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PROMOTING COMMUNITY-BASED TOURISM DEVELOPMENT

Why, What and How?

by

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This series of Research Discussion Papers is intended to present preliminary, new, or topical information and ideas for discussion and debate. The contents are not necessarily the final views or firm positions of the Ministry of Environment and Tourism. Comments and feedback will be welcomed.

PREFACE

Community-based tourism development is receiving increased attention from a variety of sectors: for those in government and non-governmental organisations who have long been working with communities on wildlife and natural resource management, tourism enterprises are seen as one form of sustainable utilisation with potential to bring economic, as well as social, benefits to commmunities. For those in government and the private sector working to develop the Namibian tourism product, development in commmunal areas and involvement of local people is one essential (though until now relatively unexplored) element. This paper seeks to bring these perspectives together, to consider how community involvement in tourism could meet various local, sectoral and national objectives. The forthcoming legislation and implementation of Namibia's Tourism Development Study means that policies affecting communities' roles in tourism must be debated and decided now, before the shape of the new tourism sector is finalised. This paper therefore seeks to raise awareness and discussion of such policies.

The economic and financial analysis of tourism enterprises, particularly community-run enterprises, is also intended to assist communities who are interested in establishing and operating enterprises, and can be made available in more appropriate formats. Much of the research was carried out by resource economists in the recently-established resource economics programme in the Directorate of Environmental Affairs. The economic and financial analysis summarised in this paper is revised and expanded on an ongoing basis, therefore additional and/or more robust results will be made available periodically.

ACKNOWLEDGEMENTS

For the information and insights in this paper, we are grateful to many people. Our analysis is based on the experience, work and ideas of the community members, NGO staff, and entrepreneurs in Caprivi, Bushmanland and Kunene, who are dealing with these issues everyday and willingly provide information and hospitality to those who have the luxury of time for analysis and writing. Jon Barnes, resource economist in the DEA, developed the economic models which provided the basis of the financial and economic analysis. The LIFE (Living in a Finite Environment) Programme of the World Wildlife Fund (WWF-US), sponsored by USAID, supported this in many ways: funding the NGO programmes in communal areas, seconding Jon Barnes to the DEA, contracting Elizabeth Garland to come to Namibia to work on tourism development in Bushmanland. We hope that the errors and omissions, that are inevitable in such research based on limited time and information and many assumptions and generalisations, do not detract from the overall point of the paper: which is to explore ways to enhance the work that others are doing to promote community involvement in tourism, by constructing a favourable policy environment.

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SUMMARY

The development of tourism in communal areas and the involvement of local people in tourism can promote several important national objectives. These include faster economic growth in the regions, improved welfare and equity, empowerment of local people, improved resource conservation by local people, and finally, diversification of the Namibian tourism product, particularly the higher-paying "eco-tourism" market.

This paper assesses different approaches to community-based tourism in order to evaluate the extent to which they can contribute to these objectives, and how government can promote greater benefits. It analyses three types of up-market tourism lodges: one run entirely by an outside entrepreneur with no community involvement; one that voluntarily shares a percentage of revenue with local people; and one that is established through a joint venture and partnership between an investor and a community. These 3 approaches are also compared to enterprises run entirely by communities, such as campsites and crafts.

Economic, financial and social analysis indicates that any lodge will boost local jobs and growth, but a revenue-sharing mechanism will do more to enhance welfare, and a joint venture can achieve much greater increases in community incomes, skills and empowerment. A community enterprise can generate similar benefits to a joint venture lodge but on a smaller scale. A joint venture lodge is also most likely to improve local resource conservation by providing significant, widely distributed, and resource-related benefits, while also strengthening community institutions and responsibilities. However, community enterprises and revenue-sharing lodges can also have some effect. The greatest opportunity for diversifying the Namibian tourism product derives from developing "eco-tourism" particularly the components of ethical and cultural tourism. This is most likely when communities are most involved, as with community enterprises and joint ventures.

The analysis shows that cash earnings ranging from N$2,000 (for a small campsite) to over N$100,000 (from a stake in a joint venture lodge) can be significant in the context of poor rural communities, but it also stresses the importance of non-cash benefits, particularly the extent to which a community can control tourism development in their area and the terms of their interaction with tourists.

However, there are several factors constraining the financial and institutional viability of enterprises that involve communities. Such enterprises will be more feasible, and hence more likely to emerge in number, if Namibian tourism, (particularly eco-tourism), develops, if local skills and institutions are enhanced, if communities have rights over wildlife and other valuable resources, and if mechanisms for information, training and planning are established. More communities will be able to secure greater benefits if they gain management rights over wildlife and other resources, and if the planning process for allocating tourism concessions is adapted to confirm communities' rights to both a say and a share of the revenue. Many of the constraints and incentives affecting such enterprises could -- and should -- an be influenced by government.

Given the many potential benefits of community-based tourism, the interest expressed by many actors, and the potential for government to influence its development, a Government policy for promoting CBTD is needed. The strategy should be to enhance the say that local communities have in the development of regional tourism, increase the number of tourism ventures that involve, rather than exclude local people, and the degree of community benefit (financial and social) from such ventures. This can be done by involving communities in planning fora, encouraging private ventures to establish dialogue and share revenue locally, securing community rights over resources, and by removing some of the constraints limiting the viability of joint ventures and community enterprises. However, the role of government is to provide a positive policy and framework, not to impose blueprints. The appropriate form of community involvement should be decided locally, and government policy should aim to encourage flexible and dynamic developments.

There are five key areas for policy action:

1. establish community rights over resources and revenues;

2. adapt financial and legal regulations to facilitate, not constrain, CBTD;
3. promote information, awareness, and communication;
4. develop the eco-tourism market in Namibia;
5. develop institutions, mechanisms, and skills.

The next step is to build on the findings, suggestions, and questions presented here, to formulate an implementable and broadly-supported policy for promoting community-based tourism development.

Introduction: the importance of community involvement in tourism

The Government has set four principal objectives for Namibia's first National Development Plan: raising national income, increasing employment in both the formal and informal sectors, reducing income disparities between the rich and poor, and alleviating poverty among the population.[9] Along with mining, agriculture, fishing, and manufacturing, tourism is one of the main economic sectors with the potential to move Namibia in the direction of these broad development goals. In particular, tourism is seen as having significant potential for generating employment and increased annual growth at the national aggregate levels.[9,5]

In the Republic of Namibia's *White Paper on Tourism*[8], however, substantial emphasis is also placed on the potential of tourism to help Namibia meet its more qualitative goals of income equity and poverty alleviation. Section 3.18 of the *White Paper* asserts that, while the key strategic objective of tourism development is

> "generating employment and income on a sustainable basis, . . . it is not only the generation of economic benefits which is important but also the *dispersion of those benefits to a wider group in society*" (emphasis added).

Tourism development in communal areas, where the poorer majority live, has potential to not only increase local incomes and jobs, but also to develop skills, institutions, and bring about empowerment of local people. Tourism is therefore a key industry for facilitating greater growth, equity, and poverty alleviation in communal areas.

In addition, benefits from tourism in communal areas are seen by many as a key tool for building local support for conservation and sustainable natural resource use (and a sustainable tourism product) in the communal areas:

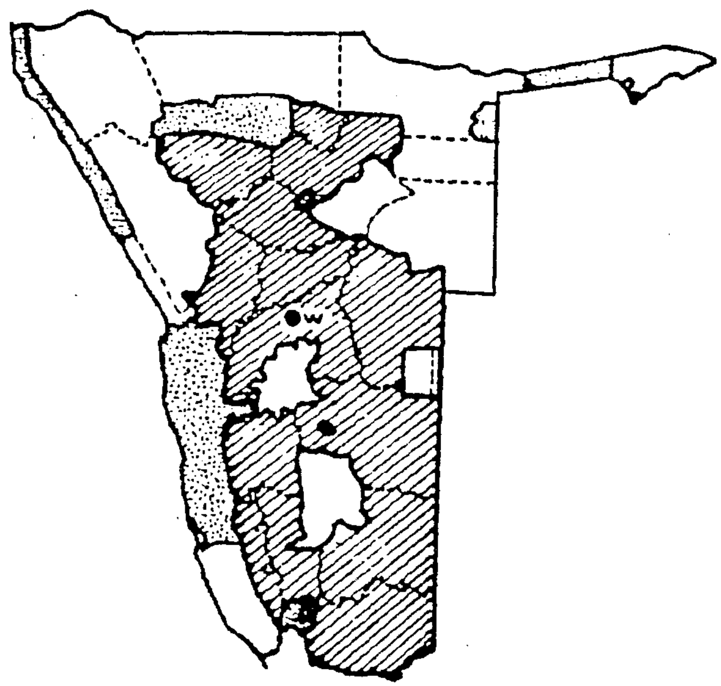
> "The establishment of an economic link between ownership of natural resources, protection and utilisation of game, and income generation in communal areas is of major importance. Tourism must provide direct benefits to local people and aid conservation.[(1)]

Furthermore, tourism development in communal areas of Namibia will enhance the Namibian tourism product. "The Tourism Development Plan lays strong emphasis on the development of tourism in communal land, notably in Damaraland, Caprivi, Kaokoland and Bushmanland"[5] (see Figure 1). Growing global demand for so-called "eco-tourism," particularly emphasises involvement of local people in the tourism industry.

(1) MET, *White Paper*[8], Section 3.25. See also *Wildlife Management, Utilization and Tourism in Communal Areas: Benefits to communities and Improved Resource Management*, (MET Policy Document 1993)[6] which promotes "conservancies" (areas in which communities have rights to manage, and profit from, wildlife) as a means to promote both conservation and community development.

Figure 1: Communal land and tourism development areas of Namibia

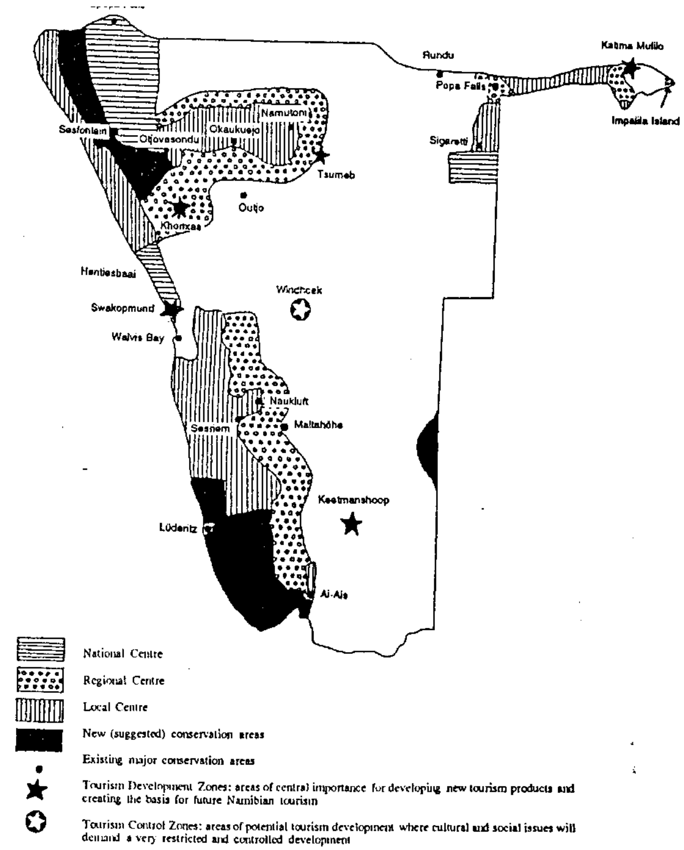
As can be seen from the two maps, communal land in the north east (formerly Kaokaoland and northern Damaraland, now Kunene Region), north west (Caprivi, and former Bushmanland, now in Otjozondjupa Region) and around Etosha National Park (formerly in Owambo, now in southern Omusati, Oshana and Oshikoto Regions) include large areas zoned as existing and future tourism areas.



Land tenure in Namibia

40% is communal land (unmarked); 45% is commercial farmlands (hatched); 13% is proclaimed conservation areas (stippled); (remaining 2% is restricted diamond area).

Reproduced from Namibia's Green Plan[7]



Proposed Zones in Namibia's Spatial Tourism Development Strategy

Reproduced from the Tourism White Paper[8]

The national objectives for promoting community based tourism development (CBTD) can be summarized as follows:

· *Benefits to communities:* boosting welfare, economic growth, and empowerment in the communal areas,

· *Benefits to conservation:* encouraging community commitment to wildlife conservation and sustainable management of the natural resource base,

· *Benefits to Namibian tourism:* diversifying and developing the Namibian tourism product, particularly eco-tourism, and ensuring the long term sustainability of its resource base.

Given the importance of each of these goals, a strategy for developing community involvement in tourism development will be a crucial component of the emerging national tourism development policy.(2) As this paper makes clear, there are many ways in which government policies will affect the nature of tourism development in communal areas, and the extent to which such development contributes to these national objectives.

A crucial question for policy, then, becomes how the GRN can encourage community involvement in tourism development in ways which will best help the country to meet these objectives in the years to come. The recent *Namibia Tourism Development Study*[5] offers a preliminary answer to this question:

> "*Up to the present, tourism has not generated much local income and it is an aim for the future to create a development model incorporating local benefits of tourism ... This model includes the use of wildlife skills and tourism management skills from outside with local participation mostly in the form of joint ventures. The distribution of benefits deriving from the land to members of the community and a gradual participation of these communities in tourism are the cornerstones in the strategy suggested*" (NTDS, Section 6.6.4).(3)

This paper expands upon this strategy outlined in the *Tourism Development Study*, by further exploring the joint venture approach and comparing it to alternative approaches to community involvement in tourism.

