

## Chapter 2

# From Exploitation to Ownership: Wildlife-Based Tourism and Communal Area Conservancies in Namibia

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**Abstract** Prior to Namibia's Independence in 1990 tourism on communal land in Namibia was dominated by white-owned businesses. Tourism brought little benefit to the people living on the communal land. They mostly had menial jobs as cleaners and gardeners or possibly as cooks. In 1996 the Namibian Government introduced legislation that gave communal area residents rights over wildlife and tourism on their land if they formed common property resource management institutions called conservancies. The conservancies have become central in the evolution of new institutional arrangements for community involvement in tourism. One of the main ways in which conservancies earn income is through "joint venture" tourism development in some form of partnership with the private sector. This chapter first considers the evolution of the conservancy institutional approach. It then compares different models of community involvement in tourism in relation to issues of community ownership, exposure to business risk and maximising income.

**Keywords** Community-based natural resource management • Conservancies • Joint ventures • Namibia

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## 2.1 Introduction

Tourism plays a pivotal role in the current Namibian economy. Yet, at Namibia's independence from South African rule in 1990 the tourism sector was little developed. It was geared mainly towards white Namibian and South African self-drive tourists visiting state-owned protected areas such as Etosha National Park. Tourism to communal areas was limited and mostly took the form of camping freely in the bush without facilities. There were a limited number of tourism lodges in communal areas. Although communal land was reserved for people from black ethnic groups based on the South African *apartheid* system, white business people could access communal land through a Permission to Occupy (PTO) certificate issued by the government. This system was used by white business people to gain access to sites on communal land to develop small lodges for tourists.<sup>1</sup> These tourism developments brought little benefit to the people living on the communal land. They mostly had menial jobs as cleaners and gardeners or possibly as cooks. The profits went to the white-owned businesses which paid a low rental fee to the government for their PTO. Local people were disempowered, lacked control over what they thought was their land and were objects of spectacle for tourists.

More than 20 years after independence, the Namibian tourism sector has undergone a major transformation. It is one of the fastest growing economic sectors. Travel and tourism contributed USD 630 million or 14.2 % to GDP in 2004 including direct and indirect impacts (NTB 2008). By 2011 the total contribution of travel and tourism to GDP had risen to USD 1.6 billion or 20.3 % of GDP (Ruggles-Brise and Aimable 2012). The profile of visitors has also changed with many more tourists coming from outside southern Africa, particularly Germany, France, the United Kingdom, Italy and the United States (MET 2013). According to a recent survey, for Namibia wildlife was the most significant attractor for holiday tourists and for this segment game viewing was the most popular activity (undertaken by 65 %), followed by nature/landscape tourism (59 %) (MET 2013). However, while significant changes have taken place since independence, the tourism industry still remains largely white-owned and the government is pressing for change in the ownership profile. On communal land such change is beginning to take place through the emergence of new institutional arrangements that have enabled rural communities to become part of the Namibian travel and tourism industry in ways that would have been impossible under South African rule.

This chapter first presents the main institutional features of the conservancy approach, followed by a discussion of how this approach came about in Namibia. The chapter then considers how conservancies are engaged in different tourism venture models and what the strengths and weaknesses of each model are. The chapter continues by discussing how conservancies contribute to wildlife management and community development, and the related governance challenges in managing conservancies.

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<sup>1</sup>The PTO system has since 2002 been replaced by the issuing of leases for tourism businesses on communal land by Communal Land Boards established under land legislation.

## 2.2 The Conservancy Approach and Its Main Institutional Features

In 1995 the Namibian Cabinet approved a new conservation policy on 'Wildlife Management, Utilisation and Tourism in Communal Areas'. This policy aimed at giving rights over wildlife and tourism to residents of communal land through the formation of a common property resource management institution called a conservancy. The following year legislation was passed by the Namibian Parliament putting this policy into effect. The Nature Conservation Amendment Act of 1996 enables the Minister of Environment and Tourism to register a conservancy if it has a representative committee, a legal constitution, which provides for the sustainable management and utilisation of game in the conservancy, the ability to manage funds, an approved method for the equitable distribution of benefits to members of the community and defined boundaries.

These conditions were deliberately based on Ostrom's design principles for long enduring common property resource management institutions (Jones 2010a). Once the registration of a conservancy is published in the Government Gazette, the conservancy gains the 'ownership' of certain species of game designated as huntable game, which means the conservancy can hunt these species for its own use without a permit or quota from the government. The conservancy also qualifies for use rights through permitting and quota systems to hunt protected species of game, capture and sell game, and carry out trophy hunting. The area of land delimited by the conservancy boundaries is officially declared and the boundaries recorded in the Government Gazette. Typically, conservancies enter into contracts with professional hunters for the use of their trophy hunting quotas and enter into agreements with private sector tourism companies to develop tourism facilities on their land.

There are three important features of the Namibian conservancy approach. First, it aims to provide the appropriate conditions for rural communities to conserve biodiversity on their land through the provision of property rights and incentives through the receipt of various types of benefit from wildlife including income. Second, the conservancy receives all income directly from its tourism and wildlife activities, so it does not receive this income from the state and does not have to share it with the state. Conservancies decide how to use their income with no interference from the state. Third, the system is rights-based, which means that communities receive clearly defined rights over wildlife which are limited and conditional, but entrenched in legislation.

Conservancies do not receive land rights. Communal land is held in trust for the benefit of traditional communities by the state. This means that conservancies do not have the power to enforce land use planning and zoning decisions, particularly with regard to people moving in from outside the conservancy. This lack of secure group land tenure has significant negative effects on investment in tourism on communal land, which are discussed later.

