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Two Dynamic Export Sectors (Diamonds, Tourism) in Namibia and Botswana: Compari- son of Development Strategies

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¹ This is a revised and shortened version of the author's diploma thesis, entitled:
"Two dynamic Export Sectors (Diamonds, Tourism) in Namibia and Botswana.
Comparison of Development Strategies."

Zusammenfassung:

Die vorliegende Arbeit "Two dynamic Export Sectors (Diamonds, Tourism) in Namibia and Botswana: Comparison of Development Strategies." beschäftigt sich in vergleichender Art und Weise aus ökonomischer Perspektive mit Entwicklungsstrategien in Bezug auf die zwei genannten Exportsektoren in den beiden im südlichen Afrika gelegenen Ländern. Tourismus wird in diesem Zusammenhang als Dienstleistungs-Export aufgefasst. Die Erörterung erfolgt hierbei in Form einer intrasektoralen und internationalen Gegenüberstellung. Das Papier stellt einen Überblick über wichtige Rahmenbedingungen in den jeweiligen Ländern bereit und leitet über kurze Abrisse der Sektoren zu einer Behandlung der spezifischen Komponenten der Exportsektor-Entwicklungsstrategien. Die essentiellen Ähnlichkeiten und Unterschiede werden anschließend herausgearbeitet. Das Papier schließt mit einigen Handlungs- und Leitlinienempfehlungen.

Abstract:

This paper entitled "Two dynamic Export Sectors (Diamonds, Tourism) in Namibia and Botswana. Comparison of Development Strategies." deals, relying on a comparing approach from an economist's perspective, with development strategies in regard to both export sectors in question in the two countries located in Sub-Saharan Africa. Tourism is understood in this context as a service export. The discussion follows the scheme of an intrasectoral and international comparison. The paper provides a survey of the relevant circumstances and frameworks in the respective countries, continues by presenting brief descriptions of the sectors, and deals with specific components of export sector development strategies. The essential similarities and differences are elaborated afterwards. The paper closes with some policy recommendations.

Stichwörter: Botswana, Namibia, Diamanten, Tourismus, Entwicklungsstrategie

Keywords: Botswana, Namibia, diamonds, tourism, development strategy

JEL-Classification: F15, F23, O10, O13, O14, O15, O20, O21, O24, O25, O29, O40, O43, O55, Q32

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List of Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
BEDIA	Botswana Export Development & Investment Authority
BEE	Black Economic Empowerment
BIDPA	Botswana Institute for Development Policy Analysis
BOBS	Botswana Bureau of Standards
BTB	Botswana Tourism Board
BWP	Botswana Pula
BWTI	Botswana Wildlife Training Institute
CARAN	Car Rental Association of Namibia
CBNRM	Community Based Natural Resource Management
CBNRMP	Community-Based Natural Resources Management Program
CDM	Consolidated Diamond Mines of South West Africa
CEO	Chief Executive Officer
Cf.	Confer
CHA	Controlled Hunting Areas
CMN	Chamber of Mines
CSO	Central Selling Organization
DAAD	German Academic Exchange Service
DGS	Department of Geological Survey
DoM	Department of Mines
DoT	Department of Tourism
DTC	Diamond Trading Company
e.g.	For example

EPZ	Export Processing Zone
esp.	Especially
et al.	And others
EU	European Union
FAP	Financial Assistance Policy
FDI	Foreign Direct Investment
FENATA	Federation of Namibian Tourism Associations
FMD	Foot-and-mouth Disease
GC	Gini-coefficient
GDP	Gross Domestic Product
HAN	Hospitality Association of Namibia
HATAB	Hospitality and Tourism Association of Botswana
i.e.	Id est (this means)
Illus.	Illustration
HIV	Human Immunodeficiency Virus
IPPR	Institute for Public Policy Research
IWIM	Institute for World Economics and International Management
JASSONA	Jewellers Association of Namibia
MET	Ministry of Environment and Tourism
MEWT	Ministry of Environment, Wildlife and Tourism
MIT	Ministry of Trade and Industry
MME	Ministry of Mines and Energy
MMEW	Ministry of Minerals, Energy and Water Affairs
N\$	Namibian Dollar
NACOBTA	Namibia Community Based Tourism Association
NAPHA	Namibia Professional Hunters' Association
NATH	Namibia Academy for Tourism and Hospitality
NDC	Namibia Development Corporation
NDP	National Development Plan