The next section provides a framework for analysis. It outlines the various possible approaches to community involvement in tourism development. For the sake of comparison, 4 different types of enterprises are described, ranging from a small enterprise run entirely by a community, to a private tourism lodge on communal land with no community involvement. This section also outlines the criteria to be used when each type of enterprise is assessed against the broad objectives described above.

(2) The Tourism White Paper is being converted into legislation for presentation to the National Assembly in 1995, while implementation of the Tourism Development Strategy is anticipated to be underway in 1995.

(3) The Study goes on to say, "Central to this policy objective is the desire to increase local participation in tourism, not only through wage-earning employment, but also through ownership, operation and management of the tourism plant." (NTDS, Section 7.1)

Section III considers each of these approaches in turn, looking at:

(i) *Feasibility:* how financially viable are the enterprises? Which factors make them more or less viable, and more or less likely to happen? In particular, those constraints or incentives that can be influenced by government are identified.

(ii) *Socio-economic impact:* to what extent do they contribute to the national objectives outlined above? For this analysis, each enterprise must be compared against several criteria.

Based on this analysis of the viability and impact of various ventures, the final section draws conclusions concerning the future development of community involvement in tourism. It suggests why government should promote it, what it should promote, and how. In addition to outlining an overall strategy for government policy, it highlights a range of specific actions that would alleviate constraints or provide encouragement for appropriate development.

II. Four Approaches to Community Involvement in Tourism Development

While a wide range of variables determine the form which tourism development ultimately takes in the context of a communal area, the issue of ownership and the degree of community involvement are fundamental. Considering individual enterprises[(4)], four basic producer scenarios are possible:

1) a private investor could obtain a PTO or concession from the Government to operate a tourist facility in a communal area, perhaps providing employment opportunities, but *no direct revenue* to the local community;

2) a private investor could *voluntarily* decide to share some revenue with the community from a tourist enterprise developed on communal land;

3) a private investor and a community could collaborate in the form of a profit-sharing joint venture; the community has *entitlements* to profits or lease payments, and may or may not be closely involved in the management;

4) the community could decide to develop its communal resources for tourism purposes *through its own community enterprise,*[(5)] for example, through campsites, craft sales, or cultural attractions.

A second factor which often influences the form of tourism development is the way in which producers decide on the tourism product which they want to supply. The process of product selection typically falls somewhere along a continuum of approaches, with demand-driven tourism development at one end and supply-driven development at the other. In a demand-, or industry-driven framework, producers choose to produce a given tourism product based on an assessment of the potential market demand for these products in the region. This is important for minimising the risk of financial failure and for exploiting untapped market potential. In a supply-, or capacity-driven approach, on the other hand, producers identify those services or experiences which they are most able and willing to offer to tourists at a given point in time based on local resources, and then attempt to market these "products" within the context of the existing industry. This helps ensure an enterprise is feasible, fits within the carrying capacity of an area, (physical, ecological, cultural) and develops the comparative advantage of a locality and of the Namibian tourism product as a whole.

While experienced tourism producers presumably draw both on their own particular capacities and on their knowledge of the market in designing their product, limited access to information, skills, and capital can make it quite difficult for fledgling community producers to meet the demands of the established industry. In such instances, a supply-, or capacity-driven approach to developing a tourism venture may result in dramatically different results for local producers than one which is based primarily on external industry conditions, as the discussion below of community enterprises illustrates. Furthermore, the extent to which private investors seek to market and build upon features of the local area (its resources, history, products, or people's

(4) The analysis in this paper focuses on individual enterprises, however it is equally important to consider and promote community involvement in regional planning and development.

(5) In each of these first three scenarios, the "private" investor could well be an individual entrepreneur from within the community. While this option may be preferable to tourism development driven by an outside investor and should be encouraged, it should not be confused with a community-controlled tourism initiative.

skills and culture) will affect the degree of community involvement.

Table 1 categorizes some specific examples from around the country in light of the possible ownership scenarios and approaches to producer decision-making described above.

Table 1: Categorising alternative approaches to CBTD

Approach	Possible enterprise	Existing / planned examples
1. Private investor-controlled enterprise with employment potential as the only direct community benefit	Hunting concession with professional hunters *Hunting concession using traditional trackers* Luxury wildlife-viewing lodges in communal areas	Anvo Safaris, Eastern Bushmanland *possible development in Eastern Bushmanland* in Kunene & Caprivi
2. Private investor who shares revenue with the community	Luxury lodge with bed night levy contributed to the local community	Lianshulu Lodge, East Caprivi
3. Outside investor in revenue-sharing joint venture with the community	Luxury lodge established as a joint venture between entrepreneur and community, with each receiving profit shares. *Overlapping private and community enterprises.*	Proposed venture in Kunene *initial phase of Lizauli Traditional Village -- established with help of Lianshulu Lodge*
4. Community-controlled enterprise	Upmarket community campsite, developed with NGO assistance *Low-infrastructure, basic campsite, minimal facilities but cultural interaction* Demonstration Traditional Village & craft sales	Bagani Community Campsite, West Caprivi *Makuri campsite, Eastern Bushmanland* Lizauli Traditional Village, East Caprivi, current phase

* *italics indicates those enterprises that are more "supply-driven" within each category.*

The following section compares the contribution that these four types of enterprises make to the overall CBTD objectives of growth, welfare, empowerment, conservation, and improved tourism. These are not simple things to measure. So for each the enterprises must be assessed against several different criteria:

- Contribution to *economic growth* depends on the scale of the enterprise, its profitability, the extent to which it uses scarce resources of capital and foreign exchange, and abundant resources of unskilled labour, and the secondary economic effects it produces.

- An enterprise's affect on *welfare, poverty, and equity* depends less on the overall economic or financial benefit of the enterprise, than on the amount of revenue that accrues specifically to local people. It also depends on who earns the money (whether less-skilled, poorer, or female community members receive some, and whether community benefits are dispersed widely or concentrated amongst a few). Just as important as the cash benefits, welfare is enhanced through development of people's skills and institutional capacities.

- The degree to which a tourism enterprise *empowers* local people can be considered as one aspect of welfare, but should also be assessed separately, as empowerment is an important objective in its own right for long term development, irrespective of immediate changes in living standards. The empowerment effect will depend largely on the extent of community control over an enterprise and more generally over the pace and scale of tourism development in their area, plus the degree of institutional and skill development.

- Whether a tourism enterprises encourages community *conservation* of natural resources depends on 4 factors: the scale of benefits received by local people (and whether they outweigh the short term costs of forgoing resource use or changing resource management); the extent to which the benefits are clearly perceived as dependent on the resource base, and therefore on sustainable management; whether benefits reach all resource users; and whether local institutions are strengthened, so as to increase their capacity for collective resource management. If these conditions are not met, massive financial earnings for a few local people will not necessarily change communities' approach to wildlife and other natural resources. Changes in resource use will also depend on whether communities gain rights/ownership and control of resources and hence a sense of responsibility for their management. Therefore the degree of empowerment affects success in promoting resource conservation.

- Finally, the impact of an enterprise on the *competitiveness of Namibian tourism* rests on three questions: does it expand the capacity of the tourism sector, particularly for the prioritised sector of up-market, overseas tourists? Does it diversify the Namibian tourism product, by adding elements of eco- ethical, wilderness, or adventure tourism? And thirdly, does it increase the geographical spread of tourism facilities around the country? As the long term competitiveness of the tourism sector depends on a sustained wildlife and resource base, the preceding objective of encouraging conservation is also a key component of this objective of strengthening tourism. Furthermore, if enterprises contribute to economic growth, welfare and equity, wider public and political support for the sector will be generated in the long run.

III Viability and socio-economic impact of alternative tourism enterprises in communal areas

This sections describes in more detail the four approaches to tourism outlined above, based on specific examples where possible. The financial feasibility of each type of enterprise, and the key factors affecting its viability, are briefly outlined. Then each is assessed for its impact on economic growth, community incomes, skills and institutions, and tourism services in the local area. This then facilitates a comparison of the 4 approaches in terms of their contribution to the broad objectives set out above: welfare, economic growth, empowerment, resource conservation, and improved tourism product.

As a basis for analysis, economic models have been built of each type of enterprise, based information collected from a wide range of actual and planned tourism facilities in Namibia, particularly Caprivi, Kunene and Bushmanland, and on more comprehensive research previously carried out in Botswana.[2,1] For the first three approaches involving private investors, models for up-market photo-tourism lodges were used. For the fourth approach, two types of community enterprises were modelled: campsites and craft/cultural services. These generalised models represent a "typical" not a specific venture, and inevitably rest on assumptions and probably information gaps. In order to make comparisons between the types of enterprise, the analysis necessarily deals with broad generalisations, ball-park figures, and averages across different regions. Details of the economic analysis and results are in the Appendices.

APPROACH 1:
UP-MARKET LODGE WITH NO COMMUNITY INVOLVEMENT

a) Specific Examples

Several up-market lodges have been established in communal areas in recent years (particularly in Kunene and Caprivi). Traditionally such lodges pay a fee to the Government but nothing to the community. Local people are involved only as staff, though local leaders may be approached for permission in the process of applying for "Permission to Occupy" (PTO).[(6)]

b) Feasibility

At current prices of around N$230 to N$300 per visitor per day, an up-market 15-20 bed wildlife viewing lodge could earn the investor a net income of around N$60-70,000 per year, and return on investment of 2-12% per year (according to the financial models described in Appendix 1). This is not particularly attractive, but income may rise as Namibian prices move closer to international levels, and the investor could expect to reap a large capital profit when the enterprise is sold. A few lodges and guest farms already appear to be moving into a much higher priced, exclusive market. If daily

(6) PTOs are allocated by the central government for a small fee. They give the holder the right to use (but not own) a plot of communal land for business purposes.

tariffs multiply to nearer N$1000 per day, the rate of return also increases several fold.

For the typical lodge, three key factors constrain profitability: generally low tourism prices in Namibia, competition with subsidised government facilities, and a high burden of tax, particularly sales tax (at 11% of turnover this reduces profit by N$40-80,000 per year). Occupancy rates, assumed to be around 25-40%, are also critical determinants of financial viability.

c) Socio-economic Impact

Economic growth:(7)

A wildlife viewing lodge is generally a relatively efficient use of land in terms of economic returns for the nation: a 16-18 bed lodge could contribute around N$200,000 to N$400,000 per year to national income, generating a highly positive economic return on the capital investment (in the region of 25-40%), and net economic income of N$10 to N$20 per hectare.

Community financial benefits

From the local community's point of view, economic benefits from such a lodge are primarily wages.

> *A typical 15-20 bed photo-tourism lodge would probably employ 6-15 local staff paying a total of N$30,000 to N$100,000 per year in wages, food and other benefits.*

Regular employment of 6-15 people is likely to be very significant within one or two rural communities, and have a measurable impact on some families' living standards (nutrition, school enrolment, investment in assets).(8)

There are likely to be few other direct financial benefits, except possibly land rental fees to a community authority of a few thousand dollars per year (as charged in the Mbukushu area, west of the Okavango River), or purchase of local materials such as thatch, of a few hundred or one thousand dollars per year once construction is finished (but up to N$15,000 during construction). Indirect and long-term benefits may or may not be significant: eg improvements in local infrastructure, such as water or roads; opportunities for communities to develop services for the tourists attracted into the area.

If the investor is a local entrepreneur -- which is particularly likely in the former Owambo region -- a greater share of profit will be reinvested in the local economy, though not necessarily in the immediate vicinity.

Costs faced by the local community can include loss of access to land and its resources such as grazing, fuelwood, timber, thatching grass; damage to crops or stock by

(7) Measures of *economic* returns are from the perspective of the Namibian economy, rather than the *financial* perspective of an entrepreneur. See appendix II for details.

(8) For example, according to recent surveys: in Bagani, a community of 400 adults in West Caprivi, around 25 men have full-time jobs (one in 16 adults).[4] In Bushmanland (eastern Otjozondjupa), one in eleven adults have jobs, and less than half of all households receive income from permanent employment of a family member.[3] In Damaraland (northern Erongo and southern Kunene), an area with 16-17,000 adults, 2,100 have jobs, equivalent to one in eight adults.[9]

wildlife, and to other resources, such as bush foods, by tourists; increased competition for resources such as water; loss of privacy; and most important but difficult to quantify, loss of control over developments in their area and the terms on which to interact with tourists.

The **distribution** of economic benefits will be confined to employees of the lodge (likely to be a balance of women and men, but concentrated among those with more English or education) and their extended families.

Social benefits: employees may gain some skills, such as English-speaking, although confined to unskilled or semi-skilled jobs, they are unlikely to acquire business skills. However, other members of the community and particularly community leadership and institutions have no role, in either providing inputs or distributing benefits, so there is no institutional development or other human resource development involved. **Ownership and control** of the enterprise and the community's earnings remain entirely in the hands of the entrepreneur.

Links with resource conservation: those employed in the lodge probably understand the tourist/wildlife as the source of benefit, but the majority of community members may perceive neither the benefit nor the link.