Although rights over wildlife are clearly defined in the 1996 legislation, tourism rights are more ambiguous. The Nature Conservation Amendment Act provides conservancies with rights to 'non-consumptive use' of wildlife which is further defined as use for recreational purposes, but no further details are given. However, various government policies support community rights over tourism on their land. The Ministry of Environment and Tourism (MET) Policy on the Promotion of Community Based Tourism of 1995 recognises that where tourism is linked to wildlife and wild landscapes, the benefits to local communities can provide important incentives for conservation of these resources. The policy document states that MET will give recognised communal area conservancies the concessionary rights to lodge development within the conservancy boundaries. This approach is strengthened in the National Tourism Policy of 2008 which recognises conservancies as the primary mechanism by which benefits from tourism should reach rural communities. However, there is as yet no tourism legislation to put this policy approach fully into effect. Despite the ambiguity in legislation, government has used the policies noted above to generally recognise the right of conservancies to develop tourism on their land and enter into contracts for lodge development with private tourism companies. In addition, the Policy on Tourism and Wildlife Concessions on State Land (2007) enables the MET to allocate concessions in protected areas directly to local communities that have representative, accountable and stable community institutions such as conservancies, and that are legal entities with the right to enter into contracts on behalf of a defined community.

Although, as indicated above, conservancies do not acquire land rights, the Communal Land Reform Act of 2002 provides some recognition of conservancies with regard to the issue of leases for business rights. In terms of the Act, the Communal Land Boards may lease portions of communal land for business purposes, including tourism. However, they may not issue a lease if the purpose for which the lease is proposed would defeat the objectives of a conservancy management and utilisation plan. This provides conservancies with some legal protection against the establishment of land uses that conflict with the tourism and conservation objectives of conservancies.

The number of conservancies has grown rapidly since the first four were registered by MET in 1998. By 2007 there were 50 and by March 2013 the number had grown to 79 (see Fig. 2.1 below). The Namibian Association of Community-based Natural Resource Management Support Organisations (NACSO) compiles data annually on Namibian conservancies. Data are currently available for 2011 when there were 66 registered conservancies managing 146,312 km<sup>2</sup> of communal land and 17.8 % of Namibia's land surface.

In sum, conservancies can be considered new institutional arrangements as they have provided communal area farmers with the legal and institutional mechanisms for maintaining wildlife on their land and gaining various forms of benefit from wildlife. These mechanisms did not exist before the 1996 legislation was introduced and do not exist for communities that do not form conservancies. Table 2.1 presents a summary of the main features of the conservancy approach.

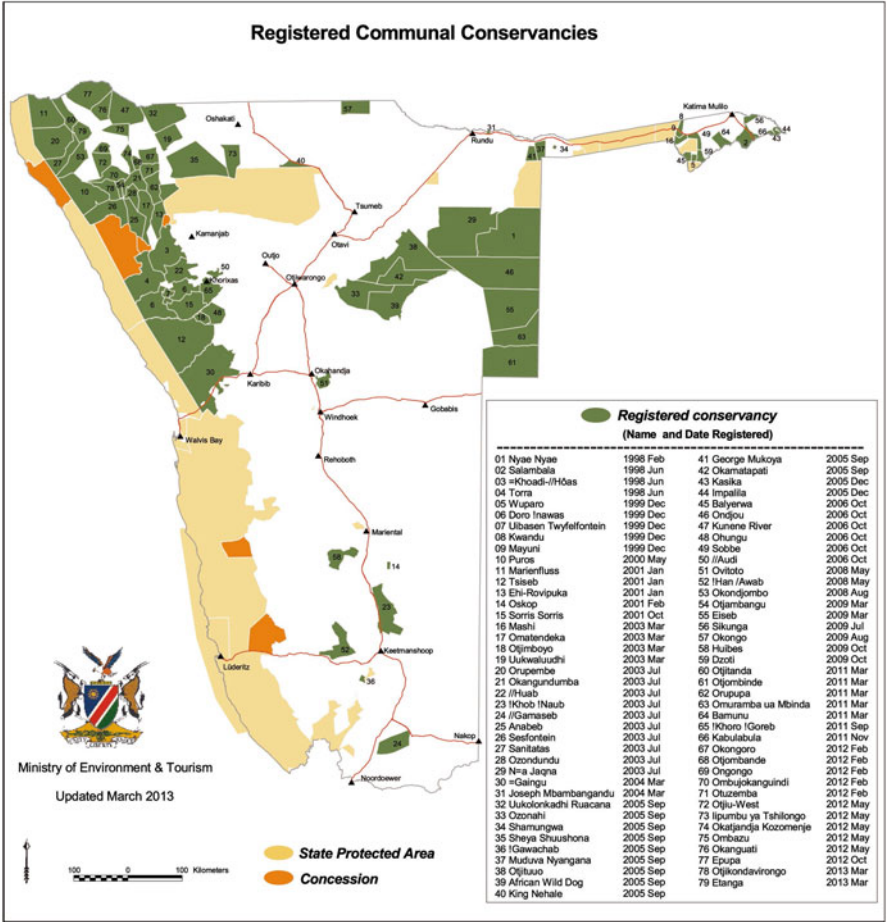


Fig. 2.1 Communal area conservancies in Namibia (Source: NACSO 2013b)

2.3 The Drivers of Policy Change for the Conservancy Approach

A number of factors drove the policy shift that led to the emergence of conservancies and community involvement in tourism (Jones 2010b). The concept of sustainable use of wildlife as a conservation tool had already been established through the provision of rights over wildlife to white freehold farmers in the 1960s and 1970s. This move led to the increase in wildlife on freehold land as farmers no longer saw the wildlife as competing with livestock for grazing. Instead wildlife had gained a realisable financial value (Barnes and Jones 2009). According to Lindsey (2011),