NEP	National Eco-tourism Programme
NEPRU	Namibian Economic Policy Research Unit
NES	National Eco-tourism Strategy
NGOs	Non-government Organisations
NIC	Namibia Investment Centre
NTB.	Namibia Tourism Board
NWR	Namibia Wildlife Resorts
PAC	Problem Animal Control
PDNs	Previously Disadvantaged Namibians
PEEP	Public Enterprises Evaluation Privatisation Agency
PEMP	Performance and Effectiveness Management Programme
RETOSA	Regional Tourism Organisation of Southern Africa
SACU	Southern African Customs Union
SME	Small and medium sized enterprises
SSA	Sub-Saharan Africa
TASA	Association of Tour and Safari
TRENBA	Tourist Related Namibian Business Association
TSA	Tourism Satellite Account
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNWTO	World Tourism Organisation
USA	United States of America
VAC	Value-added Chain
WASCOM	Wages and Salaries Commission
WMA	Wildlife Management Areas
WP	White Paper
ZAR	South African Rand

1 Introduction

1.1 Objective and Relevance of the Study

Subject matter of this paper is a comparative examination of development strategies regarding two economic sectors in the countries of Namibia and Botswana, as applied or planned in June 2006. The objective of the underlying study was to source, process and analyze up-to-date-information on development strategies of the two countries of Namibia and Botswana regarding the economic sectors a) diamonds (mining, processing and export) and b) tourism. The purpose was to provide a sound and up-to-date information basis regarding the status quo and the foreseeable future development concerning the above-mentioned strategies. The content of this paper is aimed at a readership that is not necessarily highly familiar with the circumstances neither regarding the region nor the economic sectors.

The relevance of the study derives from a need to try to adapt and transfer successful economic concepts. Presumably, there are best practices and lessons learned that developmental latecomers could capitalize on in spite of differing positions at the outset. The economic situation of Sub-Saharan Africa (SSA) is still marked by a relative weak growth compared to other regions of the world (cf. Collier and Gunning 1999). Some researchers even wrote about the “marginalisation of Africa” (cf. Collier 1995). Though, there are at least two countries that have shown an impressive performance since their respective foundation respectively independency. The countries of Botswana and Namibia both distinguished themselves by proving that it was possible to become economically relatively prosperous nations with economically promising future prospects starting from a very unfavourable position² (Botswana) respectively developing within a very short time span³ (Namibia). Botswana as well as Namibia are today classified by the World Bank as

² Cf. Hansohm: „Integration and Development through Good Economic Policies and Institutions – The Case of Botswana“, subchapter 2.1 for further detail.

³ Since independence from South Africa in 1990

middle income developing countries, Namibia as a lower, Botswana even as an upper⁴ one (World Bank, 2006).

The study focuses on two economic sectors that are common driving forces of the respective economies (within the primary sector: diamond mining; within the tertiary sector: tourism services) and attempts an intra-sectoral, international comparison of the particular development strategies. The diamond-related field of economy of special interest, since in contrast to a whole array of other African states, both nations successfully avoided to be affected by the so-called “resource curse” (see Auty, 1995). Tourism, on the other hand, might be the currently most promising sector in terms of growth perspectives and overcoming the still overwhelming dependence of African economies on primary commodity exports.

As far as the author is aware, the current status of research results from the execution of a fair amount of studies regarding strategic approaches and other issues concerning the sectors in question for individual countries in the region. There also exist papers on general strategic issues of economics, economics-related policies and governance. However, to the best of the author’s knowledge and belief, there yet has been no comparative study of the two sectors jointly respectively between the countries of Botswana and Namibia.

