted throughout the entirety of this report. It will take new solutions that are both locally relevant and locally driven, as well as possible to adapt, sustain, and replicate across differing situations, to address these complex needs. A strong and adaptable learning system is needed to increase our knowledge about what works, where, and (if possible) the reasons behind the identified challenges. These solutions need to be expanded dramatically beyond the obvious ones and, where possible, not just transferred but adapted across regions and ecosystems to achieve different goals. The work of the Accelerator Lab at the UNDP Namibia Country Office for instance, proposes to take on these complex, multi-sector problems which are related to SDGs and are more likely to be solved by people who face these problems in their daily life. It will prove more effective to use their methodologies and approaches as opposed to focusing on external experts, in addition to enhancing ownership and validating progress.

## **RECOMMENDATIONS FOR THE TOURISM RECOVERY STRATEGY**

In line with the government's commitment to support the tourism sector, the recovery strategy is clearly needed and should be expected to deliver on the following areas: i) mitigating the socio-economic impacts of COVID-19 on livelihoods; ii) boosting competitiveness and building resilience; iii) advancing innovation and digital transformation of tourism; iv) fostering sustainable and green growth; and v) coordination and partnerships to restart and transform the sector in a responsible and coordinated manner. Some identified strategic actions are presented per priority area in the below sections:

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## CONCLUSION

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**I**ndustries linked to the tourism sector are uniquely exposed to both the direct and indirect effects of the COVID-19 pandemic and will be disproportionately affected in the medium-term. A combination of initial lockdown regulations directly limiting economic activity and movement of people, international travel restrictions and loss of traveller confidence have left virtually all tourism-related businesses and their employees in financially vulnerable positions. Activity in the tourism sector fell by over 90% during the April 2020 – September 2020 period, with the slight recovery since October being short-lived given a second wave of infections and heightened lockdown restrictions in key markets since December. It is thus predicted that travel restrictions in these key European markets combined with loss of traveller confidence due to the ongoing pandemic will result in a severely depressed tourism sector until at least Q2 2021.

Namibian authorities have made a conscious effort to find viable strategies to ensure the survival of tourism businesses and create a more resilient and sustainable sector in the long run through the establishment of the Tourism Revival Initiative (TRI) and cooperation with international organisations such as the UNDP. The fact that Namibia entered a recession prior to the COVID-19 shock has placed the country's macroeconomic and fiscal stability in jeopardy and will limit the government's ability to fully mitigate both the health and economic impacts of the pandemic. Progress in the distribution of a vaccine will play a significant role in the speed of recovery for the tourism sector in the medium term.

During times of crisis, existing mechanisms and institutions are rattled, making weak points come to light. Much like the 2008 financial crisis brought to light the dangers of unregulated capital movements, the COVID-19 crisis has made evident the fragility of international value chains. In the case of the Tourism sector in Namibia, this has materialized through an overdependence on foreign tourists, displaying how national and regional travellers had been set aside in the development of the tourism sector. Without question, the negatives engendered by the COVID-19 crisis significantly overshadow the positives. This being stated, if structural weaknesses are clearly identified thanks to the use of data and testimonies, then a crisis can be transformed into an opportunity to repair the faulty and rebuild stronger than before.

In trying to understand how to best go about the task of boosting the tourism sector in Namibia post-COVID, attention must be given to the overall structure of the economy, key inter-linkages with other sectors and what indirect effects may be triggered elsewhere by possible interventions. Improving investor confidence through a series of institutional improvements, not only in the tourism sector, but the economy as a whole, yields the largest benefit to overall GDP and other key macroeconomic indicators. This, however, will require a commitment across all executive levels to adhere to the principles of good governance. In addition to these policies, the crisis has also been a call to action to governments at all levels, and to the private sector, to respond in a co-ordinated way given the interdependent nature of tourism and related services. In the case of Namibia and its neighbouring countries, this call can be extended to encourage deeper regional integration of tourism and sustainability initiatives.

Following the government's commitment to support the tourism sector, the recovery strategy is expected to deliver on the following areas: i) mitigating the socio-economic impacts of COVID-19 on livelihoods; ii) boosting competitiveness and building resilience; iii) advancing innovation and digital transformation of tourism;

iv) fostering sustainable and green growth; and v) coordination and partnerships to restart and transform the sector in a responsible and coordinated manner. During the current crisis where the government drastically lacks funds, the public sector should exploit its comparative advantage of information provision, seize its responsibility as a regulatory entity and market Namibian tourism activities abroad to increase foreigners. It will also have a lot to gain in increasing governance quality and improving the trust of entrepreneurs in government facilities by making more transparent institutions, where collected funds through taxes to tourism-related businesses are reinvested to create a virtuous cycle of private profit and public tax earnings.