Tourism product: such a lodge expands Namibia's capacity for up-market tourism, but is less likely than a revenue-sharing lodge to diversify the product by encouraging interaction between tourists and community members, or by spurring local people to undertake their own initiatives.

To summarise:

> **Welfare and economic growth:** significant boost to local economic activity, jobs and earnings, but limited distribution of benefits locally. Low impact in terms of secondary linkages (except during construction), institutional and human resource development. Potential infra-structural development. Potential for significant resource costs to local people.
>
> **Empowerment:** the lodge could disempower local people, by taking resources out of their control.
>
> **Encouraging conservation:** low impact because benefits and understanding of the source of revenue are not widely dispersed, and there is no institutional development for resource management. Possible negative impact from resentment and alienation of resources.
>
> **Tourism product:** increase in capacity (particularly for up-market tourism) and geographical dispersion, but not diversity of product.

APPROACH 2:
PRIVATE UP-MARKET LODGE; REVENUE-SHARING WITH COMMUNITY

This approach to tourism development in communal areas is identical to the above, except that the lodge owner *voluntarily agrees on a revenue-sharing arrangement with local people.*

a) Existing examples:

The best known example is Lianshulu Lodge in Caprivi, which charges every tourist a N$5 per night bed-levy for the community (total fees are N$200-300 per person per day). If the accumulated fund is divided between households in the 4 communities under Linyanti Khuta, it will amount to approximately N$70 per family.

b) Feasibility of approaches to revenue-sharing

Revenue-sharing could take many forms: bed levy, a percentage of revenue or profit, annual royalty, annual land rental fee, payment for a community service etc. The appropriate mechanism will depend on the aims of the entrepreneur and community in each case. However, the *scale* of revenue handed over to the community probably depends on two questions:

(i) *What level of revenue would be affordable to a private entrepreneur (i.e. leave the enterprise financially viable) but significant to local people?*

(ii) *To what extent does the entrepreneur anticipate the arrangement to pay for itself* through:

- reciprocal benefits from the community (goodwill, resource conservation, land-use agreements);
- and / or a compensating increase in revenue from tourists.

And whether a higher revenue share brings proportionately higher benefits?

(i) What is "affordable?"

The following indicate potential mechanisms and levels of revenue at normal operating capacity (full details are in Appendix III)

· 2% of turnover	N$8,000 - 16,000 p.a.
· N$5 bed-levy	N$7,000 - 13,000 p.a.
· N$10 bed-levy	N$15,000 - 26,000 p.a.
· 10% of net profit	N$7,000 - 8,000 p.a.
· land rental (instead of to govt.)	N$3,000 - 5,000 p.a.

i.e. these mechanisms would channel *between N$5,000 and N$15,000 per year* from the investor to the community.

At assumed, relatively low levels of profitability of private lodges, this may be the limit of what is "affordable" from the investor's perspective, and is probably too high during early years of low occupancy and low profit. Assuming no compensating increase in revenue, the donation lowers the investor's income to N$60,000 - 70,000 per year representing a financial return on investment of 2-12%. However, at higher daily fees, it would be possible to share substantially more (eg 10% of revenue) and still leave the investor with a positive return.

(ii) Will it pay for itself?

A N$10,000 per year revenue-share could pay for itself if the ethical appeal of a community levy made tourists willing to pay extra. Based on the Caprivi and Kunene models, *an additional N$7 or N$8 per day on top of the N$200 - 300 daily fees, would pay for the community's revenue and leave the entrepreneur's return on investment unchanged.* This should be possible, particularly if the additional fee is specifically described as a community levy.

It is difficult to compare a N$10,000 annual payment with the value of reciprocal benefits from the community, such as good will or conservation, but worth noting that N$10,000 would pay for just 4 km of a cattle-proof fence,[11] or for replacing two poached eland, or one sixteenth of a poached rhino.

i.e. at current prices, limited revenue-sharing of around 2% of turnover, or N$10,000 per year is probably viable. If tariffs rise, revenue-shares and viability increase. The key factors affecting the feasibility of revenue sharing are:

- *overall profitability of tourism lodges, as described under approach 1;*
- *the extent to which revenue-sharing can be "sold" to tourists, and the cost passed on as an additional N$7 - 8 daily fee;*
- *the extent and perceived value of reciprocal benefits from the community.*

c) Socio-economic impact

Many of the social and economic impacts of revenue-sharing lodges are similar to those outlined above: e.g. wages earned by local staff, costs of resource use competition, expansion of tourism capacity. However, there are also some *additional* benefits.

Economic benefits

Assuming that a revenue-sharing arrangement does not change the structure or scale of the lodge operation, and only changes the distribution of revenue, then net economic contribution will, as above, be in the region of N$200 - 400,000 per year. However, the economic benefits are even greater if:

· a dollar in a community pocket is valued more highly from the national economic perspective than a dollar in an entrepreneur's bank account (because it contributes more to reduced poverty and inequality).

· the revenue-sharing arrangement increases the total expenditure per tourist or number of tourists;

- the arrangement generates secondary benefits, such as human or natural resource development, or secondary enterprises, which are of economic value.

For example, if monetary values are attached to the economic benefits of equity and education (by doubling the value of dollars earned by local employees and the community fund, and valuing of education of local people employed in the lodge at the annual cost of primary education per pupil), the economic value and rate of return of the lodges increases by 50% to 100% (for details see Appendix II).

Community financial benefits
A revenue-sharing lodge has the same high impact on local employment and low impact on other aspects of the local economy, except that, in addition to annual wages of N$30 - 100,000 earned by individuals, the community earns approximately N$10,000.

However, if Namibian lodge prices rise towards international levels, there is scope for substantially greater revenue. *A doubling of fees to around N$500 per day, would make it possible to pay 10% of turnover, or over N$100,000, to the community, if the entrepreneur's income remained at existing levels.* Equally, if reciprocal benefits from the community are more explicitly agreed and valued, larger revenue shares may be possible.

Distribution: though shared community income is small in relation to total local wages, it is significant because it can be distributed more widely amongst all members of the community, including the least employable, or used for joint community investments.

Human and institutional impacts
Irrespective of the quantity of money, a revenue-sharing mechanism necessarily involves community institutions in deciding on the use of money, so could lead to institutional strengthening and skill development. Although *ownership and control* of the enterprise remain entirely with the entrepreneur, the community's *responsibility for allocating the funds* may be empowering. The process of deciding and implementing the distribution of income may demand institutional development. Furthermore, if the revenue-share is established as a two-way agreement, not just a one-way donation, between the lodge and community, it may entail community commitments and responsibilities concerning the lodge and resource management. Their management of the revenue-share is also more likely to raise awareness amongst the community of local tourism issues, the role of the resource base, and potential to earn income from tourists, hence may have spin-off benefits.

For example, once community members and a lodge-owner are working together on revenue-sharing, it becomes more likely that local people will develop their own ideas for tourism-related enterprises or that the entrepreneur will assist (as happened at Lizauli traditional village near Lianshulu Lodge, in East Caprivi). The earnings and impact of this are considered separately under the fourth approach, but *these long-term indirect and dynamic benefits of revenue-sharing are potentially the most important.*

Conservation link: the benefits received by the community might be perceived to depend on conservation to attract tourists, might be dispersed sufficiently widely to affect the majority of resource users, might be sufficiently large per family to outweigh short term costs of conservation, and might strengthen local institutions. On the other hand they might not. Much depends on how the revenue-sharing system is established, perceived, and managed.

Eco-tourism products
The ethical appeal of revenue-sharing is in itself is a bonus for some tourists. In addition, it is more likely, though far from inevitable, that a lodge that channels funds from tourists to the community will also seek to develop ways of linking tourists and local people more directly. e.g. arrange for photo-visits to villages, market local crafts or skills, or promote community enterprises.

To summarise:

> **Welfare and economic growth:** in addition to the boost to regional economic growth and jobs of any up-market lodge, a revenue-sharing lodge contributes to equity and poverty-alleviation through community income. It may also strengthen institutions, and in the long term lead to other community initiatives in tourism.
>
> **Empowerment:** the community gains no control or rights over the lodge, but they gain responsibility and control of the revenue share, which may be empowering.
>
> **Encouraging conservation:** impact is possible but far from guaranteed, depending on the scale, distribution, and understanding of the revenue-share.
>
> **Tourism product:** revenue-sharing adds appeal but not a specific new service or product for tourists. Capacity and geographical dispersion are increased as above.

APPROACH 3:
JOINT VENTURE, UP-MARKET LODGE

a) Examples

There are no joint ventures operating in Namibia yet, but one is proposed in Kunene. The reported idea is for a small, luxury lodge, charging international rates of over N$1,000 per night, based on a unique product: luxury in a harsh, arid, wilderness with rhino, plus community involvement. The community contribute land and its wildlife resources, an investor[9] provides capital and marketing, and a developer advice and construction. Extensive training and involvement of community members is anticipated, and training costs included in the capital budget, so that they can gradually take on management responsibilities. The community's share of profit will be up to 50%.

[9] Throughout this paper "investor" refers to the financial investor, but of course the community is also investing time, land, and resources in the enterprise.

Other examples of joint ventures come from outside Namibia. In Botswana and Zimbabwe the more common approach is for a community to lease out the use of its resources to a private operator, such as a safari hunting operator. This differs from the revenue-sharing lodge described above because the community begins with resource rights, and negotiates the terms of operation, rather than being the recipient of a voluntary donation. However, unlike the Kunene suggestion, community members are not involved in day to day operation.

b) Feasibility of joint ventures

According to models of a *typical* up-market lodge, sharing profit 50:50 with the community would simply not be financially viable. As indicated above, 90-100% of profit for the entrepreneur provides a sufficient, but not particularly high, financial return on investment. A 50% share would not. However if, as in the Kunene proposal, it is possible to set fees several times higher than normal (without increasing capital and running costs by the same proportion), then annual profit is sufficiently high that 50% of profit still represents a good return for the investor.

The problem is that however great the intrinsic value of the community's non-cash contribution, the investor still needs a reasonable return on investment: capital is a scarce commodity. If the investor wants the same investment return as normal, but is only getting half the profit, then the lodge has got to be twice as profitable as normal. This would be possible in areas with a unique tourism product, or if the community's involvement substantially increased revenues (eg by attracting a high-paying eco-tourist market) or substantially reduced costs (community contribution of labour, natural resources and / or land that would otherwise have been expensive). The former depends on developing the eco-tourist market, the latter on community control of land and wildlife resources, and on commercial land and wildlife prices.

Appendix 3 explores these scenarios, based on models of typical lodges in Caprivi and Kunene. The results indicate:

- with no increase in prices or revenue, a 50:50 revenue-sharing lodge is not a viable investment;

- however, a modest price increase would allow 50:50 sharing while leaving the investor with as much annual income as in the private lodge model (assuming no increase in capital or running costs). Prices would have to rise from N$300 to N$330 per day in the Caprivi model (10% increase) and from N$230 to N$300 per day in the Kunene model (30% increase). If the community's profit share was in the region of 20-40% (which is in line with the relative financial values of the land and capital investment needed for a lodge) a lower price increase would be possible.

A 10-30% price increases should be possible if:

(i) there is appropriate marketing to exploit the eco-tourist market. Specialised ethical/cultural/eco-tour groups can charge substantially higher prices that would cover these increases and much more. At N$300-330, Namibian daily fees would still be substantially lower than daily fees in similar lodges in Botswana.

(ii) community contribution of scenic land or valuable wildlife gives the enterprise marketable assets *that it would otherwise have had to pay for* and for which it can charge higher tariffs. e.g. it can charge the fees of a lodge with rhino, but at the capital cost of a lodge without rhino.

i.e. the viability of joint ventures depends on the market value of cultural/ethical tourism, and/or on the extent to which communities have rights over resources of market value.[10]

On the other hand, there are *substantial* costs for the entrepreneur in operating a joint venture, in terms of his/her time and workload, delays due to negotiations, costs of meetings, training etc. These costs have not been estimated, but could make a big difference to the running of a lodge in the first few years, and could deter an investor from the start. *Therefore, the negotiation costs of establishing joint ventures, and the extent to which they can be reduced by government or NGOs providing intermediaries or training, will affect the number of joint ventures initiated.* Participation of local people in operating the lodge will enhance its appeal in the eco-tourism market, but will also impose significant additional costs of time, effort, and training, so price increases would need to be greater than the 10-30% indicated above. Therefore, a joint venture in which a community negotiates terms but does not participate in day to day management will be more financially viable in some situations.

The feasibility of joint ventures has been seen to depend on its financial viability to the investor. The financial viability from the community's perspective is not explored here because, as the next section shows, the financial returns are significant and far exceed alternative earnings from the land. *However, entering a joint venture requires a great deal of time, effort, organisation, and consensus on the part of the community. These costs may make a joint venture unviable from the community's point of view.*

c) Socio-economic Impacts

The following analysis is based on models of lodges in Caprivi and Kunene that charge the additional N$30-70 per day necessary to make them financially viable.