1.2 Method and Conduct

The methodological procedure was bipartite. Following intense preparation consisting of extensive secondary literature research – general and specific, as well as organizational preparations (funding, contacting supporting institutions in both countries, arranging of transportation and accommodation etc), the first tier was shaped by qualitative interviews with experts from the relevant industrial companies, the press, the diplomatic corps, NGOs, research institutions and the public body within the states in question. In second place, extensive screening of secondary literature was carried out, and supplemented by examination of primary

⁴ “Consequent upon its diamond wealth, good governance, political stability, and prudent macroeconomic management, Botswana became an upper middle-income country by the mid-eighties.” (Akinkugbe, O./Makepe, P., 2006, p. 59).

sources and internal documents provided by the institutions mentioned above.

1.3 Definitions and Delimitations

The **tourism sector** is understood as the set of business activities connected – directly and indirectly – to tourism as defined by the World Tourism Organisation (UNWTO): “activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”. The term **diamond sector** is used in this paper as a generic term for the array of industries and business activities linked directly⁵ to diamonds. Although the term “**development**” is used in this paper mainly from an economic point of view concerning specifically the two export sectors diamonds and tourism, it must be clearly pointed out that the word is standing for positive change in several dimensions. Due to its comprehensive approach and its relevance in the current discussions within the scientific community, the following definition coined by the authors of a relatively recent publication shall here be the one of choice: “The process of improving the quality of all human lives. Three equally important aspects of development are (1) raising people’s living levels – their incomes and consumption levels of food, medical services, education etc., through relevant *economic growth* processes; (2) creating conditions conducive to the growth of people’s *self-esteem* through the establishment of social, political, and economic systems and *institutions* that promote human dignity and respect; and (3) increasing people’s *freedom* by enlarging the range of their choice variables, as by increasing varieties of consumer goods and services” (Todaro, Smith, 2003, p. 792). In order to be able to grasp the macroeconomic, sector-, nation- and even region-wide implications it seems necessary to choose a rather global definition of **strategy**. Assessing the variety of different understandings and definitions available, it is therefore decided that for the purposes of this paper the definition following the so-called content-related understanding shall be

⁵ The value-added chain extends from prospecting and mining over sorting and valuation of the stones to cutting, polishing to branding and marketing. In the case of gem quality diamonds it is from the author’s point of view sensible to additionally consider jewelry design, manufacture and retailing.

used⁶ - i.e., strategy as a planned bundle of measures for achieving long-range goals and objectives, result of rational and formal planning. The understanding of the term **development strategy** shall therefore be the one depicted as follows: the planned bundle of measures for achieving long-range goals and objectives related to 1) economic growth, 2) growth of people's self-esteem and 3) increase of people's freedom. The focus of this paper lies on the economic aspects regarding these three fields of action, e.g. for domain 1) raising people's living levels – their incomes and consumption levels, area 2) establishment of economic systems and institutions and sphere 3) increasing varieties of consumer goods and services. Special emphasis is given to the export-related aspects. Scope of the study is a comparison of development strategies applied and drafted in Botswana and Namibia.

2 Choice of Economies and Sectors

2.1 Argumentation for Choice of Economies and Economic Sectors

The economies of the two countries Botswana and Namibia were chosen due to several considerations. Since the core of the study is an inspection of development strategies regarding two dynamic export sectors specified in advance, i.e. diamonds and tourism, it was necessary to pick economies that dispose of both of these economic sub-sectors respectively. Furthermore they needed to be political stable; and it was regarded as a prerequisite that there had been no civil wars or other major conflicts in recent times. Peace and stability heighten the probability of sufficient availability of data material and sources. Another criterion was the successful performance history of devised and applied strategies in the countries in question – there should be some lessons to be learned. But the maybe most important issue was a certain degree of comparability

