

# 17<sup>th</sup> Annual Symposium

## Reducing unemployment in Namibia

Creating more jobs in the manufacturing and tourism sectors

Bank of Namibia



**Bank of Namibia  
17<sup>th</sup> Annual Symposium**

*22<sup>nd</sup> September 2016*

*Safari Hotel and Conference Centre, Windhoek  
Reducing unemployment in Namibia:  
Creating more jobs in the manufacturing and tourism sectors*

Edited by the Research Department

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## TABLE OF CONTENTS

Preface	5
Welcoming Remarks	6
By Mr. lipumbu Shiimi, Governor of the Bank of Namibia	
Keynote address and official opening	9
By Honorable Lucia lipumbu on behalf of Honourable Tom Alweendo Minister of the Economic Planning and Director General of the National Planning Commission	
Opportunities and Impediments in Addressing Unemployment in Namibia	
Using the Manufacturing Sector	13
By Dr. Diana van Schalkwyk, Owner and Director at Food Chain Solutions Namibia	
Employment creation in the Tourism Sector:	
How can Namibia Use the Tourism Sector to Reduce Unemployment	38
By Mr. Mannfred Goldbeck – MD Gondwana Group	
Employment creation in the Manufacturing and Tourism Sectors:	
International experience	79
By Dr. Stephen Gelb – Senior Research Fellow at the Overseas Development Institute	
Policy Issues Emanating from the Symposium	82
Prepared by Research Department staff, BoN	
Concluding Remarks and Vote of Thanks	87
By Mr. Ebson Uanguta, Deputy Governor of the Bank of Namibia	

## PREFACE

The Bank of Namibia held its 17<sup>th</sup> annual symposium at the Safari Hotel and Conference Centre on the 22<sup>nd</sup> of September 2016 under the theme: “Reducing Unemployment in Namibia: creating more jobs in the Manufacturing and Tourism sectors”. The theme was informed by the current high unemployment rate that is prevalent especially among the youth.

The 17<sup>th</sup> Annual Symposium was aimed at achieving the following objectives:

- a) What are the potentials that the country has in terms of reducing unemployment, using the tourism and manufacturing sectors?
- b) How many jobs can the tourism and manufacturing sectors provide, compared to the current level?
- c) What measures need to be undertaken to ensure a successful creation of jobs in these two sectors?
- d) What can Namibia learn from international experiences in terms of reducing unemployment using the two sectors?

These issues were addressed through presentations given by, local and international speakers supplemented by the panel discussions comprising of representatives from the manufacturing and tourism sectors, as well as the Bank of Namibia.

This booklet contains the papers presented by the speakers at the symposium. It also includes a summary of the key policy issues emanating from the symposium and recommendations on the way forward.

## Welcoming Remarks

*by Mr Ipumbu Shiimi, Governor of the Bank of Namibia*

Director of Ceremonies  
Honourable Ministers and members of Parliament, present  
Members of the Diplomatic corps  
Board members of the Bank of Namibia  
Honourable regional Governors and Councillors, present  
Permanent Secretaries  
Distinguished speakers and panellists  
Captains of the Industries  
Members of the Media  
All invited guests  
Ladies and Gentlemen;

- 1. Good morning! I am delighted to welcome you to this prestigious event of the Bank of Namibia.** Allow me to extend my heartfelt welcome to our speakers who will share their views and knowledge on this important topic. To our international speaker, welcome to Namibia! I would like to encourage you to take time to experience our beautiful country and the warmth of its hospitality!
- 2. This year marks the 17<sup>th</sup> year since the Bank of Namibia began hosting the annual symposia.** The purpose of this annual symposium is to promote the exchange of ideas on economic issues, and thereby promoting policy dialogue. At this platform, we have covered a broad range of topical issues spanning from central banking, finance, economics and social development. This years' theme is "Reducing Unemployment in Namibia: Creating More Jobs in the Manufacturing and Tourism Sectors". This is a topical and important subject both at the national and international level.
- 3. My job is not to pre-empt the discussions by going into the details of how to reduce unemployment in Namibia using the two aforementioned sectors, because there are well esteemed experts here present, who will address those questions.**

To provoke your interest however, I am going to focus briefly on four issues, namely:

1. The state of unemployment in Namibia
2. The importance of addressing unemployment
3. The participation of both the public and private sectors in tackling unemployment in Namibia
4. Comparison with Singapore.

## THE STATE OF UNEMPLOYMENT IN NAMIBIA

**4. According to the 2014 Labour Force Survey, about 280 000 people were unemployed in Namibia, which represents about 28.1 percent of the labour force.** It is a disturbing reality that more than 50 percent of the unemployed are youths (between the ages of 15-34 years), who are the most productive age group of our population. As a result, the unemployed youths often get involved in illegal activities such as house-breaking, armed robberies, car theft, stock theft, money laundering, to mention a few, when they could have contributed meaningfully to economic growth and development if they were employed.

## THE IMPORTANCE OF ADDRESSING UNEMPLOYMENT

**5. It has now been 26 years since Namibia gained her political independence, making us masters of our own destiny.** Since then, we achieved a number of important milestones in our development plans. However, the lack of employment opportunities has become one of the biggest challenge in achieving faster and sustained economic growth. One of the key goals of Vision 2030 is to reduce the unemployment rate to below 5 percent, but as I alluded to earlier, statistics show that the unemployment rate is still high to date. Moreover, the rate of unemployment in Namibia is inversely related to the level of education. For instance, the 2014 Labour Force Survey shows that about 28.8 percent of the unemployed had senior certificate education compared to about 7 percent with university education and 0.9 percent with post graduate education. These figures suggest that we need to invest in education and human capital development as a strategy to achieve the long term growth objectives of our nation and reduce unemployment. Addressing unemployment will also reduce inequality and ensure inclusive growth as stated in the HPP.

**6. Although the economy has been growing by above 5 percent over the last five years, it has not resulted into more jobs and hence the unemployment levels remained high.** According to Labour Force Survey Reports, 2012, 2013 and 2014; more people in Namibia were employed in sectors such as agriculture and fishing (24 percent), wholesale and retail trade (11.8 percent) and construction (8 percent) on average. Sectors such as manufacturing for instance accounted for about 4.8 percent of total employment on average over the same period. The mining sector which contributed to more than 12 percent to GDP over the same period, only employed about 2.3 percent of the total employed population, hence partially explaining the high unemployment levels in the country and the mismatch between growth and employment. Other factors hindering employment creation in Namibia, include the slow implementation of policies, lack of accountability and inadequate coordination between the public and private sector.

## THE PARTICIPATION OF BOTH THE PUBLIC AND PRIVATE SECTORS IN TACKLING UNEMPLOYMENT IN NAMIBIA

**Ladies and gentlemen!**

**7. Solving the problem of unemployment will require the involvement of both the public and private sectors to do two key things: create more jobs and provide the necessary skills and confidence to fill positions.** Firstly, there is need to capacitate young people better in the skills that are most needed by today's employers. To strengthen the bridge between education and work, and hence creating jobs, partnership between government and the private sector is necessary. Against this backdrop, all stakeholders, including the private sector are encouraged to participate in this course by continuing to complement the already existing programmes of the government. Therefore, government should not be perceived as the driving force in creating employment, but its main focus should rather be on creating a conducive environment in which the private sector can thrive.

### COMPARISON WITH SINGAPORE.

**Director of ceremonies, Ladies and gentlemen!**

**8. Singapore attracted about 15 million tourists a year on average during the last three years compared to about 1.2 million on average for Namibia, during the past two years.** Moreover, the contribution of the manufacturing sector to GDP during the same period is about 19 percent for Singapore compared to only 10 percent for Namibia. The question that comes to one's mind is how did they manage to achieve this?

**Director of ceremonies, Ladies and Gentlemen!**

**9. With this said, this symposium presents an opportunity to deliberate on the following questions:**

- How can we use the manufacturing and the tourism sectors to reduce unemployment in Namibia?
- And what can we learn from international experiences?

**10. I do not have answers to these questions, but I can guarantee you that if we do not act very soon, the future of our children will be compromised.**

With these few remarks, I thank you for your attention and welcome you to this event!



## Keynote address

*By: Honourable Lucia lipumbu, on behalf of*

*Hon. T. K. Alweendo, Minister of Economic Planning and Director General of the NPC*

Director of Ceremonies;  
Governor of the Bank of Namibia  
Distinguished Speakers at the 17<sup>th</sup> Annual Symposium of the Bank of Namibia  
Ladies and Gentlemen;

**11. It is a great pleasure for me to be here today to engage on this important development topic for Namibia.** Indeed, employment creation remains one of the most critical developmental challenges that we continue to face. It is critical because it is central to other developmental trials that we face, in particular poverty and inequality.

**12. The reality is that we need to create, quickly, thousands of jobs in order to ensure, not only economic stability, but also social and political stability.** The risks generated by a high level of unemployment and lack of employment and sources of income for many, are real and have the potential to derail or even reverse the gains that we have realised. There are plenty of recent examples in the world, of devastating uprisings both economically, socially and politically.

**13. Unemployment generates social exclusion, crime, erosion of social welfare, wearing down of human capital, death, misery and social instability.** Prosperity depends on how many people are in employment and how productive they are. Equally, productivity rests on skills people possess and how effectively those skills are utilised.

**14. Employment is the only sustainable way to address poverty and facilitate social equity.** Sustained job creation requires structural change and the economy to generate new fast growing activities characterised by high value added productivity and increasing returns to scale.

Ladies and Gentlemen

**15. Since the industrial revolution, manufacturing has remained at the core of structural change, consistently creating high levels of output, employment, and high income growth.** The rise in income, in return, leads to greater demand for manufactured products.

**16. There are also views that suggest that the global economy may have achieved a “post-industrial” state in which development does not rely on industrialisation.** This view is supported and evidenced by the increasing share of the services sector in the production and employment creation in most

advanced and many developing countries. We in Namibia are, however, clear that industrialisation remains an indispensable route to development and that structural transformation of the economy lie at the heart of the industrialisation process, together with conscious measures to encourage economic growth, improve productivity, technology, innovation, infrastructure and trade.

- 17. Similarly, it is also true that tourism is not only important to the economy, but has significant potential to contribute to poverty alleviation.** The tourism sector has demonstrated substantial impact on the local people and the domestic economy, hence Namibia's tourism sector has the potential to expand this impact. The impact of the tourism sector on the local economy and on poverty is particularly important as it accommodates the unskilled and semi-skilled in the communities, due to its labour intensive character. Likewise, the tourism sector's employment impact can be highly significant in both urban and rural areas.
- 18. The tourism sector has important interlinkages to other sectors of the economy through inputs such as food and beverage, construction, transportation, furniture and thus manufacturing.** Moreover, tourism has a wide range of dynamic effects. For instance, it tends to employ a relatively high proportion of women and purchases products such as foods and crafts, produced by women in the informal sector. Therefore, it has potential to improve women's economic situations and help surmount gender barriers.
- 19. In the same way, targeting tourism facilitates and focusing attention to nature conservation, which is important for the sustenance of the tourism industry.** It can also play an important role in planning for and responding to natural disasters, which often have strong and serious effects on poor communities.

**Ladies and Gentlemen,**

- 20. Employment creation, poverty eradication and increased income equality are central objectives of Namibia's development policies.** For Namibia, aiming to sustain growth, while maintaining job creation, manufacturing and tourism, offer opportunities, not only to rebalance the economy towards high value added sectors, but also to provide a broad employment base with high productivity.
- 21. On these bases, Vision 2030 is premised on industrialisation, where manufacturing and tourism are among the priority development sectors underlying NDP4.** In the same way, the growth at home strategy and the recently launched HPP, emphasise economic transformation as key to addressing critical developmental challenges, such as poverty and unemployment and ensuring prosperity.

- 22. Thus, the theme of this symposium, reducing unemployment in Namibia: creating more employment in the manufacturing and tourism sectors, is ideal and comes at an opportune time, when we are busy with the formulation of NDP5.** This symposium, therefore, provides an opportunity to evaluate performances on employment creation, and the performances of the manufacturing and tourism sectors and make recommendations to enrich NDP5 and help us move closer to our development goals.
- 23. The performance of the manufacturing and tourism sectors, have been insufficient to make a dent on unemployment.** For instance, between 1990 to 2015, the share of manufacturing to GDP averaged 11.1 percent and the sector recorded a growth rate of only 3.4 percent. Over the NDP4 period, 2012 to 2015, manufacturing contributed 9.9 percent to GDP and the growth rate recorded an average contraction of 2.9 percent.
- 24. NDP4's intention was to grow the manufacturing sector to increase its share of GDP in 2010 by 50.0 percent, which will translate into 18.7 percent share of GDP at the end of NDP4.** The NDP4, however, coincided with a very challenging global economic environment and with one of the severest drought that affected Namibia. Nonetheless, it also tells that our strategies on manufacturing ought to have been more effective or implemented better.
- 25. Growth in the tourism<sup>1</sup> sector has fared better compared to manufacturing.** The tourism sector recorded an average growth rate of 6.0 percent for the period 1990 to 2015 and 6.9 percent over the NDP4 period. The sector, however, only contributed an average of 1.5 percent and 1.9 percent to GDP, over the same periods, respectively.
- 26. It shows that these sectors need to grow much more and faster, in order to be able to make a dent on unemployment and poverty.** It also shows that there are challenges preventing growth in the manufacturing and tourism sectors to impact employment and poverty remain. NDP4 has identified key basic enablers, particularly education and skill development, infrastructure development as key issues that will enable Namibia's industrialisation.
- 27. Indeed, the development and industrialisation journey is a challenging and complex one, which requires continuous interrogation and that we learn from the lessons of the journey.** Certainly, NDP4 offers important and valuable lessons that we must use to improve on NDP5.
- 28. Among the lessons of NDP4 is that we need to consciously and deliberately emphasise agriculture and agro based industries strategies to stimulate the manufacturing sector and job creation.** History shows that agriculture has played a significant role as an engine for economic growth

<sup>1</sup>Proxied by Hotels and Restaurants.

and employment. Rising productivity and incomes, that increased demand for manufactured goods set off the industrial revolution. Countries such as Taiwan, South Korea, Japan and Thailand, are all characterised by rising agricultural productivity and a shift to commercial crops, which provided dynamic engines for economic growth, job creation and the growth of the downstream industries. Although we know that the field is not even in the global agricultural sector, we have to explore opportunities within these circumstances for our agricultural industries to develop. The technological gaps between agricultural productivity in developing and developed countries, show that there are still opportunities and potential for us to develop this sector.

29. **Another important lesson is that we have to embrace technology and innovation to prop up the sector.** There is a need to upgrade technology, improve skills, raise productivity, ensure supply of important inputs, establish marketing and distribution channels, create linkages between agriculture and industry and offer to export markets. It entails innovating new systems and organisations that culminate into markets and jobs. It is critical that we seek and promote innovations that will transform the highly subsistence agricultural sector into a robust commercial sector.
30. **Equally important lesson generated by NDP4, is that, as a dry country we need to develop our water and energy infrastructures.** The two are important inputs into the production process and their availability is a key factor in making manufacturing competitive or inhibiting its potential.
31. **I hope the symposium will address these issues and make practical recommendations in terms of what we need to do to grow manufacturing and tourism sectors faster.** I hope that the issue of the development framework, whether we are in a “post-industrial” state will also be addressed, as this is an important aspect, which has implications on our development approach and hence on NDP5.
32. **In conclusion, I wish to commend the Bank of Namibia for maintaining this platform that facilitates the interrogation of our development issues, processes and frameworks.** Platforms such as this are not only important, but necessary to this complex development journey that Namibia is on. We need to continuously examine our development frameworks critically, with the view to ensure that we get ahead of the curve and deliver on the development objectives that we have set ourselves.
33. **I wish this symposium fruitful deliberation and that our distinguished invited speakers make quality analytical inputs, candidly and frankly.** I therefore declare this symposium officially opened.

I thank you.

## OPPORTUNITIES AND IMPEDIMENTS IN ADDRESSING UNEMPLOYMENT IN NAMIBIA USING THE MANUFACTURING SECTOR

*By Dr. Diana L van Schalkwyk, owner and Director at Food Chain Solutions Namibia*

### Executive Summary

- 34. The manufacturing sector plays a vital role, not only in Namibia, but in most other countries worldwide.** According to the 2015 Namibia National Accounts, this sector contributes approximately 8.5 percent to the country's Gross Domestic Product and accounts for 4.0 percent of the local labour force, (NSA, 2015).
- 35. African countries have the potential of economic growth.** However, it all depends on the government's willingness to adopt the appropriate policies and strategies, and its commitment to implement these to ensure economic growth. There are numerous examples indicating that industrialisation is more than possible in Africa.
- 36. Manufacturing is the key to a country's prosperity.** It enabled rich nations to develop national wealth and power. Manufacturing also results in economic growth. Globally, the manufacturing of machinery through technological output, is the drivers of economies; and - most importantly - manufacturing has the ability to create employment.
- 37. The employment trends in the manufacturing and processing industries differ a lot from other sectors in the economy.** Other sectors show notable employment creation through business start-ups. Most employment creation in the manufacturing sector appears to be driven by expansions of existing firms, with entrepreneurship playing a lesser role.
- 38. It is estimated that around 30 000 people are currently employed in the Namibian manufacturing sector.** For every employment opportunity created in the manufacturing sector, almost three other are created in the rest of the economy; with every N\$1.00 spent, it generates another N\$2.00. Namibia has an elaborate Industrial Policy with "Growth at Home" as supporting strategy, but no Value-addition Policy. The agriculture sector in Namibia is by far the largest employer (29 percent), while mining is the largest contributor to exports and the GDP, (NSA, 2015).
- 39. Value-added products as a percentage of GDP in Namibia, decreased since 2011 from 14.77 percent to 9.19 percent in 2015.** Although this is in line with the worldwide trend due to the financial crises, it is definitely not beneficial for

Namibia. This is even more reason to introduce a strong value-addition policy in Namibia.

40. **The Harambee Prosperity Plan (HPP) was recently introduced in Namibia as a targeted action plan to accelerate development in specific areas in order to ensure prosperity in the country.** This plan aims to address poverty issues by growing the economy through the creation of decent employment opportunities.
41. **The NamBIC survey conducted in 2014, observed that some of the major business constraints are obtaining government tenders, difficulty to access finance and competition from foreign competitors.** Skills shortage is listed as the second most important business constraint, although many manufacturers presently feel it is the most important impediment in the sector.
42. **Access to proper financing is another impediment.** It is especially the smaller businesses in Namibia that experience the challenge of adequate access to finance. Unfortunately, often managerial expertise is also lacking and financial institutions are then reluctant to provide the necessary funds due to the inherent risk. Tax rates are listed as a lesser constraint in Namibia.
43. **Other constraints which hamper development and growth in the manufacturing sector are insufficient water supply, electricity shortages, inadequate infrastructure, retail sector not procuring locally and economies of scale.** Another important impediment observed in the manufacturing sector, is the lack of applied scientific training in Namibia. Many graduates from tertiary institutions in Namibia do not find employment in the manufacturing sector. It is as if there is a lack of co-ordination between these institutions and the private sector, which must definitely be addressed.