**Table 2.1** Main features of the conservancy approach in Namibia

Feature	Description
Main focus	Biodiversity conservation with improved livelihoods
Actors involved	Ministry of Environment and Tourism provides policy and legislation, provides some technical support to conservancies, and monitors compliance with the law
	Donors provide funding support
	NGOs provide technical and capacity building support to conservancies
	Private sector provides the business and marketing expertise to maximise the value of the wildlife resources of conservancies
	Conservancies receive rights over wildlife and tourism, manage wildlife and relationships with the private sector and distribute benefits to members
Legal entity	National legislation provides use rights over wildlife and tourism to conservancies, which are legal entities with the power to acquire, hold and alienate property of every kind and with the capacity to acquire rights and obligations
Ownership	Conservancies own huntable game and gain use rights over other species subject to permits and quotas. Conservancies are recognised as concession holders over tourism lodge development within their boundaries. Land in communal areas is held in trust for the benefit of traditional communities by the State
Management	Conservancies carry out wildlife management activities through the appointment of their own game guards which are involved in wildlife monitoring, game counts and managing human-wildlife conflict. They also often set aside land for wildlife and photographic tourism. Conservancies enter into contractual arrangements with trophy hunting outfitters and photographic tourism companies. Usually a joint management committee manages the contractual arrangements
Sources of finance	Conservancies receive their own income through sustainable use of wildlife. They retain all income earned in this way – it is not channelled through government or shared with government. Donor and government funding provides resources for technical support to conservancies. Funding for trophy hunting comes from the trophy hunting company. Initially the main funding for photographic tourism (lodge) development came from the private sector. Donor funding has since been used to buy ownership of assets for one conservancy, equity in the business or a capital contribution to the business for others
Contribution to conservation	A sense of ownership over wildlife (property rights) and income from use of wildlife provide the conditions for communities to accept wildlife on their land. Most conservancies set land aside specifically for wildlife and tourism, particularly around lodges. In many conservancies wildlife has been re-introduced including black rhino in some north-western conservancies. In some areas, particularly the north east where protected areas (PAs) are unfenced, conservancies provide connectivity between PAs and provide areas of compatible land use adjacent to PAs. In the north-east parks and conservancies are involved in various co-management activities at different scales
Contribution to livelihood	Conservancies directly receive various fees from trophy hunting and photographic tourism companies. This income is used for employment by the conservancy, various social projects, sometimes cash payments to members and re-investment in wildlife management (e.g. wildlife monitoring, game counts, anti-poaching, human wildlife conflict management). In addition the hunting and tourism operations in conservancies employ local people, sometimes to management level

the increase in wildlife populations continues on freehold land in most areas with the percentage of mammal biomass comprised by wildlife rising from 8 % in 1972, to 18 % in 1992 and 29 % in 2011.

Prior to independence the work of conservationists with communities in the north-west of Namibia and Caprivi in the north-east had demonstrated that community-based approaches could work if based largely on the return of authority over wildlife to local people, backed by some form of financial return. The introduction of community game guards reporting to local headmen helped to restore a sense of ownership over wildlife and low amounts of income from small-scale tourism activities demonstrated to local people that wildlife could bring financial benefits. The result was a decline in poaching and the start of a gradual recovery of wildlife populations, which would be continued through the establishment of conservancies (Long and Jones 2004).

Nelson and Agrawal (2008) note that Namibia's independence and the opportunities it created among policy makers catalysed the extension of the same privileges to communal lands that had already been established on white-owned freehold lands. The new policy and legislation was supported by the post-independence government. Providing the same rights over wildlife to black communal farmers that were enjoyed by white freehold farmers could be implemented as part of the government agenda of dismantling *apartheid* in Namibia (Jones 2010b).

Newsham (2007) identified a network of like-minded individuals working in conservation at independence that was able to drive policy reform that resonated with the agenda of the new government to abolish *apartheid* in Namibia. This network consisted of a coalition of government officials, NGO personnel and the new Minister of Wildlife, Conservation and Tourism, which was able to develop and present to parliament the legislation that would provide for the creation of communal area (Jones 2010b).

This coalition of individuals was influenced by challenges to the narrative of 'fortress' conservation and the emergence of the counter-narrative of community-based conservation. Those driving reform in Namibia were linked to a broader network of conservationists in southern Africa involved in promoting community-based approaches to conservation in neighbouring countries, such as the Communal Areas Management Programme for Indigenous Resources (CAMPFIRE) in Zimbabwe (Jones 2010b). In addition, this southern African network had been influenced by emerging thinking in common property resource management that suggested that groups of people could successfully cooperate to develop rules and practices for sustainably managing natural resources (e.g. Berkes 1989; Ostrom 1990).

A crucial point often overlooked, is that there was also demand for policy change from the bottom up. In the early 1990s, personnel from the new Ministry of Wildlife, Conservation and Tourism and Namibian NGOs carried out a series of socio-ecological surveys in communal areas. These surveys were internally led and funded. They revealed that while black communal farmers wanted something done about problem animals that damaged crops and killed livestock, they wanted to keep wildlife on their land. In addition, they were aware of the rights over wildlife given to white freehold farmers and wanted these rights extended to themselves (Jones 2010b).



By 1992 conservation officials had begun to work on the new conservancy policy that would pave the way for the development of new legislation giving communal area residents rights over wildlife and tourism. The same year a series of consultations and negotiations between USAID and the Namibian government and Namibian environmental organizations led to the establishment of the Living in a Finite Environment (LIFE) Programme which aimed at supporting Community-based Natural Resource Management (CBNRM) in Namibia.

This CBNRM agenda was not imposed by external donors. Namibian NGOs and government had already embarked on developing CBNRM as a conservation approach as described above. USAID and other donor assistance was used to enable local NGOs in particular to provide support to community involvement in wildlife and tourism before the legislation was changed. Once the new legislation was in place, donor funding enabled NGOs to assist communities to establish and operate conservancies (Jones 2004).