⁶ Other definitions of strategy the author encountered during screening literature: military understanding (ancient world); Prescriptive-normative Understanding (since 1960); Descriptive-empirical Understanding (since 1985); Huelsmann, M. (2005); Chandler, A.D.: Strategy (1962), p. 23; Quinn, J.B.; Groenhaug/ Nordhaug (1992) p. 439; Day, G.S. (1984); Day/ Wensley (1988), p. 1; Hax, A.C. / Majluf, N.S.(1996); Hitt, Ireland, Hoskisson (2005) p. 7; Mintzberg, H.; National Planning Commission, Republic of Namibia (2001); Ohmae, K.; Porter, M.E. (1996, pp. 68, 70, 75); Stoner, J.A.F./ Freeman, R.E./ Gilbert, D.R.; Thompson, Jr., Strickland III (2004).

between the general conditions regarding the economies, i.e. the condition was that only a few country-specific factors were tolerated to restrict the comparison, in order to achieve sound results.

Illustration 1: Geographic Location of the Countries



Source: Wikipedia, 2006 (modified)

Though there are some significant differences, the similarities predominate and thus make the examples convincing. The neighbouring countries share important characteristics concerning their economic and political situations: “(...) both have a large land area and a relatively small population; both are small, peripheral components of a Southern African economic system centred on the South African industrial conurbations (for geographic orientation see illustration 1); both have economies that are highly dependent on mineral exports exploited by transnational corporations; there are similarities in climate, landscape and natural resources; both have emerged from the shadow of apartheid South Africa but continue within the Southern Africa Customs Union; both have adopted democratic, non-racial, multi-party constitutions, and so forth” (Lister, 1991). Further common characteristics are mentioned by Geuting: *„To be added would be from a contemporary point of view that both: - temporarily received the worldwide highest development aid in*

relation to their population, - can be described as showing extremely dissimilar income distribution (Namibia is for example holding the inglorious record of boasting with a rate of 0.701 the highest Gini-coefficient ever measured (cf. Schade, 2000, S. 111.), linked to the latter item though having a comparatively high per capita income the failure of realising a correspondingly high level of human development, which is the reason for both ranking in the top bracket when it comes to quantify rank differences between the two indicators of development PKE and HDI, - are among the countries of the world affected worst by the HIV/AIDS-epidemic” (Geuting, 2004). It is the author’s opinion that these similarities outweigh the dissimilarities between the two countries. Differences are, e.g., the fact that Botswana is a landlocked country while Namibia has several harbours, the lengths of duration of independence (Botswana is independent from the former South-African apartheid government since 1966, Namibia since 1990), and the start conditions after gaining independence: while Namibia was certainly in a difficult situation in 1990 during the break-up phase, the circumstances in Botswana in 1966 could hardly be imagined to have been worse than they actually were⁷. In contrast to the situation in Botswana the population in Namibia is heterogeneous. The inequalities in income distribution, education and health system offer, follow distinct ethnic boundaries. This is an after-effect of the apartheid policy followed by the former South-African occupying power. While the current public sentiment can be described as composed, there is definitely potential for dissatisfaction and disturbances in the future based on the perception of this stark imbalance of chances and individual development opportunities, which could lead to riots and conflicts between members of different ethnic groups. In Botswana similar inequalities exist, but the big difference is constituted by the fact that they do not follow ethnic lines and therefore do not endanger the political stability of the society.

⁷ “(...) more than 30% of the people in the country aged between 20 and 40 worked in South African mines and the labour base was unskilled or semi-skilled. The population had very little access to money, the annual per capita income being about US\$ 60. There were high levels of illiteracy, a low managerial and administrative base, and only 22 university and less than one hundred secondary school graduates. At independence in 1966 Botswana was struggling with issues of basic survival, with some observers regarding the country as a non-viable entity. (...) In addition, an extended five-year drought followed and one third of the national cattle herd (...) died as a result” (Edge, W. A.; Lekorwe, M. H., 1998).