## 1. INTRODUCTION AND BACKGROUND

44. **The manufacturing sector plays a vital role, not only in Namibia, but in most countries worldwide (Namibia Manufacturing Association (NMA), 2015).** According to the 2015 Namibia National Accounts, this sector contributes approximately 8.5 percent to the country's Gross Domestic Product (GDP) and accounts for 4.0 percent of the local labour force (Labour Force Survey, 2014).
45. **Africa is considered as the world's poorest continent, it also experienced the highest population growth rate in recent history.** As per illustration, the Guardian in 2011 reported that on average every woman in Africa gives birth to 5.2 children in her lifetime. From 2000 to 2016 Africa's population increased from 814 million to 1.2 billion in 2016 (United Nations, 2016). Such population growth rates result in immense pressure on any country's per capita income;

hence a contributing factor to poverty and hunger. It is predicted that Africa's population will increase to 2.5 billion by 2050 and; despite an increase in demand for goods, the intrinsic need is that employment creation should follow the same trend (Aurik, 2016).

Table 1: World Population

Year	World Population	Yearly Change	Net Change	Density (P/Km <sup>2</sup> )	Urban Pop	Urban Pop percent
2016	7,432,663,275	1.13 percent	83,191,176	57	4,034,193,153	54 percent
2015	7,349,472,099	1.15 percent	83,686,153	57	3,957,285,013	54 percent
2014	7,265,785,946	1.17 percent	84,070,807	56	3,880,128,255	53 percent
2013	7,181,715,139	1.19 percent	84,214,686	55	3,802,824,481	53 percent
2012	7,097,500,453	1.20 percent	84,073,401	55	3,725,502,442	52 percent
2011	7,013,427,052	1.21 percent	83,702,009	54	3,648,252,270	52 percent
2010	6,929,725,043	1.22 percent	83,245,522	53	3,571,272,167	52 percent

Source: <http://www.worldometers.info/world-population/world-population-by-year/>

**46. Many people in Sub-Saharan Africa are hungry.** The United Nations Food and Agriculture Organisation's (FAO's) figures from 2010 revealed that, many people in Sub-Saharan Africa (including Namibia) are either hungry or undernourished. When this figure is compared to the total of 7.4 billion people worldwide (Table 1), this fact is even more than worrisome. In Sub-Saharan Africa about 30 percent of the inhabitants are poor and undernourished compared to only 16 percent in Asia and the Pacific region (FAO, 2010). The critical question is why?

### 1.1. Defining Poverty

**47. According to the United Nations Educational, Scientific and Cultural Organisation (UNESCO), poverty has the following dimensions: income poverty, relative poverty, absolute and extreme poverty.** "Income poverty" is when a family's income fails to meet a national threshold, adjusted for the number of persons per family. "Relative poverty" defines poverty in relation to the economic status of other members of the society; people are poor if they fall below prevailing standards of living in a given societal context. "Absolute poverty" measures poverty in relation to the amount of money necessary to meet basic needs such as food, clothing and shelter. "Extreme poverty" means a threshold existence below all of the above.

**48. However, income and consumption are not the only criteria to measure poverty. Here mainly two perspectives are relevant.** The income perspective

indicates that a person is poor only if his/her income is below the country's poverty line (the ability to secure enough food) and the basic needs perspective goes beyond the income perspective to include the need for the provision by a community of the basic social services necessary to prevent individuals from falling into poverty.

## 1.2. Causes of Hunger and Poverty in Africa

- 49. The main reasons for poverty in Africa are influences from harmful economic systems, conflicts, environmental factors and climate change (mainly drought and floods), as well as population growth (World Hunger Education Service, 2012).** Africa needs to be aware that a disregard for the environment will in future increase poverty and hunger through droughts, water shortages, desertification, deforestation and erosion, to mention just a few.
- 50. Some of these challenges were caused by countries themselves specifically due to the over-exploitation of natural resources.** Another contributing factor is the International Monetary Fund and the World Bank's economic Structural Adjustment Programs (SAPs) introduced across Africa in the 80's that continued throughout the 90's. At the time African countries were not ready to embrace these SAPs given their historical backgrounds. The results were eventually more damaging to these countries' agricultural production base than its contribution to the alleviation of poverty.

## 1.3. Can Manufacturing be Africa's Route out of Poverty?

- 51. It is important to comprehend that all African countries have the potential for growth.** However, it all depends on the government's willingness to adopt the appropriate policies and strategies, and its commitment to implement these to ensure economic growth. Many global examples exist where poverty-stricken countries transformed themselves into high income economies within a lifespan of one or two generations.
- 52. As an example, Japan after the World War II built its economy with labour intensive industries like toys and textiles.** China being one of the poorest countries, transformed itself into one of the world's largest economies by initially following the same route. It was especially light manufacturing that has driven income margins in these and many other countries. What African countries need is political commitment and the courage to adopt and implement the right policies. For industrialisation to work in Africa (taking the lessons from East Asia and China), public policymakers must overcome the old mindset of orthodoxy and inward looking.



- 53. Currently, Ethiopia's manufacturing sector is a leading example in Africa.** Since 2006, Ethiopia's manufacturing sector has expanded by an annual average of more than 10 percent, albeit starting from a very low base, partly because it has courted foreign investors. They have approached Holland's horticultural firms, China's textile and leather firms and Turkey's garment firms to invest in Ethiopia. Now they are bringing in German and Swiss pharmaceuticals. This is evidence that industrialisation is more than possible in Africa. Ethiopia has embraced the fact that the world has become a global village and now it is reaping the benefits to grow its own industrialisation.
- 54. Research has shown that manufacturing industries tend to cluster.** This is also evident in Africa where modern industrial clusters occur. The increased productivity of these clusters (factories) makes it difficult for new entrepreneurs to establish like enterprises (Page, 2015). For any entrepreneur access to capital is a challenge; it is difficult to secure the necessary collateral (which is not always accepted), while locally available skills are scarce. This became evident through research done by John Sutton (2012), who reviewed the expertise of companies in Africa - of the leading fifty companies only about half were owned and operated by local investors. However, locally owned businesses are not the panacea to industrialisation since participation in cross-border value chains promises more returns to manufacturers willing to expand and grow their enterprises.

#### 1.4. Manufacturing Success: An Example of China

- 55. It is always interesting to evaluate the reasons behind China's manufacturing success. It all started when China experienced a severe drought and subsequent famine in 1959 where tens of millions of the population starved to death.** Economic reforms commenced with the agricultural sector where more than sixty percent of the population were involved in cultivation activities. Legislation introduced a dual price system to enhance household participation. Under the dual pricing system, farmers only had to pay a certain share of their income to the state and could keep the rest for themselves. This was an interesting deviation from the communist doctrine and eventually led to increased producer earnings from agriculture. Hence, these rural reforms were thus successful in creating a consumer demand and it had a multiplier effect on other sectors of the economy (Kui Wai, 2001).
- 56. It was these agricultural reforms that were the cornerstone for the manufacturing revolution in China through increased earnings and creating a demand for manufactured goods (Gulati, 2014).** Surplus agricultural activities resulted in an excess of labour that was absorbed by the so called "village enterprise sector". This sector contributed only 6 percent to GDP

and 9 percent to employment in 1980. By 2002 the GDP contribution already increased to more than 30 percent with employment contributing 27 percent (Brandt and Rawski, 2008).

- 57. Two other factors hugely contributed to China's rapid GDP growth and its manufacturing success during the past decades namely 1) the fact that China opened its economy with policies that were targeted and tailored to attract foreign investment, and 2) to enhance technology transfers, while retaining skills.** China's government was determined to build a modern manufacturing industry (Rodrik, 2006) and it achieved great successes in this regard. Foreign investors thus received preferential treatment (Huang and Tang, 2011) through favourable government policies (Long, 2005).
- 58. China was one of the most centralized economies in the world during the reform periods of the 70's and 80's, but decentralization soon became a priority.** This was successful due to the following (Xu, 2011):
- Regional governments were best informed on local issues;
  - Information could be processed more efficiently; and
  - It allowed for changes on a smaller scale.
- 59. China's foreign direct investment policies resulted in higher productivity, increased exports and employment creation.** The establishment of special economic zones improved initiatives for economic activities in different regions of the country. Local governments, through their provincial authorities, were directly linked with foreign investors to attract the necessary investments for industrial growth (Breslin, 2000).
- 60. Despite the success of state led employment creation, resulting in an agricultural and manufacturing revolution, the Chinese government was eventually responsible of creating an artificial demand without sufficient markets to secure any return on investment.** This is not sustainable in the long-run and resultantly it contributed to a slowdown in manufacturing (Figure 1). These state lead policies ultimately led to higher labour costs (due to an increase in local demand) that over time also contributed to higher manufacturing costs. While the role of government in this regard should be noted (Tseng and Zebregs, 2002), government interventions have its limitations. This can be observed from the eventual deficiencies of the Chinese industrial model (Figure 1).

Figure 1: China's Industrial Production year on year growth



Source: Bloomberg Markets, 2016

### 1.5. The Employment Crisis

61. **A recent example to explain the employment crisis is the “great recession” (bursting of the housing bubble in mid-2007) in the USA.** The slowdown in manufacturing activities since 2000 with a resultant high unemployment rate, was one of the main reasons behind its poor overall economic growth. Already in the seven years before the “great recession” a 20 percent decrease in manufacturing employment was experienced. In 2014 employment in the US manufacturing sector was only 30 percent of what it was in 2000 (Houseman, 2014). Research shows that slow trade and especially imports from China were the main reasons for this. Imports from China contributed around 26 percent to 55 percent of the decline in manufacturing employment. Researchers Pierce and Schott (2012) argued that if the right policies were put in place, a 10 percent increase in manufacturing employment could have been achieved.
62. **Reviewing Africa’s unemployment problem reveals that higher rates are observed in middle-income countries like Ethiopia, Zambia, Botswana, Namibia and South Africa, mainly due to the unavailability of required skills to sustain industry.** The current unemployment rate in Namibia is 28.3 percent (Trading Economics, 2016). On the other hand, lower unemployment is observed in low-income countries such as Malawi, Tanzania, Ghana and Uganda. The reason for this is not the creation of new employment, but merely the informal sector taking up these workers as they cannot find wage employment (African Development Bank, 2012).
63. **It is speculated that four out of five jobs in Sub-Saharan Africa are at risk because of the uncertainty of employment.** The International Labour Organisation in 2011 found that 81.5 percent of labourers in Sub-Saharan Africa can be classified as “working poor”, compared to the global average of 39.1

percent. Fosu (2015) stated that some improvement in poverty reduction in Sub-Saharan Africa was observed since the mid-90's as wages steadily increased over time. Another factor noted by Page and Shimeles (2015) is that official development assistance (foreign aid) was also one of the reasons hampering employment growth and consequently poverty reduction. They are of the opinion that donor aid in the past decades did not focus on strategies to create additional employment.

## 2. MANUFACTURING IN A NUT SHELL

**64. Jon Rynn (2010) summarized the importance of manufacturing very accurately through the following statements:**

- Manufacturing is the key to a country's prosperity. It enabled rich nations to develop national wealth and power.
- Global trade is based on goods, not services. This is a very basic rule; if a country does not produce goods, it will continue to be poor.
- Services are dependent on manufacturing goods. Secondary industries namely "wholesale" and "retail" are the act of buying and selling manufactured goods and therefore a healthy economy depends on a healthy manufacturing sector.
- Manufacturing is the foundation of powerful nations in the world. It is not good enough to produce goods; a country must also manufacture the machines that can fabricate the goods.
- Manufacturing results in economic growth. Globally, the manufacturing of machinery through technological output is the drivers of economies; and
- Manufacturing has the ability to create employment.

Africa only produces about 1.5 percent of global manufacturing output (Cann, 2016). Namibia, unfortunately, also has the following scenario:

"The Namibian conundrum: We produce what we don't consume and we consume what we don't produce".

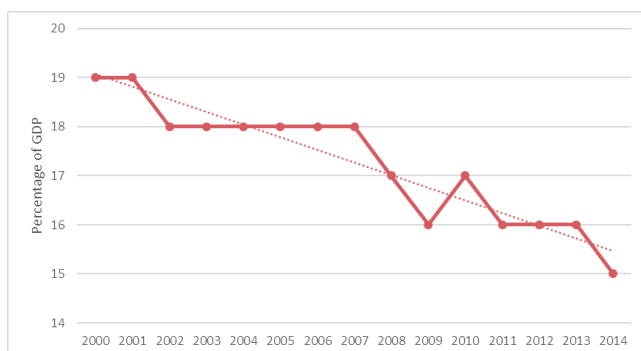
### 2.1. World Value-added Manufacturing as percent of GDP

**65. The World Bank definition for value-added products is the net output of a sector (in this case manufacturing) after adding up all outputs and subtracting intermediate inputs.** It is calculated without making deductions for depreciation of fabricated assets or depletion and degradation of natural resources. The origin of value added is determined by the International Standard Industrial Classification (ISIC), Revision 3.

**66. Figure 2 depicts that the world's value-added output, has been declining.** Where value-added products contributed 19 percent to the world GDP in 2000, its share recently is only 15 percent, (World Bank, 2016).

- 67. The slower growth in value-added as a result of the economic crises, first in the USA and then in Europe, is clearly evident from Figure 2.** Worldwide a slump in demand for value-added products in the industrialised countries was observed during those periods.

Figure 2: Value-added manufacturing as percent of GDP



Source: World Bank, 2016

## 2.2. Manufacturing and Employment Creation Dynamics

- 68. The employment trends in the manufacturing and processing industries vary from other sectors in the economy. Other sectors show notable employment creation through business start-ups.** Most employment creation in the manufacturing sector appears to be driven by expansions of existing firms, with entrepreneurship playing a lesser role. Reasons are obvious – firstly, large amounts of capital are usually invested in equipment and structures, and secondly the kind of specialisation going into such an investment which could render it unrecoverable once lost, often deter investors (Levinson, 2016). This phenomenon is also applicable to Namibia.
- 69. According to the National Planning Commission (NPC) the Manufacturing employment gains during the Fourth National Development Plan (NDP4) were 243 new employment opportunities during 2012, 4 357 during 2013 and 194 during 2014.** The unemployment rates for the corresponding years were 27.4 percent in 2012, 29.6 percent in 2013 and 28.1 percent in 2014. Hence, despite an increase in unemployment from 2012 to 2013 local manufacturing succeeded in growing employment. However, in 2014 manufacturing's contribution to employment creation fell sharply.
- 70. Despite the current drought that commenced in 2012 the lag in the economic activities in most value chains should be comprehended.** As primary production slowed down with the onset of the drought manufacturing still received sufficient inputs to grow employment. However, as the primary

production base is eroded due to the drought, manufacturing eventually became another casualty of lower input supplies. This is evident from the NDP4 manufacturing growth target of 8.1 percent, which resulted in a contraction of 2.2 percent (NPC, 2016).

- 71. Notwithstanding, the manufacturing employment gains in employment opportunities, it can be assumed that from 2013 to 2014 most opportunities were only recycled within the industry (an opportunity lost being replaced by an existing opportunity).** Hence, it is anticipated that the figures for 2015 and 2016 would follow the same downward trend. The ongoing drought has a devastating negative impact on the Namibian economy. This is currently evident in the manufacturing industry where specific activities have to be seized or minimized due to water shortages, while factories rely on a sufficient supply of potable water for operations and cleaning.

### 2.3. The Changing Character of Manufacturing

- 72. The word “factory” is mostly associated with mass production using a number of workers undertaking the same task over and over again.** The changing occupational mix demands different educational backgrounds. More and more production lines are being automated.
- 73. In the USA large factories are on the decline, mainly due to the cost of labour, except for the food processing industry.** It is noticeable that four specific industries, namely chemicals, computers and electronic products, machinery and transportation equipment accounted for more than half the decline in the number of factories with more than a 1 000 workers, between 1998 and 2010. Apart from automatisisation, another factor also contributes to this phenomenon – economists refer to it as “vertical specialisation”, meaning that factories produce only specific components required for a product (also known as intermediate products), which is moved from one location to another (Levinson, 2016).

## 3. MANUFACTURING IN NAMIBIA

- 74. It is estimated that around 30 000 people are employed in the Namibian manufacturing sector.** For every employment opportunity created in the manufacturing sector, almost three other are created in the rest of the economy; with every N\$1.00 spend, it generates another N\$2.00 (NMA, 2016). Namibia has an elaborate Industrial Policy with “Growth at Home” as supporting strategy, but no Value-addition Policy. This hampers the manufacturing sector to a large extent.

### 3.1. Economic Sectors in Namibia

**75. The agriculture sector in Namibia is by far the largest employer with mining being the largest contributor to exports and the GDP (NMA, 2016).**

Table 2 depicts the contribution of the different economic sectors to employment and GDP.

Table 2: Economic sectors in Namibia

Sector	Employment percent (2014)	GDP percent (2015)
Agriculture and Fishing	29.0	3.2
Mining	2.0	12.5
Manufacturing	4.0	8.3
Electricity and water	0.7	1.4
Construction	7.0	6.1
Wholesale and retail trade	13.6	11.8
Hotels and restaurants	4.1	2.1
Finance	1.9	5.6
Real estate & business activities	0.1	7.3
Public administration and defense	5.9	11.4
Education	5.8	9.3
Health	4.2	2.9
Private households	9.4	0.9

Sources: Labour Force Survey 2014 and Annual National Accounts 2015

**76. The manufacturing sector in Namibia is privileged in the sense that it has a representative “voice” when mutual issues are addressed.** The Namibian Manufacturers Association (NMA) was established in 1994 to facilitate a sustainable, competitive and prosperous manufacturing and processing industry in Namibia. The association was transformed into a Section 21 Company in 2002.

**77. Government plays an important supportive role in the execution of the functions of the NMA.** The NMA therefore works closely with the Ministry of Industrialisation, Trade and SME Development, the NCCI and other stakeholders to achieve its goals. Some of the services that the NMA offers are the following (NMA, 2016):

- Facilitate a local conducive environment for manufacturing in Namibia;
- Represent members as a recognized mouth piece in negotiations with

Government;

- Inform members of development in the industry and the international trade arena;
- Encourage import substitution of manufactured goods; and
- Liaise with regulators and input service providers.

### 3.2. Exports from Namibia

**78. Namibia's main exports are raw materials (primary products) and commodities.** Mining is the largest exporter in the country contributing 47.6 percent to total exports.

Table 3: Export products from Namibia

Products	percent of total exports
Animals, meat and animal products	7.1
Crops, vegetables, fruits, forestry products	3.2
Canned fish and fishing products	12.9
Other food and beverages	6.1
Ores, minerals, processed metals (mining)	47.6
Other manufactured products	23.1

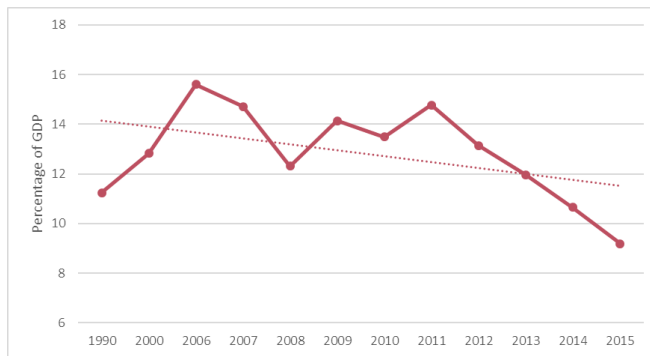
Source: NMA, 2016

### 3.3. Value-Added Manufacturing in Namibia as a percent of GDP

**79. Reviewing a graph retrieved from the World Bank's website, depicting value-added products as a percent of GDP, a definite decline is observed since 2011 decreasing from 14.77 percent to 9.19 percent in 2015 (Figure 3).** Although in line with the worldwide trend due to the financial crises, it is definitely not beneficial for Namibia. This is even more reason to introduce a strong Value-addition policy in Namibia. In the absence of such a policy, certain actors in the value chain are often unnecessarily penalized and result in some value chains being unproductive.