Finally, Nelson and Agrawal (2008: 567) suggest that several other important factors also helped the development of the conservancy approach: “The combination of limited state control over tourist hunting revenues and concessions, low value of wildlife on communal lands prior to conservancy formation, transparent hunting administration procedures, and the generally high quality of national governance institutions all serve to reduce the incentives that state wildlife authorities in Namibia possess to resist devolution of wildlife management to local communities”. The main events in the development of Namibia’s conservancy approach are summarised in Table 2.2.

**Table 2.2** Overview of the main events in the development of the conservancy approach in Namibia

Year	Main event
1984–1990	Collaboration between conservationists and community leaders demonstrates that community involvement in conservation can halt poaching
1990–1993	Socio-ecological surveys led by government conservation officials and NGO personnel indicate that local communities wish to keep wildlife on their land
1992	First draft of conservancy policy developed by conservation planners in government. Negotiations with USAID over support to CBNRM in Namibia
1993	Start of LIFE Project (ended 2010)
1995	Policy on Wildlife Management, Utilisation and Tourism in Communal Areas approved by Cabinet, states that rural communities should receive rights over wildlife and tourism through establishment of conservancies
	Policy on the Promotion of Community Based Tourism approved by Ministry of Environment and Tourism – states that MET will give recognised conservancies the concessionary rights for lodge development which they can utilise themselves or lease to others within the conservancy boundaries
	First Joint Venture Lodge contract signed between a community and private sector
1996	Nature Conservation Amendment Act of 1996 gives rights over wildlife and tourism to communities that form a conservancy
1998	First four conservancies registered by MET



## 2.4 Community Involvement in Tourism Businesses in Conservancies

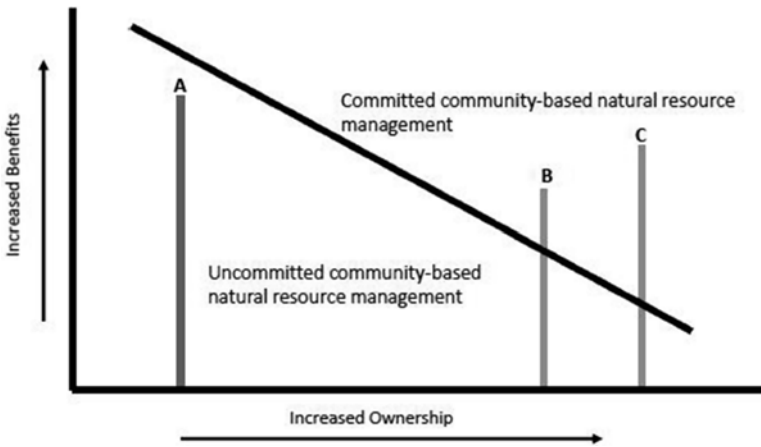
Conservancies have become central in the evolution of new institutional arrangements for community involvement in tourism. The communal lands of north-western and north-eastern Namibia offer significant tourism attractions mostly absent from freehold land. Tourism companies have therefore become more interested in conservancy areas where wildlife roams in unfenced areas with unspoilt scenery, compared to the more 'developed' and fenced freehold farmland. This increased interest in tourism in conservancies led to the development of joint venture (JV) lodges where a conservancy would offer land to a private sector investor to build a tourism lodge in return for payments of various fees, such as bed-night fees or percentage of turnover, to the conservancy. The first such agreement was concluded in the Kunene Region by the residents of what is now Torra Conservancy and Wilderness Safaris in 1995. The legal rights given to conservancies and policy statements from government provided an overall environment in which private sector investors were expected to enter into negotiations with conservancies if they wished to engage in tourism activities within the conservancy boundaries. As a result, by 2011, there were 32 formal JV lodges on conservancy land (NACSO 2013a). A number of lodges was in place prior to the establishment of the conservancies, thus necessitating retrospective development of joint venture agreements.

The first JV lodges in conservancies were developed according to a simple model where the conservancy operated essentially as a landlord, and ownership and management were in private hands. However, there has since been an increasing shift away from the landlord-tenant relationship to the promotion of some form of conservancy ownership. For instance, in 2005 the ≠Koadi //Hoas conservancy became the first conservancy to own lodge assets and in 2011 became the first conservancy to own the lodge business, while hiring a management company to run the operations. This development reflects broader shifts in thinking concerning community involvement in tourism. For example, Elliott and Sumba (2011) discuss different models of community relationship with the private sector used by the African Wildlife Foundation. The model most used is one described as community ownership–private sector management (see Chaps. 11 and 12, this volume). The Namibian government is keen to promote community ownership of enterprises as part of its policy of Black Economic Empowerment (BEE) aimed at shifting ownership of businesses from predominantly white-owned to predominantly black-owned. For example the MET's Policy on Tourism and Wildlife Concessions on State Land states the following (MET 2007: 13):

MET's first preference is that communities should own and manage concessions awarded to them and any business enterprise derived from that, and MET is committed to assist communities to achieve this objective to the greatest possible extent.

In addition, the policy aims to promote the acquisition of shares in the business by the community.

As with the conservancy legislation itself, the Joint Venture approach intends to maximise the sense of ownership as well as the generation of income from the lodge operations, based on the expectation that a combination of property rights and



**Fig. 2.2** The theoretical link between increased ownership income for conservancies from tourism lodges and sustainable resource management (Adapted from Bond 1999)

sustained income will help to create the appropriate conditions for sustainable resource management. Figure 2.2 tries to illustrate this conceptualisation. Enterprise A is a tourism lodge with ownership and management by the private sector, paying fees to the community. It can generate a high return to the community but there is little sense of ownership. In this case, according to CBNRM theory, the business is less likely to optimise community commitment towards the management of the surrounding environment. Enterprise B is a community owned and run campsite, that generates far less income to the community than Enterprise A, but should generate more commitment from the communities to look after their environment, due to the higher degree of ownership. Enterprise C is a community owned lodge, but managed by a private management company through a contract with the conservancy. In this case there should be a high level of community ownership matched with a high level of income to the local communities, which should theoretically lead to community commitment to sustainable management of natural resources.