Economic benefits

The annual economic contribution of a higher-priced, joint venture lodge is N$300,000 - N$400,000 per year -- significantly higher than a normal private lodge. A further significant, though unmeasured, increase in economic benefits arises due to the more

(10) MET policy is for communities to gain rights over wildlife and other natural resources by establishing "conservancies" -- defined areas in which they have rights to sustainably use and profit from resources along with responsibilities for wise management. The policy[6] awaits Cabinet approval before the pending applications can be processed. If communities gain rights over resources through this or other mechanisms, their market power will depend on the quality of their resources, and the price for which similar resources are available outside conservancy areas.

equitable (hence poverty-alleviating) distribution of profits compared to options 1 and 2, and
the value of secondary social and economic impacts outlined below.

Community financial benefits
If the community receives 50% of the profits of a N$300-330 per night lodge, their annual income is in the region of N$70,000 - N$85,000 per year -- as much or more than the annual earnings that will still also be earned by local employees. Earnings of local employees will be higher than normal if managerial jobs that are usually done by outsiders are taken on by community members.

Total community income will therefore be N$100,000 to 150,000 -- undoubtedly a substantial (probably several-fold) increase in local incomes, and more than could be earned from agriculture or other land uses.

Distribution: one half, or more, of the N$100,000+ can be widely distributed or used as the community decides, while the rest accrues to wage earners.

Costs: However, the joint venture requires significant *inputs* and imposes costs on the community: a contractual contribution of land, a great deal of time on the part of community leaders/negotiators, and other agreements regarding conservation, use of resources, labour, access for photographers to villages etc. The values that the community, not the market, put on these costs will determine whether the trade-off is worth it. Many of these costs will occur at the start, perhaps years before the financial benefits start flowing.

Human and institutional impacts
If a joint venture is a true partnership, it will have far-reaching effects on local people and institutions, through their involvement in negotiations, management, business development, tourist interaction, formal and on-the-job training, and their management of community inputs and benefits. Even if community members are not involved in day to day operation, managing and representing the community's interest will require considerable skill development among leaders. Under the heavy demands of regulating the distribution of costs and benefits across the community, and representing community interests with an experienced private entrepreneur, community institutions will probably have to strengthen rapidly to avoid collapse (and perhaps also become more dependent on NGOs.) Skill-development and other benefits to individuals may be concentrated among leaders and those with business skills, unless responsibilities are dispersed across the community.

Empowerment derives not only from the development of skills and institutions or use of substantial income, but from the community's share of *ownership and responsibility* for the enterprise, their *control* of the terms of agreement, and the fact they have *rights* not just receipts.

Conservation link: the link between income and the tourism appeal of the resource base should be fairly evident to those involved. The scale of community income should certainly be sufficient to outweigh short term costs of resource conservation. The question is how far the understanding and receipt of benefits are dispersed across all local resource users.

Tourism product
A joint venture is most (or only) likely to be financially successful if well-marketed as such. i.e. as a distinctive, ethical eco-tourism product. It is most likely to be a truly *joint* effort if the community contributions in the form of cultural interaction (walks, performances, traditional meals ...) are included in the lodge activities. In both these ways, a joint venture lodge is diversifying the tourism product in Namibia and adding to the eco-tourist overseas market.

To summarise:

> **Welfare and economic growth:** potentially high impact in terms of both local economic growth, and poverty/equity due to the high level and wide distribution of benefits. But it is also risky and carries costs to local people.
>
> **Empowerment:** the community has much greater *control* over developments because it begins with resource rights and can negotiate terms (even if it decides to lease out management of the venture). Growth in community earnings, skills and institutions as the joint venture develops can also be empowering.
>
> **Encourage conservation:** benefits are significant, the conservation link relatively transparent, so all depends on the distribution.
>
> **Tourism product:** capacity, geographical dispersion *and* diversity of the Namibian tourism product are increased, particularly in the expanding, high-paying ethical and eco-tourism market.

APPROACH 4: COMMUNITY ENTERPRISE

a) Examples

The existing and planned community enterprises fall broadly into two types:
- (i) campsites
- (ii) cultural services, such as crafts, dances, demonstration villages.

For example: Bagani campsite planned in West Caprivi; community campsites at Ongongo and Khowarib in Kunene; Lizauli Traditional Village in East Caprivi (cultural demonstration and craft sales); Makuri campsite in Bushmanland (offering both camping and cultural services). Such enterprises vary enormously in their scale, mode of operation and management, and distribution of income. Broad distinctions can be drawn between small-scale, low capital enterprises, as at Makuri, and the larger ventures requiring greater capital investment in more up-market facilities, as at Bagani and Lizauli. Another important distinction is in the use of revenue: whether it is used to pay a small amount to many people, to pay market-related wages to a few full-timers, and / or earn money for a shared community fund.

b) Feasibility

Details of financial and economic analyses of various community enterprises are in Appendix 5. Small and larger-scale campsites are compared with each other, as are small and larger-scale cultural services. Campsites are then compared against cultural services. Findings are summarised here in order to draw out key determinants of viability.

Viability of campsites

In assessing financial viability, the key question is "does the community earn an income?" Rates of return to capital are less likely to be the most important criteria to communities. A clear finding of the financial analysis is that community income earned from a campsite can vary enormously (repayment of capital costs at 0% real interest is assumed).

- A *small* camp with 2-tentsites, *very basic facilities*, and no paid staff, charging N$10 per person and receiving around 20 visitors per month (based on the Makuri campsite example) would earn the community around N$2,000 per year. Assuming a capital investment of N$5,000 (mainly for initial marketing and a share of village water supply costs), this represents a high rate of return on investment at 46%.

- By comparison, an *up-market* campsite, with the same number of sites and visitors but with individual ablutions and a paid manager and charging N$50 per site (based on one possible scenario at Bagani) would make a loss. Payment of a wage, and repayment of N$10,000 investment, exceeds income. On the other hand, if the up-market site could double either the occupancy rate or night fee, it would become viable, earning around N$2,500 per year and a 31% return on investment. At a larger scale still, if N$40,000 were invested in developing another 4 tentsites with shared ablutions, and occupancy leapt to 54 visitor groups per month (30% site occupancy), annual community income could be N$14,000 per year.

The key factors underpinning the profitability of a basic campsite such as that at Makuri are:

  - low capital costs: facilities are basic, the community contributed its own labour for site clearing, and materials were scavenged;

  - virtually zero operating costs: the site is so close to the village and time input sufficiently small that paid staff are unnecessary;

  - high camping fees relative to facilities: because there is no competition (particularly with a subsidised government site as Bagani campsite has with Popa Falls rest camp).

Given these factors, the site is viable even at low occupancy rates. In addition, the Makuri site earns as much money again from cultural services, discussed below.

However, it is clear that at more up-market sites, and indeed at most potential campsite enterprise, the key factors determining viability are:

- *site fees* (at Bagani, the question is whether fees can be raised above the subsidised rate at Popa Falls, across the Okavango river, by offering a more exclusive product)

- *occupancy rates*: once capital and running costs are incurred, a trickle of 5 or so groups per month leaves the enterprise shaky. But if occupancy approaches normal commercial levels, say around 30% it succeeds financially.

The implications of this for how government can affect viability are considered in Section IV.

Viability of cultural services

Two types of cultural enterprises were modelled and assessed:

(i) community dances, foraging walks and photos, with no/low investment and running costs, charging around N$50 to groups of campers (based on cultural services offered at Makuri);

(ii) a traditional demonstration village involving N$40,000 initial construction cost, charging N$20 entry fee per person and earning an additional N$14 per person on average from craft sales (based on Lizauli Traditional Village).

The analysis found that though very different in approach, *both types of enterprise are profitable and generate a good return on investment, so long as income of workers/community participants are counted as community income, not as costs.* This seems appropriate because in both cases the community has adopted strategies that maximise the number of participants/workers involved and rapidly disburse community revenue in the form of payment for time of those involved. Including this income, the low-cost cultural services could earn around N$4,000 per year, and the higher-investment traditional village, N$24,000 per year.

This suggests the cultural enterprises can earn as much or more as campsites of a similar scale of investment. However, the financial success of such an enterprise rests on a nearby accommodation to attract visitors in sufficient number (the campsite attracts customers at Makuri, Lianshulu Lodge attracts visitors for Lizauli).

As with the campsites, visitor rates and prices are key determinants of profitability. These depend partly on the product and the communities' marketing efforts, but also on factors outside their control, particularly developments in regional tourism and eco-tourism. More generally, communities are "market-takers" -- the viability of their enterprises can be rapidly changed by other local developments affecting land use and tourism in their area. A new campsite, lodge, road, agricultural project could easily destroy or multiply the security of an emerging community enterprise.

Other aspects of feasibility

The feasibility of a community enterprise does not only depend on its financial profitability, but whether the community has the capacity and resources to establish and manage the venture. In particular whether they have access to:

- finance for initial costs
- business management skills
- secure land tenure (eg PTO)
- marketing skills, eco-tourism market
- language skills for interacting with tourists;

This suggests that support offered by NGOs or government will be crucial in some areas. It also indicates the advantages of the supply-led, or small-scale approach during the initial development. If the enterprise can begin with basic, low-cost services, then community capacity can develop over time as the enterprise grows.

c) Socio-economic Impact

Taking broad, generalised results from analysis of a range of community enterprises:

Economic growth

The total annual contribution to economic income of community enterprises is relatively small, and therefore economic benefit per hectare is also low, at around N$2 per hectare per year or less. Secondary economic linkages are low, though they may encourage other similar enterprises by demonstration. But because community enterprises tend to be labour- not capital-intensive, the economic rate of return can be high (20-50%), and the capital investment per job low ((N$1,000 to N$20,000). In addition, the impacts on equity, institutional strengthening, and skill development have economic value. If these benefits are valued (using wages, NGO expenditure on institutional development, and government expenditure on education as proxies, as explained in Appendix 1) the economic benefit of community enterprises is in the region of hundreds of thousands of dollars per year, or N$10-40 per hectare (i.e. of a similar scale to a private lodge).

Community financial benefits

Total income for a community fund *and* earnings of community members are likely to be around N$2-6,000 for a small enterprise that receives around 200 visitors per year, or over N$20,000 for a successful, well-established, more up-market enterprise with 600-900 visitors per year. The share earned by individuals and by a community fund can vary enormously. e.g. all the revenue from Makuri cultural services is distributed to participants as earnings, whereas all the revenue from the campsite goes into a community fund.

Costs

A community enterprise can involve heavy costs -- in terms of unpaid time input, use of local resources, and risk.

Distribution of benefits

A community fund can be widely shared, as with revenue received from lodges.

However, with community enterprises, jobs and earnings from services/crafts can *also* be widely distributed -- if the community chooses. In the examples considered, the number of people receiving earnings varies from 1 at a campsite to 30 at a traditional village, with the annual amount per earner varying from N$7,200 to N$133.

Social benefits
If community enterprises are to succeed, they will necessarily require business and language skills, and strong community institutions for management of the enterprise. Therefore the opportunities for human and institutional development are high -- though they may be confined to a minority of community members.

Empowerment
A community enterprise is an opportunity for local people to be in *full control* of a venture (though there is a risk of increased dependence on NGOs to make the enterprise work).(11) The community should be able to determine the type, pace, and scale of its development (though not of other tourism developments nearby). In developing tourism attractions based on culture, for example among Bushmen or Ovahimba, this community control is particularly important, as cultural services in which local people are paid to be an object of curiosity can be fundamentally disempowering.

Conservation linkage
Though the scale of benefits may be small, the amount per household or community can still be significant. Awareness of the enterprise, of tourists -- and hopefully of natural resources -- as the source of revenue is likely to be high.

Tourism product
Community enterprises are likely to either develop close to other tourism facilities, thereby diversifying the regional product by offering cultural/community interest (as in Caprivi), or to develop in areas with few other facilities (such as Kunene and Bushmanland), thereby contributing to geographical dispersion of the tourism sector. Those based on provision of cheap, basic facilities are likely to accommodate budget travellers. Those involving community interaction and cultural attractions are likely to help develop the eco-tourism sector in Namibia. Community enterprises will add little to overall tourism capacity, due to their small-scale.

To summarise:

> **Welfare and economic growth:** small injection to the local economy with few secondary linkages, but earnings are kept within the local economy and at a household/community level, the scale of benefits is significant. Welfare effects are high due to wide distribution of income, plus educational and institutional impacts.

(11) In practice, some "community" enterprises may be more or less managed by one person acting in the name of the community, in which case the empowerment and social benefits will be reduced.

Empowerment: high potential because community controls the enterprise. Avoids the risk of disempowerment through becoming cultural curiosities in services provided by outsiders.

Encourage conservation: though average income per household is small, benefits can be clearly linked to tourism / wildlife and widely dispersed at least among one community, though not necessarily neighbouring resource users.

Tourism product: diversification rather than expansion of the tourism product, for either budget travellers or eco-tourists.

Table 2: Relative contribution of each type of enterprise to the four objectives of community-based tourism development.

	Up-market lodge no revenue sharing	Up-market lodge Revenue-sharing	Joint venture lodge	Community enterprise
Welfare				
no. of local jobs	———	———	———	- - -
total annual local wages	———	———	———	-
income for community fund		——	———	——
Total: wages plus fund	——	———	━━━	- - -
Skill development		- - -	━━━	━━━
Institutional development		- - -	━━━	━━━
Costs to community	- -	- - -	━━━	━━━
Economic growth				
Net income - per year	———	———	━━━	—
- per hectare	———	———	━━━	·
Including value of social impacts:				
- economic income per year	———	———	———	———
- economic rate of return	—	—	———	━━━
Empowerment				
Community has:				
- ownership			━━	━━━
- control (of venture/developments)		—	━━	━━━
- rights (to earnings)			———	———
Encourage resource conservation				
Benefits to local resource users:				
- significant	——	———	━━━	—
- widely dispersed		———	———	———
- perceived linked to resource base		——	———	———
- devt. of institutions & resource rights		——	———	———
Tourism product:				
Expansion of capacity	———	———	———	
Diversification of product		——	━━━	———

COMPARISON OF EACH APPROACH AGAINST CBTD OBJECTIVES

Each of the four types of enterprise makes some contribution towards the objectives outlined for tourism in communal areas. The chart in Table 6 summarises their main areas of impact.