Figure 3: Namibia: Value-added manufacturing as percent GDP

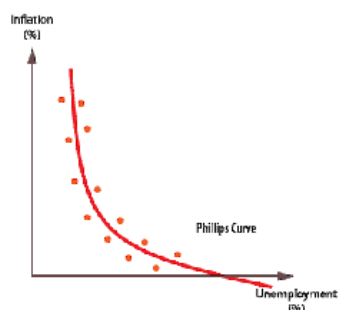


Source: World Bank, 2016

**80. The HPP was recently introduced in Namibia as a targeted action plan to accelerate development in specific areas in order to ensure prosperity in the country.** This plan, however, does not replace the long term national development plans (NDPs) and Vision 2030. It is merely a “fast track” plan to address poverty issues by growing the economy through the creation of decent employment opportunities. Two of the highlighted priorities in this plan pertaining to manufacturing are: 1) to create a minimum of 8000 jobs in the manufacturing sector during the Harambee period and 2) to increase volumes of locally produced goods supplied to the public and retail sectors (Republic of Namibia, 2016).

**81. Care must be taken with the management of the HPP as a forced increase in employment can follow the trend of the so-called “Phillips Curve” (Figure 4).** As an economy grows faster and more people are employed, wages start to increase slowly thereby increasing cost of production, which is passed on to the price of goods. This may give rise to increased inflation. Employment can then experience a downward curve again.

Figure 4: The Phillips Curve depicting the short term relationship between unemployment and inflation

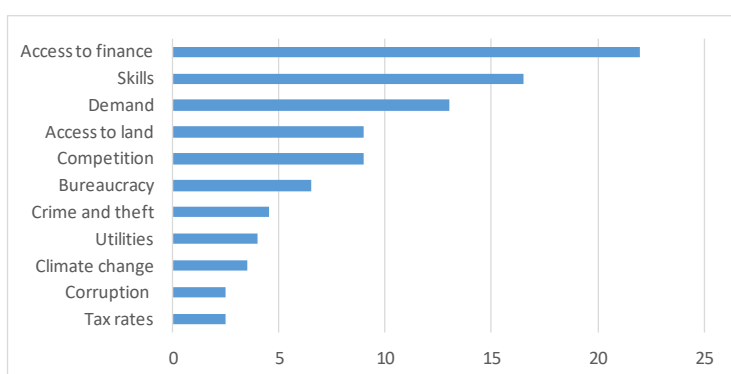


Source: [www.economicsonline.co.uk](http://www.economicsonline.co.uk)

### 3.4. Constraints within the Namibian Manufacturing Sector

**82. The NamBIC survey conducted in 2014 observed that some of the major business constraints (Figure 5) are obtaining government tenders, difficulty to access finance and competition from foreign competitors. Skills shortage is listed as the second most important business constraint (NamBIC, 2014), although many manufacturers presently feel it is the most important impediment in the sector. The availability of human capital in the long run is also crucial to manifest technological spill-over in the manufacturing industries.**

Figure 5: Business Constraints in Namibia



Source: NamBIC, 2014

#### a) Access to finance

**83. No business, whether manufacturing or service delivery, can be established without access to proper financing.** It is especially the smaller businesses in Namibia that experience the challenge of adequate access to finance. Unfortunately, often managerial expertise is also lacking and financial institutions are then reluctant to provide the necessary funds due to the inherent risk.

**84. Tax rates are listed as a lesser constraint in Namibia, but it is interesting to mention that in the USA high statutory corporate income tax rates, which are in the range of 39 percent, were one of the reasons why employment did not increase during the past years.** The effective tax rate for manufacturers was 26 percent, one of the highest in the world and higher than the average rate for manufacturers in the world (Houseman, 2014). The corporate tax rate in Namibia is currently 32 percent (PWC, 2016). Lowering tax rates for manufacturers can create an incentive to invest in additional employment opportunities as available capital can be utilized for salaries.

## b) Insufficient skills and lack of productivity

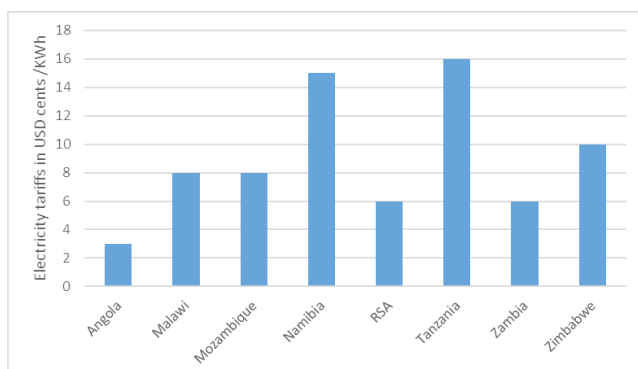
- 85. Following the NamBIC constraints listing, insufficient skills and lack of productivity are high in the manufacturing sector.** Most young people have a negative image of working in a factory and it is sometimes difficult to attract the necessary talent. Manufacturing companies have to offer internships and apprenticeships to fill these gaps. Namibia is not alone in this trend – it is also experienced by manufacturers in the USA (Collins, 2014). The researcher Aurik (2016) stated that productivity can be improved with innovation, introduction of technologies, smart mechanization, training and skills development.
- 86. In Namibia there is the Vocational Education and Training (VET) levy in place.** It seems, however, that it is not adequately utilized. Suggestions to improve this are 1) increased involvement of the private sector and 2) changing the educational system to allow technical skills to be re-introduced in the curricula. A huge need exists in Namibia for employees with technical abilities; more than persons who only want to be part of the office culture. Technical skill shortage hinders the creation of employment opportunities, as manufacturers dread losing operational productivity in this process.

## c) Utilities

### Electricity

- 87. Almost no manufacturing entity can exist without continuous electricity supply, as most operational activities are somehow dependent on electricity supply, even if it is only for lighting.** The supply of electricity in Namibia is, however, considered to be a huge constraint to the manufacturing industry for the following reasons:
- Electricity usage prices are rising disproportionately; Namibian manufacturers are faced with some of the highest electricity tariffs in Africa (Figure 6).

Figure 6: Electricity tariffs in USD cents / kwh



Source: Brown, 2016

- Local generation capacities cannot fulfill future demand;
- Electricity expansion projects are blocked - unprofessionally managed tenders being one of the reasons;
- Namibia has to rely on outside suppliers, which means more insecurity and additional risks regarding delivery and pricing – outside suppliers may capitalize on the situation.
- Vast areas in Namibia still have no electricity supply, which result in development obstacles.

**88. A survey conducted by the NMA (Emcon, 2012) demonstrated that after subtracting the cost of human capital from the average operational budget, electricity cost is the second highest expenditure for the average manufacturer in Namibia. In some instances, it is as high as 23 percent of the company's annual turnover.**

**89. The high cost of electricity also results in a scenario where businesses do not have sufficient capital to invest in expansion strategies to utilise the multiplier effect of increased employment creation.** The high electricity tariffs are also hampering many attempts to make local manufacturing more competitive. There should be a focus on independent power producers, those who utilise solar, wind and biomass for the generation of energy. Government and particularly NamPower need to support these initiatives.

## Water

**90. Namibia, being a drought-stricken country, will always have difficulties with sufficient availability of water.** Lately, the availability of potable water for manufacturing in central Namibia came under threat as little to no inflow into the main water supply dams was experienced during the 2015/2016 rainy season

due to far below average rainfall in the area. Water is a necessity for almost all factories, as personnel needs ablutions and hand washing facilities, factories need to be cleaned and sanitised and often some of the operational activities depends on sufficient potable water supply.

- 91. Most of the big bulk water users in the central parts of Namibia had to cut their water usage significantly during the past months and it meant that manufacturing companies had to shelve all expansion plans, which have a negative impact on any additional employment creation.**

#### Infrastructure

- 92. Manufactured goods need to be transported to markets and without proper infrastructure, manufacturing and employment creation are hindered.** This is especially evident in remote areas where almost no manufacturing activities are found. Factories need supporting services which are also dependent on proper road infrastructure.
- 93. In 1990 the Walvis Bay Corridor Group (WBCG) commenced with its first transport master-plan, namely to create road linkages to its neighbours, as well as the creation of road, rail, air and port institutions.** However, several challenges faced the dream of this group – capacity remains a problem, while the vast distances pose its own challenges and the unavailability of truckers is a recurring problem. Goods need to be transported and manufacturing is thus dependent on reliable infrastructure. Dan DiMicco, chairman emeritus of Nucor Corporation in the USA, once said that investing in infrastructure is a “public investment that pays dividend for decades” - and he adds, “every dollar of infrastructure spending adds \$1.59 to gross domestic product”, (Collins, 2014).

#### d) Retail

- 94. It is well-known that some local retailers have their head offices in countries outside Namibia. Despite their many branches and outlets throughout the country, they procure and stock very little locally manufactured products.** This has an adverse effect on employment creation in the manufacturing sector, as this hamper the interventions on promoting market access at home and abroad. No manufacturer can survive without having a profitable market. Also, expansion of markets often means expansion of business activities, with consequent growth in employment opportunities. The economic sector thus needs to accelerate the development of local manufacturers by 1) utilising the potential of local procurement and 2) generating synergies between local producers and large retail companies in Namibia. I will elaborate on the latter under the “Retail Charter”.

- 95. Another factor hampering the development of manufacturing is the absence of local standards. Traders from neighbouring countries can export basically any product into the Namibian market without the requirement of set standards.** Hence, there is a need to develop local standards in this regard to level the manufacturing playing field.

#### **e) Economies of scale**

- 96. From a practical point of view, what does it entail to establish and operate a manufacturing business in Namibia?** First of all, there needs to be a market for the product, no market, no business. Also, given Namibia's small population of just more than two million, leaves a manufacturer with a small domestic market. This small market can hinder the creation of additional employment opportunities, as expansion is often limited by market size and market share. Economies of scale is therefore the principal barrier for the development of manufacturing in Namibia. Countries with well-established companies and large economies of scale, such as Namibia's neighbour South Africa, are able to export large volumes of products to Namibia. This can be a threat to a new entrepreneur in the local manufacturing sector. Thus, such an entrepreneur needs to maintain high productivity and quality standards in order to achieve a competitive advantage. Furthermore, local exporters, who value strong economies in neighbouring countries, are also currently faced with weakened economies as is the case with Angola and Zimbabwe.

## **4. OPPORTUNITIES IN THE MANUFACTURING SECTOR**

### **4.1. Does Manufacturing Have a Future?**

- 97. The future of manufacturing is somehow uncertain, especially considering the downward trend in value-added output.** Change is inevitable as new technologies emerge such as mobile connections, artificial intelligence, robotics, 3D printing and many more. Factory floor and supply chains will soon be totally transformed resulting in the next industrial revolution that will discard old industrial patterns (Aurik, 2016).
- 98. In 2000, William Hickey, President and CEO of the firm Sealed Air, predicted that by 2050 Africa will replace China as the world's leading manufacturing continent (Maritz, 2011).** The manufacturing industry is a value-added sector that has the ability to create additional employment. Industrialisation has a way to attract employment and presents a significant opportunity for additional employment creation through structural change (Page, 2012).
- 99. Ally Angula, Co-founder and Managing Director of Leap Holdings, Namibia, during the World Economic Forum on Africa in May 2016 said that, Africans**

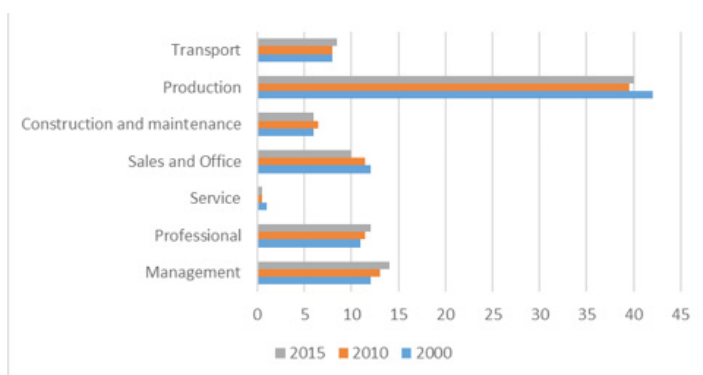
**need to believe that they can manufacture goods for themselves, as the best opportunity exists in producing goods for African consumers.**

## 4.2. Employment Creation in the Manufacturing Sector

**100. Interesting statistics from the USA indicate that the production of goods is no more the principal occupation of workers in the manufacturing sector.** Only about two out of five workers are producing goods (Figure 7). Clerical jobs also decreased and 31 percent of jobs in this sector are managers and professional persons (Levinson, 2016). This trend is also observed in Namibia judging by the variety of vacancies advertised by the sector.

**101. Another important hindrance observed in the manufacturing sector, is the lack of applied scientific training in Namibia.** Many graduates from tertiary institutions in Namibia do not find employment in the manufacturing sector. It is as if there is a lack of co-ordination between these institutions and the private sector, which must definitely be addressed.

Figure 7: US Manufacturing Employment by Occupation



Source: Levinson, 2016

## 4.3. Technology

**102. In the modern world future investments into knowledge-based capital will determine value-adding segments in different countries.** For example, the manufacturing of the iPod in the USA some 41 000 employment opportunities were created with 27 000 outside the US and only 14 000 inside, but the earnings from the design, research and development, as well as marketing contributed US\$ 753 million, compared to the US\$ 318 million earned outside the USA (OECD Observer, 2012). It is quite interesting that one of the aspiring candidates for the US presidency, Mr. Donald Trump, just recently mentioned in public that these jobs must come back to the country! “We are living in a

global village and by just pressing a button, investors can move companies to places where more competencies and capital are available and where long term objectives can be achieved with limited risk and uncertainty” - wisdom from which Namibia should learn.

#### 4.4. Retail

**103. The launch of the “Retail Charter” in Namibia will enhance opportunities for locally manufactured goods to firstly, ensure sufficient shelf space and secondly, create synergies between local manufacturers and large retailers.** Within the “Retail Charter” the following challenges and issues are addressed:

- **Merchandising of products manufactured in Namibia:** The development of local industries could be positively stimulated, if all retailers merchandise Namibian products where feasible and practically possible.
- **Minimum local procurement requirement:** On a voluntary basis a minimum content of local products or local preferences will be ensured.
- **Transparency and fairness in procurement procedures:** Often manufacturers have to travel to foreign countries to apply for listing there. In some cases, Namibian manufacturers are expected to transport their goods to distribution centers outside the borders from where it is then re-exported into Namibia, thereby increasing the cost of the Namibian product significantly and thus making it uncompetitive in its own country.
- **Supplier development programme:** A sector-wide supplier development programme assisting local manufacturers with skills development, labelling and packaging conforming to retailers’ specifications will be established.
- **Monitoring:** A monitoring system measuring real time performance against the targets agreed in the “Retail Charter” will be introduced to ensure that the supply of locally manufactured Namibian products improves.

## 5. STRATEGIES TO CREATE A CONDUCTIVE MANUFACTURING ENVIRONMENT

**104. His Excellency President Geingob, during a recent Foreign Policy Review Conference said that he no longer supports a vision that emphasizes liberation struggle ties as some sort of prerequisite for diplomatic ties, but looks more towards a policy that has significant economic spin-offs.** When talking strategy, a focused export strategy is critical. That is why many African countries are striving towards regional integration in order to link their markets. However, the implementation of this seems currently not to be the main concern. Africa accounts for only 1.9 percent of GDP worldwide compared to the 21 percent contributed by the USA and 23 percent by Europe (Yufi Lin,



2015).

**105. Most empirical studies state that China's growth since the reform period can be contributed to institutions and policies, as well as economic factors (Lin, 1992).** If policymakers want to make a real difference in what they implement, they should specifically be knowledgeable about the following (OECD Observer, 2012):

- Reasons why companies establish themselves, or close down;
- Reasons why companies choose specific locations to establish themselves;
- Ways and means to save costs;
- Access to labour;
- Entering into growing and niche markets; and
- Exchange rate influences.

106. These should be comprehended to create a conducive manufacturing environment that includes inter alia costs savings, being closer to cheap labour, tapping into growing markets, accessing commodities and even consumer tastes.

**a) Finance**

**107. It is absolutely essential that a conducive environment is established where entrepreneurs and companies who rely on efficient financial systems to fund investments are accommodated.** It is not only the access to finance that is important, but also the knowledge of productive and sustainable use of capital (NamBIC report, 2014).

**b) Electricity**

**108. Price stability in the electricity market is crucial.** Namibian manufacturers already pay high prices and will further lose economic competitiveness and social coherence if electricity prices continue to rise. The following actions should be put in place to enable effective electricity supply (NMA, 2016):

- Secure supply, meaning there must be a risk minimizing strategy in electricity supply. It is unwise to sign supply contracts with countries that cannot generate sufficient supply for themselves;
- Support to independent power producers and the use of solar, wind and biomass as an untapped resource for energy generation;
- Increase the coverage of electricity supply to all Namibians;
- Improve the market structure of the energy market by revising the power of the current monopoly; review the role of government and the Electricity Control Board in the industry; and
- Unbundle the roles and functions of the institutions in this sector in a viable way by revisiting generation, transmission, systems operations and trading.

### c) Water

- **Short term strategy: Embark on an intensive nation-wide awareness campaign to bring information to inform users to save water and thus to adopt a different attitude towards water.** Enforcement of regulations must be strict and consequences need to be communicated very clearly.
- **Medium to long term strategy: Business entities need to take into consideration the status and future prospects of water supply in Namibia.** Rationing of water will send a signal to the business world that Namibia has become a no-go area. All stakeholders need to reflect on water and energy likewise to define the way forward for the industrialisation process.

**109. The private sector on numerous occasions voiced their concern about the lack of planning to guarantee a secure water supply to especially the central areas of Namibia.** The business community views the City of Windhoek's project in the development of infrastructure towards the establishment of the Windhoek Managed Aquifer Recharge Scheme (WMARS) as strategically important to the security of a potable water supply. The WMARS aims at accessing additional supply sources to mitigate the current water crisis. This is crucial for the manufacturing sector as a rationing of water will result in increased unemployment especially towards the end of 2016 / 2017.

### d) Infrastructure

**110. The expansion of the Walvis Bay Corridor into SADC countries should definitely receive more attention and funding to ensure that more targeted manufacturing opportunities are identified and implemented along the said corridors.** This will stimulate new employment creation. It is unfortunately a fact that cabotage limits the quantity of goods that can be transported across borders, which results in empty trucks returning to destinations. An opportunity exists to change this practice.

**111. Another strategy would be to bring the private sector on par with rail activities especially with regard to the availing of rolling stock, which should be done in partnership with the government.** A suggestion would be to aim to move over 60 percent of cargo to rail by 2020, especially heavy products such as fuel, coal and cement (NMA, 2016). Rail must, however, offer competitive prices and reliable services. In addition, domestic flights connections should be improved and flight costs should be more affordable to encourage air travelling by business persons to be able to easily commute to businesses in remote areas.