The economic sub-sectors in question were chosen due to their respective outstanding relevance for developmental issues on the African continent and especially in the sub-Saharan region: one of Africa's major economic problems is known under the term "commodity dependence". Meant is the "heavy dependence on primary commodities as a source of export earnings" (UNCTAD, 2003, pp. 1f.). This dependence is generating severe problems due to the price volatility that is typical for primary commodity markets. Furthermore, "most African countries have been losing market shares in commodity exports to other developing countries, while at the same time most have been unable to diversify into manufactured exports. Africa's difficulties in maintaining market shares for its traditional commodities derive from its inability to overcome structural constraints and modernize its agricultural sector, combined with the high cost of trading" (UNCTAD, 2003, pp. 7f.). The combination of loss of market share with volatile prices showing a downward trend leads to a massive and continuous decline of export earnings. There are also so-called knock-on effects on employment opportunities and incomes in commodity producers leading to spreading of poverty. Under the current circumstances commodity exports are therefore not suited to "generate sufficient savings for investment in diversification and in the development of human and physical infrastructure. Hence, the commodity trap in which these countries are caught has become essentially a poverty trap" (UNCTAD, 2003, pp. 45f.). This leads us directly to two other problems of development in African countries, though connected to the former. First, there is a chronic shortage of foreign exchange that would be needed for investment into infrastructure, education, health system etc. Second, the high rates of unemployment in rural areas and the urban migration tied to this background pose social problems.

Therefore, the economic sectors that address at least one of the following two issues are of interest: first they are required to be suited to generate influx of foreign exchange on a large scale; second they must have the potential to generate employment in significant numbers. Furthermore, they shall have the potential to lead to diversification effects, horizontally (away from commodities to manufactures and services), vertically (additional steps in the value added chain) and spatially/ geographically

(to generate income and employment in to date disadvantaged parts of the countries, i.e. most often the remote, rural areas).

Because domestic markets in Africa for manufactures and services are limited, and due to the need for foreign exchange, the sectors in question are to be found among the export sectors. The African Development Bank states in its African Development Report, edition 2004, that “(...) African countries need to pursue a development strategy that is export-oriented while at the same time seeking to transform their production and exports base. Such a strategy must necessarily start with strengthening Africa’s comparative advantage I traditional exports (...). (...) Further, African countries should exploit the potential that exists in the export of services” (African Development Bank, 2004, p. iv).

The diamond sector – as a representative of the primary sector – was, is and in the foreseeable future most probably will stay the major source of foreign exchange influx for Botswana as well as Namibia, while both of them avoided to be affected by the impact of the so-called ‘resource curse’⁸ or the phenomenon known as ‘Dutch disease’⁹. Hence it is chosen as one of our two sectors of interest. It shall be highlighted here that in terms of employment creation the sector is amazingly insignificant.

Regarding the latter statement, he contrary is true for the tourism sector. It enables the creation of employment on a much larger scale than the capital-intensive mining sector. Furthermore, it is a widespread perception among Namibian civil servants that its importance will increase in the near future; it is predicted to constitute the second-largest contributor of GDP within the next decade. In addition, it is – belonging to the tertiary sector – an opportunity for diversification and the stepwise reduction of the commodity dependence.

⁸ This term was created by Richard Auty in 1993. It describes the paradox phenomenon that some countries well endowed with natural resources were not only unable to capitalize on that wealth to boost their economies, but even performed worse than other countries lacking the resources in question. Underlying reasons can be conflict, corruption, excessive borrowing, lack of diversification and thus dependency of the economy to price volatilities, and several more.

⁹ ‘Dutch disease’ is the term describing an economic phenomenon in which the revenues from natural resource exports lead to deindustrialisation of a nation's economy. This is caused by an increase of the real exchange rate and thus a loss of the manufacturing sector in terms of international competitiveness.