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## ANNEX DOCUMENTS

### ANNEX I – Additional Figures and Tables stemming from the Survey

#### TOURISM SURVEY: Complete disaggregation of respondents

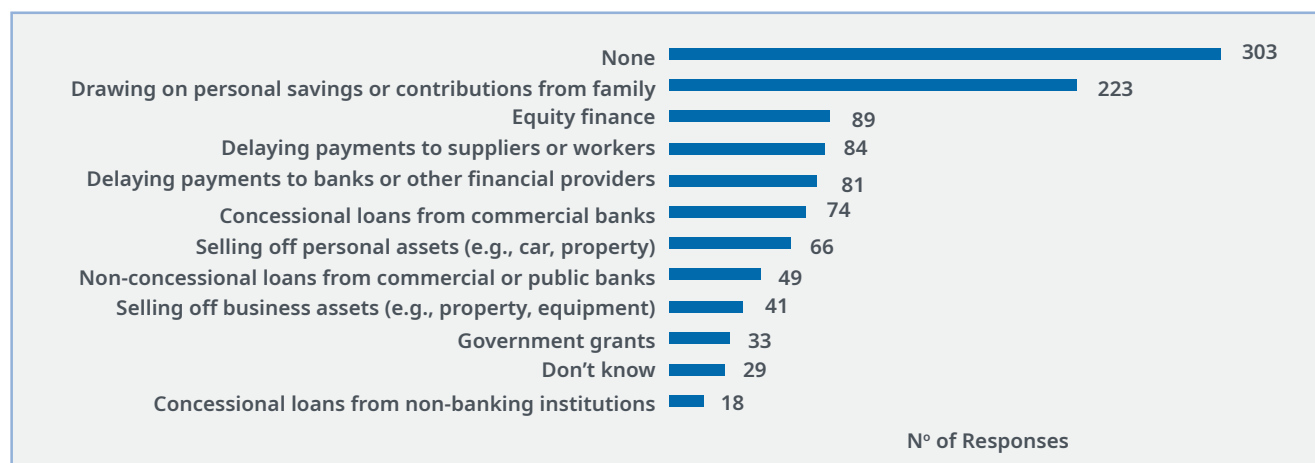
| SECTOR                        | N° OF ENTRIES |
|-------------------------------|---------------|
| Hotels                        | 127           |
| Other                         | 95            |
| Arts, crafts and woodworking  | 36            |
| Lodge                         | 16            |
| Self-Catering accommodation   | 11            |
| Guest House                   | 9             |
| Rest Camp                     | 6             |
| Campsite                      | 5             |
| Museum                        | 4             |
| Hunting                       | 3             |
| Backpacker                    | 2             |
| Biltong sale                  | 1             |
| Vehicle and equipment rental  | 1             |
| Health and fitness instructor | 1             |
| B&B                           | 78            |
| Transport and Shuttles        | 51            |
| Restaurants                   | 50            |
| Tour operator                 | 42            |
| Activity/experience           | 29            |
| Community-based               | 7             |
| Conservancy/protected areas   | 6             |

#### Tourism Survey: Relationship between retrenched and business size

| N° of retrenched per business size |      |
|------------------------------------|------|
| Self-Employed                      | 6    |
| 2-4 Employees                      | 157  |
| 5-9 Employees                      | 146  |
| 10-49 Employees                    | 1034 |
| 50-249 Employees                   | 1040 |

*Note: The table displays for each category of business size the number of retrenched workers.*

## Tourism Survey: How have businesses dealt with cashflow shortages?



**Note:** The figure displays the number of times businesses claim to have resorted to a strategy to deal with cashflow issues.