Support to the development of Joint Venture partnerships in Namibia has led to the emergence of several models for community involvement in tourism. The main JV enterprise models are described next, followed by a discussion of their advantages and disadvantages, based on observation and analysis of these models in the field by the authors.

#### ***2.4.1 Model 1: Ownership and Management by the Private Sector Partner Which Pays Some Fees to the Community***

Currently the predominant management model for a lodge operating in a conservancy has been the ‘build, operate and (in some cases) transfer of ownership of the assets’ approach. The White Lady Lodge in Tsiseb Conservancy is an example of

this model (see Lapeyre, this volume). In this scenario a lodge operator enters a joint venture agreement with a conservancy, and the conservancy agrees to support and in some cases obtains the appropriate tenure rights<sup>2</sup> for the business as well as managing the surrounding environment. The lodge operator provides the capital and builds, manages and markets the lodge at its own expense. In return, the lodge operator will ensure that employment (within reason) comes from the conservancy area and a fee (which is generally based on the lodge performance) is paid to the conservancy account. This fee is important as it covers the conservancy management costs as well as contributing towards social community projects or supporting local residents with the cost of living with wildlife. This model can bring relatively good returns to the conservancy, accompanied by low exposure to risk and low involvement in the business for the conservancy. It is the least complicated arrangement, but also one with the least sense of ownership by the conservancy.

Nevertheless, the sense of ownership and engagement can be considerably enhanced if there are effective mechanisms for involving the conservancy, for example if senior management staff members are from the local community; if there are regular joint management committee meetings at which issues such as financial performance are discussed; and above all, if there is good communication and mutual respect between the operator and conservancy. This is the case with the Damaraland Camp lodge in the Torra Conservancy which was originally developed according to this model (with an option for shareholding at a later stage). Since the inception of Damaraland Camp, the community has had a high *sense* of ownership because of the early positive relationship with the operator, Wilderness Safaris (see below for more details).

#### **2.4.2 Model 2: Private Sector Partner “Owns” the Profit and Loss, with Conservancy Providing Capital**

In contrast to Model 1, where the private sector builds, owns and manages the lodge, in this model the conservancy contributes capital to the construction of the lodge.

##### **2.4.2.1 Model 2a: Conservancy Part Finances Lodge Development with Private Sector**

The Nkasa Lupala Lodge model is based on a straightforward build-and-operate relationship between the private sector and Wuparo Conservancy in Zambezi Region. The conservancy received a grant from the US-funded Millennium Challenge Account-Namibia (MCA-N) that allowed it to contribute towards the capital investment required for the construction of the lodge. In return, the conservancy was able to negotiate a high fee as a percentage of turnover and the operator

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<sup>2</sup>Usually the leasehold rights.

had additional funds to increase the level of marketing. The return to conservancies is higher than for Model 1, with marginally more involvement. However, the conservancy has to access significant capital financing. This approach does not necessarily increase the sense of ownership by the conservancy, as the capital contribution was made in form of a loan to the business rather than equity (because this is more tax efficient for the business). However, it enables the conservancy to leverage higher returns from the business.

Unless conservancies can access 100 % of the capital requirement, providing a loan for a higher return is generally thought better than a minority equity shareholding where experience has shown that conservancies do not receive the expected dividends (see Model 3).

#### **2.4.2.2 Model 2b: Conservancy Fully Owns the Lodge but the Private Sector Owns the Business**

There are a few examples where a conservancy has been able to access sufficient finance to ensure a 100 % capital ownership of the fixed assets of the lodge. The first example in Namibia was the Grootberg Lodge in ǀKhaodi //Hoas Conservancy in the north-west, which opened in 2005 and was financed by the EU-funded Namibia Tourism Development Programme. The rationale behind this was that returns to conservancies in conventional joint venture deals are often constrained in the early years of an agreement because of the need for private sector partners to repay the financing required for capital development and having this covered through donor funding should allow a more immediate financial return to the conservancy. More recently, the Etendeka Camp in the north-west was financed through a MET GEF funded project, a grant from the MCA-N and a soft loan. The conservancies then decided to enter into an operator's agreement, where they transferred their business ownership and responsibilities to a private sector company that would run the day-to-day operations and marketing under the company's own account. In return, the conservancies received two sets of fees, a concession fee of 8 % on turnover and 7 % of turnover building rent.

In principle, the fact that the conservancy, rather than the commercial partner, provides the capital for assets means that the income to the conservancy should be greater and there should not be any significant time lag in payments. In the case of the Grootberg Lodge there was a strong sense of ownership and sense of pride shown by lodge employees, which had a significant positive impact on the guest experience. There are a number of JV lodges using this structure in Kenya, and one of the main problems is with maintenance and upgrading. Given that the conservancy is not closely involved in the day-to-day management, its leaders may be reluctant to allocate sufficient money for essential repair and maintenance. However, with appropriate attention this potential problem can be addressed. A budget can be agreed that takes into account the repair and maintenance cost for the year which is then backed up by a reserve account that caters for unexpected costs.

### **2.4.3 *Model 3: Conservancy Owns Equity in a Lodge Ownership and Management Company***

A shareholding approach may give a sense of ownership without exposing the conservancy to higher levels of risk as in other models that aim to increase ownership, and if the minority shareholders can also appoint one or more directors, it may allow the conservancy to acquire more understanding of how the business works.

A first example of this model is Doro !nawas Camp in the neighbouring Doro !nawas Conservancy that was partly financed by the DFID-funded Business Linkage Challenge Fund which resulted in 45 % of the shares in the lodge company being owned by the conservancy. However, Doro !nawas has still not generated dividends after almost 10 years. Small lodges generally do not make high profits unless they operate at very high occupancy. Return to operators usually comes in the form of lifestyle or capital appreciation. If they form part of a vertically integrated business combined with tour operations, profits are usually made in other sections of the business than the board and lodging component.