## 6. QUICK FIXES TO ENCOURAGE EMPLOYMENT CREATION IN THE MANUFACTURING SECTOR

### 112. The question is, are there quick fixes to encourage employment creation in the manufacturing sector?

Let's look at some possibilities:

- Dialogue between government and the private sector pertaining to insecurities with regards to the availability and costing of utilities such as water, electricity, and infrastructure.
- Avoidance of unwanted policy signals to investors in order to maintain investor confidence;
- Promote local manufacturing and the procurement of local products, especially through government tenders, and draft local standards for imported products;
- Increased focus on skills transfer and development;
- Increased role of the private sector in government initiatives;
- Increased focus on the development of cross-border value chains to stimulate local manufacturing. The Southern African Customs Union (SACU) agreement is currently being re-negotiated to deepen regional integration; a single country of origin certificate would assist in establishing cross-border value chains; and
- Create a national Namibian culture with a need to manufacture what is desired.

## 7. CONCLUSION

**113. Manufacturing can create employment.** Prosperity and wealth are within the reach of all Namibians. Namibia is a great country with great people, but it needs to focus on opportunities to eradicate poverty. In conclusion I would like to quote from Thomas A Edison: "Opportunity is missed by most people because it is dressed in overalls and looks like work".

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# EMPLOYMENT CREATION IN THE TOURISM SECTOR: HOW CAN NAMIBIA USE THE TOURISM SECTOR TO REDUCE UNEMPLOYMENT

*By Mr. Manfred Goldbeck, Managing Director, Gondwana Group*

## 1. INTRODUCTION

**115. The topic of employment growth within the tourism sector is an extremely significant one, given the high potential of Namibian tourism to create much needed employment.** It is, however, also a topic defined by complexity, given the extensive number of stakeholders and influencing factors involved. There is no single, simple or short-term recipe for success.

**116. What is abundantly clear is that this topic is multi-layered and can be debated and discussed from many different angles.** In embarking on the journey to prepare this opinion piece, I referred to a mountain of relevant policies, acts, white papers, strategies and reports all with varied views, protocols and suggestions on the subject matter. Including The Tobacco Products Control Act of 2010, Affirmative Action, taxes and levies, New Equitable Economic Empowerment Framework (NEEEF), training levies, to mention just a few. Going through this multitude of papers, one of the overall questions I have had, is whether we are not potentially becoming too bureaucratic and complex in our approach?

**117. Given that Mr Goldbeck is not an economist or industry analyst, the perspective put forward in this article, is primarily based on his personal experience in Namibia's tourism and hospitality industry.** An industry where he worked for 25 years, of which 20 he was the Managing Director of Gondwana Collection. During this time, he witnessed the evolution of Namibian tourism from a fledging sector trying to establish itself following independence, to the more developed (albeit still maturing) industry it is today. It is important to note that our industry has also evolved organically and intuitively rather than one created by hospitality professionals from inception. Therefore, as we will see, we are now at a point in our development, where a more professional approach is needed if we hope to compete effectively on today's modern world-tourism stage.

**118. On the cover of The National Tourism Investment Profile and Promotion Strategy by MET, the following sentiment is quoted from Method of Historical Materialism:**

*"To know the present we must look into the past, and to know the future, we must look into the past and the present".*

**119. This statement provides a relevant foundation for any discussion relating to employment creation in the tourism sector.** In order to unlock the true potential of Namibia's tourism industry tomorrow, we need to first understand the journey Namibian tourism has followed to date and the context it finds itself in today. Only by understanding and learning from the past and present, can we identify the factors and actions with the true potential to enhance the future performance of the industry - and with it, job creation. This article, endeavours to provide some insight into the history of tourism and the country.

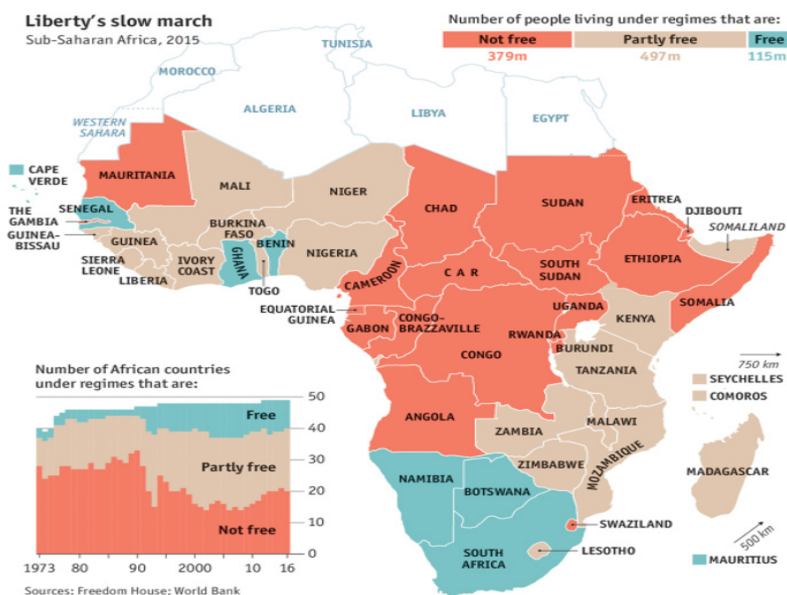
## 2. NAMIBIA'S JOURNEY SO FAR

**120. Namibian tourism is inextricably linked to the history and current context of the country at large.** On the one hand, in the 26 years since independence, Namibian society and our country profile has shifted in a number of important and positive ways. On other key dimensions however, Namibia has not transformed as much or as quickly as desired and required.

### 2.1 Namibia's country profile within the African context

**121. Namibia enjoys a notably positive image within the international community.** Understood to be a safe and peaceful country, Namibia is considered an "island of success" in the Sub-Saharan Region and on the African continent, where uncertainty and instability is still prevalent in many countries.

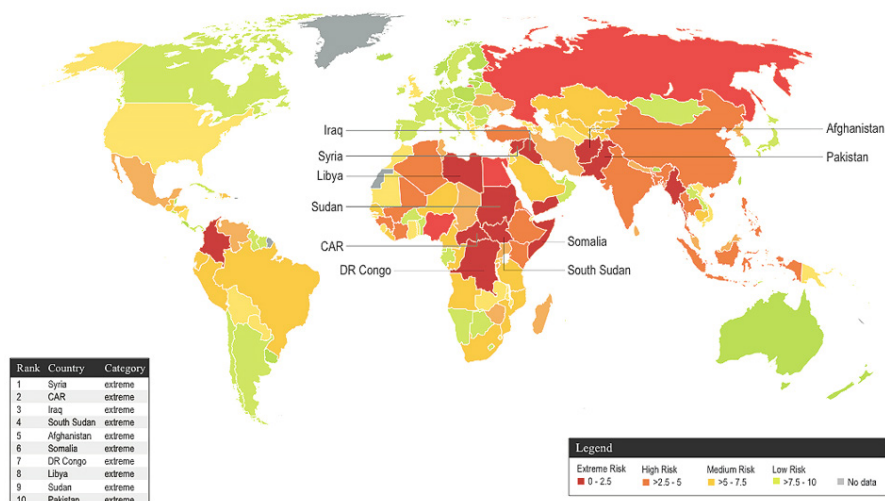
Figure 8: Africa's Democracy Index



Source: Freedom House, World Bank, 2015



Figure 9: Conflict and Potential Violence Index



Source: Maplecroft, 2013

Figure 10: Global Peace Index 2015



Source: Institute for Economics and Peace, 2015

**122. Following peaceful elections in 1990, Namibia's leadership has continued with its favourable intention to enhance transparency (Namibia ranks very high on press freedom) and to build an increasingly integrated, stable and positive society and economy. Testimony to this, is Namibia's National Development Plan (NDP4/5) and Vision 2030, which articulates government's mission, "to be a prosperous and industrialised nation, developed by her human resources, enjoying peace, harmony and political stability."**



**123. Namibia is also a good example for the world of environmental consciousness.** Namibia was the first African country to incorporate protection of the environment into its constitution. Management of natural resources through the establishment of communal conservancies is another remarkably progressive policy that has not only empowered communities with sustainable income derived from these areas, but also enlisted their support for nature conservation. This has to date had a significantly positive effect on ecotourism and nature restoration and protection. Among the biggest success stories have been the reintroduction and recovery of game in the Bwabwata National Park, Nkasa Rupara National Park and the Mudumu National Park in the north-east of Namibia. Other similar success stories can be found in the Conservancies in the north-west of Namibia.

#### Implications for tourism:

**124. A positive country image that gives confidence to tourists of a safe and positive African experience, is an undeniably critical asset for our tourism industry.** Ongoing management of Brand Namibia on the world stage should, therefore, remain a key priority for our nation. It stands to reason also, that our leading and world-class conservation efforts (while we are mindful that some challenges do still exist) furthermore help to establish our country as a distinctive and high quality nature and wildlife destination. This translates into another crucial competitive advantage we have as country.

## 2.2 Macro Economy

**125. Political stability and sound economic management have undoubtedly helped to anchor economic growth and poverty reduction in Namibia.** With a gross domestic product (GDP) growth of 5.3 percent in 2015, the Namibian economy continues to grow in line with its long-term trend. Low interest rates, fiscal stimulus, and substantial foreign direct investment (FDI) in mining have to date resulted in a construction boom, fast household consumption growth, and solid growth in tradable services. These have all had a positive effect on our economy.

**126. However, we also face a number of significant challenges.** Despite generous spending on social programs, growth has unfortunately not been accompanied by adequate job creation. The extreme social and economic inequities inherited from apartheid therefore still persist.

**127. With increased urbanisation, construction and mining sector growth, electricity and water demand has grown rapidly.** While our roads have historically been highly efficient by African standards, their quality is starting to decline. Namibia therefore faces a serious deficit in infrastructure, water and

energy right now given little generation of new capacity since independence. Lastly and of real current concern, debt levels have also climbed steeply from around 17 percent of GDP in 2009 to 43.5 percent of GDP in 2016.

Implications for tourism:

- 128. Adequate energy and water provision as well as a well-maintained road network are fundamental requirements for a well-functioning tourism product.** Shortfalls in either will have a significantly negative impact on our industry.
- 129. With government needing to prioritise broader infrastructure development we can also expect that significant investment in tourism (in product and marketing funding), will be constrained.** Going forward, therefore, it is most likely that, the industry may need to secure outside funding for further product enhancement, and the onus will largely continue to be on hospitality providers to market our destination.
- 130. Beyond the macro shifts explored, in other key aspects, Namibia has however remained reasonably static.**

## 2.3 Namibia is still a small market with low buying-power

- 131. Namibia remains one of the less densely populated countries in Africa, with small market power.** While Namibia's population doubled from 1990 to 2014, with a population of nearly N\$2.3 million (last released in 2015), it remains one of the smallest populated countries in Africa (41<sup>st</sup> out of 58). In terms of country size (area), of the fifty largest countries in the world, Namibia ranks 34<sup>th</sup> out of 50. In the World Economic Forum's 2015/2016 report Namibia was furthermore ranked only 85<sup>th</sup> out of 140 countries on the Global Competitive Index.

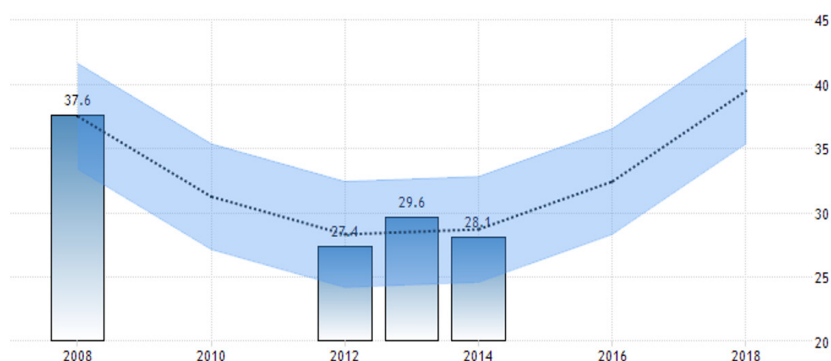
Implications for tourism:

- 132. Borrowing from the analogy of David against Goliath, being such a small economy and reasonably small country, it stands to reason that Namibia's tourism cannot realistically compete on pure brute strength (like for like).** Namely on the scale and comparative sophistication of our offering, nor through the size of our national marketing spend (which bigger countries may be able to fund more comfortably). To stand out on the global stage will therefore require a far more niched and tailored strategy. Where we endeavour to establish Namibia as a highly distinctive offering, targeted at a more precise market, who are approached in a more focused and high quality way.

## 2.4 Unemployment remains a key concern

**133. Economic growth in Namibia has been jobless.** While employment has increased from its 2008 lows, Namibia's economic growth, prudent macroeconomic policies and generous social programs have however not generated sufficient jobs to overcome the persistently inequitable distribution of income and assets or raise living standards among the urban poor and those in rural areas.

Figure 11: Rate of Unemployment in Namibia



Source: Namibia Statistics Agency, 2015

**134. Namibia's current official unemployment rate of 28.1 percent is still far too high and therefore remains an on-going priority at the top of government's agenda.**










































Implications for tourism:

**135. With every thirteen new tourists it is estimated that one new job is created.** An increase of 10 percent in tourists (based on current government statistics of 1.3 million annual tourists) would accordingly result in an additional 10 000 jobs. In simplest terms therefore, growth in the number of tourists visiting Namibia can have an immediate and significant impact on the country's employment. Given that tourism activity tends to primarily take place outside of urban centres, enhanced rural employment would furthermore be a consequence of tourism growth.

## 2.5 Education

136. Ranked 109<sup>th</sup> out of 140 countries, the quality of Namibia's education and training still lags significantly behind developed countries with an overall score of only 3.3 out of 10.

Table 4: Quality of Education in Namibia

 <b>5th pillar: Higher education and training</b> 1-7 (best)		<b>109</b>	3.3			
A. Quantity of education 1-7 (best)		112	2.6			
Secondary education enrollment rate gross %		111	64.8			
Tertiary education enrollment rate gross %		117	9.3			
B. Quality of education 1-7 (best)		116	3.3			
Quality of the education system 1-7 (best)		96	3.2			
Quality of math and science education 1-7 (best)		121	2.9			
Quality of management schools 1-7 (best)		114	3.5			
Internet access in schools 1-7 (best)		102	3.5			
C. On-the-job training 1-7 (best)		73	4.0			
Local availability of specialized training services 1-7 (best)		102	3.7			
Extent of staff training 1-7 (best)		40	4.3			

Source: World Economic Forum: Global Competitiveness Report, 2015/2016

### Implications for tourism:

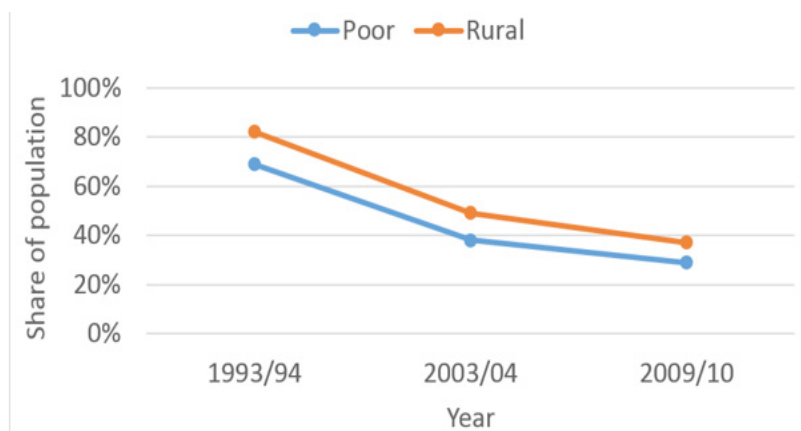
137. **Education and training for the tourism sector is an equally burning issue that requires focused attention.** As the world continues to become smaller (better connected) and so more competitive, the quality of the service we deliver as an industry becomes increasingly important. It is critical that we are able to deliver a quality of experience that is on par with our competing destinations.

## 2.6 Namibian transformation remains dishearteningly slow

138. **Following Independence, the foremost aim of the Namibian government has been to minimise all racial, ethnic, economic and geographic segregation imposed during Apartheid.** However, despite significant progress made, discrepancies between white and black, between urban and rural areas, and between the new wealthy elite and the on-going impoverishment of growing sections of the population, persist. Of most concerns is that, according to the 2015 Human Development Report, Namibia now has one of the worst income

inequalities in the world.

Figure 12: Namibia - Socioeconomic Development



Source: Namibia Development Plan 4, 2013

**139. Poverty levels have been declining.** While there has been an encouraging 40 percent reduction of poverty between 1993-2010 (UNDP Chief of Development Planning), 45.7 percent of the population still live in poverty (Bertelsmann Stiftung, BTI 2016 — Namibia Country Report).

Implications for tourism:

**140. Twenty-six years after the birth of our independent nation, transformation is clearly still inadequately slow.** This is a situation that is unfortunately even more pronounced in the tourism industry, for reasons discussed in detail later in this paper. However, with its ability to significantly enhance employment opportunities particularly in rural areas, and elicit foreign spend in our country, tourism has the potential to play a vital role in the re-balancing of Namibia's economic distribution. Any increases in middle-income buying power will specifically also have a positive effect on our domestic tourism.

Summary of the current Namibian context and implications for tourism

**141. Namibia is in general a much better place to live in than it was twenty years ago.** The country is considered a safe and peaceful haven on the African continent, and is characterised by a leadership driven by the right intentions, to enhance the well-being of all its citizens. But in contrast to the many positive transitions and gains made since Independence we continue to struggle with persistent joblessness, poor education for all and inequality.

**142. Tourism has within this context a vital role to play as a means to continue enhancing our positive reputation around the world and also as a real and impactful means to promote further economic development.** However, as a small country now competing on a far more connected and competitive world stage, a more aggressive and focused approach to its development may still be needed to realise its full potential.

### 3. NAMIBIAN TOURISM – THE ROAD WE HAVE TRAVELLED AND THE PLACE WE FIND OURSELVES IN TODAY

**143. Having secured our independence relatively recently in 1990, Namibia in its current form is one of the youngest countries in the world.** The same can be said of our country's tourism, which was only formally established after Independence. Given the relative infancy of our industry, our average annual tourist growth of 5.5 percent over the past 20 years has therefore been an exceptional achievement. While we need to be mindful that this impressive growth has been off a very low base (beginning with 150 000 tourists per year just after independence), the value of tourism to Namibia has been undeniably significant.

#### 3.1 Tourism is a key contributor to Namibia's economy

**144.** The following statistics taken from – Travel & Tourism, Economic Impact 2015, Namibia – confirms the crucial role tourism plays within the Namibian economy:

**Table 5: Contribution of Tourism to Namibia's Economy**

<b>Tourism - Contribution to GDP and Employment (2014)</b>		
	<b>Direct Contribution</b>	<b>Total Contribution (including indirect)</b>
<b>GDP</b>	3% N\$ 3,7bn	14,9% N\$ 18,4bn
<b>Employment</b>	4,5% 24.000 Jobs	19,2% 102.500 Jobs

*Source: Travel & Tourism, Economic Impact, 2015*

**145. By 2025, Travel and Tourism is forecast to support 186,000 jobs (25.0 percent of total employment), an increase of 5.7 percent, per annum over the period.** On the presumption of a consistent pace of growth, predictions are that Namibia will be the best performing tourist destination globally by 2025. With this potential prospect for our tourism industry, it is encouraging to note

that the NDP4 states the following objective for the Namibian Tourism Industry, “that tourism is a key focus area and it is crucial to economic priorities for the period ending 2016/17”.