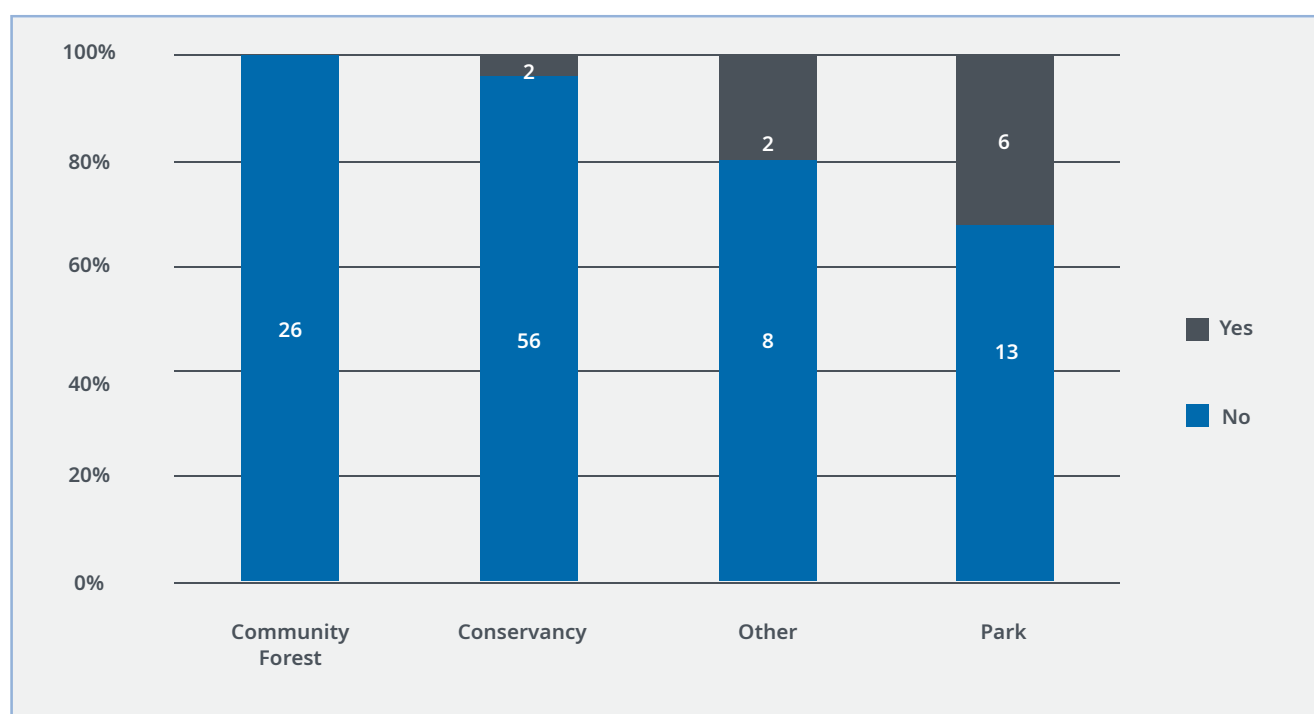
## Tourism Survey: What measures have you taken to stay ahead of competitors?

| WHAT MEASURES HAVE YOU TAKEN TO STAY AHEAD OF COMPETITORS? |                 |                  |
|--|-----------------|------------------|
| Measures   | N° of Responses | Responses (in %) |
| Reduce prices  | 327             | 67%              |
| Improve, or diversify the goods or the packaging           | 189             | 39%              |
| Decrease the quality or quantity of inputs                 | 16              | 3%               |
| Personally looking for new customers                       | 105             | 22%              |
| Advertisement  | 166             | 34%              |

## National Parks, Conservancies and Community Forests

| LIST OF NATIONAL PARKS         |  |
|--------------------------------|--|
| /Ai-/Ais Hot Springs Game Park | Mangetti National Park                   |
| Bwabwata National Park         | Mudumu National Park                     |
| Daan Viljoen Game Park         | Namib-Naukluft Park                      |
| Cape Cross Seal Reserve        | Naute Game Park                          |
| Dorob National Park            | Popa Falls Game Park                     |
| Etosha National Park           | Skeleton Coast Park                      |
| Gross-Barmen Hot Springs       | South West Nature Reserve                |
| Hardap Game Park               | Tsau //Khaeb National Park (Sperrgebiet) |
| Khaudum National Park          | Von Bach Game Park                       |
| Nkasa Rupara national Park     | Waterberg Plateau Park                   |

## Facilities used for COVID-19 Isolation or Quarantine



## Retrenched Workers disaggregated by Community Forest and Conservancy

| COMMUNITY FOREST/CONSERVANCY                    | RETRENCHED WORKERS |
|---|--------------------|
| Otjiu West Conservancy/Community Forest         | 5                  |
| African Wild dog Conservancy & Community Forest | 4                  |
| Orupupa Conservancy                             | 12                 |
| Popa Falls nature reserve Conservancy           | 120                |
| Salambala Conservancy                           | 6                  |
| Uukwaluudhi Conservancy                         | 9                  |
| Hamvura Trust Community Forest                  | 2                  |
| <b>TOTAL</b>                                    | <b>158</b>         |