2.2 Characteristics, Policy Export Orientation, Export Diversification Policies

Characteristics: Both countries are vulnerable to external shocks due to their heavy reliance on the primary sector. Directly neighbouring South Africa, both of the economies seem to be comparatively small. Botswana as well as Namibia suffer from extraordinary high rates of unemployment – practically unchanged compared to the last years at roundabout 35 per cent in Namibia in 2005 and about ten per cent lower in Botswana (but with a youth unemployment double as high) (German Foreign Ministry, 2006). In both countries, within the formal labour sector, the workforce is well skilled. Nonetheless, it must be noted that the economies are respectively split into an only small formal sector and a large informal one, whose workforce is marked by a comparatively low level of skill and education. The income distribution in Namibia is “extremely unequal and widespread poverty poses serious problems” (German Foreign Ministry, 2006). The appropriate index to quantify income disparities, the Gini-coefficient, is calculated to rank at 0.701¹⁰ (Schade, 2000, p. 111); Botswana shows a number slightly lower at 0.6 (UN Botswana, 2006).

In contrast to Botswana it was possible for Namibia to build upon a developed economic structure, “(...) *while overcoming the consequences of the apartheid is presenting an immense task that is not solved until today*” (Pack, L. and P., 2004, p. 172). In Namibia, the structural change of the economy “has been quite limited over the last decade: the overriding importance of the primary sectors (agriculture, mining, and fishing) has remained largely unchanged. The potential for agricultural growth is limited because of the aridity of the entire landscape of the country, and the unreliability of rainfall. (...) The hoped-for expansion of manufacturing has not materialised until now – actually, its share has declined. The only hopeful growth sectors have been fishing (including its processing) and tourism (...). These have moderate and high future prospects respectively, but they are growing from a small base (...)” (Hansohm, 2004, p. 435). Botswana as well as Namibia disposes of rich mineral resources, especially diamonds; and mining is unquestionably regarded to

¹⁰ This is regarded to be the highest Gini-coefficient (GC) worldwide. A coefficient of 1.0 would mean total disparity, or, in other words, maximal unequal distribution of income, and a coefficient of 0.0 means complete equality. In 2004, Germany showed a GC of 0.283.

constitute the backbones of the Namibian as well as the Botswana economies.

Policy Export Orientation: Like all developing countries with small domestic markets, Botswana and Namibia depend on the influx of foreign exchange to allow for sustained development. This influx can be fed by foreign aid and by foreign trade. Both countries have made extensive use of the international community's offer of financial (and other, like technical assistance and advice etc.) development aid since the respective achievement of independence. Nonetheless, to provide the volume of foreign exchange needed to facilitate or enable considerable development, it was and continues to be necessary to source and extend influx of foreign capital by international trade and attraction of foreign (direct) investment (FDI). At some point, foreign aid will start to decrease and eventually cease, so it is mandatory for the presently benefiting countries to step forward to become independent in economic terms as well.

Botswana heavily relies on its mineral exports and aligns its policies accordingly. Furthermore Botswana is Africa's largest exporter of beef. Efforts are undertaken to promote investment into export-oriented manufacturing (e.g. see BEDIA, previous page) and services. One rather recent example for such an undertaking was the setting up of a Hyundai and Volvo vehicle assembly plant in Gaborone, representing Botswana's largest manufacturing industry by this time, which however was fore-closed by creditors some years ago.

Namibia's economy was market oriented from independence on, there were almost no price controls or significant subsidies, and the foreign trade was not restricted. (Pack, L. and P., 2004, p. 172) Investors from abroad do not face any foreign exchange restrictions regarding the importing of capital to Namibia; as well it is allowed to transfer investment capital, interest yields and dividends to foreign countries. (Pack, L. and P., 2004, p.182) The attempts to stimulate (foreign) investment in Namibia by installation of export processing zones and by offering tax incentives "*showed certain results*" (German Foreign Ministry, 2006).