The original 15-year contract between Torra Conservancy and Wilderness Safaris for the Damaraland Camp in north-west Namibia had most of the characteristics of Model 1, although there was also an option that during years 11–15, 20 % of camp ownership could be transferred per year to the conservancy, accompanied by a 20 % reduction in the rental fee paid by Wilderness Safaris. At the end of the agreement, it was necessary to renovate the lodge, and since Torra did not have sufficient funds to contribute their share, Wilderness bought back its shares.

### **2.4.4 *Model 4: Conservancy Owns the Lodge and the Business and Outsources the Management to Private Sector Partner***

The Grootberg Lodge model in ≠Khoadi //Hoas Conservancy, referred to above, has evolved further into an enterprise where the conservancy now owns the business itself as well as the lodge assets. The ownership structure of the lodge changed in 2012 so that the conservancy established a wholly owned subsidiary company, Grootberg Pty, which is responsible for the operations of the lodge. The former joint venture partner is still responsible for marketing and management. Members of the conservancy management committee sit on the board of Grootberg Pty. This change in structure took place at the same time as a major upgrade in the facilities, which was part funded by a MCA-N grant and partly by soft loans. There are two revenue streams for the conservancy. One is a continuation of the existing rental fee paid by the operating company (now a wholly owned subsidiary) to the conservancy, but in addition once the loans are paid off, and provided that the lodge continues to operate well, all the profits after payment of corporation tax will go to the conservancy. The conservancy will, however have to provide for further capital and maintenance expenses.

Through ownership of the business, this approach fundamentally changes the relationship between the conservancy and the private sector and provides the community with the ownership that government policy is promoting. If the business does well, the conservancy should receive significantly higher returns than under models 1 and 2. However, it is also fully exposed to the risks associated with a downturn in business. This implies that the conservancy might need to subsidise tourism operations from income derived from other activities and also has to repay loans. The management partner is not exposed to the downside of the risk that they are managing on a day-to-day basis, and as a result may be more inclined to take hazardous decisions, especially if they are inappropriately incentivised.

The conservancy also has to ensure that it does not siphon off income from the lodge that should be reserved for maintenance of assets and future capital reinvestment, particularly as it is difficult to raise capital for investments on communal land (see below for a more detailed discussion of the constraints involved). There is also risk involved in the use of inexperienced conservancy committee members as board members for the business, although there are two external experts (a lawyer and a private sector tourism operator) also appointed to the board at Grootberg. Conservancy committee members serve a certain term after which they may be voted out of office by the conservancy. If a committee member who is also a board member loses office in the conservancy, he/she would have to resign as a board member and a new and potentially inexperienced person would take over the board position.

Because of the need for conservancy representatives on the board of the subsidiary company to take on a much greater fiduciary responsibility than in their role as conservancy committee members, this model has required, and will probably continue to require, a much higher level of technical support from NGOs than more conventional approaches.

#### ***2.4.5 Model 5: Conservancy Owns and Manages the Business and the Assets and Has No Private Sector Partner***

The Bush Lodge in Puros Conservancy in Kunene Region is wholly owned and operated by the conservancy. This kind of arrangement is often seen as the desired end point for tourism development. There are many small scale examples of community owned and operated campsites, but these generally operate relatively informally, rather than as proper tourism businesses, and even in the case of the Bush Lodge do not have separate bank accounts from the main conservancy one.

Another related approach is that of the Conservancy Safaris Namibia (CSN) business which belongs to a group of five conservancies in north-west Namibia. Using a soft loan from a private investor, CSN has established a mid-market lodge and runs mobile tours through the member conservancies as well as some hunting operations. They have contracted out the hunting and engaged external senior

management personnel. It is set up as a trust, with some external trustees that join the representatives from the five conservancies. The five conservancy representatives have been drawn from the broader community, based on merit rather than membership of conservancy committees. This ensures a total separation of powers between CSN as the community company and conservancies, and reduces the likelihood of a conflict of interest, but means that there is no automatic democratic link between the conservancy and its representatives. Also day-to-day decisions are taken by a non-local management team.

Under this model the conservancies own the assets and the business and are also responsible for the operation of the business. Theoretically this model could also provide the highest percentage return on investment, depending on the success of the business. It does provide the highest level of ownership over the business. However, the exposure to risk is the highest with at the same time probably the least capacity for resilience to cope with a severe down turn in business. In practice communities seldom have the skills to run tourism businesses effectively without external support, because of the specialist skills in areas such as marketing, customer relations, stock management, etc. that are required. An example of such an arrangement from Kenya is the Il Ngwesi Lodge which has been going for almost 20 years but provides very little return to the conservancy despite substantial donor input. Nonetheless, it does generate employment and a strong sense of ownership.

#### ***2.4.6 Comparative Analysis of the Models***

The analysis of the models described above raises important issues regarding institutional arrangements for community involvement in tourism. The models indicate a shift from communities as landlords earning various fees, to communities as owners and operators of assets and businesses. This shift is what government and others wish to promote. The move towards community ownership would also appear to be an important component of the conditions for promoting sustainable natural resource management on communal land in terms of Namibian policy and legislation.

However, the concept of community ownership raises a number of key issues: does ownership provide better returns for communities, or does ownership expose them to risks they are not well-positioned to cope with? To what extent are the institutions established for natural resource management suited to commercial operations and manage possible conflicts of interest for representatives with multiple roles?