Table 6: Namibia - Predicted Contribution of Tourism to GDP and Employment

Travel & Tourism's Direct Contribution to GDP	2015 - 2025 % growth pa	Travel & Tourism's Total Contribution to GDP	2015 - 2025 % growth pa
1 Namibia	8.8	2 Zambia	8.1
3 Zambia	7.7	5 Namibia	7.2
6 Angola	6.7	8 Angola	6.7
17 Tanzania	6.2	9 Tanzania	6.6
47 Botswana	5.2	44 Botswana	5.3
50 Kenya	5.1	49 Kenya	5.1
52 Zimbabwe	5.1	51 Zimbabwe	5.0
Africa	4.9	Africa	4.9
70 South Africa	4.6	65 Malawi	4.6
77 Malawi	4.5	83 South Africa	4.3
World	3.9	World	3.8
142 Madagascar	3.2	134 Madagascar	3.4

Travel & Tourism's Direct Contribution to Employment	2015 - 2025 % growth pa	Travel & Tourism's Total Contribution to Employment	2015 - 2025 % growth pa
2 Namibia	6.7	1 Namibia	5.7
5 Zambia	4.8	17 Angola	3.8
18 Angola	4.0	25 Zambia	3.5
43 South Africa	3.0	48 Kenya	2.9
51 Kenya	2.9	51 Tanzania	2.7
60 Botswana	2.6	54 South Africa	2.7
82 Tanzania	2.3	Africa	2.3
Africa	2.3	World	2.3
World	2.0	85 Botswana	2.0
141 Zimbabwe	1.1	138 Madagascar	1.1
146 Madagascar	0.9	147 Malawi	0.9
149 Malawi	0.8	170 Zimbabwe	0.2

Source: World Travel and Tourism Council 2015

### 3.2 Domestic tourism is delivering notably strong returns:

**146. Domestic travel spending generated 56.1 percent of direct Travel and Tourism GDP in 2014 compared with 43.9 percent for visitor exports (i.e. foreign visitor spending or international tourism receipts). Domestic travel spending is furthermore expected to grow by 6.3 percent in 2015 to N\$9,651.9 million, and rise by 6.1 percent pa to N\$17,460.7 million in 2025.**

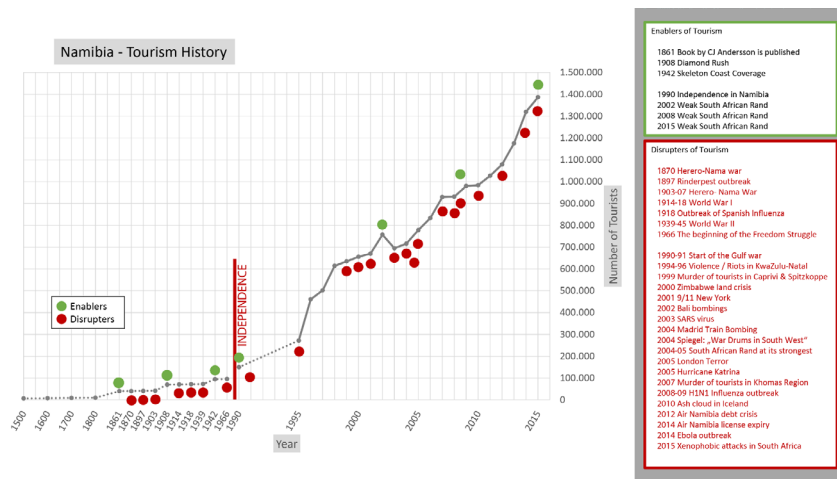
### 3.3 Namibia is considered a strong Sub-Saharan Africa tourism contender:

**147. Namibia encouragingly is already rated relatively highly in the World Economic Forum's Travel and Tourism Competitiveness Index. In 2011 it was ranked third most competitive tourism destination among the Sub-Saharan Africa countries, behind Mauritius and South Africa. Here the World Economic Forum specifically noted that:**

*“The country benefits from its rich natural resources, with rich fauna and a pristine natural environment. Indeed, environmental sustainability is prioritised in the country (ranked 22<sup>nd</sup>), which is critical, given the importance of the quality of the environment for Namibia’s tourism. In addition, ground transport infrastructure is well developed by regional standards (ranked 44<sup>th</sup>).”*

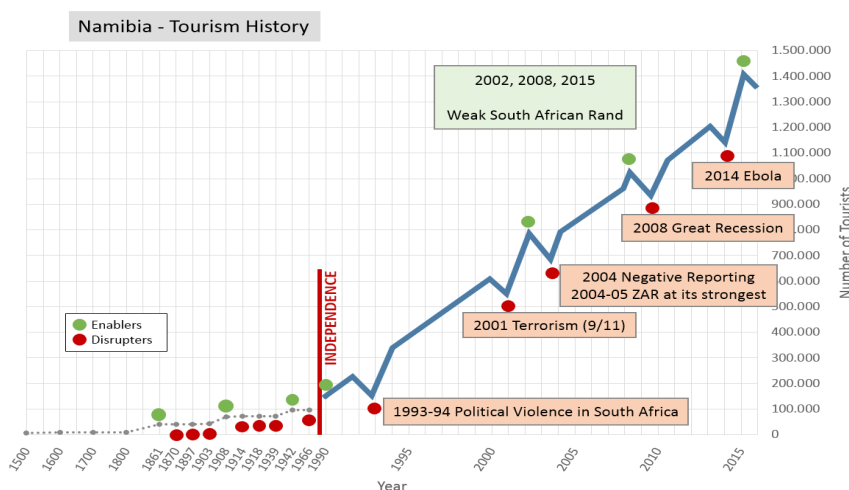
### 3.4 Global confidence in the country and prices has historically been key influencers in Namibia’s tourism performance:

Figure 13: Historical Development of Tourism in Namibia



Source: Author's own compilation, 2016

Figure 14: Main Enablers and Disruptors of Tourism in Namibia



Source: Author's own compilation, 2016



**148. A look at the past 26 years of Namibia's tourism receipts has identified two key influencing factors, namely country confidence and price.** Namibia has historically experienced notable increases in tourist arrivals when the South African Rand was weak, making travel to Namibia more affordable. Additionally, any negative events that have occurred specifically in Sub-Saharan Africa but also in Africa as a whole have eroded confidence in travel to Namibia.

This highlights two key implications for consideration:

- The current profile of Namibia's offering may not be perceived to be distinctive enough. Said another way, if price is such an influential factor, our country's tourism may currently be seen as 'just another holiday experience' on par with similar offerings. By implication this makes it more susceptible to currency fluctuations and less compelling when the cost of spending time here goes up (when compared to other destinations being considered).
- Travel to Africa is still a little outside of the comfort zone of international travellers. Being an unfamiliar environment for these travellers, any negative press (albeit on events taking place elsewhere in Africa), still creates apprehension about travelling to the country.

## 4. THE KEY QUALITIES THAT HAVE LED TO NAMIBIA'S TOURISM SUCCESS TO DATE

### 4.1 The 'Africa Factor'

*It can be said that Africa has historically held a romantic attraction for the intrepid adventurer and seeker of unique travel experiences.*

149. In 'Les Fous d'Afrique' (Those who become mad about Africa) some of the compelling qualities and perceptions about Africa are well described:

*As the cradle of mankind Africa is where the true spirit of humanity can be found. Is a place that invites you in by its generous, authentic and gentle people to share in and create your own thrilling and moving stories. Africa promises infinite journeys of discovery through untamed and pristine natural landscapes, while simultaneously humbling and inspiring you. Africa is an experience that becomes addictive to one's soul.*

150. The same can be said of Namibia. **Namibia has every potential to serve as the gateway into Africa, to show the world the true beauty of an African smile and the true nature of an African community.**

## 4.2 The 'Contrast' Factor

Within the African continent, Namibia is a country blessed with many distinctive and compelling natural assets and tourism experiences.

**151. For travellers wanting to discover and enjoy Africa's wildlife, Namibia provides more opportunities than any other African destination to do so, with the largest and most varied selection of national as well as private parks and communal conservancies in place in Africa.** Not only does Namibia possess exceptional wildlife – including a quarter of the world's cheetahs and the last free-ranging population of black rhino – at our well-developed network of parks, reserves and safari lodges, but also the landscapes of our coastline and deserts are some of the most photographed in the world.

Figure 15: Namibia's Diversity



Source: Gondwana Collection Namibia, 2016

**152. We are therefore truly a continent in one country, that offers an exceptional variety of contrasts, from desert to sub-tropical regions, and sandy dunes to wide open beaches, to a strong and interesting blend of varied cultures.** The experience of Namibia has furthermore earned a reputation for being a uniquely rugged, soulful, liberating, insightful and even an addictive one.

**153. Namibia offers visitors a journey through the country brimming with many, varied and fascinating attractions, these include:** Sossusvlei (desert, highest dunes), Etosha wildlife, Swakopmund (coastal desert town, culture, German history), landscape (Kaokoveld, Damaraland), Kalahari Desert, Fish River Canyon, Kolmanskop (Ghost town and Diamond rush history), Wild Desert

Horses, Biggest meteorite (Hoba), Waterberg plateau, Herero History (Herero woman with Victorian dress), Twyfelfontein, one of the last semi nomadic ethnic groups/tribes (Ovahimbas), Epupa Waterfalls, Quiver Trees, Orange River landscapes, The Skeleton coast, Donkey bay (delivers the best wave to surf in the world for professional surfers), 300 days of sunshine, the north-eastern area with wildlife, parks and river systems (Okavango, Zambezi), our German Colonial History, freedom for self-drive tours, outdoor camping, plentiful bird-watching opportunities, and Namibia's historical road to independence.

### 4.3 The 'Darling' Factor

*We are a safe, stable environment with relatively good and efficient infrastructure.*

**154. While the distances are great, Namibia has some of the best roads in Africa, making it an attractive self-drive destination.** Our cities and towns are also clean and relatively safe, providing peace of mind for travellers who are perhaps a little apprehensive about travelling through Africa. Namibia's high ranking on the global press freedom index, improved efforts at government transparency and accountability (particularly through the asset declaration of the President and First Lady), and its improved performance management system for civil servants, further sets our country apart from most African destinations as a hub of good governance. Thus Namibia is among the prime tourist destinations in Africa.

**155. We therefore have great inherent potential as a product, but still need to be mindful that we do not exist in isolation.** As the saying goes, "If you sit on the train tracks for too long you will be run over". The world has since the early days of our industry become far more connected and accessible for travellers. This makes it more competitive than ever before. To continue to grow at the pace we have enjoyed so far, Namibia will need to keep moving (evolving) its product and experience, to meet the changing demands of an increasingly more sophisticated traveller. If we do not match the pace of the world's tourism development, we will be left behind in the dust of other destinations that are.

## 5. KEY CONSIDERATIONS FOR TOURISM AND HOSPITALITY IN TODAY'S WORLD

### 5.1 Tourism has become an increasingly competitive industry:

**156. Over the decades, tourism has experienced accelerated growth and diversification to become the fastest growing economic sector in the world.** Today the business volume of tourism equals or even surpasses that of oil exports, food products or automobiles. Tourism has subsequently

developed into one of the biggest contributors to the national GDP's of many countries worldwide. Some countries, like Mauritius in fact, base almost their entire economy on this sector. Accordingly, tourism has become far more professionally run and sophisticated.

**157. Furthermore, in the predicted improving global economy, all major regions are forecast to enjoy inbound tourism growth.** The fastest growing major countries for total Travel & Tourism GDP to 2025 are expected to be India, China, Thailand, Indonesia, Peru and Kenya, and amongst the smaller economies, Myanmar, Montenegro, Angola, Tanzania, Bangladesh, Cambodia and Mozambique. In the foreseeable context therefore of an improving world economy, travellers who are seeking out more distinctive (non-traditional) experiences, smaller emerging countries who are raising their destination profiles (thereby increasing the diversification of offerings), and are far more professional business around the world - the tourism landscape can be expected to become far more competitive.

## 5.2 To win in today's experience economy, tourism destinations need to deliver beyond product and price alone:

Figure 16: Evolution of Customer Value



Source: Author's own compilation, 2016

**158. Marketer, Joseph Pine offers a comprehensive explanation of the overall evolution of customer value of the shifts that have taken place in the world's consumption paradigms, which has a significant implication for our tourism offering.** Ten thousand years ago the world was an agricultural and hunter-gatherer society. This created the first and commodity driven economy. Animal, vegetable and mineral products were extracted from the

environment and sold on the open market. Consumer choice was consequently driven and limited by what products were available in their environment.

**159. Then along came the industrial revolution where goods became the predominant economic offering.** Here raw materials were manufactured into products. This gave rise to the earliest creation of brands, where goods began to differentiate themselves on the quality of their ingredients, which were packaged in a carefully constructed identity. This marked the shift from an agricultural to an industrial economy.

**160. Over the next fifty years as more goods (and brands) became available, people became most concerned with price.** So brands became equally focused on managing cost and began aggressively competing on price. The antidote to this commoditisation of goods, was customisation. Here brands focused on making the experience of purchasing these goods a superior one. With this new dimension of value added, the world moved from an industrial economy, to a service based economy. The establishment of restaurants is an example of this.

**161. Over the past ten or twenty years, however, services have also become differentiated by price.** Everything from air travel to car hire services, have become commoditised as well. This has been driven, not only by increased competition on services, but also by the internet and the information it has made available. Today consumers are able more than ever before, to quickly work out which are similar goods and services and which brand offers the best price.

**162. Consequently, the world has evolved again, this time into an experience based economy.** Where customised experiences (that are real, meaningful, personalised and emotionally satisfying), are now driving consumer choice. In this new economy, the brands that are most successful, are the ones that are best able to manage and customise the overall customer experience. They do this by focusing on delivering personalized moments and memorable connections, across multiple touch points, in real time. Examples of experience-led offerings are themed restaurants, experiential retail, boutique hotels and craft beers. Where the moment of purchase moves beyond pure consumption, into a highly emotional and customised personal experience.

### 5.3 Power is shifting from middle-men to consumers:

**163. Today's customers know more and demand more, and when they aren't listened to, simply change who they associate with, with ease.** Armed by technology and with greater access to information, people are no longer as reliant on 3<sup>rd</sup> parties for information, planning and even executing their travels

themselves. Mobile activity has furthermore allowed social media to live in real time by allowing users to create updates, tag friends and check in on their mobile devices. In this highly socially connected environment, if you disappoint a customer or if you don't meet their needs, they're not afraid to tell their potentially hundreds of online friends, fans and followers with immediate effect and ease.

## Implications for Namibia

Customer experience management is more important than ever before

**164. The bottom line is that the landscape has changed and in it the consumer has become more powerful and demanding.** The Namibian tourism and hospitality industry needs to be mindful of this shift and be equally willing to change, from a pure focus on product and price, into more dynamic and responsive customer experience. Impressive and unique guest experiences that exceed expectations will be needed to capture and wow visitors in this increasingly competitive market. With travellers also increasingly looking to connect in more personal and authentic ways with the destination they are in, sincere and insightful service touches are therefore also important dimensions of the Namibian travel experience.

**165. In today's hyper connected world, we are whether we like it or not, affected by movements shaping the globe.** Our reputation and our potential customer reach today therefore, extends well beyond our geographic location. One unhappy traveller, local customer or employee, has the ability to create ripples of negative perceptions. Conversely, satisfied, surprised and delighted customers, visitors and staff can deliver far more value than any traditional marketing budget.

## 5.4 THE ROAD AHEAD AND SOME OF THE CHALLENGES

### 5.5 Facilities

*Namibia has beautiful tourism attractions in Namibia, but the quality of our product and experience needs updating.*

**166. Namibia's steady tourism growth these past 20 years demonstrates the strength of our country's tourism assets and therefore, appeal.** Hotels and lodges however account for 50 percent of tourism revenue. when one compares our hospitality establishments and the level of experience provided with other destinations competing with a similar price, the quality of our offering is lagging behind. Approximately three-quarters of our accommodation product is out-dated, is not modern, is not very exciting, and is not on par with international

standards. This is clearly demonstrated by the immediate dip in tourism we experience when the Namibian dollar strengthens against major currencies. When it costs more to holiday in Namibia, our value for money perception decreases. Thus, Namibia has not sufficiently transformed our product to deliver the 'experience' that travellers demand and are willing to pay for.

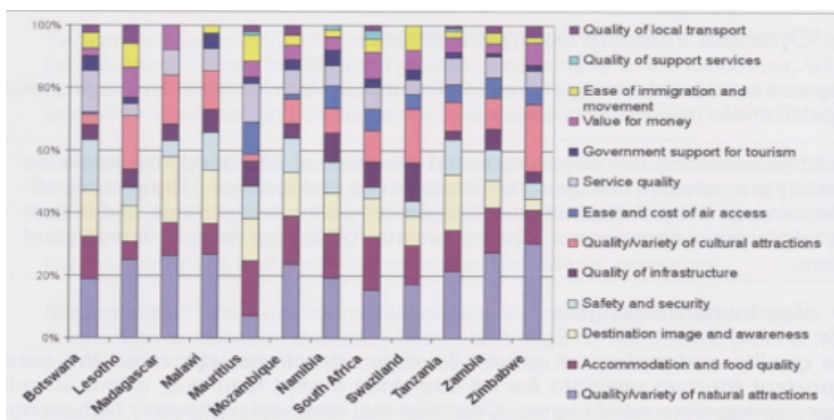
**167. The state of our National parks' facilities is a major concern.** As the 'jewels in our crown', it is imperative that these major and world-renowned attractions and facilities meet the standards expected by today's traveller. The wear and tear, and often inefficient management of these properties, does not create a favourable impression and will not help to promote positive word of mouth.

**168. Furthermore, while Namibia has a wide selection of attractions, many value-enhancing touches are still missing.** For example, when tourists visit The Wild Horses, there is no additional information about them presented at the location. In short, we are not branding and packaging our attractions effectively enough.

## 5.6 Service

*When it comes to the overall experience, service delivery specifically needs attention.*

Figure17: Most important tourism strengths per country



Source: Author's compilation, 2016

**169. Service-sector productivity is generally considered to be one of the key drivers of a nation's ability to compete in today's global economy.** Nowhere is this more relevant than in the tourism and industry. Namibian hospitality is however perceived to be behind many other African destinations in service quality.



Some of the key issues:

- Working as a waiter or server is often seen as an easy job to do, without the need for professional expertise.
- Serving someone else in Namibian culture is often considered a sub-servient role. Many consider it humiliating.
- With many entry level positions being remunerated at minimum wage, many lower level employees act in accordance with 'having a job' and not a profession or calling they take pride in.
- Whereas more sophisticated developed countries focus on productivity and quality when it comes to the HR requirements, developing countries like Namibia tend to be more concerned with quantity of staff needed to simply 'get the job done'. In Namibia hospitality players therefore tend to approach their HR requirements with a focus on quantity rather than quality.
- There are insufficient attempts at professionalising the industry thus the perception that it is not a profession with prospects for personal advancement.
- The lack of real nation wide recognition of the importance of the industry to the Namibian economy and the role of industry professionals as 'tourism ambassadors', undermines the potential of the sector to grow.
- English language proficiency remains a barrier to entry into the job market for most Namibians.