Export Diversification Policies: Botswana as well as Namibia is to a high degree dependent on foreign exchange earnings incurred by exporting raw material, namely diamonds. The governments of both

countries are aware of this fact and have recognized that there is a urgent need to diversify the economies away from this reliance on the primary sector towards the secondary (manufacturing) and tertiary (service) sector. The justification for these efforts are the spreading of risk (external shocks can affect a single industry devastatingly, and especially raw material markets are subject to price volatility), the fact that mineral resources inevitably are subject to depletion, and the limited growth potential of the primary sector compared to the more dynamic secondary and tertiary ones.

In contrast to manufacturing and provision of services the employment effect of mining (which is rather capital intensive) is quite limited in terms of numbers, additionally geographically very restricted, and does not provide the potential to distribute the benefits like for example tourism-related activities offer (not only in terms of employment, income and poverty reduction, but as well regarding indirect and spill-over effects, education etc.). Both governments therefore strive for the – qualitative and quantitative – extension of economic activities into manufacturing and services, in the latter case especially into tourism. As far as the author knows, there is no manufactures export section boasting considerable dynamic in either country – in sharp contrast to the tourism field. The latter one constitutes the one indeed relevant export sector that both economies strive for to diversify into. In order to promote diversification of the economy and to stepwise decrease the dependence on the mining sector, the Government of Botswana has set up a privatisation initiative aiming at public and semi-public enterprises.

3 The Sector Development Strategies in Botswana and Namibia

3.1 Export Sector: Diamonds

A lot of the current framework of circumstances characterizing the business environment of he sector and its future is given in a single sentence by a Namibian economist: “The diamond industry is headed for an increase in rough prices, greater competition across the pipeline and vertical integration. Those diamond companies that survive the shakeout will control larger shares of the pipeline and may become more profit-

able” (Boer, Sherbourne, 2004, p. 19). The value-added chain extends from prospecting and mining over sorting and valuation of the stones to cutting, polishing to branding and marketing. In the case of gem quality diamonds it is from the author’s point of view sensible to additionally consider jewellery design, manufacture and retailing, including both mined and artificially produced stones and comprising gem quality stones as well as the ones suitable for industrial purposes only.

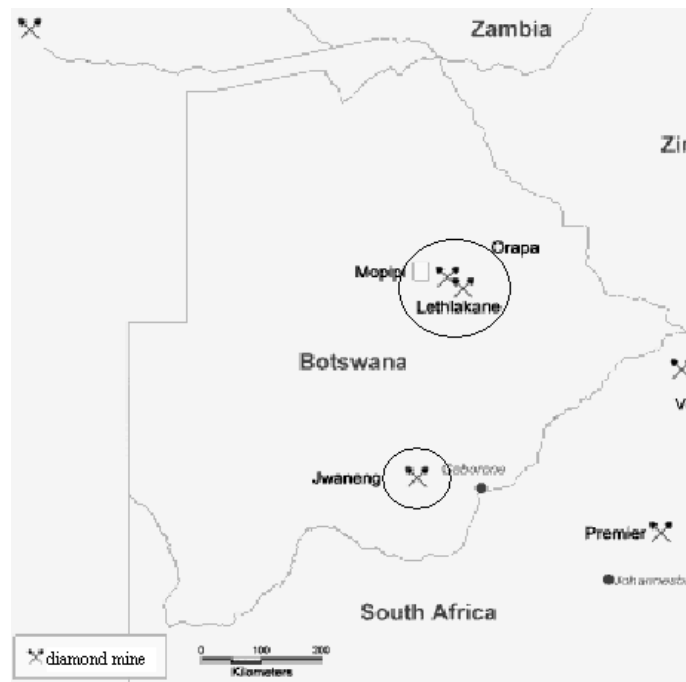
3.1.1 Diamond Sector Development Strategies in Botswana and Namibia

This subchapter tries to give a structured overview of strategy components devised and applied by the two countries. In particular, the aspects of Government shareholding, market entry of new players, usage of revenue, institutions, prospecting, beneficiation, the Kimberley process, marketing campaigns, and branding are addressed, supplementary information is provided where applicable.