As landlords, conservancies have an uncomplicated relationship with the private sector and their exposure to risk is considerably reduced. Income can be high and there is a degree of security in receiving an income flow. On the surface the sense of ownership is also likely to be low, although this need not always be the case. Although the Damaraland Camp in Torra Conservancy originally operated as a Model 1 enterprise, and for many years the community did not have a share in equity in the lodge, community members nevertheless had a strong sense of ownership



and pride in the camp (Jones 2008). This was partly because the company agreed that the original PTO certificate should be in the name of the conservancy, partly because conservancy members have been trained to management level, and partly because the spirit in which the company initially managed the lodge helped to foster a sense of partnership rather than a simple landlord-tenant relationship (Jones 2008).

When conservancies move into more complicated relationships which involve some form of ownership they begin to run into important conflicts of interest. If the private sector tenant breaks the agreement with a conservancy, it is relatively easy for the conservancy to remove the tenant and find another. However, it is more difficult to sever the relationship if the conservancy is a business partner of the private sector company or partly owner of the assets with the private sector. The provision of equity to conservancies could be used as an excuse for companies to pay dividends to conservancies rather than to make direct payments such as rental fees. It is relatively easy for companies to decide not to pay dividends, compared to deciding not to pay rent.

In the business structure described in Model 4 above, conservancy committee members are expected to play two roles: as representatives of the conservancy – an organisation which exists primarily to carry out conservation and to provide social benefits to its members – or as directors of a company, with tightly defined obligations under the Companies Act, and the possibility of being found criminally liable in the event of mismanagement.

Again there are potential conflicts of interest between these two roles. For instance a decision might need to be made whether to buy a vehicle for lodge operations, in which case benefits to the conservancy would be reduced in that year, and might make it impossible for them to buy a vehicle for wildlife protection. In addition, conservancy committee members generally do not have the experience and background in tourism business that is required to carry out the role of company director effectively, including taking responsibility for meeting the compliance of the Companies Act. And, even if the conservancy representatives have the experience to carry out their roles effectively, they still face the potential for conflicts of interest between their roles as company directors and conservancy officials, which they will need to be aware of and address.

Another important factor is that as conservancy ownership increases so does the exposure to risk. Tourism businesses often go through difficult times in terms of cash flow at start up, during low season or as a result of unexpected circumstances. It is important to be able to access operating capital in order to cover short falls during this time. There are three ways to deal with negative cash flows: by injecting personal cash; by a bank loan or overdraft facility; or by bringing in additional partners.

None of these options are readily available to conservancies. Bank loans and overdrafts usually require some security, and conservancies seldom have assets that could be realistically taken over by a bank in the event of default. This is partly because conservancies do not own the land on which lodges are built. Because communal land is held in trust by the state, banks do not accept land as security for loans

for developments in communal areas. This remains an important constraint to investment on communal land by the private sector and weakens the position of conservancies that own tourism businesses. In addition, to remain competitive in tourism, upgrades are necessary, and these require cash injections which need to be provided for in the business plan for the lodge.

Therefore the most likely ways for conservancies to respond to negative cash flow in a conservancy operated facility would be as follows: freeze on staff pay, both for the enterprise and conservancy; sale of assets such as vehicles – usually at below market prices; reduce community benefits; bring in other investors and reducing full level of ownership and exposure to risk.

Such circumstances would undermine the overall aim of conservancies and reduce their ability to generate benefits to their members. Further, experience shows that communities are necessarily averse to taking risks. Businesses aim to do well and make profits; just as often they perform badly and require further capital injections, or they fail entirely. Communities cannot easily afford the cost of business failure. This means that when entering into business relationships they will want to avoid exposure to the full risk of managing a business, and conversely cannot expect to reap the full rewards of better than expected performance.

Conservancies are established to manage natural resources and have a strong governance structure, usually with a relatively large committee to represent the scattered communities in these remote areas. Representatives are elected for a number of reasons, mostly connected with how they are respected within their communities. They are not elected for their business acumen or entrepreneurial skills. Converting this kind of leadership structure into one that can effectively manage a business is not easy. In some cases the entire committee attempts to manage a business. In others they have employed staff to whom more or less responsibility is delegated. In the case of Grootberg Lodge there are ex-officio positions on the board of the subsidiary company and in the case of Conservancy Safaris Namibia, unelected individuals are selected. None of these systems provide both democratic validity and efficient strategic direction for businesses. Part of the problem is that in most conservancies there is no-one with the relevant skills and experience to direct a modern tourism business, but even where there is, that person is more likely to work for his or her own benefit rather than for a communal enterprise. Some tourism skills, such as marketing, are highly specialised and will almost inevitably be outsourced.

Thus there is a real tension between community ownership and management and commercial success. Without some degree of partnership with the private sector, it is likely that larger scale communal tourism operations will perform poorly, and as a broad generalisation, it is more likely that a move towards community control will lead to a reduction in commercial viability than an improvement (unless there are specific improvements related to marketing or to the visitor experience). The challenge is thus to find the appropriate intermediate position for each local set of circumstance that maximises overall commercial success, community benefits and community sense of ownership.

## 2.5 Prospects and Challenges for the Conservancy Approach

The main prospects and challenges related to the conservancy approach relate to conserving wildlife, contributing to livelihoods and governance.

### 2.5.1 *Conserving Wildlife*

NACSO (2013a) suggests that conservancies have brought about important changes on communal land. Conservancies engage in a number of different wildlife management activities. Many set aside land specifically for wildlife and tourism as part of zonation of land uses in their management plans. Most employ community game guards that use a standardised system to monitor wildlife and other resources. Conservancies annually commit human and other resources to game counts carried out jointly with MET and NGOs.

In some regions conservancies adjacent to protected areas provide corridors of connectivity to other conservation areas and thus enlarge the area under sustainable resource management, enabling landscape level co-management institutions and activities to emerge (NACSO 2013a).