## 5.7 Education

*Education and training does not meet the skills requirements of our industry today:*

### 170. The education and training challenge is primarily two-fold:

- **There is not enough communication and collaboration between formal hospitality training institutions and the industry at the moment.** The establishment and implementation of the Namibia Qualifications Authority (NQA) and National Qualifications Framework (NQF) processes created high expectations for positive outcomes, but have proven to be burdensome and protracted. The industry – and the country at large - is therefore yet to see the benefit thereof. Accordingly, current curricula are not geared to the current demands of the industry. A key area of education that has also not been addressed is in the area of soft skills i.e. leadership skills, attitude towards role and communications skills etc. Learners therefore graduate with a very broad and general education, with insufficient practical skills. This not only hampers their productivity but also undermines their immediate employability. This is true not only for lower paid and entry level positions but middle-management and even specialist skills as well. In our industry today there are no courses that can help take learners to the next level of employment. Specific professional training for critical positions like tour guides for example, are also not consistently available.



- **Training therefore often tends to be ‘on the job’.** The level of professional skill and quality of on the job training then is largely determined by the quality of the employer. With many tourism and hospitality businesses in Namibia unfortunately still being unprofessionally run, we are therefore not helping to establish a pool of highly skilled and qualified professionals, with the ability to add real value to our overall competitiveness as a tourism offering.

## 5.8 Wages

*Our industry is not attractive enough for quality candidates:*

**171. The average entry-level wage in tourism is low.** The average entry-level wage in the tourism sector is currently N\$3,270.00 and it does not provide a strong enough incentive for new quality entrants to join tourism when they have the ability to pursue more lucrative careers. This is a particular challenge for more rapid transformation in our industry, given that young black school leavers or graduates may be more inclined to seek employment in government where the remuneration package would be significantly higher. Only by enhancing the professionalism of the industry and its reputation as a solid career (where there are real and meaningful opportunities for personal progress), can this hope to be changed. Thus, the industry (as discussed) currently employs a quantity-employment approach and remuneration that reflects this, as opposed to a more ideal quality-employment approach, that would lead to higher and more attractive remuneration.

## 5.9 Transformation

*The industry has not transformed as quickly as it should have:*

**172. Namibia’s tourism industry is widely considered to be primarily white-owned and dominated.** While black Namibians are well represented in lower and entry-level positions, business ownership, shareholding and hospitality management has not transformed sufficiently. This current context is unquestionably a legacy of apartheid and the industry’s development after Independence.

**173. During the pre-Independence Apartheid era there was virtually no leisure tourism for black Namibians, largely due to discriminating laws that prohibited their movement and access.** It can be assumed that this legacy also contributed to an historical lack of understanding and interest in tourism by many black Namibians. Sanctions also limited our international tourism receipts.

174. After the peaceful transition to democracy however, followed by positive international exposure and a significant growth in Namibia's (now more diversified) middle-class, both domestic and international tourism began to develop.
175. **When the opportunity for tourism became evident, white Namibians were quick to take advantage of this.** Their decision to become involved in the industry was reinforced by the implementation of affirmative action within the government sector, which led to many white Namibians needing to find alternative means of income. Arguably the tourism sector also held relevant interest because investors and management understood the European market, culture and their needs as tourists. Speaking the language and sharing a love of nature also made this easier.
176. **Lastly, a major reason for the profile of the tourism industry as it is today, related to gaining access to funding for product development.** Having financial security and enough capital to ensure this security, was a key driver for product development at the outset. In order to secure the necessary funding, it was often necessary to take out loans. White Namibians historically had access to assets, which provided the necessary security for their loan applications. Conversely, black Namibians did not yet have the same level of access to these kinds of assets. This led to tourism investment opportunities being realised largely by white citizens.

## 5.10 Investment

*Attractiveness for private sector investment in tourism is poor:*

177. **In order to enhance our current product offering, further investment is needed, but the industry is becoming less attractive as an investment prospect.** The tourism industry is by its nature highly capital intensive. With return on investment generally being long-term, too often other sectors appear to offer a better and more immediate return on investment.
178. **The introduction of NEEEF has additionally created a very negative investment perception for foreign and white Namibian investors. For many this has been an ill-considered political decision that in fact will achieve the opposite of its intention.** By introducing additional uncertainty and unpredictability, NEEEF is eroding confidence in (further) tourism investment, which will limit growth in this sector, its ability to enhance the economy, and so will ultimately not help to improve the lives of the average Namibian. The industry is grappling with a lack of capacity in the number of available beds, especially during the high season. Such capacity can only be developed through strategic investment.

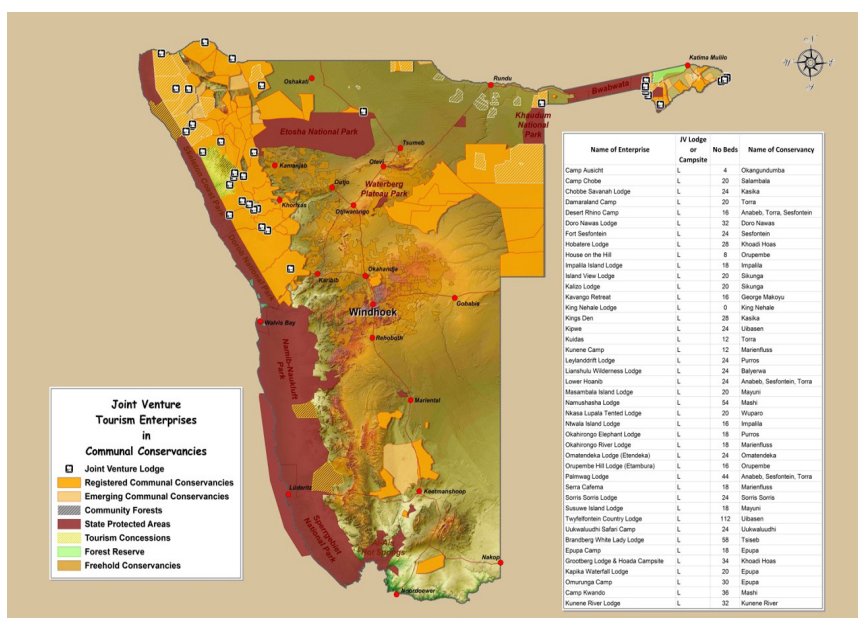
**179. With the right incentives in place to secure further interest and investment, our industry could make significant strides forward.**

## 5.11 Conservation Policy and Community Tourism

*Some of our most suitable tourism areas (for further development) are situated in communal conservation areas, yet these are under-utilized:*

**180. Namibia is regarded as a forerunner in terms of Community Based Natural Resource Management (CBNRM), with 42 percent of the country being under some form of conservation protection.** Tourism has been regarded as one of the most suitable industries for the development of remote rural locations in Namibia. The potential for tourism activities to enhance the standards of living among rural communities is a viable endeavour. Accordingly, Community Based Natural Resource Management concepts have been applied all over Namibia in an attempt to empower local communities and allow them to generate economic benefits from their natural environments. There are presently 74 registered Communal Conservancies. The 128 current enterprises in these areas generate N\$ 102 million with 1 111 full time employees, 265 temporary and 2125 producers. 46 joint venture tourism enterprises generate N\$ 49,9 million with 872 full time staff and 114 part time. Yet only 4 percent of all available beds in Namibia are to be found in conservancy areas.

Figure 18: Joint Venture Tourism Enterprises in Conservation Areas



Source: Namibian Association of CBNRM Support Organisation, 2013

**181. There are however still a number of key challenges that exist with regards to their execution:**

**Management capacity**

- Many management committees lack the knowledge and skills to conduct their affairs in accordance with good governance standards, resulting in poor budgeting and weak financial accounting and reporting systems.
- The effective management and utilization of natural resources remains a challenge given a lack of the necessary knowledge and awareness about tourism and conservation concepts among relevant community members and management committees. They therefore do not yet have the capacity to effectively engage in decision-making over conservancy development activities.

**Benefits distribution**

- A disproportionate amount of cash income is allocated to operational and staff costs. Thereby only a small proportion of the cash benefits reach the intended individual members and households, if at all.

**Barriers to private sector engagement**

- There is a strong perception held by private business persists that it is both difficult and costly to invest in tourism in communal conservation areas, and that traditional leaders and government officials are politicised above the economic and environmental imperative.
- Lack of integrated policy amongst government ministries.
- The Land Reform Act and the MET's Conservancy Act are in direct conflict with the development and growth of the rural tourism potential.
- Short lease durations for lodge operations (there is a 10 to 20 year ceiling unless approved otherwise by the Minister of Lands and Resettlement).
- Optimising land allocation and administration in communal areas.
- Inability to secure commercial loans from banks owing to insecure tenure arrangements and short leaseholds.
- Potential of Ministry of Lands and Resettlement legislation to tax lodges on communal lands heavily.

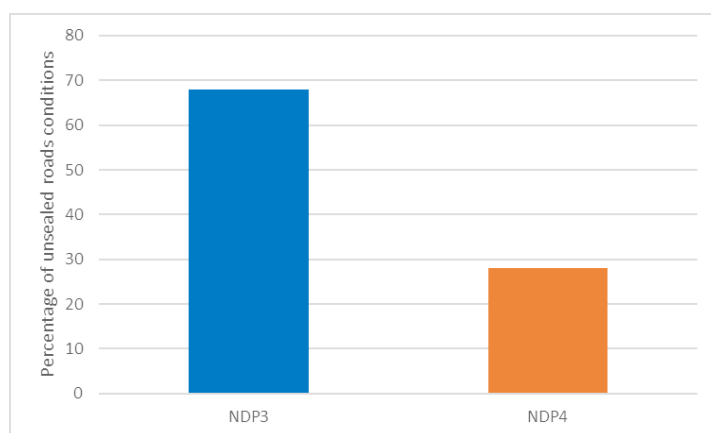
**Additional**

- Ensuring long-term technical support to community conservation structures.
- Achieving self-sufficiency and programmatic sustainability.

182. Addressing the above constraints and thereby overcoming some of the negative perceptions and hesitancy of private sector and potential investors, will motivate major private sector investments in communal conservancies, and in the process, greatly increase employment opportunities and development.

## 5.12 Infrastructure

Figure 19: Unsealed Roads in Good or Fair Condition in Namibia



Source: NDP3, 2008 and NDP4, 2013

*Infrastructure challenges limit further tourism product development:*

**183. As discussed, declines in road quality (particularly gravel roads) and also access to water and energy present a major limitation to aggressive tourism growth.** Government's intention to develop the airport infrastructure is a welcome development and would undoubtedly, if managed in a cost-effective manner, benefit the tourism industry. The current airport is not on par with international standards as compared, for example, with Mauritius.

**184. Added to this is the increasingly important issue of internet connectivity.** Today's traveller expects to be connected at all times. Internet connectivity is therefore no longer a 'nice to have', but is rather becoming a mandatory part of our tourism product. Current levels of connectivity into Namibia's outlying (tourism) areas are exceptionally poor. If connectivity is not addressed, this may, going forward, pose a very real threat to visitor interest, when competing destinations are able to provide this service. Here, positive effects of Government's noted investment in the ICT infrastructure, are yet to be felt in the actual experience of the consumer.

## 5.13 Marketing and Branding

**185. Not enough is being done to effectively market Brand Namibia to relevant audiences around the world.** On the issue of branding and marketing there are three key considerations:

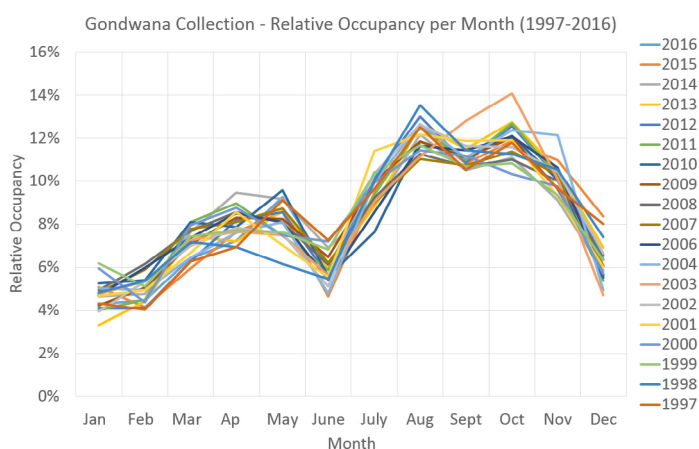
- 186. Unfortunately for many foreigners, Africa is still essentially perceived as one country! As we have seen therefore, Namibia is highly susceptible to international perceptions about the continent.** Any negative events taking place in other countries (specifically in neighbouring countries), therefore tend to immediately deflate our tourism numbers. When it comes to general media exposure about Africa, there is a tendency in the general news media to primarily focus on bad news. So with war, corruption and disease typically making front page news, concerns are often amplified about personal safety when travelling to Africa. It is our view here, that government does not react sufficiently when negative events take place. We need to be far more vocal as a country about Namibia having no direct link at any negative events (when relevant) as they arise e.g. the Ebola Virus.
- 187. Namibia's tourism marketing budget is inadequate to make our destination effectively known on the world stage.** The current marketing budget for Namibia's tourism is approximately N\$20 million, which includes bed levies paid by the industry. As a small destination competing in an increasingly competitive space, it stands to reason that our voice needs to be heard more often and potentially louder in the relevant regions. This is extremely difficult to achieve within our current and extremely limited budget. Accordingly, it must be acknowledged that specifically NTB Frankfurt have under these circumstances, performed exceptionally well. Their smart, innovative and quality marketing approach has helped to maintain our core European markets, which have been so critical to Namibia so far. With such a conservative budget, it is imperative that our marketing strategy delivers maximum impact for every dollar spent. The focus of our effort is therefore the key imperative.
- 188. We know that it is infinitely easier to maintain a current market than to establish a new one.** For this reason, it is key that we acknowledge and continue to invest in the regions that have been the backbone of our tourist receipts so far. We acknowledge however that our tourism industry's progress also requires new market growth. But given that we can't afford to misdirect any cent spent, we need to be mindful of pursuing new opportunities that present the highest likely chance of success. Here, it unfortunately appears that some efforts in the past have been driven by political intentions rather than sound tourism strategy. Focusing on the UAE for example to entice people who live in the desert to visit another desert half way around the world, does not appear to be the best focus for our marketing spend. It specifically makes little sense to be pursuing such markets at the expense of maintaining current markets effectively.

## 5.14 Seasonality

*Low season marketing has not been effective enough*

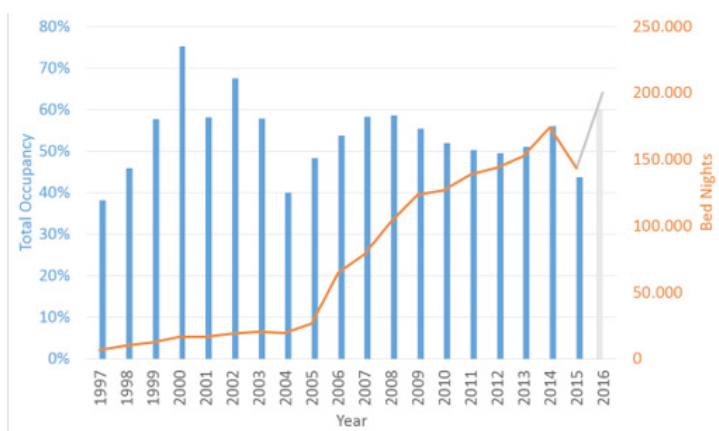
**189. It is clear right now that Namibian tourism follows a strong seasonal pattern.** On average (discounting any out of the ordinary negative events) Namibia enjoys exceptionally high occupancy in its high season. So much so, that we typically have a significant challenge with accommodation availability during these periods. Conversely, our low season occupancies are often as low as 25 percent.

Figure 20: Gondwana Collection – Relative Occupancy per Month (1997-2016)



Source: Gondwana Collection, 2016

Figure 21: Gondwana Collection - Total Occupancy & Bed Nights



Source: Gondwana Collection, 2016

**190. The reason for this can be attributed to a legacy of marketing emphasis on the high season.** Since the 1950's, Namibia's National Parks were officially closed during the rainy (low) season. This period was therefore not marketed. Accordingly, during the course of the past 30 years (even once the Parks were opened all year round), tourism stakeholders continued to promote the idea that the ideal time to visit Namibia is between July and September. Added to this has been our continued tendency to market the country to traditional core European markets (to coincide with their major holiday periods). However, the reality is that Namibian weather in fact makes it a suitable destination all year round. We therefore still need to shift this high season perception we have created. More aggressive and targeted marketing to regions (like South Africa) where their peak holidays coincide with our low season, should be a future imperative. Above all, Namibia should be focused on continually increasing the demand for its product (by enhancing the quality of our offering and by possibly also adding airline capacity), which should naturally help to improve tourism in the low season also.

## 5.15 Research and Statistics

*Namibia requires more robust and better quality statistics to inform our strategies:*

**191. At present the statistical insights our industry uses to come to conclusions about its performance and inform its decisions, are unclear and therefore potentially misleading.** For example, government statistics cite Namibia as having received just under 20 million tourists over the past 20 years. However, because of the definition of what an 'international tourist' is (considered to be any person who travels away from home in the country for 24 hours), this number includes all visitors from neighbouring countries (Angola/Zimbabwe, etc.) who may be entering the country purely for short-term business purposes. These 'tourists' are not high yielding, and therefore their tourist receipts cannot be equally weighted. Furthermore, we can reasonably infer that only about a third of the 20 million can be classified as high value leisure tourists. Only 5 percent of the data (acquired from the total manually received entry forms) are furthermore currently used to extrapolate the statistics. So while the consistency of these statistics provides a good overall trend indicator for the state, in its current form, these are not specific or reliable enough to offer a real understanding of tourism's worth to the economy, or to help develop strategies for its improvement.



## 5.16 Agenda Setting

*Tourism industry efforts are highly fragmented, with stakeholders pursuing individual agendas:*

**192. As such, critical contributor to Namibia's economy, tourism is everybody's business.** Given the complexity of the tourism sector (numerous stakeholders with vested interests), and the significant number of traveller touch points, it stands to reason that shared objectives and collaborative efforts are needed to achieve the desired results for the country as a whole. However, at present this is far from the case. From the private sector to state entities, it is fair to say, that all parties operate highly individually and are currently not united in their efforts.

## 5.17 Domestic Perception

*Tourism recognition*

**193. It is time for a 'Tourism Phakisa' that properly recognises the economic value of the tourism sector across government departments.** This was the message TBCSA CEO, Mmatsatsi Ramawela, delivered at a discussion that aimed to inform, the first review of the Tourism Policy Framework since the 1996 White Paper on the Development and Promotion of Tourism in South Africa. Given that tourism is the only sector that has shown growth globally for six consecutive years, Ramawela said it was "worrying" that tourism is still not regarded as an economic sector. "We are simply called an industry. Is it fair?", when "Tourism is everybody's business". More broadly, all Namibians should buy into tourism and its potential, and understand their individual roles as ambassadors and ultimate beneficiaries of tourism as an economic activity.