In terms of overall contribution to the regional and national economy, any up-market lodge does well, irrespective of revenue sharing, compared to a community enterprise, simply because of its scale. However, if social benefits of skill and institutional development, and equity, are valued in economic terms, the total economic contribution of a community enterprise is just as great.

If enterprises are ranked according to the amount of revenue they earn *for a community* rather than for the economy, a joint venture lodge is clearly preferable, followed by community enterprises and revenue-sharing lodges which could generate comparable amounts for a community fund. However, a lodge (with or without revenue sharing) also injects substantial income into the community through employees wages.

However, cash income is only one consideration. Skill and institutional development, empowerment, and equitable distribution of benefits, are vital for improved welfare, empowerment, and resource conservation (and hence for sustainability of tourism). These in turn depend on the degree of community participation in an enterprise, and their control of developments. On these criteria, joint ventures and community enterprises offer greatest potential. Revenue-sharing from a private lodge demands some, but less, community involvement (and much less ownership), but also has potential to catalyse other ventures which involve more partnership or community ownership. A private lodge with no revenue sharing contributes little, if anything, to these objectives, and may undermine them by disempowering communities.

Improved resource conservation emerges as probably the most difficult objective to achieve because meeting one or two of the different criteria is unlikely to be sufficient. A joint venture lodge has most chance of generating benefits that are sufficiently large, widely dispersed, and perceived as dependent on resources, *and* strengthening resource-management institutions, *and* empowering local resource-managers. A community enterprise can have similar impacts except that financial benefits are smaller. A revenue-sharing lodge could have similar types of impacts but with substantially smaller financial, institutional, and empowerment benefits.

Any up-market lodge will *expand* the capacity of up-market tourism in Namibia, but an enterprise run by a community or joint venture is more likely to *diversify* the tourism product through cultural and ethical appeal. Therefore the joint venture lodge is the only one likely to achieve both objectives. As it also has most chance of promoting resource conservation and welfare, it also makes greatest contribution to the long term sustainability of tourism, which depends on natural resources and public support.

Overall, each type of enterprise offers some benefit: *revenue-sharing lodges preferable to non-revenue sharing lodges; joint ventures preferably to either; and community enterprises* *offering a different set of benefits, often along the same lines to a joint venture but on a smaller scale.* Much also depends on how the community's involvement works in practice. The difference in impact between 2 contrasting approaches to joint ventures can be as great as the difference between a joint venture and revenue-sharing lodge. A revenue-sharing lodge in which the community is fully involved in agreeing the mechanism and distributing the money widely could have more positive social and economic impacts than a joint venture or community enterprise which makes little profit and/or is out of the community's control.

Another key consideration is the extent to which a range of complementary tourist facilities emerge in a region and catalyse each other. A combination of ventures is most likely to meet a broader range of development objectives. On the other hand, two sustainability also depends on tourism developments staying with the localities "carrying capacity" (physical, ecological, cultural). Enterprises that adopt a supply-led approach that emphasises existing local strengths, and particularly those with substantial community control, are most likely to be adapted to local limits. It should also be borne in mind that new private enterprises may knock out fledgling community enterprise, as these take more time to become established or adjust to changes in the market.

As the sections on feasibility showed, the financial and institutional viability of these enterprises is not always secure. They can be constrained or enhanced by a number of factors, many of which are influenced by government policy. The next section therefore draws out implications and recommendations for policy-makers.

IV. Conclusions and Policy Recommendations

A: Why Promote Community Based Tourism Development? The need for a policy

The discussion above indicates that all of the various approaches to community involvement in tourism development can have positive impacts on the national objectives of promoting welfare, economic growth and empowerment in communal areas, raising community commitment to conservation, and improving the national tourism product. As tourism is a fast-growing industry with a good future in Namibia, its potential to promote these vital national objectives is considerable. However, at present, community involvement in tourism is well below potential and risks lagging behind other developments in the tourism sector. In the existing policy framework, development of more ventures run entirely by outsiders is most likely, with long-term costs to communities, the resource base, and hence the foundation of the tourism product. Furthermore, as the above discussion makes clear, many government policies and actions affect the growth and form of tourism development in communal areas. Therefore a government policy to promote community-based tourism is needed.

B: What to promote? Objectives of policy

As Section III indicated, joint venture lodges and community enterprise have most potential to meet a wide range of welfare, conservation, and tourism objectives. A revenue-sharing lodge makes a significantly greater contribution to the objectives than a totally private one, even if the amount of revenue is relatively small. However, just as importantly, the analysis indicated that:

- there is no blue-print for a joint venture, a community enterprise, or a revenue-sharing mechanism. What is viable and appropriate will depend a great deal on local conditions. Furthermore, communities making their own decisions about the form development should take in their area is one of the goals, so it should not be decided for them by government. Therefore policy should promote principles of community involvement, rather than specific forms.

- one type of enterprise can evolve into, or catalyse, another. e.g. a private lodge start revenue sharing, a revenue-sharing lodge prompt a community enterprise. A combination of enterprises may be most appropriate. These evolutionary and dynamic effects are important and should be encouraged.

- the degree of community involvement and control is just as important as the quantity of cash benefits for developing skills, institutions and resource management. Therefore issues of control, negotiating processes and skills should also be addressed, as well as revenues. It is not just the number of enterprises that matters, but how communities are involved in each.

i.e. the aim of policy should be to increase the number of tourism ventures that involve, rather than exclude local people, to increase the degree of community benefit (financial and social) from such ventures, and more broadly to give communities a greater say in tourism development in their area. This can be done by encouraging existing private ventures to establish dialogue and share revenue locally, and by facilitating the establishment of a range of joint ventures and community enterprises. However, as outlined below, this should be through a conducive policy framework, removing constraints and providing incentives and support, rather than imposing fixed forms.

C: How to promote community based tourism development? Strategy and policy interventions

The development of community benefits from tourism in Namibia will depend on: the information and ideas that people have; the viability of different ventures in the Namibian tourism market; the legal rights that communities have; and the skills and institutions available. Each of these will vary over time and between places, but can certainly be affected by government policy. This suggests that the *overall strategy should be to invest in improving information, rights, skills, institutions, and the eco-tourism market, while boosting the feasibility of community involvement in tourism by alleviating constraints and providing incentives.* Government should build on the existing good will and ideas of various actors, by providing coordination, support, and a positive policy framework for flexible development.

Box 1 briefly reviews the key factors determining the feasibility of each type of venture, based on the analysis in section 3. Despite the differences between enterprises and the vast array of issues involves, some common themes emerge. The five main areas for policy intervention are:

WHAT DETERMINES THE FEASIBILITY OF COMMUNITY INVOLVEMENT IN TOURISM? HOW CAN GOVERNMENT ENHANCE IT?

The financial viability of any tourism lodge in communal areas (with or without revenue-sharing or joint ventures) depends on:

- tourism prices in Namibia, the extent to which they are constrained by subsidised government facilities, or rise towards international levels as tourism demand grows.
- occupancy rates -- again dependent on overall promotion and growth of Namibia;
- the balance between government tax and financial support: tax rates are already significant, whereas supportive public investment in roads, water, power etc varies between regions.
- the tourism product: which can be spoilt by inappropriate actions by government, community, or private sector.

The scale of communities' benefits and costs costs from totally private lodges depends primarily on:

- the number of jobs and wage levels -- therefore on labour-intensity of lodges and on availability of local skills. At present there are no incentives for increasing employment, particularly of locals. If anything, investment laws probably encourage capital-intensive enterprises.
- the resources used by the lodge and the extent of conflict with community interests. This could be influenced if the concession/PTO procedure required negotiation with local people (not just a signature).

The feasibility of revenue-sharing from a private lodge depends on:

- overall profitability of lodges, and therefore on prices, occupancy etc as above;
- the extent and value of reciprocal benefits from the community, and hence on communities' power to control resources and PTO allocations.
- extent to which tourists will cover the additional cost of revenue-sharing, and hence on attracting eco/ethical tourists;
- awareness among entrepreneurs and communities of potential mechanisms and the benefits of revenue-sharing;
- incentives offered by government: eg tax, promotion & publicity etc.

The feasibility of establishing joint ventures between communities and entrepreneurs depends on:

- the extent to which such lodges can charge above-average prices. i.e. on attracting a high-paying eco-tourism market.
- community rights over tourism resources (wildlife, land and land-allocations)
- the market value of community-controlled resources, and therefore on the price and availability of alternative land and resources through PTOs, concessions etc.
- transaction costs of negotiating and establishing joint ventures, and the extent to which NGOs or government help reduce these;
  awareness, interest, and objectives of entrepreneurs and communities.

The feasibility of community enterprises depends on:

- prices, and therefore on attracting eco-tourists, and prices at competing facilities;
- occupancy rates, and therefore on promotion and location;
- balancing costs against revenues. i.e. using unpaid/scavenged/donated resources, basing decisions on financial analysis/advice, if necessary starting small and basic, growing gradually as revenue increases;
- secure access to a valuable tourism site;
- skills: business, language, marketing, management etc
- other developments affecting local land use and tourism development as communities are "market-takers". Success therefore depends on the extent to which their ambitions are taken into account by other actors, and to which they can adapt to change.

1. establish community rights over resources and revenues;

2. adapt financial and legal regulations to facilitate,; not constrain, CBTD;

3. promote information, awareness, and communication;

4. develop the eco-tourism market in Namibia;

5. develop institutions, mechanisms, and skills.

1. COMMUNITY RIGHTS OVER RESOURCES, REVENUES AND TOURISM DEVELOPMENT

1a. At present, there is no procedural mechanism for ensuring that local people are *consulted* in the development of tourism ventures in their area, except that a local chief should sign a PTO application.

- The procedure for PTOs and tourism concessions should require applicants to consult with local people and elaborate plans for on-going cooperation.

- Local leaders should be informed about the potential for community involvement in enterprises, so that they can use their signing power to good effect.

- Planning of park development and regional tourism should involve community representatives.

1b Local communities have no *legal entitlement to fees* from ventures operating in their areas;

- Revenue from PTOs and concessions in communal areas should accrue to local communities, not the GRN. At a minimum, the GRN should share such revenue with local communities.

- The degree of partnership and revenue-sharing should be one criteria used in assessing competing bids for a tourism concession.

- "Conservancies" should be encouraged in tourism areas, so that communities can negotiate contracts with tour operators within their area.

- Where communities come to informal arrangements with tour operators outside a conservancy, the arrangement should be recognised and supported by GRN.

Q: Who constitutes "the local community" and who should receive the conservancy fee? How can this be defined in a national procedure so that it is implemented flexibly but effectively? Should the community receive all the concession fee, as a private landlord would, or should government still receive some?

1c The current procedure for allocating tourism development rights actually favours outsiders over local people. PTOs are theoretically available to anyone, but local people have less familiarity with the system. Tourism concessions are allocated to the highest bidder, who is bound to be an outside investor. Investment incentives are available to foreign investors rather than national investors.

- The PTO system should be reviewed to encourage access of local people to land rights for developing enterprises.
- In allocating land, whether through PTOs or concessions, preference should be given to local residents, and lower fees charged;
- Investment incentives should be available to national investors, particularly local entrepreneurs.
- Conservancies should be encouraged in prime tourism development areas, so that development rights are gained by local people.

Q: Should communities have to pay for concessions and PTOs on what many would regard as "their land." Should they pay less than an outsider?

1d. As the State officially owns the land and wildlife in communal areas, residents of these areas have little market power for negotiating joint ventures or lease arrangements with an outside investor. This seriously hinders the ability of local communities to negotiate for a share of the benefits from tourist ventures which is commensurate with the level of resources alienated from them by tourism development (in terms of lost rangeland, crops damaged by wildlife, etc.).

- The policy on conservancies should be passed as quickly as possible and conservancies established so that communities have rights to control, use, and lease out resources, particularly wildlife.
- Conservancies must be allocated in areas of high tourism value. They must be large enough to encompass the prime tourism resources in a given communal area. In essence, a conservancy must give a community control over the resources with tourism market value in its vicinity.
- Decisions on land-use outside conservancies, such as the establishment of tourism concessions, should take into account the efforts of communities to negotiate their own agreements, and should not undercut them at crucial times.
- If and when land rights are invested in local communities, this must

specifically include rights to negotiate resource-use agreements with outside entrepreneurs.

Q: *how can conservancies be both large enough to encompass potential tourism development sites in the vicinity and small enough to be well-managed by locally accountable community structures?*

1e Currently no mechanism exists to regulate the behaviour of tour operators in the communal areas and communities have no legal means of controlling the degree or nature of their contact with tourism. Because tour operators are not subject to regulation (even by the minimal PTO system) so long as they do not build any permanent structures, there is nothing to prevent fly-by-night companies from free camping in communal areas against the wishes of the local communities[12].