Wildlife has increased in the same way that numbers of wild animals increased on freehold land following the provision of property rights over wildlife to white farmers. Well-documented increases of ungulates have taken place in the conservancy areas of north-western Namibia, particularly springbok, oryx, mountain zebra and giraffe, and the numbers of elephant, black rhino and lion have also increased significantly (NACSO 2013a). Springbok in conservancy areas of the north-west, for example, have recovered from a low of around a few thousand in 1982 to around 160,000. While some of the growth in numbers can be attributed to increased rainfall after the droughts of the late 1970s and early 1980s, conservationists agree the recoveries would not have been possible without community involvement leading to a significant reduction in poaching.

In the north-east there have also been significant recoveries of wildlife, particularly elephant and buffalo, impala and zebra partly due to natural increase, a reduction of poaching as well as immigration from neighbouring countries (NACSO 2013a). Black rhino have been re-introduced to some north-western communal conservancies by the government demonstrating the extent to which communities are capable of successfully managing their wildlife. Conservancies provide the institutional mechanism for re-introducing wildlife to communal lands through their management activities and conservation staff. Over the past 13 years, 8,388 animals of 15 species have been translocated to communal conservancies, and in some cases the introductions enabled populations of existing species to recover to former numbers (NACSO 2013a). Many of the translocated animals have been donated by MET from state-owned protected areas and by freehold farmers. The cost of capture and transport has been borne by the MCA-N, NGOs and MET.

### 2.5.2 *Contributing to Livelihoods*

In 2011 conservancies earned a total of N\$36,377,109 (USD 5.2 million) in direct cash income and there were further non-cash benefits (mainly in the form of meat from various forms of hunting) worth N\$10,366,289 (USD 1.5 million) (NACSO 2013a). The main sources of income were photographic and hunting tourism. Joint venture tourism contributed nearly N\$19 million (USD 2.7 million) or 40.5 % of conservancy income in 2011 and trophy hunting N\$14.1 million (USD 2 million) or 30.2 % of conservancy income.

In the 57 conservancies that provided data, 665 people were employed directly by the conservancies in 2011 and tourism enterprises in conservancies generated another 696 full time and 1,608 part-time/casual jobs (NACSO 2013a).

Apart from employment conservancies provide a range of other benefits to members. These include social projects and services such as soup kitchens for the elderly, provision of water (e.g. to schools), donations to schools, upgrading of roads, transport to clinics, etc. Some conservancies provide annual cash payments to members. Conservancies help members to address human-wildlife conflict through payments to offset livestock or crop losses, protection of water points from elephants and land use zonation. The impacts of these benefits to members do not necessarily contribute directly to poverty reduction, but do help to alleviate poverty (Jones et al. 2013). The main contribution to poverty reduction is probably through the creation of jobs that can lift people out of poverty. Employment provides a steady income that can be used to build up household assets and a local cash economy. Also the conservancy and related tourism jobs are linked to considerable training and capacity building that develop new skills and in turn open up new employment opportunities. In addition, empowerment (i.e. devolving legal rights) and developing new civil society structures are important contributing factors for promoting democracy in rural areas. This is particularly significant given Namibia's *apartheid* legacy that left rural Namibians politically marginalised.

### 2.5.3 *Governance Challenges*

Despite these successes of the conservancy approach, there are a number of implementation challenges which need to be addressed. The lack of secure group land tenure on communal land in Namibia remains a constraint to investment on communal land. It is mainly the large tourism companies that can afford to take the risk of investing on communal land without land ownership or the ability to easily raise bank loans. For communities themselves it is difficult to maintain their exclusive wildlife and tourism zones against the influx of outsiders looking for grazing land. Subsequent to the 1996 conservancy legislation, the government introduced a land law in 2002 that required businesses such as tourism lodges to acquire leases from Communal Land Boards, replacing the old PTO system. The law prevents land boards from issuing leases for businesses that would be in conflict with conservancy

management plans. Theoretically this provision should ensure that no leases for tourism businesses are issued within a conservancy unless the business owner has an agreement with the conservancy. However, there are examples of land boards issuing leases for lodges without the conservancy involvement, thus undermining government policy on tourism in communal lands. Further, the land boards have the potential to begin charging high lease fees which reduce the financial viability of lodges that are also paying fees to conservancies.

An additional challenge to implementation is ensuring that there is good governance within conservancies. Key problems identified include the following (NACSO 2013a):

- (a) In some conservancies, committees were taking all the major decisions themselves without involving members;
- (b) Members were not being given the opportunity to approve conservancy budgets drafted by committees;
- (c) In a few cases large sums of money were unaccounted for;
- (d) Some committee members voted themselves large loans;
- (e) Many conservancies spent all their income on operational costs (including allowances for committee members) leaving little for community benefit;
- (f) In many conservancies there was little involvement of members in developing constitutions.

NGOs and the government play a major role in helping conservancies to address the problems. Considerable effort is going into the revision of constitutions and conservancy benefit distribution plans with as much participation by members as possible. Conservancy committees are being encouraged to ensure that budgets are tabled for approval by members at Annual General Meetings and annual financial statements are made available to members. However, good governance will only emerge if the stakes are high enough – i.e. if the amounts of money being squandered by conservancy committees are high enough for conservancy members to invest time and effort in calling the committees to account. Once conservancies begin to earn sufficient income, members start to take a greater interest in what is being done with the income and take action against committee members.

## 2.6 Conclusions

The conservation policy and legislation have provided new institutional arrangements for rural communities in Namibia to regain some control over the natural resources on their land and to benefit from the use of these resources. Although rights over tourism are less institutionally embedded in rules and regulations, conservancies have been the primary means for rural communities to become involved in tourism and benefit from tourism activities on their land. Conservancies have in some cases moved from being land lords to owners of lodge assets and tourism businesses. More time is needed to see whether communities are willing to accept the increased business risk that accompanies ownership and whether ownership will indeed bring sufficient increased income which will be an acceptable trade-off for the increased risk.

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