## ANNEX II – Multidimensional Vulnerability Index support documents

### Spearman and Kendall's rank correlation tests

| VARIABLE                            | CORRELATION TESTS | MVI WITH A THRESHOLD OF | CORRELATIONS |         |         |       |
|-------------------------------------|-------------------|-------------------------|--------------|---------|---------|-------|
|                                     |                   |                         | 4            | 5       | 6       | 7     |
| Region                              | Kendall's tau_b   | 4                       | 1.000        |         |         |       |
|                                     |                   | 5                       | 1.000**      | 1.000   |         |       |
|                                     |                   | 6                       | 1.000**      | 1.000** | 1.000   |       |
|                                     |                   | 7                       | 1.000**      | 1.000** | 1.000** | 1.000 |
|                                     | Spearman's rho    | 4                       | 1.000        |         |         |       |
|                                     |                   | 5                       | 1.000**      | 1.000   |         |       |
|                                     |                   | 6                       | 1.000**      | 1.000** | 1.000   |       |
|                                     |                   | 7                       | 1.000**      | 1.000** | 1.000** | 1.000 |
| Sector/activity                     | Kendall's tau_b   | 4                       | 1.000        |         |         |       |
|                                     |                   | 5                       | 0.786**      | 1.000   |         |       |
|                                     |                   | 6                       | 0.929**      | 0.857** | 1.000   |       |
|                                     |                   | 7                       | 0.857**      | 0.786** | 0.786** | 1.000 |
|                                     | Spearman's rho    | 4                       | 1.000        |         |         |       |
|                                     |                   | 5                       | 0.905**      | 1.000   |         |       |
|                                     |                   | 6                       | 0.976**      | 0.929** | 1.000   |       |
|                                     |                   | 7                       | 0.952**      | 0.857** | 0.881** | 1.000 |
| Business size (number of employees) | Kendall's tau_b   | 4                       | 1.000        |         |         |       |
|                                     |                   | 5                       | 1.000**      | 1.000   |         |       |
|                                     |                   | 6                       | 1.000**      | 1.000** | 1.000   |       |
|                                     |                   | 7                       | 1.000**      | 1.000** | 1.000** | 1.000 |
|                                     | Spearman's rho    | 4                       | 1.000        |         |         |       |
|                                     |                   | 5                       | 1.000**      | 1.000   |         |       |
|                                     |                   | 6                       | 1.000**      | 1.000** | 1.000   |       |
|                                     |                   | 7                       | 1.000**      | 1.000** | 1.000** | 1.000 |

\*\* Correlation is significant at the 0.01 level (2-tailed).

### Reasoning behind each indicator's cut-off

**1) Businesses temporarily close:** the choice has been made to deem a business as a vulnerable one and thus consider it deprived in this indicator if it reports having closed for more than a month since the beginning of the pandemic. Said differently, if a business was closed for five weeks or more, it is considered deprived in this indicator. The decision for this cut-off has to do with policies implemented by the Government to contain the spread of COVID-19 in Namibia. Specifically, while there had been a 2-week lockdown enforced nationally during the State of Emergency, certain regions were closed for longer due to regional interventions concerning movement restrictions, curfews and even extended lockdowns (i.e., Khomas and Erongo). Since the interest of this chapter is to capture the degree of vulnerability by examining the endogenous decision of (temporarily) closing down a business (i.e., choosing to halt operations to save costs, avoid retrenching, etc.) instead of exogenously doing so (i.e., closing down due to the law demanding it), the deprivation has been set as such.

**2) Decrease in the prices of goods/services sold by businesses:** the choice was made to consider a business deprived in this indicator if it declares having had to decrease their prices significantly. It is worth reminding that the possible options were *increased significantly, increased moderately, remained unchanged, decreased moderately, decreased significantly, not sure, not applicable*. The reason to exclude *decreased moderately* from the list of responses that would make a business vulnerable in this indicator, is the fact that during the biggest socio-economic crisis of our time, it stands to reason that prices behave in a procyclical manner. Said differently, a moderate decline in prices would be a reaction to the laws of supply and demand (e.g., lower demand for tourism activities during times of crisis leads to a drop in prices, the same way that a rise in demand would lead to an increase), whereas a *significant decline* would tend to signal a strong sensitivity to the crisis, ergo a high vulnerability.

**3) Decrease in total hours worked per month:** the choice was made to consider a business as a vulnerable one if the decline in total hours worked per month are equal to or above 50%. A decline in total hours worked in 50% or more would roughly signify that 1) half of the staff was retrenched since the onset of the COVID-19 pandemic, or 2) all of the full-time workers passed to being part-time workers. Thus, it was considered a suitable cut-off separating businesses that experienced a decline in working hours due to an exogenous decline in demand, and those having been severely affected by the pandemic and being deemed vulnerable businesses. Once more, despite its potential arbitrary choice for cut-off, it was deemed a better choice to identify vulnerable businesses during a time where, naturally, businesses in the tourism sector were almost all going to experience declines in demand and hours worked.