- The MET should encourage communities and the tourism sector to establish guidelines for tourists and tour operators in communal areas, and should assist communities in enforcing these.

- The MET should develop and distribute information for tourists about appropriate behaviour in communal areas, in conjunction with NGOs and the Tourism Information Office.

Q: *Can unregistered overland operators from outside Namibia be regulated? Can/should Namibians be discouraged or prevented from free-camping on communal land?*

2. REMOVING FINANCIAL AND PROCEDURAL CONSTRAINTS; PROVIDING INCENTIVES

2a Although tourism enterprises bring significant economic benefits nationally and locally, they are taxed relatively highly and receive little support in terms of subsidised infrastructure and services, (compared to, for example, agriculture). The burden of tax and other government demands on tourism ventures reduces the profitability of such enterprises so at the margin may reduce the number of enterprises in communal areas and the scope for sharing profits with communities.

Therefore government should:

- reconsider the balance of taxes and other fees versus government support, and avoid imposing new or additional charges that will make revenue-sharing enterprises in communal areas unviable.

- adapt existing or new charges so that they do not squeeze out revenue-

[12] In Eastern Bushmanland, there are currently two companies regularly operating luxury fly camps in prime game and veldfood areas, in spite of repeated community complaints about them to representatives of both the MET and the MLRR.

sharing with communities. eg. a tourism levy for training and marketing is proposed. Entrepreneurs could be allowed to pay their levy to communities *instead* (as this is also investing in the diversity and sustainability of the tourism industry).

- ensure that taxation procedures do not discourage revenue-sharing and joint ventures: at least ensuring that profits are taxed <u>after</u> subtracting the revenue which is shared with local communities.

- establish procedures for revenues from PTOs and concession fees in communal areas to go to local communities, or at least be shared between the government and communities.

2b Legal and procedural requirements can also constrain the development of CBTD ventures. The process of securing PTOs or concessions for enterprises on communal land can involve considerable effort and delays for investors and communities.

- Measures to speed up these procedures, without cutting necessary corners, should be developed, particularly for those ventures which significant commmunity involvemment.

For community producers, the opportunity to start small with very basic facilities is essential.

- Regulations concerning standards need to allow for gradual development of community enterprises.

2c Avoiding *constraints* on joint ventures, revenue-sharing, and community enterprises is not enough. Given the social and economic benefits to be gained, government should provide *incentives* which would improve the financial viability of community-based tourism ventures and offset costs of community involvement. Measures other than financial subsidies and investment incentives should be considered, such as:

- providing additional support to enterprises which actively involve communities, such as a commitment to "fast-track" processing of PTO/concession applications and additional marketing assistance through a special list of such ventures to hand to tourists and tour companies;

- adapting regulations and tourism planning procedures to encourage community involvement, as outlined in 1a, 1b, and 1c.. e.g. changing procedures for PTO allocations, and adapting evaluation criteria for tourism concession bids.

Q: *should planning procedures "encourage" or "require" private entrepreneurs to enter partnerships with communities?*

3. PROMOTING INFORMATION AND AWARENESS OF CBTD

3a In order for communities in rural areas to make informed decisions about their options for involvement in the tourism industry, they need access to information about the advantages and disadvantages of various approaches to community-based tourism development.

- The Ministry of Environment and Tourism (MET) could facilitate the dissemination of information about CBTD to local communities and NGOs, and promote exchange visits so that local people can see what works in other areas.

3b In order for NGOs to facilitate the beneficial involvement of communities in tourism development, they also need to be informed about the various pros and cons of these approaches. Many NGOs focusing on income-generation, enterprise development, or use of agricultural land are not aware of tourism potential.

- MET could facilitate information dissemination and training for NGOs interested in promoting CBTD, perhaps tapping the expertise of NGOs already focused on micro-enterprise, and encouraging those working with farmers on agricultural land-use to think more broadly.

3c Private investors are unlikely to work with communities if they have never heard of such practice, do not know of the potential benefits, or do not know how to do it.

- MET could facilitate information dissemination and training of members of the tourism private sector about the benefits of CBTD, and about the different possible scenarios for involving communities in tourism ventures.

3d To succeed, community-based tourism development needs the support of a wide range of Ministries and officials at local, regional and national level. Advice of agricultural extension agents, decisions on PTOs, agricultural projects or location of water supplies, plans of regional councils, provision of credit services ... could all influence the potential for tourism development. Yet most officials making such decisions are not aware of their role and of the potential for community-based tourism development.

- The MET needs to disseminate information about the positive economic and social impacts of CBTD throughout all levels and sectors of

Government.

Q: Should government fund information materials and exchange visits? Who in government would/could undertake such information work?

4. DEVELOPMENT OF ECO-TOURISM

Community enterprises, joint ventures, and revenue-sharing lodges will be able to charge higher prices and achieve higher occupancy rates if they attract "eco-tourists" -- people who are willing to pay for the ethical or cultural appeal of community involvement. If the price differential is sufficient it will offset the costs of working with communities and sharing revenues between more partners, and there will be a financial incentive for private investors to involve not exclude communities.

- Promotion of Namibia as an eco-tourism destination should be a key feature of national tourism planning and marketing efforts.
- "Eco-tourism" should not be seen only as ecological or wilderness tourism. Promotion should highlight the cultural attractions of community involvement and the ethical attraction of contributing to local development
- MET should facilitate the provision of information about eco-tourism to tourism entrepreneurs, including communities, to help them exploit the market.

For community enterprises, effective marketing is essential for viability, but communities are least likely to be able to produce marketing materials, and reach overseas tourists and operators with their information. Therefore MET should:

- produce and disseminate information specifically on community enterprises for interested tourists.

Q: can MET market community enterprises that are informal, and not yet reached the stage of being graded at Government standards, registered for tax etc?

5. DEVELOPING INSTITUTIONS, MECHANISMS AND SKILLS

5a Establishing channels of communication and negotiation is a major impediment to working with communities for many entrepreneurs.

- The MET could alleviate the cost of lengthy negotiations by providing facilitation or training services to investors and communities interested in entering into revenue-sharing or joint venture agreements, and/or by encouraging NGOs as facilitators.

5b The beneficial involvement of local people in the process of tourism development depends on improving the capacities of local producers. Most critical needs are business and marketing and English skills.

- MET could facilitate the training of community-based tourism producers. Efforts should be made to coordinate community-level training initiatives with other government and NGO training programmes, and with the guide training program planned by the tourism private sector.

5c In order for whole communities to benefit from tourism development on communal lands, strong community institutions are needed for negotiating and managing community involvement. Because widely distributed tourism benefits are more likely to improve community welfare and commitment to conservation than benefits that go only to a few individuals, strong community institutions should be seen as a critical component in the link between tourism development and these national objectives.

- The strengthening of community institutions should be a high priority. Toward this end, the government should continue to cooperate closely with NGOs currently involved in the communal areas, and should provide support to community organizations and NGOs interested in building local institutions.

- Where possible, existing community institutions (eg farmers associations, water committees, etc) should be encouraged to become involved in CBTD, rather than risk duplicating and fragmenting local institutions.

Q: what are the respective roles of MET, other government ministries, and NGOs?

5d If opportunities for CBTD are to be exploited, it must be incorporated into tourism planning at all levels, and coordinated with other local and regional plans.

- Local and regional planning structures should be strengthened, and MET ensure that tourism opportunities are integrated into their plans.

- Tourism planning at the regional and local level is essential. Local boards or associations should be encouraged, even if at first they simply share information, so long as they include community representatives and provide a forum for entrepreneurs and local people to share ideas.

A final question on mechanisms: given that there is so much to be done to promote community involvement in tourism and coordinate all the different actors, how can it be achieved? Perhaps there needs to be a mechanism, person, or institutional focal point within MET to facilitate and coordinate these policy actions.

APPENDIX 1: SUMMARY OF SOCIO-ECONOMIC IMPACTS OF 4 APPROACHES TO CBTD

UP-MARKET TOURISM LODGE: Private entrepreneur, no revenue-sharing

Assumptions:

Fees	$200 - 300 per day
Visitors / yr	300 - 700
Capital investment	$ 0.5 - 1.1 million

IMPACTS

Welfare

no. of local jobs	6 - 15
annual local wages	$ 30,000 - 80,000
income for community fund	-
Total: wages plus fund	$ 30,000 - 80,000
Skill development	of employees?
Institutional development	-
Costs to community	competition for land & resources

Economic growth

Net income per year, and per hectare	$ 200,000 - 330,000 / yr $ 10 - 25 / ha
Economic rate of return on investment	26 - 39%
Other benefits	infrastructure, purchase of local materials, opportunities for other tourism enterprises

Empowerment

Community ownership	none
Control & responsibility	none
Rights and entitlements	none

Encourage resource conservation

Benefits to local resource users:

- significant	only to employees
- widely dispersed	no
- perceived as dependent on resource base	only by employees

Tourism product:

Expansion of capacity	yes
Diversification of product	-

Financial viability

Investor's annual income	$ 70,000 - 85,000
Rate of return on investment (IRR)	3 - 15%

UP-MARKET LODGE WITH REVENUE-SHARING

Assumptions:

Fees	$ 200 - 300 plus additional $7 - $8 per day*
Visitors / yr	300 - 700
Capital investment	$0.5 - 1.1 million
Revenue-share	2% of turnover

IMPACTS

Welfare

no. of local jobs	6 - 15
local annual earnings	$ 30,000 - 80,000
income for community fund	$ 8,000 - 16,000
Total: wages plus fund	$ 40,000 - 94,000
Skill development	employees & revenue-sharers?
Institutional development	revenue-sharing role
Costs to community	land and resource competition

Economic growth

Net income per year, and per hectare	$210,000 - 340,000 / yr	$ 11 - 25 / ha
economic rate of return on investment	26 - 40%	
Other benefits	poverty / equity impact of community revenue infrastructure, purchase of local materials, enterprise opportunities	

Empowerment

Community ownership	none
Control & responsibility	controls and allocates their revenue-share
Rights and entitlements	none

Encourage resource conservation

Benefits to local resource users:

- significant	to employees; possibly to revenue recipients
- widely dispersed	yes (at least within 1 community)
- perceived as dependent on resource base	potentially

Tourism product:

Expansion of capacity	yes
Diversification of product	potential

Financial viability*

Investor's annual income	$70,000 - 85,000
Rate of return on investment (IRR)	3 - 14%

* If additional $7-8 per day is not charged, investor's annual income falls to $60,000 - 70,000 & IRR to 2-12%

JOINT VENTURE UP-MARKET LODGE

Assumptions:

Fees	$ 200 - 300 plus additional $ 30 - 70*
Visitors / yr	300 - 700
Capital investment	$0.5 - 1.1 million
Revenue-share	50% of profit (11% of turnover)

IMPACTS

Welfare

no. of local jobs	6 - 15 +
local annual earnings	$ 30,000 - 80,000
income for community fund	$ 80,000
Total: wages plus fund	$ 80,000 - 160,000
Skill development	of community representatives, trained staff
Institutional development	high for success
Costs to community	time, effort, contribution of land, resource use

Economic growth

Net income per year, and per hectare	$ 220,000 - 350,000 / yr & $ 11 - 25 / ha
economic rate of return on investment	27 - 41%
Other benefits	poverty / equity impact of community revenue value of skills and institutional development spin-off effects & other linkages to local economy

Empowerment

Community ownership	part ownership of the enterprise
Control & responsibility venture;	part control of partnership terms & control of income share; contractual responsibilities
Rights and entitlements	earnings are a right, not donation

Encourage resource conservation

Benefits to local resource users:	
- significant	yes
- widely dispersed	yes (at least within 1 community)
- perceived as dependent on resource base	likely

Tourism product:

Expansion of capacity	yes
Diversification of product	yes (ethical, cultural, eco-tourism market)

Financial viability*

Investor's annual income	$80,000
Rate of return on investment (IRR)	2 - 10%

* if additional $30-70 is not charged, investor's income is $40,000; IRR ranges from negative to 4%

	COMMUNITY ENTERPRISE	
Assumptions:	**small-scale**	**larger-scale**
Fees	$ 15 - 40 per tourist per day	
Visitors / yr	200	850
Capital investment	$ 2,000 - 10,000	$10,000 - $ 40,000
	IMPACTS	
Welfare		
no. of local jobs / earners	1-30	
local annual earnings	$ 3,000 - 4,000	$ 7,000 - 19,000
income for community fund	$ 0 - 2,000	$ 5,000 - 14,000
Total: wages plus fund	$ 2,000 - 6,000	$ 20,000 - 25,000
Skill development	high for success	
Institutional development	high for success	
Costs to community	time, effort, contribution of land & resources	
Economic growth		
Net income per year, and per hectare	$ 4,000 / yr & $0.06 / ha	$ 13,000 / yr & $2 / ha
[with econ. value on social benefits / ha]	$ 98,000 / yr & $2 / ha	$ 390,000 / yr & $39
economic rate of return on investment	42%	21%
Other benefits	poverty / equity impact of community revenue value of skills and institutional development spin-off and demonstration effects	
Empowerment		
Community ownership	of the enterprise	
Control & responsibility earnings	control of enterprise development and all	
Rights and entitlements	money is earned, not received / donated	
Encourage resource conservation		
Benefits to local resource users:		
- significant	potential	
- widely dispersed	yes (at least within 1 community)	
- perceived as dependent on resource base	likely	
Tourism product:		
Expansion of capacity	minimal	
Diversification of product	yes	
Financial viability	very variable	
Rate of return on investment	25%	11%

APPENDIX II: ECONOMIC AND FINANCIAL MODELS OF TOURISM ENTERPRISES

Based on empirical data from tourism enterprises in Namibia, economic and financial models of typical up-market photo-tourism lodges in Caprivi (prime wildlife viewing area) and Kunene (less dense, wilderness area) were constructed. Table Apx.1 and Apx.2 summarise the assumptions and results for the Caprivi model; Table Apx.3 and Apx. 4 summarise the Kunene model. The analysis of socio-economic impact presented in Appendix 1 and in the paper is based on these models.