## 6. CONCLUSION AND RECOMMENDATIONS: UNLOCKING EVEN MORE OF NAMIBIA'S TOURISM POTENTIAL

*A best practice model: The Delight Hotel, Swakopmund*

**194. For every 13 new tourists, 1 new job is created.** Therefore, the short answer to the question, 'HOW CAN NAMIBIA USE THE TOURISM SECTOR TO REDUCE UNEMPLOYMENT', is a reasonably simple one: We need to increase the number of international, regional and domestic tourists. What is clear however, is that enhancing our tourism sector's performance is not a simple task.

**195. While our country possesses phenomenal tourism attractions, there are a number of significant challenges that need to be addressed to reach our full potential.** Given that this paper has been based on the author's personal impressions gained during his 20 years in tourism sector, in closing he refers to a personal example from The Gondwana Collection, that illustrates what he believes is possible when the key issues are addressed.

196. The success of The Gondwana Collection's new The Delight Hotel in Swakopmund is a case study that brings to life the positive outcomes that are possible, when some of the key strategic industry shifts I have identified are put into effect. These can be summarised into some key priority areas:

## 7. PRODUCT EXPERIENCE

*An overall upgrade of our offering is needed*

**197. Our product offering needs to be elevated to stand out in today's more professional, sophisticated and competitive tourism environment.** Given that specifically for international travellers the cost of coming to Namibia can be significant, the level of the experience they have, must be considered to be worth it, and should compare favourably with similarly priced destinations. Every stakeholder in the tourism industry should therefore make an effort to:

- Make the product more attractive. Too many of our current products are outdated. They need to be modernized and given a facelift through investment and reinvestment.
- Raise the levels of service to international standards. We need to enhance our appreciation of the value that service adds to the tourism experience and commit to investing in service excellence. We should not allow ourselves to be satisfied with good, given that good is ultimately the enemy of great.
- Add value to the experience by providing more information. Today's traveller no longer wants to purely relax in a new setting. They equally seek to learn about it as well. We therefore need to become far better at communicating the remarkable and distinctive stories about our natural and social heritage as well.
- Serve Namibia and the tourism industry with greater pride and passion. Attitude is both infectious and motivating. The tourism industry is undeniably hard work and not an easy one. Therefore improvements on the dimensions I have articulated can only come from a real love for our country and passion to showcase it to the best of our collective ability. Tourism really needs to matter to us all.

**Please see Annexes**

## 7.1 Sector Growth

*Capacity building is necessary to support growth:*

### 198. Capacity building will be needed to support further tourism development.

**Infrastructure is a critical backbone of the tourism industry.** It cannot grow without it. The following key areas have been identified as requiring investment:

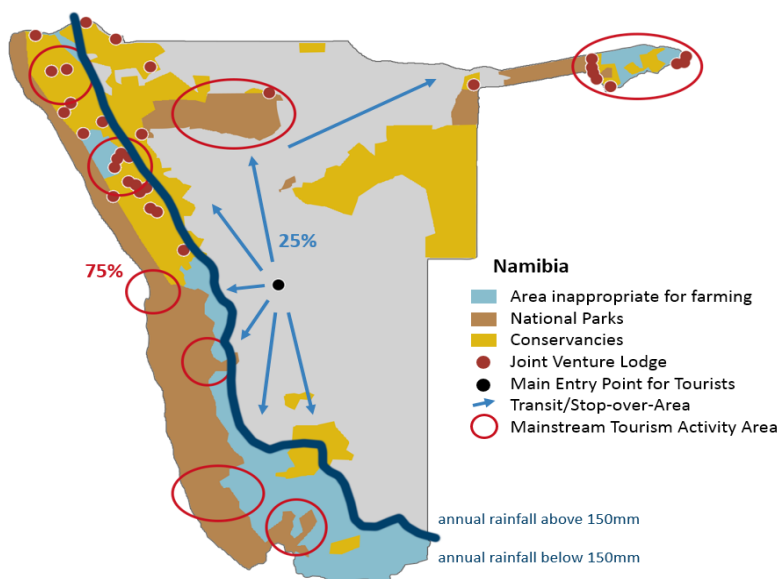
- Infrastructure: airports, roads, energy and water (from the side of government)
- Accommodation (from both private and government)
- Human resources: quality education and training (required a collaboration between government and private sector)

## 7.2 Incentives

*Incentives are needed to inspire further investment in tourism*

### 199. Given the significant capital expense of tourism capacity development and longer-term returns, it is imperative that motivating incentives are in place to encourage investment. This is specifically important in the relevant community conservation areas which possess the highest potential for further tourism development but have been under-utilised to date.

Figure 22: Graphic: Tourism as an alternative form of land-use



Source: Author's own compilation, 2016

- 200. On average, seventy five percent of tourism activity takes place in the western region (in-and-around Etosha and the Zambezi region), where the majority of the tourist attractions in Namibia are situated.** The rest of the country predominantly serves as an entry-point or transit to these tourism hotspot areas.
- 201. With an average annual rainfall below 150mm, the western area is unsuitable for farming.** With the Etosha area being prone to wildlife/livestock farming conflict, it would be prudent to also classify this area as tourism-oriented (with regards their land-use model as opposed to livestock farming).
- 202. These specified areas have incredible potential to grow the sector if properly incentivised. A socio-economic study conducted by Gondwana at its Fish River Canyon enterprise (situated in the below-150mm rainfall area) in fact, revealed that production per hectare was 34 times greater with tourism as a land-use form compared to commercial and/or communal farming (see annexure 8).**
- 203 Greater incentives may encourage the private sector to engage in greater partnership with local communities to unlock the potential of tourism in these areas.**



The Delight falls within the 150mm rainfall area, although it is situated in an urban area.

From an incentives perspective, Gondwana for the first time in 20 years was extended an investment incentive through a small preferential financing incentive offered by the Development Bank of Namibia. This incentive allowed for a window period on the repayment schedule during the 18-month building phase. None of the other commercial banks were willing to offer such an incentive.

## 7.3 Brand Development

*Investment in the brand development and marketing of Namibia:*

- 204. To stand out in today's competitive environment requires an on-going commitment to focused and effective marketing.** We simply cannot afford to rest on the presumption that our attractions will simply sell themselves. The reality of today's times is that if we do not consistently convey our competitive

strengths to the right markets in the right way, we risk being overlooked. A consistent and responsive marketing strategy therefore needs to be in place that includes both government and private sector efforts.



For the first time in Gondwana's 20-year history we chose to spend the required amount of time upfront establishing what our brand would be before we laid one stone in our hotel's foundation. In this way we were able to strategically assess and develop the right product to compete in the Swakopmund environment.

This was supported by a significant investment in establishing our offering in the marketplace. A great deal of time, money and thought was applied to ensuring we were communicating the right message to the right market in the right place. Attention to detail was also paramount. Once we were clear on our competitive advantage and the unique character of our hotel, every marketing execution was painstakingly and thoughtfully created to be an authentic and compelling piece of communication from our brand.

Crucially the character of our brand was conveyed internally as well, by a passionate staff that understood that they had a vital role to play in bringing the essence of our hotel to life. Inspiring this passion in our people was therefore a key and focused objective for our marketing team.

## 7.4 Confidence

*Confidence in Namibia and the tourism sector (for both business and travellers) is an imperative for growth:*

**205. Investor confidence is a critical factor for development. After Independence, Namibia has managed to maintain a politically stable and investor friendly environment, making it a darling in the eyes of not only local but foreign investors as well.** Accordingly, the tourism industry we have today has in large part been established through private funds and investments. Yet we need to be mindful that maintaining this investor and business confidence is an ongoing necessity. It can so easily be eroded by socio-economic factors like the huge income gap between a minority of wealthy people and majority of low income

groups, lack of transparency, or uncertainty with respect to legislation and land use policies, bad governance or the financial challenges currently faced by government.

- 206. To maintain investor confidence, Government must tackle these challenges with the appropriate action and transparency.** From a visitor perspective, confidence in the safety of our country remains paramount. Here government needs to be far more vocal in the media when unforeseen negative events that arise on the continent, to assure traveller peace of mind.



With respect to The Delight both were applicable. As a business accountable to a significant number of shareholders, a continued confidence in the future of Namibian tourism underpinned our decision to keep investing capital in on-going capacity expansion. Equally, confidence in the industry resulted in preferable terms extended by the Development Bank of Namibia for our loans.

## 8. CONCLUSION ON DELIGHT CASE STUDY

*We are engaged in a marathon - not a sprint*

- 207. In summary, what became clear is that Namibia's tourism sector is an invaluable contributor to the economy of Namibia.** Not only is the global tourism sector one of the best industry performers these past 5 years, but within this, Namibia's remarkable tourism growth has been exceptionally positive for the country.
- 208. We are undoubtedly fortunate to possess a remarkable array of tourism attractions as the foundation of our offering.** Tourism is furthermore, one of the most sustainable means of income generation at our disposal. It's effect on our land is minimal (compared to mining for example) and in fact encourages the conservation of our country's natural and cultural heritage. Above the value it has added to our economy to date, Namibian tourism holds incredibly more potential to be unlocked. This will however require a more motivating and supportive environment to blossom further.
- 209. Delight Hotel is certainly testimony to this.** As a brand new venture, an average annual expected occupancy for 2016 of 65 percent is exceptional. In August 2016 alone, we had occupancy of 80 percent. Most importantly and

core to this paper, is the fact that we have also employed an additional fifty people as a consequence.

**210. Given the success of our hotel so far, we are confident that an annual 5.5 percent growth is a reasonable expectation,** if underpinned by the continuation of sound governance and management, service delivery and a commitment to quality strategic marketing.

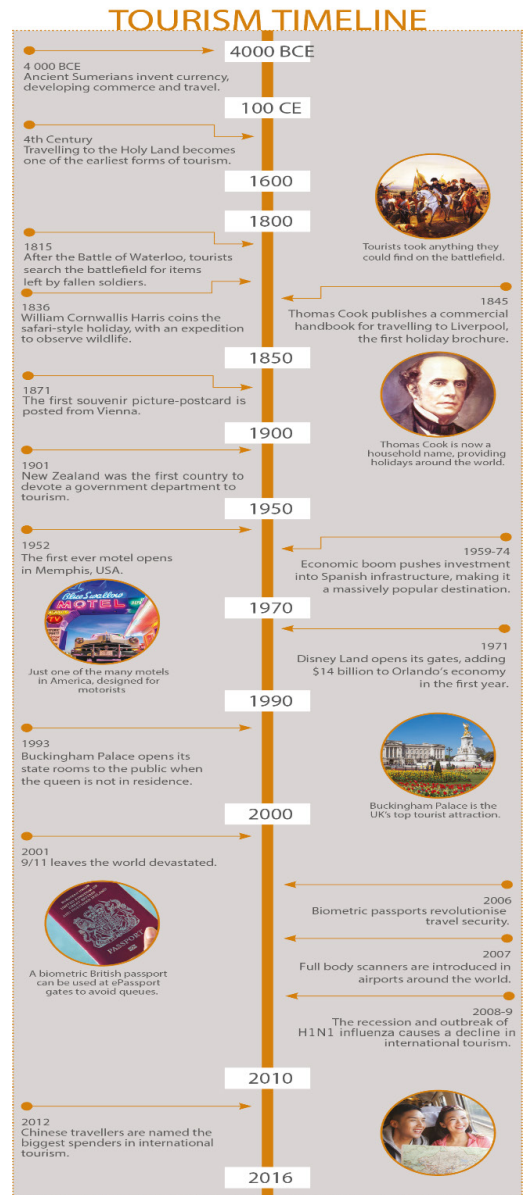
**211. The Namibian tourism industry has potential for growth.** When the right processes are applied, and when the conditions for development are supportive, the tourism industry has the potential to grow from strength to strength, and will bring along with the much needed new jobs in the economy. Furthermore, the future of the tourism industry looks bright with increased investor confidence in the industry and country, supported by tailor-made incentives.

*Yet as we prepare ourselves for the future we need to be ever mindful that this next chapter in our tourism's evolution is a marathon, and not a sprint. Efficient and effective preparation followed by steady progress is what is needed to finish ahead in this race.*

## 9. ANNEXES

### 9.1 Chronology of tourism in Namibia

**212. Africa was unknown to the western world.** Africa or the Dark Continent, was largely unknown to the Western world until the late 1400s when intrepid Portuguese explorers, like Vasco de Gama and Bartholomeu Diaz, braved the mighty oceans in their small caravels looking for trade routes around Africa. But, it was the influence of the early explorers of the 19th century, like Livingstone and Stanley, many of them searching for the source of the enigmatic Nile, who reported on slavery and wrote travel logs and books that reached and influenced the populace. When Livingstone was presumed lost in Africa, the London Daily Telegraph and the New York Herald sent journalist Henry Morton Stanley to find him. Stanley's words "Livingstone, I presume?" uttered when he finally met up with Livingstone two years later were widely reported and the quote remains amongst the most famous in history. Literature from the early explorers and naturalists had a huge impact. Titles like 'Eight months in an ox-wagon' by Sandeman, 'Shifts and expedients of camp life, travel and exploration' by Baines or 'How I found Livingstone' by Stanley were the first pieces of travel writing that introduced Africa to the world and became the spark that would capture the Western world's imagination and transform the Dark Continent into a place of adventure, travel and exploration.





- 213. Travel in the sub-continent, however, started way before then.** In early times, travel was simply a way of life. The nomadic San travelled along river courses, hunting and gathering, and following the game; and the semi-nomadic Nama travelled sporadically to hunt for the pot. Later on, Bantu tribes travelled from the north, settling in different areas of the country and becoming subsistence farmers or herders. Trade developed between the groups, who would trek to areas like Tsumeb to trade for copper with cattle and grain. Travel was initially centred on survival, and later incorporated trade for commodities. Society worldwide would change over the years to become more industrial in nature and then more service oriented, before people, crowded in urban areas, began to look at far horizons for new experiences, freedom and dreams.
- 214. It would still be hundreds of years before we could dream of travelling to distant countries for pleasure.** In the late 1700s and 1800s southern Africa began to change dramatically with the influence of the Western world. Hunters, traders and missionaries, as well as adventurers and explorers, began to cross over the Orange River/Gariep into Great Namaqualand. They generated some of the earliest literature about southern Africa and influenced many aspirant travellers. Swedish explorer and trader, Charles John Andersson's 'Notes of travel in South-Western Africa' and his 'Okavango River, a narrative of travel, exploration and adventure', which was translated into German and Swedish, became instant bestsellers and had enormous influence.
- 215. The super-powers quest for land and Scramble for Africa reached the country soon after with the establishment of German South West Africa in 1884.** German civilians and soldiers began to arrive to settle and protect the fledgling German colony. The influx of Westerners meant an increase in correspondence between the continents in the form of letters, journals and newspapers. Information written about German settler life conveyed a romantic message of freedom, prompting further immigration. This was interrupted by WWI, which resulted in the country becoming a South African mandate. Travel writing took off in earnest afterwards with well-known classics like 'The land god made in anger' by John Gordon Davis, 'Fragments of a desert land' (Con Weinberg) and 'Traumland Südwest' – 'Dreamland SWA' (Hans-Otto Meissner). The name of the Skeleton Coast was coined in 1933 when journalist Sam Davis covered the story of the aircraft that went missing, suggesting that the pilot's bones might one day be found along the 'Skeleton Coast, the graveyard of ships and men'. The apt name stuck as did the romance and allure of one of the most desolate coastlines in Africa.
- 216. Authors travelled around the country, visiting farms and areas off the beaten track and writing about their experiences, attracting an increasing number of people who wanted to experience African farm life.** The first guest farms began to emerge in the rural areas, augmenting the hotels in the

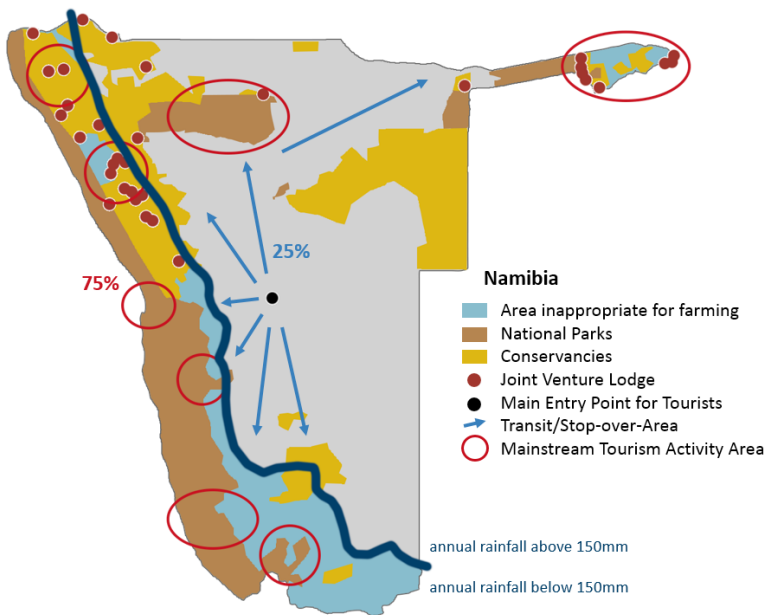
towns and the capital city, the only accommodation available to travellers up to that point. After independence, a series of lodges were gradually built in the countryside, catering to demand and the modern tourist. The world had changed and travellers now wanted to experience the landscape and the natural world.

- 217. It hasn't always been plain sailing, however, and there have been events that have negatively influenced and hindered travel ever since the early days.** These included hostility in the 1870s between the Nama, Herero and Oorlams, the outbreak of rinderpest in the 1890s – a major setback when the ox-wagon was the mode of transport, the Nama/Herero-German war of 1903-1907, WWI, the outbreak of Spanish influenza in 1918, WWII and the 'Bush War', the war for independence, which started in 1966 and continued until Namibia gained its independence in 1990.
- 218. Since then, world crises have continued to influence travel.** Events like the Gulf War in the early 90s, the horror of 9/11, the SARS virus, the world global recession and the ash-cloud over Iceland rocked the tourist world. Closer to home, violence in Kwazulu-Natal and crime - the murder of a French family in the Caprivi and a German tourist at Spitzkoppe, the Zimbabwe land crisis, a strong South African currency, Ebola and xenophobic attacks in neighbouring South Africa all impacted tourism in Namibia and left their mark on tourist numbers.
- 219. Even with all these major disruptions for the tourist industry, tourism strengthened after every cataclysmic event as the situation stabilised.** Looking at the graph of the history of tourism in Namibia, there is a steady and healthy increase in tourism, boosted in periods by the positives or the highs – the big green dots. Tourism was heightened over the century by Andersson's books in the mid-1800s, the Diamond Rush in 1908, the reportage about the windswept Skeleton Coast, Namibian independence, the weak post-apartheid South African Rand - and the visit by Angelina Jolie and Brad Pitt.
- 220. Even with a lull after independence while people remained sceptical and quietly cautious, keeping eyes and ears open, and the negative exposure and isolated events of terrorism throughout the world, Namibian tourism figures remained high.** A recent report revealed that 1.3 million tourists visited Namibia in 2015, breaking all previous records. The upward growth over the last twenty years equates to a 5.5 percent increase per year – and is an incredible and enormous success story. Travel has come a long way since the San nomads roamed the land and the first explorers stepped onto African shores. The Namibian tourist industry continues to grow from strength to strength.
- 221. Namibian tourism has demonstrated that it has the capacity to remain sustainable in the future.** The question is: Will it continue to grow at the

current remarkable rate – or a little slower due to economic forces? Let us hope for gold.