**4) What is your establishment's primary market?** The choice was made to declare a business deprived if the primary market is *International* (i.e., foreign tourists). It is worth reminding that the possible options were *International, Regional, Domestic*. Due to borders being closed, tough entry requirements being imposed once they reopened (week-long quarantine at own cost along with two PCR tests), the overall fear of contracting the virus when traveling abroad and reduced purchasing power from people around the globe (acting as a large disincentive), it is clear that Namibian tourism-related businesses mostly depending on a foreign clientele were more exposed to the crisis than those that didn't. Those mostly depending on a regional and domestic clientele were also impacted by the crisis, but as found in Chapter 2, they would seem to have suffered a lower decline in working hours, demand and supply of purchased inputs than those depending on international arrivals (e.g., tourists from the Asian, European and American continent).

**5) Decrease in sales:** The choice was made to deem a business vulnerable if it experienced a 50% or more decline in sales since the beginning of the pandemic. This cut-off was arbitrarily set at 50% to follow on cut-offs for indicator 3.

**6) Decrease in supply of inputs, raw materials, or finished goods and materials purchased to resell:** The choice was made to deem a business vulnerable if it experienced a 50% or more decline in the supply of inputs, raw materials, or finished goods and materials purchased to resell. This cut-off was arbitrarily set at 50% to follow on cut-offs for indicator 3.

**7) Effects of external environment on business operations:** The choice was made to consider a business deprived if it reported having faced one of the following external shortages due to COVID-19 in the tourism survey: Reduced logistics services; Reduced certification services; Power outage; Water supply dis-



ruptions; Problems with internet access; Problems with roads; Increased administrative bottlenecks; Increase in input prices; Disruption in the supply chain.

**8) Effects of narrow business environment on business operations:** The choice was made to classify a business as vulnerable if it reported having faced one of the following problems regarding its business environment: Clients not paying their bills; Employee absences due to sickness or childcare; Increased costs due to need to purchase personal protective.

**9) Actions in response to the collapse of tourism demand:** The choice was made to classify a business as vulnerable if it reported in the survey having done one (or more) of the following in response to the collapse of the tourism demand: Sharply reducing business size and capacity, but continuing to operate; Scrambling for capital and want to survive; Placing the business in hibernation for the foreseeable future.

**10) Reducing the wages of employees due to COVID-19:** The choice was made to consider a business as deprived in this indicator if they were forced to use personal savings to deal with cash-flow shortages. As was the case for the indicators looking at decrease in prices and decrease in hours worked per month, it is to be expected that during crisis times a decline in wages follow a decline in revenue. However, a way to identify increased sensitivity to the shock is to see whether wage payments had come from business owners' own pockets (thus affecting the business owner as an individual's savings, and not just the company's) or from sources that aren't specifically tied to one person.

**11) Product adaptation in response to COVID-19 not possible:** The choice was made to classify a business as vulnerable if they declare not having a capacity to adapt its products. This would attest to little flexibility in the possibility to adapt (e.g., temporarily change business plan, diversify revenue sources), thus increasing overall vulnerability of the business.

**12) Not possible to adopt social distancing in the workplace:** The choice was made to classify a business as vulnerable if it is not possible to adopt social distancing measures – deemed crucial for safe operation during pandemic times – in the workplace. If this is to be the case for a particular business, then several risks (including increased risk of contagion, not complying with governmental measures exposing them to legal consequence) make it more vulnerable.

**13) No assistance received:** The choice was made to deem a business as vulnerable if it has not received any assistance whatsoever from the government.

### ANNEX III – Computable General Equilibrium Model Methodology

Computable general equilibrium (CGE) models have become an indispensable tool in quantifying the economy-wide impacts of an exogenous shock or policy change. By recognising the many inter-linkages in the economy and allowing for price-induced behaviour and resource constraints in determining both the direct and indirect effects of a shock to the economy over time, CGE models have superseded I-O models as the preferred methodology for credible and detailed economic impact analysis. Quantifying the effects of the current pandemic on the baseline path of the Namibian economy and how proposed policy interventions could help stimulate key sectors such as tourism are therefore well suited to being modelled using the CGE methodology. The Namibian CGE model (NAM-CGE) used in this report is based on the dynamic MONASH model developed at the Centre of Policy Studies (CoPS) and documented in Dixon & Rimmer (2002) and Dixon et al. (2013). The model's base year database was constructed using techniques described in Roos et al. (2015) starting from the 2007 Social Accounting Matrix compiled by Van Seventer (2014). The database was subsequently updated to reflect the latest available macro aggregates.