Financial returns indicates costs and benefits faced by a private investor, and take account of interest, amortisation, fees, rentals and sales tax. Net financial income indicates profit / income before income tax. Financial rate of return is the average annual return the investor receives on the initial investment during the first ten years, expressed as a percentage of the investment per year. (It is worth noting that sales tax takes 11% of turnover, reducing profit by $40-80,000 per year).

Economic returns indicate costs and benefits from the perspective of the national economy. Economic prices differ from financial prices because they are adjusted for taxes, subsidies (but not government investment), the additional cost to the economy of using foreign exchange (a 10% premium), and additional benefit to the economy of employing unskilled labour (a 50% discount). Economic rate of return is the average contribution to the Namibian economy per year, expressed as a percentage of the initial economic cost of the investment.

The base case model includes royalty of 2% of turnover, for the community. i.e. it is of a revenue-sharing lodge. This model is then adjusted to provide models of the other 2 approaches: the royalty is 0% in the non-revenue-sharing approach. For the joint venture, land rental fees are removed, and the percentage of turnover is such that the community's royalty amounts to 50% of profit.

The financial and economic results of these 3 types of lodges are compared in Table Apx.5 (for Caprivi) and Apx.6 for Kunene. The tables also show what happens if daily tariffs are increased to cover the cost of the community's share of revenue / profit, and what happens if they are not. As the tables indicate, without such increases lodges are barely financially viable, but a relatively small increase will cover the cost and leave investor's income unchanged.

No estimates are available of the monetary value of costs faced by communities from private lodge development, such as loss of access to grazing land, damage to local resources, or loss of privacy.

Community campsites in the two areas were modelled in exactly the same way in order to assess the economic rate of return. However, other figures in the paper relating to community enterprises derive from financial enterprise models which are based more on actual situations: zero-interest rate loans, no payment of sales tax, no accounting fees etc.

In addition, the economic benefit of a revenue-sharing lodge and a community campsite was reassessed putting monetary values on the benefits of equity, skill development, and institutional development:

* every $1 earnt by a local person was counted as $2 of economic benefit;
* for every local person involved full-time in the enterprise (or equivalent number of full-timers) a benefit of $1,000 was counted, as this is what society spends on one year's primary school education of one child, considered of equivalent educational value;
* the value of institutional strengthening due to involvement in tourism enterprises was assumed to be equivalent to what an NGO would spend on institutional strengthening in a community of similar size. This was based on project expenditure of IRDNC in Caprivi and Kunene, divided by the number of communities covered, and halved on the assumption that half of expenditure is aimed at institutional development.

As a result, for the private revenue-sharing lodge:

* Economic rate of return over 10 years rises from 39% to 56% in the Kunene model, and from 26% to 45% in the Caprivi model.

* The economic net present value of the 10 year stream of economic benefits (discounted at 8%

per year) rises from $802,000 to $1,329,000 in the Kunene model, and from $1,145,000 to $2,525,000 in the Caprivi model.

Table Apx.1

FINANCIAL/ECONOMIC MODEL Ta - TOURIST LODGE DEVELOPMENT - CAPRIVI - BASE CASE

ASSUMPTIONS*

Production System:	18 bed, up-market lodge offering all inclusive, guided, wildlife viewing.
Site:	High quality, unfenced area with river/floodplain frontage and mixed population of northeastern woodland species.
Game Density:	100% 3.23 LSU Equivalents/Sq. Km. or, 31 Hectares per LSU Equivalent
Carrying Capacity:	100% 0.125 Tourist Beds/Sq. Km. or, 800 Ha. per Tourist Bed
Concession Size:	14401 Hectares or, 144 Square Kilometres
Tourist Category:	Overseas 55% Regional 20% Resident 5% Citizen 20% Adults 90% Children 10%
Occupancy Rate:	100% 40.0% Average Length of Stay: 4 Days
Daily Tariffs (N$):	100% Overseas 300 Regional 300 Resident 300 Citizen 300 Children 75% of Adult Price
Capital Item Prices:	100% (Variation from Normal for Sensitivity Analysis)
Capital Sources:	100% Loan = 25% Equity = 75% and: 100% Foreign 25% Domestic 75%
Interest Rates:	Rate for Capital Loans: 10% Rate for Working Capital Loans: 15%
Working Capital as Proportion of Annual Operating Costs:	30%
Park Entry Fees:	100% Fee per Tourist Night/Day: N$ 1.25
Land Rental and Resource Royalty (N$):	100% Rental: 0.35 per Ha. 100% Royalty: 2% of Turnover
Manpower Needs:	100% Manager 3 Skilled Labour 3 Unskilled Labour 15 100% Management: Foreign 20% Citizen 80%
Shadow Wage Adjustment:	100% Manager 1.00 Skilled Labour 1.00 100% Unskilled Labour 0.35
Foreign Exchange Premium:	100% 12% Adjustment Factor = 1.12
Tax Adjustments:	100% General Sales Tax: 11% Import Taxes: from SACU: 5% to SACU n/a
Discount Rates:	100% Financial Discount Rate: 8% Economic Discount Rate: 8%

Static models depict enterprise at full production. Static financial model includes interest, amortisation government fees, royalties and land rentals. Static economic model takes foreign inflows and outflows into account, excludes other interest and transfers and values enterprise in economic prices before land and government costs

Dynamic models presented over 5 and 10 years, to measure IRR and NPV. Financial dynamic model, at constant prices, excludes interest and depreciation, and includes asset residual values. Economic model includes foreign inflows and outflows, and measures value of enterprise in economic prices before inclusion of land costs and public expenditures.

* Shaded cells indicate degree of conformity with base case values. Underlined shaded cells can be changed

Table Apx.2

FINANCIAL/ECONOMIC MODEL Ta - TOURIST LODGE DEVELOPMENT - CAPRIVI

TABLE Ta16: SUMMARY OF RESULTS

ITEM	UNITS	TOTAL
Concession Extent	Hectares	14401
Concession Stock	Large Stock Units (LSU)	465
Annual Visitor Days (VD)	Number	2628

ITEM	% of TCI	N$/VD	N$/LSU	N$/HECTARE	N$
Total Financial Capital (TCI)	-	396.20	2239.10	72.30	1041201
Financial Gross Income	77.61%	307.50	1737.84	56.11	808110
Variable Financial Costs	-	108.92	615.56	19.88	286242
Fixed Financial Costs	-	175.23	990.30	31.98	460497
Net Cash Income	5.89%	23.35	131.98	4.26	61371
Land Rental	-	1.92	10.84	0.35	5040
Resource Royalty	-	6.15	34.76	1.12	16162
FRR (@ 10 Years)	-	-	-	-	1.70%
FNPV (@ 8%, @ 10 Years)	-	-	-	-29.92	-430860
Total Economic Capital	-	323.61	1828.90	59.05	850455
Financial Gross Income	75.79%	300.27	1696.97	54.79	789105
Economic Costs	43.48%	172.25	973.49	31.43	452678
Net Economic Benefit	32.31%	128.02	723.49	23.36	336426
ERR (@ 10 Years)	-	-	-	-	26.26%
ENPV (@ 8%, @ 10 Years)	-	-	-	79.53	1145375
Economic Capital Cost/Job	-	-	-	-	40498
Domestic Resource Cost Ratio	-	-	-	-	0.51

Table Apx.3

FINANCIAL/ECONOMIC MODEL Tb - TOURIST LODGE DEVELOPMENT - CUNENE - BASE CASE

ASSUMPTIONS*

Production System:	16 bed, up-market lodge offering all inclusive, guided, wildlife viewing.
Site:	Moderate quality, unfenced area with mountain/valley view site and mixed population of north western desert species and cooperative use of larger area.
Game Density:	100% 0.76 LSU Equivalents/Sq. Km. or, 132 Hectares per LSU Equivalent
Carrying Capacity:	100% 0.084 Tourist Beds/Sq. Km. or, 1190 Ha. per Tourist Bed
Concession Size:	19113 Hectares or, 191 Square Kilometres (Share of larger area)
Tourist Category:	Overseas 65% Regional 25% Resident 5% Citizen 5% Adults 90% Children 10%
Occupancy Rate:	100% 25.0% Average Length of Stay: 5 Days
Daily Tariffs (N$):	100% Overseas 230 Regional 230 Resident 230 Citizen 230 Children 100% of Adult Price
Capital Item Prices:	100% (Variation from Normal for Sensitivity Analysis)
Capital Sources:	100% Loan = 25% Equity = 75% and: 100% Foreign 25% Domestic 75%
Interest Rates:	Rate for Capital Loans: 10% Rate for Working Capital Loans: 15%
Working Capital as Proportion of Annual Operating Costs:	30%
Park Entry Fees:	100% Fee per Tourist Night/Day: N$ 0.00
Land Rental and Resource Royalty (N$):	100% Rental: 0.18 per Ha. 100% Royalty: 2% of Turnover
Manpower Needs:	100% Manager 2 Skilled Labour 1 Unskilled Labour 6 100% Management: Foreign 20% Citizen 80%
Shadow Wage Adjustment:	100% Manager 1.00 Skilled Labour 1.00 100% Unskilled Labour 0.35
Foreign Exchange Premium:	100% 12% Adjustment Factor = 1.12
Tax Adjustments:	100% General Sales Tax: 11% Import Taxes: from SACU: 5% to SACU n/a
Discount Rates:	100% Financial Discount Rate: 8% Economic Discount Rate: 8%

Static models depict enterprise at full production. Static financial model includes interest, amortisation government fees, royalties and land rentals. Static economic model takes foreign inflows and outflows into account, excludes other interest and transfers and values enterprise in economic prices before land and government costs

Dynamic models presented over 5 and 10 years, to measure IRR and NPV. Financial dynamic model, at constant prices, excludes interest and depreciation, and includes asset residual values. Economic model includes foreign inflows and outflows, and measures value of enterprise in economic prices before inclusion of land costs and public expenditures.

* Shaded cells indicate degree of conformity with base case values. Underlined shaded cells can be changed

Table Apx.4

FINANCIAL/ECONOMIC MODEL Tb - TOURIST LODGE DEVELOPMENT - CUNENE - BASE CASE

TABLE Tb16: SUMMARY OF RESULTS

ITEM	UNITS	TOTAL
Concession Extent	Hectares	19113
Concession Stock	Large Stock Units (LSU)	145
Annual Visitor Days (VD)	Number	1460

ITEM	% of TCI	N$/VD	N$/LSU	N$/HECTARE	N$
Total Financial Capital (TCI)	-	278.12	2804.97	21.24	406050
Financial Gross Income	98.88%	275.00	2773.54	21.01	401500
Variable Financial Costs	-	89.53	902.91	6.84	130707
Fixed Financial Costs	-	133.54	1346.78	10.20	194961
Net Cash Income	18.68%	51.94	523.85	3.97	75832
Land Rental	-	2.29	23.11	0.18	3345
Resource Royalty	-	5.50	55.47	0.42	8030
FRR (@ 10 Years)	-	-	-	-	12.50%
FNPV (@ 8%, @ 10 Years)	-	-	-	6.60	126217
Total Economic Capital	-	142.48	1436.99	10.88	208020
Financial Gross Income	98.12%	272.89	2752.28	20.85	398422
Economic Costs	46.18%	128.43	1295.32	9.81	187512
Net Economic Benefit	51.94%	144.46	1456.96	11.03	210910
ERR (@ 10 Years)	-	-	-	-	39.17%
ENPV (@ 8%, @ 10 Years)	-	-	-	41.97	802170
Economic Capital Cost/Job	-	-	-	-	23113
Domestic Resource Cost Ratio	-	-	-	-	0.34

Table Apx.5
Financial and economic results of alternative revenue- & profit-sharing approaches for up-market lodges in Caprivi

	Private lodge	**Revenue sharing**	**Joint Venture**[1]
If prices are the same for each lodge type			
Assumptions: - fees / day - visitors / yr - capital investment - community share	 0	 $ 300 657 $ 1 mn 2% of turnover	 50% of profit (17% of turnover)
Net cash income for the investor	$ 78,000	$ 61,000	$ 39,000
Financial rate of return (to investor)	3.4%	1.7%	negative
Share of profit for the community	0	$ 16,000	$ 39,000
Economic benefits per year	$ 332,000	$ 336,000	$ 343,000
Economic rate of return	26%	26%	27%
If prices are raised to accomodate community revenue share			
Assumptions: (unchanged except:) - fees	$ 300	$ 308	$ 332
Net cash income for the investor	$78,000	$ 78,000	$ 78,000
Financial rate of return (to investor)	3.4%	3.1%	2.3%
Share of profit for the community	0	$ 16,500	$ 71,000
Economic benefits per year	$ 332,000	$ 350,000	$ 406,000
Economic rate of return	26%	28%	32%
In either model:			
Local jobs: - no. - total annual wages - capital investment pr local job		 15 $ 81,000 $ 70,000	
Total community income: wages plus share of income	$ 81,000	$ 97,000	$ 152,000