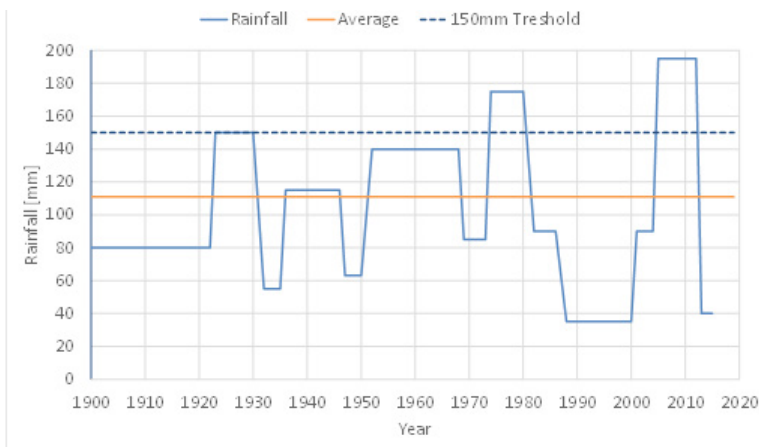
## 9.2 Tourism as an alternative form of land-use

Figure 23: Namibia Tourism as an alternative form of land-use



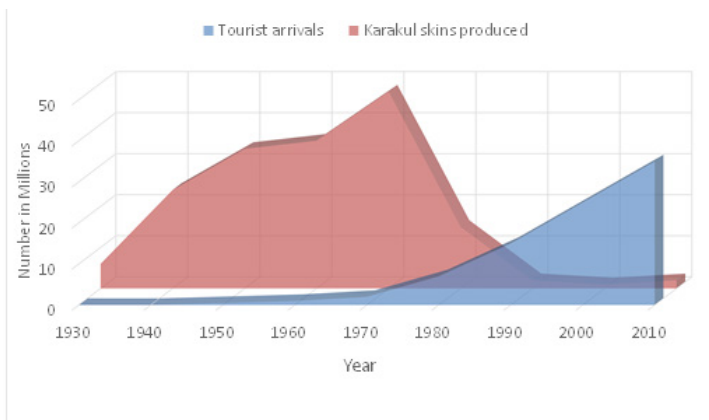
Source: Gondwana Collection, 2016

Figure 24: Gondwana Canyon Park - Rainfall



Source: Gondwana Collection, 2016

Figure 25: Karakul skin production vs international inbound tourism (Africa)



Source: Gondwana Collection, 2016

### 9.3 The Delight Case Study



The Delight is undoubtedly a distinctive product, with every effort having been made to create a modern and fresh hotel that is in keeping with international standards. A professional design and branding team was employed to produce a turn-key product that is notably different from anything else on offer in Swakopmund. We additionally and specifically paid attention to incorporating many small but meaningful touches that would add value to our guest experience.

Service was at inception, a key imperative with a tailor-made and comprehensive course offered through our own Gondwana Academy for Hospitality Excellence and Leadership. The course focused not only on hard (operational skills) but on the softer attitudinal skills. Every employee at the Delight, from housekeeping to management, has a thorough appreciation of the importance of being a host to our guests.



Through the establishment of The Delight we added another 54 rooms or 132 beds to Swakopmund. Our hotel increased Gondwana's capacity by 13 percent bed capacity and most importantly, created 50 new jobs. This relates to an overall 9 percent increase in employment for Gondwana.

With an infrastructure development cost of N\$75 million this equates to a cost of N\$1.5 million for every new job that was created. Therefore, with investment in capacity clearly coming a significant cost, tourism development incentives need to be a priority for our Namibian government.

Our experience confirms that with the addition of one (1) room, one permanent job is created. It also confirms that approximately 13 NEW guests equate to the creation of one permanent job. Our Delight figures confirm the 5.5 percent average growth experienced by Namibia to date.

However, exceeding this growth would have required additional investment (financial and human capacity) that would have been beyond the means of Gondwana alone, without broader external support.

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## Employment Creation in the Manufacturing and Tourism Sectors: International Experience

*By Dr. Stephen Gelb, Senior Research fellow at the Overseas Development Institute.*

### 1. INTRODUCTION

**222. Economic transformation encompasses the shift of resources (especially labor) and output, from low productive activities into higher productive activities.** Economic transformation can be sustained through high productivity growth in the following sectors:

- Agriculture & informal services into industry & high-productivity services
- Across sectors/activities/firms within manufacturing

**223. If one aspires development through economic growth, then economic transformation through improved productivity especially high service and manufacturing sector is the right way to go.** Entrepreneurship is key to increasing employment through manufacturing and economic transformation. Economic growth is driven by rapid growth in export. Pathways to industrialization evolves the following stages: new technologies and innovation, entry of new firms, diversification of production and trade. It also involves integration into value chains and upgrading within and between value chains.

### 2. REGIONAL AND INTERNATIONAL EXPERIENCE

#### 2.1. Industrialization in Sub-Saharan Africa

**224. The strategies of the Sub-Saharan Africa was focused more on natural resources and consequently impacted on trade and enterprise development, services and the macro economy.** These strategies include the agricultural and minerals, and assembling of light manufacture using unskilled labor. These strategies have different implications on policy, service and on the macro economy. Policy implications include upgrading and innovation of competition, capital market, Foreign Direct Investment (FDI) and skilled labor. For services, it includes infrastructure and urbanisation (transactions-intensity) as well as positive effects on the balance of payment (BoP).

#### 2.2. East Asian success stories: Three key lessons

**225. The East Asian economies, focused on narrowed and well-defined national goals to promote export growth.** These economies made use of their public resources to support national goals and promote export growth. Their main objective was to increase national growth for export and not distribution.

- 226. These strategies were a success as their implementation framework included an alignment of individual entrepreneurial incentives to invest, with overall national drive for growth.** This is when government set the goals, and private businesses and firms work to reach the goals. Government, however, provide conditional incentives e.g. if businesses fail to meet their expectations, then some certain incentives are removed by government. The government allowed businesses to do what they do best and that is to invest, produce and grow. In return, exports also grow. This model was applied successfully by Korea and China.
- 227. Their strategies also involved the agglomeration and clustering of firms, and this has been emulated by Ethiopia and Rwanda.** The East Asian countries also included strategies such as agglomeration and increasing returns to enable flows of people, information and knowledge. These strategies included clustering of firms, global value chain and institutional ecosystem, in which large group of firms, people and policy makers get together and share knowledge. Some African countries such as Ethiopia and Rwanda have started to apply the same model of strategy. Taking into account that these two countries are coming from a very low base, they seem to be doing well in terms of aligning incentives to growth and increasing export.

### 2.3. Namibian challenges & opportunities

- 228. Namibia's challenges include small population, income inequality and distance to market.** Namibia has a very small market (small population), compared to China, Korea, Ethiopia and even Rwanda, as well as high inequality income distribution. Moreover, Namibian firms are not vastly integrated with the international markets like Europe and Asia and hence may experience transport logistic challenges. In this context, certain considerations need to be taken into account, if Namibia desires to benchmark itself against some of the strategies of East Asian countries.

### 2.4 Global shift

- 229. Shift in China's growth model (domestic consumption focus) is an opportunity for Africa, specifically Namibia.** Shift in China's growth model is to increase wages and domestic consumption. It needs to be noted, however, that Chinese firms have a lot of options to consider. These include technological upgrading, relocation within China, to central and western regions and relocation abroad – south-east and south Asia.
- 230. Namibia could start by choosing niche products in the manufacturing sector and aggressively directing national efforts to produce and export more.** Namibia has less options compared to China because of a very small market and limited participation in global value chains.



### 3. CONCLUSION

**231. Economic growth and employment can be achieved by increasing productivity in high service sectors, such as the manufacturing and tourism sectors.**

**232. Below are some strategies recommended for Namibia:**

### 4. STRATEGIES FOR NAMIBIA

- Develop strategies for effective growth and employment creation
- Link the tourism sector to natural resource driven sectors: harness natural resources and service delivery, which are all linked to the services sector.
- Engage in global value chains and clustering model.
- Find niche products in manufacturing (identify 2 or 3 specific products and prioritize). Clustering model is more likely to be effective with a set of prioritized products.
- Encourage export led growth
- But ultimately the challenge is political economy - “Big Push”

**233. Namibia can learn from Ethiopia and Rwandan economies and the East Asian economies, which aligned incentives and businesses to national goals.** Challenges such as small market size, lack of global chain and infrastructure development, however, need to be addressed first

## Policy Issues Emanating from the 17<sup>th</sup> Bank of Namibia Annual Symposium

*By Bank of Namibia Research Department*

### 1. INTRODUCTION AND BACKGROUND

**234. The Bank of Namibia held its 17<sup>th</sup> annual symposium at the Safari hotel on the 22<sup>nd</sup> of September 2016 under the theme: Reducing Unemployment in Namibia: Creating More Jobs in the Manufacturing and Tourism Sectors.**

This theme was selected because the issue of high unemployment, especially among the youth, has featured prominently in national debates and policy discourse during recent years. For instance, the latest Labor Force Survey (2014) indicates that 28.1 percent of the labor force is unemployed; which translates down to about 280 000 people being unemployed in Namibia. More than 50 percent of the unemployed people are youths (15-34 years), who are in essence the most productive group of the population. It is against this backdrop that the symposium was organized under this theme, in order to contribute to the already ongoing debate around the topic of unemployment, as well as to generate policy recommendations on how unemployment can be reduced using the manufacturing and tourism sectors. More specifically, the deliberation was guided by the following key questions:

- a) What are the potentials that the country has in terms of reducing unemployment, using the tourism and manufacturing sectors?
- b) How many jobs can the tourism and manufacturing sectors provide, compared to the current level?
- c) What measures need to be undertaken to ensure a successful creation of jobs in these two sectors?
- d) What can Namibia learn from international experiences in terms of reducing unemployment using the two sectors?

**235. These issues were addressed through presentations given by local and international speakers, and supplemented by a panel discussion comprising of representatives from the manufacturing and tourism sectors, academia, as well as Bank of Namibia**

**236. A key conclusion that emanated from the 17<sup>th</sup> Annual symposium was that, Namibia indeed have prospects to create and increase employment through the manufacturing and tourism sectors, if the currents constraints are resolved.** The deliberations at the symposium concluded that there are a lot of unlocked potential both in the manufacturing and tourism sectors in which Namibia could maximise its growth and reduce poverty and unemployment. It estimated that, for every thirteen new tourists coming to Namibia, one new job

is created within the country. Moreover, it was stated that each job created in the manufacturing sector has a multiplier effect of creating almost three other jobs in the rest of the economy. Despite having these potentials, there are also several constraints such as lack of skills, infrastructures, limited access to finance, insufficient marketing budget for tourism, as well as lack of branding and product development. All these factors are limiting the two sectors from growing to their potential output level, at which it can be able to reduce unemployment in the country.

- 237. The papers, presentations and discussions at the symposium raised a number of policy issues and recommendations with regard to unlocking the untapped potential in the manufacturing and tourism sectors.** These issues and recommendations are listed and discussed below:

## 2. KEY POLICY ISSUES EMANATING FROM THE SYMPOSIUM

### i) Manufacturing.

- 238. Although the manufacturing sector in Namibia contributes about ten percent, on average, to total gross domestic product, there is a mismatch between growth in the manufacturing sector and employment creation.** Key issues limiting the growth of the manufacturing sector include:

1. **Lack of skills:** Manufacturing is one of the sector which requires tailor made industrialised skills. These special skills are scarce in the Namibian labour market, forcing industries to import skills which is very costly and rarely leads to the transfer of skills.
2. **Infrastructure:** It was stated at the symposium that Namibia lack adequate infrastructures such as transport and logistics, water and electricity, which are key to manufacturing businesses
3. **Access to finance:** Entrepreneurs and small manufacturing industries are still finding it difficult to have access to finance.
4. **Cost and availability of utilities:** It was raised that the availability of water and electricity resources is very scarce and as a result, the cost of water and electricity in the country is very expensive. For example, Namibia is the second country in Africa paying the highest tariffs for electricity. These have an overall negative impact on the growth of the manufacturing sector, which in most cases requires huge amounts of both these utilities.

## ii) Tourism sector

**239. The symposium acknowledged that the Tourism sector is one of the sectors which can absorb the unskilled and semi-skilled labour force, especially women.** Tourism is a labour intensive sector as it can go to the deep roots of rural Namibia. Therefore, increasing the number of tourists travelling to Namibia should be the target, as this can have an immediate and significant impact on the country's employment as well as improve the livelihoods of many. However, attracting more tourist's arrival will require Namibia to first resolve some key challenges affecting the tourism sector.

The following are some of the key weaknesses in the tourism sector:

1. **Lack of product development:** Tourism is an international recognised economic activity and many countries are competing. New product development and innovation are some of the key aspects to attract tourist
2. **Inadequate Infrastructure:** Infrastructure development is one key challenge in the sector, as some infrastructure such as airports, roads, water infrastructure and information and communication infrastructures are not up to standard as compared to our competitors.
3. **Lack of incentives in the sector:** It was emphasised at the 17<sup>th</sup> annual symposium that, there are no incentives to attract investors into the sector, hence low productivity in the sector.
4. **Lack of soft skills:** Although the sector absorbs unskilled and semi-skilled labourers, there are still some soft skills missing. Skills such as communication, leadership and attitudes are key requirement in the sector. The sector is also characterised with skills mismatch. Skills are not addressing industry needs and most training is done on the job. Remuneration is not at par compared to other countries with flourishing tourism sectors.
5. **Marketing and branding low budget:** The budget allocated to tourism sector marketing is not sufficient enough to yield adequate returns.

## iii) International case studies

**240. Economic growth and employment can be achieved by increasing productivity in high service sectors, such as the manufacturing and tourism sectors.** The key issues stemming from the international case study presentation and discussions at the symposium show that, many regional and international countries such as China and Korea in East Asia, grew their economy by investing in the manufacturing sector. Some countries in the sub-Saharan Africa are doing well with light manufacturing, while Rwanda and Ethiopia seems to be moving in the right direction in terms of aligning incentives to growth in the manufacturing sector.

### 3. POLICY RECOMMENDATIONS

**241. After a fruitful deliberation through the panel discussions at the symposium, the following policy recommendations were given in each sector.**

#### **i) Manufacturing**

1. Many challenges such as skills shortages, and access to finance need to be addressed.
2. There is a need to support independent power producers and hence increase the coverage and electricity to all Namibians. Accordingly, the use of solar, wind and biomass need to be encouraged.
3. In the short run water saving measures need to be intensified. In the long run through there is a need for a permanent solution to increase access to water.
4. The expansion of the Walvis Bay Corridor into SADC countries should receive urgent attention and increased funding.
5. The use of rail to transport cargo should be encouraged, hence investment in this mode of transport should be increased.
6. Introduce local standards for the manufacturing sector (on manufactured goods) to protect the economy from product dumping.
7. Work on changing the negative perspective which is attached to working in a factory.

#### **ii) Tourism**

1. The quality of tourism products, marketing and branding, service delivery and tourism infrastructure needs improvement, as these are considered to be key drivers of a nation's ability to compete in today's global tourism activities.
2. Make it more attractive to work in Tourism to encourage better service delivery, because currently, jobs in this sector are seen to be "stepping stones" towards something better and not so much as a career. This can contribute to service excellence.
3. Different pricing between international and local tourists to improve productivity in off-season periods.
4. More incentives should be introduced in the tourism sector, to attract international and private investment.

#### **iii) International experience**

1. Namibia should use industrial clustering as the way forward.
2. The country should develop strategies for effective growth and employment creation.

3. Namibia should link the tourism sector to natural resource driven sectors: harness natural resources and service delivery, which are all linked to the services sector.
4. The country should engage in global value chains and clustering model.
5. The country should identify 2 or 3 specific products (niche) and prioritize accordingly. This is because Namibia is a very small market and cannot do all things at once, and can also not capitalise on economies of scale.
6. Encourage export led growth.
7. Namibia should align incentives and businesses to national goals.

## Concluding Remarks and Vote of Thanks

*By Mr Ebson Uanguta, Deputy Governor of the Bank of Namibia*

Director of Ceremonies  
Honourable Ministers  
Members of Parliament  
Members of the Diplomatic corps  
Board members of the Bank of Namibia  
Honourable Governors present  
Mayors and Regional Councillors  
Permanent Secretaries  
Distinguished speakers and panellists  
Captains of the Industries  
Members of the Media  
All invited guests  
Ladies and Gentlemen;

**Good afternoon!**

242. It is an honour and privilege for us at the Bank of Namibia to host the annual symposium once again. The theme for this year is titled **“Reducing Unemployment in Namibia: Creating More Jobs in the Manufacturing and Tourism Sectors.”** As alluded to by the Governor, the symposium is a forum where we interact with the public and policy makers to discuss issues of national interest, with a view to impact on policy formulation! Your support to us, policy makers and the public at large, regarding this very important event, not only does it highlight its relevance but also gives us the motivation to continue hosting events of this nature.
243. Director of Ceremonies, ladies and gentlemen! Before delivering my vote of thanks, allow me to re-articulate some of the key issues that emerged from the deliberations today.
244. First, the **Tourism sector undoubtedly has a vital role to play in promoting economic development and job creation in Namibia.** It has been alluded to earlier that, “For every thirteen new tourists coming to Namibia, it is estimated that one new job is created within the country”. Thus, a more aggressive approach needs to be taken to attract tourists to Namibia and to further unlock opportunities that exist in the sector, and for it to optimally contribute to the economy. This can only be achieved if we improve our service delivery in the tourism sector, develop more skills through training and offer more incentives to attract investments. Moreover, we need to improve branding and marketing of tourism products and continue to invest in infrastructural development in the tourism sector among others.

245. Second, it was emphasised that, **“for every job created in the manufacturing sector, almost three other jobs are created in the rest of the economy”**. Today our speakers have clearly demonstrated that there is a wide range of options that can be explored and be used to create more employment in the Namibian manufacturing sector. However, to fully utilise the manufacturing sector potential, the following impediments need to be addressed: Factors such as, inadequate skills, infrastructure development, access to finance, cost and availability of utilities and the role of private sector involvement in manufacturing development need to be addressed.
246. Third, the **Regional and international economies have successfully created employment through tourism and manufacturing sectors**. We have also learned, how countries such as Mauritius and others have fully utilised the manufacturing and tourism sectors to fully develop and create employment in their respective economies. These are good cases for Namibia to emulate from.
247. Director of ceremonies, I would like to close by giving our vote of thanks to the following people and institutions:
- All the invited guests and policy makers who attended this event,
  - All our speakers and panellists for agreeing to share with us their rich expertise at this event,
  - Members of the media fraternity for communicating the proceedings of this event to those who could not manage to join us here today,
  - The management and staff of the Safari Hotel for agreeing to host us,
  - DB Audio for the excellent, professional audio and visual services,
  - Last but not least, our own Bank of Namibia staff for once again organising yet another successful annual symposium.
248. Finally, I would like to inform you that as usual, the proceedings of the symposium will be compiled in a booklet, titled: “Bank of Namibia Annual Symposium 2016, which will be posted on the Bank of Namibia’s website. Once again, I thank you all and look forward to seeing you at our 18<sup>th</sup> Annual Symposium next year.

Director of Ceremonies, I thank you!!