Four basic tasks distinguish CGE based analysis. First is the theoretical derivation and description of the model. Following the CoPS-style of implementing a CGE model, the general equilibrium core of NAM-CGE is made up of a linearised system of equations describing the theory underlying the behaviour of participants in the economy. It contains equations describing, amongst others: the nature of markets; intermediate demands for inputs to be used in the production of commodities; final demands for goods and services by households; demands for inputs to capital creation and the determination of investment; government demands for commodities; and foreign demand for exported goods including tourism services.

The CGE model's specifications recognise each industry as producing one or more commodities, using as inputs combinations of domestic and imported commodities, different types of labour, capital and land. The multi-input, multi-output production specification is kept manageable by a series of separability assumptions. This nested production structure reduces the number of estimated parameters required by the model. Optimising equations determining the commodity composition of industry output are derived subject to a CET function, whilst functions determining industry inputs are determined by a series of CES nests. At the top level of this nesting structure intermediate commodity composites and a primary-factor composite are combined using a Leontief or fixed-proportions production function. Consequently, they are all demanded in direct proportion to industry output or activity. Each commodity composite is a CES function of a domestic good and its imported equivalent.

The primary-factor composite is a CES aggregate of composite labour, capital and, in the case of primary sector industries, land. Composite labour demand is itself a CES aggregate of the different types of labour distinguished in the model's database. In NAM-CGE, all industries share this common production structure, but input proportions and behavioural parameters vary between industries based on base year data and available econometric estimates, respectively.

Demand and supply equations are derived from the solutions to the optimisation problems which are assumed to underlie the behaviour of private sector agents in conventional neo-classical microeconomics. Each industry minimises cost subject to given input prices and a constant returns to scale production function. Zero pure profits are assumed for all industries. Households maximise a Klein-Rubin utility function subject to their budget constraint. Units of new industry-specific capital are constructed as cost-minimising combinations of

domestic and imported commodities. The export demand for any locally produced commodity is inversely related to its foreign-currency price. Government consumption and the details of direct and indirect taxation are also recognised in the model.

The recursive-dynamic behaviour in NAM-CGE is specified through a series of equations describing physical capital accumulation; lagged adjustment processes in the labour market; and changes in the current account and net foreign liability positions. Capital accumulation is specified separately for each industry and linked to industry-specific net investment in the preceding period. Investment in each industry is positively related to its expected rate of return on capital, reflecting the price of capital rentals relative to the price of capital creation. For the government's fiscal accounts, a similar mechanism for financial asset/liability accumulation is specified. Changes in the public sector debt are related to the public sector debt incurred during a particular year and the interest payable on previous debt. Adjustments to the national net foreign liability position are related to the annual investment/savings imbalance, revaluations of assets and liabilities and remittance flows during the year. In policy simulations, the labour market follows a lagged adjustment path where wage rates respond over time to gaps between demand and supply for labour across each of the different skill groups.

The second task is calibration, which incorporates the construction of a balanced database and evaluation of coefficients and parameters. As required for CoPS-style models, the initial levels solution of the model is provided by the base year data. The database, in combination with the model's theoretical specification, describes the main inter-linkages in the Namibian economy. The theory of the model is then, essentially, a set of equations that describe how the values in the model's database move through time and move in response to any given policy shock. An added benefit of dynamic CGE models is that they allow for updating of the model's database values and structure by including historical information in the baseline forecast. This eliminates the need to regularly build a new database for the model.

The third task is solving the model using a suitable closure. Dynamic CGE models are designed to quantify the effects of a policy change, or exogenous shock, to the economy, over a period of time. A good way to examine the impacts of an exogenous shock such as the COVID-19 pandemic is to compute the differences between a scenario in which the shock has occurred – the policy simulation – and an unperturbed counterfactual scenario in which the particular shock under examination did not occur – the baseline scenario. Results are then reported as percentage change deviations over time between the first 'baseline' simulation run and the second 'policy' simulation run.