1: Land rental fee of $5,000 is excluded (assumed provided by community partners). Transaction costs of operating a joint venture are excluded (though likely to be considerable). The only increase in costs compared to the other models are those that are proportional to turnover, such as marketing (up from $66,000 to $72,000)

Table Apx.6

Financial and economic results of alternative revenue- & profit-sharing approaches for up-market lodges in Kunene

	Private lodge	**Revenue sharing**	**Joint Venture[1]**
If prices are the same for each lodge type			
Assumptions:			
- fees / day	$ 230		
- visitors / yr	292		
- capital investment	$ 406,000		
- community share	0	2% of turnover	50% of profit (11% of turnover)
Net cash income for the investor	$ 84,000	$ 76,000	$ 42,000
Financial rate of return (to investor)	14.6%	12.5%	3.9%
Share of profit for the community	0	$ 8,000	$ 42,000
Economic benefits per year	$ 209,000	$ 211,000	$ 220,000
Economic rate of return	38.8%	39.2%	40.7%
If prices are raised to accomodate community revenue share			
Assumptions: (unchanged except) - fees	$ 230	$ 237	$ 300
Net cash income for the investor	$ 84,000	$ 84,000	$ 84,000
Financial rate of return (to investor)	14.6%	14.0%	10.0%
Share of profit for the community	0	$ 8,200	$ 85 629
Economic benefits per year	$ 209,000	$ 218,000	$ 302,000
Economic rate of return	38.8%	40.6%	55.7%
In either model:			
Local jobs:			
- no.	6		
- total annual wages	$ 32,400		
- capital investment pr local job	$ 67,675		
Total community income: wages plus share of income	$ 32,400	$ 40,600	$ 118,029

1: Land rental fee of $5,000 is excluded (assumed provided by community partners). Transaction costs of operating a joint venture are excluded (though likely to be considerable). The only increase in costs compared to the other scenarios are those that are proportional to turnover, such as marketing.

APPENDIX III: REVENUE-SHARING
Potential mechanisms, feasibility, advantages and disadvantages

A revenue-share for the community from a private tourism lodge could be calculated as a percentage of turnover or profit, or as a flat rate per tourist, per tourist-night, per year, or per hectare. Table Apx.7 uses the Caprivi and Kunene lodge models to show the rates at which each of these might be set, and the amount they would generate.

As the table shows:

* a relatively small percentage of gross turnover or total costs amounts to a relatively high percentage of profit. This may affect perceptions of a proposed mechanism among the community, entrepreneur, and tourist, and hence the agreed level.

* the same mechanism will produce very different results in different lodges and regions, due to wide variations in the cost and pricing structure. e.g. in the Kunene model, profits are a much higher share of turnover, while occupancy is lower than in Caprivi. So a 10% share of profits would earn the community more, and a $10 bed-night levy less, than in Caprivi. Local and market conditions should be taken into account in each case.

* some mechanisms, particularly profit share, will produce changing results over time, as the lodge grows. Flat rate mechanisms, such a land rentals, will not vary over time, so will need to be set low to be affordable to the investor during the early years.

* an annual revenue share of $5-15,000 appears possible (less during initial years, more eventually).

The size of the community's share probably depends less on the mechanism agreed, than on the key question:

> **from the entrepreneur's perspective, can profit-sharing with the community pay for itself by increasing revenue or gaining reciprocal benefits from the community?**

If not, every $1 for the community, is $1 less for the entrepreneur, and voluntary income reduction is likely to be limited. But if so, significant community revenue is more likely.

(i) increasing revenue:

To earn an additional $10,000 per year profit, a lodge would need to:

* increase numbers of visitors or bed-nights by 12-13% . e.g. an extra 50 tourists, for a lodge hosting 400-500 per year. Difficult.

or

* increase gross revenue per tourist by 2-3%. e.g. an extra $30-$35 dollars from tourists who on average spend over $1,200 per visit. Not so difficult.

$30-35 per tourist is tiny compared to the overall cost of a holiday. Given the ethical appeal of contributing to community development, the full $30-35 could probably be passed directly on to the visitor as an additional fee, **if specifically described as such** (e.g. a $7 per day bed-levy). In addition, the revenue-sharing mechanism could be used in marketing, thereby simultaneously boosting the individuality and overall appeal of the lodge.

Table Apx.7 Income received by communities through alternative revenue sharing mechanisms

Based on the Caprivi and Kunene up-market tourism lodge models in Appendix II.

			CAPRIVI MODEL	KUNENE MODEL
	ASSUMPTIONS			
	Gross revenue		$608,110	$401,500
	Net cash income (profit)		$77,533	$83,862
	Bed-nights		2628	1460
	Marketing costs		$56,568	$28,105
	Land rental		$5,040	$3,345
	Approx. no. of tourist		657	292
	REVENUE-SHARING MECHANISM		**COMMUNITY INCOME (N$ per year)**	
A	**% OF GROSS REVENUE**			
		1%	$6,081	$4,015
		2%	$16,162	$8,030
		10%	$80,811	$40,150
		5%	$40,406	$20,075
B	**% OF PROFIT**			
		1%	$775	$839
		5%	$3 877	$4,193
		10%	$7,753	$8,386
		50%	$38,767	$41,931
C	**BED NIGHT LEVY**			
		$5	$13,140	$7 300
		$10	$26 280	$14,600
D	**LAND RENTAL/ROYALTY**			
		50%	$2,520	$1,673
		100%	$5,040	$3,345
E	**JOBS**			
	No. of local jobs		15	6
	Total wages		81000	32400
i.e.	$10,000 /yr is equivalent to:			
	x% of gross turnover		1.2%	2.5%
	x% of net annual profit		13%	12%
	x% of marketing budget		18%	36%
	x% of land rental		198%	299%
or	additional profit generated by:			
	x more bed-nights		339	174
	x more tourists		85	35
	i.e. x% increase in bed-nights/tourists/ of		13%	12%
	$x increase in gross revenue per tourist		$15	$34
		i.e. from	$1,230	$1,375
		to:	$1,245	$1,409
		% increase of:	1.2%	2.5%

(ii) Reciprocal benefits

Reciprocal benefits that indirectly reduce costs or increase revenue by an amount comparable to $10,000 per year could include:

* conservation of wildlife and other fragile resources (therefore reduced security costs, long term increased value of tourist product);

* agreement on land uses: e.g. to keep cattle out of tourist areas (increase in tourist appeal, reduced fencing costs)

* acceptance of tourists visiting and photographing villages (enhanced tourism product);

* goodwill, formal support (eg for PTO applications) -- impossible to value but probably the most valuable.

This suggests that much depends on developments in the eco-tourism and ethical tourism industry, the way in which a revenue-sharing mechanism is promoted among tourists, and how it is perceived and shared among surrounding community members.

From the community's perspective, as described in Section III above, the total amount earned from revenue-sharing is much less than from wages, but the **control, distribution and use** of cash can be quite different. The advantages and disadvantages of different mechanism will depend on the community's preference for a fixed, secure amount versus a growing share.

The above discussions indicates the advantages and disadvantages of different mechanisms. These can be summarised as:

Table Apx.8 Advantages and disadvantages of revenue-sharing mechanisms

Advantages Mechanisms	Easy to pass on to tourist	**Perception** of affordability	Easy to administer	Clearly related to community input/ partnership	Grows as the lodge grows
Land rental fee	!	*	**	**	!
Bed levy	**	*	**	x	*
% of turnover	*	*	*	x	*
% of profit	x	!	!	*	*

Key: * yes ** very much so x not really ! no

If the aim is to maximise the annual amount of community revenue over the long term, within the constraints of what is financially viable and therefore likely to be given voluntarily, a bed-night levy is recommended, primarily because this is easiest to pass on to tourists and is easy to administer. However, other concerns, such as to establish the principle that the community is being paid for its land, or guarantee income, may be more important in specific circumstances.

APPENDIX IV DISCUSSION OF VIABILITY OF JOINT VENTURES

As discussed in Section III, the viability of a joint venture (JV) lodge depends on the extent to which prices can be raised above normal, and the agreed percentage of profit accruing to the community. A 50:50 profit share is *not financially viable* for a *typical* lodge, but **is** viable if prices are increased by 10-30%. A smaller community share, say 30%, requires a correspondingly smaller price increase. But what will, in practice, determine these ratios? Two key factors need further exploration:

(i) Actual and acceptable return on capital investment

The main constraint on viability of JVs is that as the community's profit share rises, the entrepreneur's return on investment falls to "unacceptable" levels -- ie so much below the return possible elsewhere that the investment would not be made. However, this will depend on:

* the capital intensity of the lodge and the ratio of annual profit to the investment.
  In both the Kunene and Caprivi model, a 50:50 profit split with no price change leaves the investor with around $40,000 per year. But because the Kunene model assumes a $400,000 capital investment and Caprivi a $1 mn investment, the former represents a 4% return on the investment but the latter a negative return.
  i.e. capital finance is one of the key resources that the community doesn't have and must rely on an outsider to provide. JVs are therefore more viable if the enterprise uses relatively less of this resource.

* the investor's aims.
  The rate of return on investment that is *acceptable* to an investor will depend on the investor's objectives. If the aim is to earn his/her main source of annual income, as in the case of a young entrepreneur running his/her own lodge, a high return will be important. However, if the aim is to store money earned elsewhere in a long-term low-tax form, or to invest in an enterprise that will reap low annual dividends but a high "nest-egg" when sold, then a lower annual return will be acceptable. This suggests that the provider of capital finance is more likely to be an "absentee partner" and therefore different from the person who provides the other main resource scarce in local communities -- entrepreneurial and management skills.

* Comparison with potential investment returns available elsewhere both within the tourism industry and outside. These depend on exogenous economic developments, but also on the extent to which a JV increases potential returns compared to other tourism investments.

(ii) Market power of communities

The community partner is assumed to contribute primarily *land*, plus use of other natural resources, goodwill, access to cultural interaction etc. The problem is that, however great the actual or perceived value of this contribution, if it has *no market value*, it does not increase the profitability of the venture, so it does not encourage entrepreneurs to enter joint ventures rather than go it alone.

Community resources have market value if:

* the community controls access to *pristine land*, of higher tourism value than alternative sites;
* all communal land is commercially priced. e.g. @ purchase prices of $100 per hectare, a 40-year input of a 5,000 ha concession could be valued at $500,000 (50-100% of capital investment).
* other communal land is not available for tourism development (based on policy decision by government under the current situation, or other communities should they control it).
* communities have utilisation rights over wildlife which they can contribute or lease out (including non-consumptive utilisation, such as photo-tourism);
* the tourism appeal of joint-ventures and ethical/cultural developments give the Joint Venture product market value.

The first set of factors concerning investment returns indicate what might make a JV "acceptable" but not what would lead an investor to opt for a JV given a choice of going it alone. The second set of factors, relating to market value, are the ones that would encourage investors to enter into JVs in the first place.

APPENDIX V:

	CAMPSITES			CULTURAL SERVICES	
	Up-market only 2 tent sites	**Up-market 6 tentsites**	**Very basic 2 tentsites**	**Small-scale, low infrastructure (walks, photos, dances)**	**Larger-scale: demonstration traditional village and craft sales**
ASSUMPTIONS:					
- visitors / yr	240	600	220	220	850
- capital investment	$10,000	$20,000	$5,000	$2,500	$40,000
- paid staff	1	1 - 1.5	0	0	10-13
- fees	$50 / site	$50 / luxury site $25 / std site	$10 / person	$50 / group (avg.)	$20 / person + $14 avg. purchase
FINANCIAL AND ECONOMIC BENEFITS (typical yr)					
Community income:					
- shared fund	neg.	$14,000	$2,000	0	$5,000
- earnings	$3,600	$7,200	0	$3,700	$19,000
- TOTAL	**$2,500**	**$21,200**	**$2,000**	**$3,700**	**$24,000**
Distribution of earnings					
- no. receiving earnings;	1	1+	0	30	13 + craft makers
- average earning / yr	$3,600	$7,200	-	$133	$769 or craft sale
Capital					
- income* per $100 capital I	0 [$25]	$70 [$106]	$40 [$40]	0 [$150]	$13 [$60]
- financial rate of return on investment	neg.	42%	46%	- [139%]	17% [67%]
Labour					
- equivalent full-time jobs	.75	1+	0.1	2	16
- capital I per full-time job	$13,000	$20,000	$51,000	$1,500	$2,525
Economic rate of return		24%			
Revenue / tourist:					
- gross	$15	$40	$12	$18	$34
- net	-$5	$23	$9	[$17]	[$28] $6

* figures in square brackets [] take into account total community income, including earnings of community members. Other figures do not. In the case of the cultural enterprises, it seems appropriate to include earnings in "net income" because they are spread so widely across the community, whereas in the other enterprises with 1-2 paid employees, it may not be appropriate.

SUMMARY OF FINANCIAL AND ECONOMIC ANALYSIS OF VARIOUS COMMUNITY ENTERPRISES

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