The model's closure settings, that is, the choice of exogenous versus endogenous variables, can be considerably different between the two runs. In the baseline we exogenise those variables for which reliable forecast information exists, which typically includes macroeconomic variables, such as the components of GDP, population growth and various price indices forecast by various macroeconomic specialists. In the policy run, naturally endogenous variables such as output and prices are set accordingly since we are interested in the impact of the policy change on them. This setting represents a more natural model closure where the variable for which the equation was written is typically set as endogenous. Standard baseline forecast and policy closures are described in Dixon & Rimmer (2002: 262-274). The model is implemented and solved using the GEMPACK suite of programs described in Horridge et al. (2013).

The fourth and final task involves proper interpretation of simulation results, drawing only on values given in the database, the underlying theory and the model closure. In this regard, we often use condensed back-of-the-envelope representations of the model combined with key aggregates in the database to explain simulation results, without having the burden readers with the specifics of the full model. Since it is not practical to describe the entire CGE methodology or model used in this report here, readers interested in the finer details are encouraged to consult the various references, in particular, Dixon et al. (2013).

## ANNEX IV – Data Visualization Dashboards

Data visualization involves graphically representing data using visual elements like charts, graphs and maps, making it easier to identify and communicate trends and patterns within data.

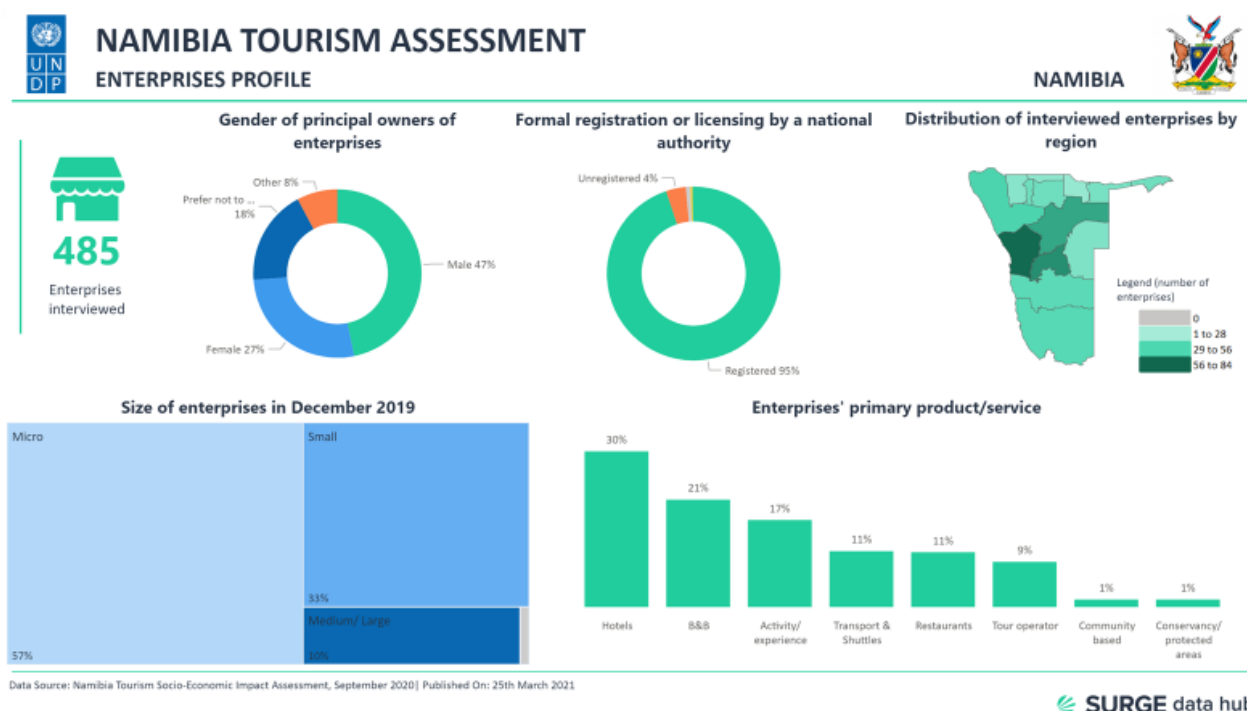
Interactive dashboards have been developed using Microsoft Power BI for data from the 485 tourism-based enterprises. These dashboards provide a platform for anyone to easily explore selected anonymized indicators from the dataset and derive their own insight in addition to what is already provided in this report.

Data in the dashboards has been grouped into 6 major themes of **enterprise profiles**, **impacts of COVID-19 on production**, **impact of COVID-19 on operations**, **coping strategies**, **government measures** and the **way forward** for 485 tourism-based enterprises. Selected indicators across these themes can be further filtered by location, gender of establishment owners, primary sector/ service, primary market, and size of the enterprises.

Additionally, the dashboards contain data on the **Multidimensional Vulnerability Index (MVI)** and the dimensions and indicators used to inform the MVI. These can be further filtered by region, business primary product/ service, the number of years the business has been in operation, business size, businesses which belong to an association, number of months required by the business to resume operations as usual and the risk of the businesses permanently shutting down. However, the number of enterprises interviewed per region should be considered when using the filters on the MVI dashboards, the lower the number of enterprises, the lower the accuracy.

The dashboards are freely accessible online on any web browser using the following link: <https://bit.ly/2ZUI1Uq>

### Dashboard samples



485  
Interviewed enterprises

Region  
All

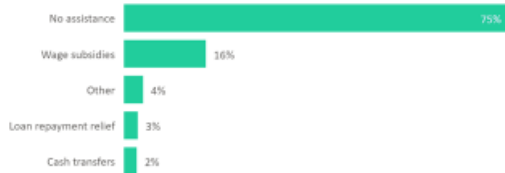
Filter by gender  
All

Filter primary product or service  
All

Primary market  
All

Size  
All

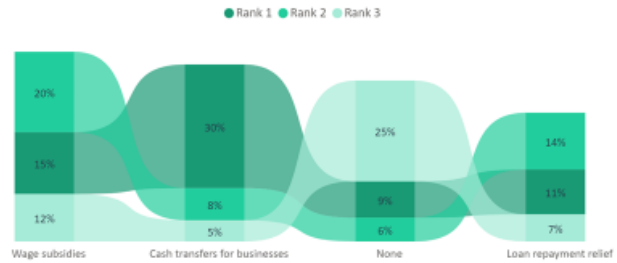
Top national or local government support measures received in response to the crisis



What government should be responsible for according to respondents



Top government measures that would be most helpful as establishments cope with COVID-19 crisis (Ranked top 3)



Adequacy of government's support measures to help cope with COVID-19 impacts



Data Source: Namibia Tourism Socio-Economic Impact Assessment, September 2020 | Micro enterprise = less than 9 employees | Small enterprises = 10 to 49 employees | Medium/ Large enterprises = more than 50 employees | Published On: 25th March 2021

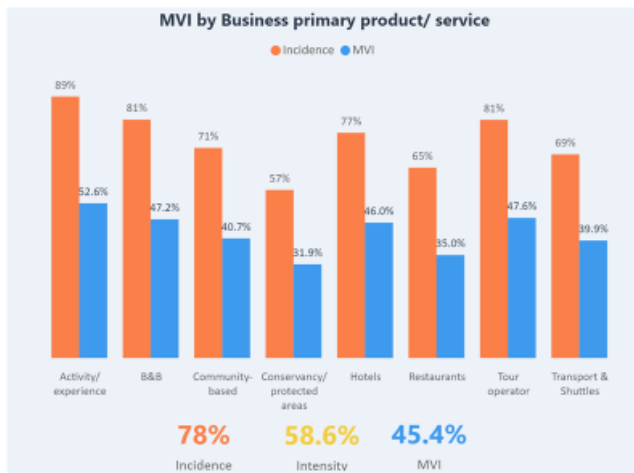


485

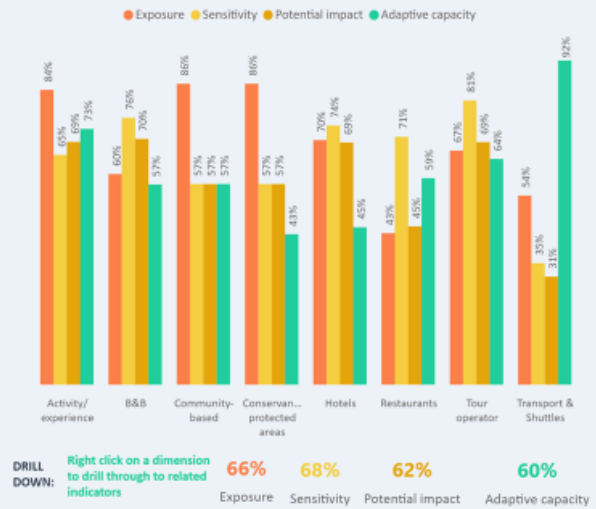
Enterprises interviewed

Main Business Characteristic to View

Business primary product/ service



Dimensions of vulnerability by Business primary product/ service



Data Source: Namibia Tourism Socio-Economic Impact Assessment, September 2020 | The number of enterprises interviewed per region should be considered when using the filters; the lower the number of enterprises, the lower the accuracy

## NOTES

[illegible]



**FOR FURTHER INFORMATION CONTACT:**

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