In **Botswana**, the overall mineral policy objective is “maximizing the economic benefit for the nation from development of mineral resources while allowing investors to earn competitive returns” (Ministry of Finance and Development Planning, 2003, p. 212). During the current planning period (NDP 9), policy objectives focus on (1) the encouragement of prospecting and new mine development, (2) creation of opportunities for generating linkages with the rest of the economy as well as increasing local value added, (3) environmental protection matters, and (4) identification and handling of challenges facing the mining sector – e.g. conflict diamond campaigns, synthetic diamonds etc. (Ministry of Finance and Development Planning, 2003, p. 212). The opening of new mines around the world (e.g. in Canada) changed the diamond industry. Some of the new players opted for a marketing of their output outside the single marketing channel system, which is perceived to rather be a challenge than an opportunity in Botswana (Ministry of Finance and Development Planning, 2003, p. 213). De Beers sells all of its mined rough diamonds exclusively to the Diamond Trading Company (DTC, the forerunner was the Central Selling Organization or CSO). Annually, there are ten “diamond sights” held in the cities of London (England), Luzern (Switzerland) and Johannesburg (South Africa). The so-called

sightholders, customers handpicked by DeBeers, are offered – on a take it or leave it basis and for a fixed price – packages of diamonds from different, colour, quality, clarity, form and countries of origin, the “London mix”. No single stones are sold.

Illustration 2: Diamond Mines in Botswana



Source: www.firestonediamonds.com

By law – and in contrast to some other parts of the world where the ownership of a piece of land applies as well to any mineral deposit lying beneath are the legal owners of any minerals in its respective grounds. The agreement over the splitting of profits between the Government and De Beers, the world market leader corporation in the diamond business, is confidential. Botswana has the unusual privilege of holding 15 per cent of the shares of De Beers – which is providing them with income and a high bargaining power in negotiations. The historic reason for this arrangement lies in the republic's overriding importance as a supply country for De Beers, more than 70 per cent of total diamond output by value stem from here. The diamond mining industry is constituted by a single company, i.e. Debswana (Debswana is a 50/50 joint venture between Government and De Beers). Nonetheless, other companies are

free to explore (Boer, Sherbourne, 2004, p. 38), and do so. Mining licenses are valid for up to 25 years.

Several years ago, namely during the planning period 1997/98 – 2002/03, significant changes were introduced in the mineral policy of Botswana aimed at making it more competitive and attractive to investors. The new Mines and Minerals Act became effective with the end of the year 1999, and a new mining tax was introduced (Ministry of Finance and Development Planning, 2003, p. 211). The most important changes relevant to the diamond sector are (1) the abolition of the Government's right to 15 per cent free equity participation in new mining projects. The Government now has the option to acquire 15 per cent of the shares in new mines on commercial terms mutually agreed upon. (2) Restrictions on the transfer of mineral concessions have been liberalised. (3) Environmental protection measures have been included into the act in explicit form. (4) The previous "use-it-or-lose-it" policy has been relaxed by introducing the "retention licence", a new type of mineral concession that allows a company to retain rights over a deposit which has been discovered and confirmed to be exploitable, but was decided to stay temporarily untouched due to prevailing market conditions that prohibit economically sensible exploitation (Ministry of Finance and Development Planning, 2003, p. 212). These policy changes – in order to fulfil the intended purpose of attracting more investors and/ or higher volumes of investment – are communicated by means of information technology to give the new regulations a "targeted but wide publicity" (Ministry of Finance and Development Planning, 2003, p. 213) and to promote the new framework of opportunities and circumstances.

Both the Government as well as Debswana are actively trying to reinvest profits into diversifying the economy (Boer, Sherbourne, 2004, p. 39). The Debswana corporation states that the "diamond wealth has not just benefited those areas where diamonds are mined, but has been distributed throughout the country providing the major source of funding for infrastructure". Enumerated are then the examples of provision of free healthcare and education to Botswana's citizens.

The Ministry of Minerals, Energy and Water Affairs (MMEW) is responsible for developing and implementing the fiscal, legal and policy framework for mineral exploration, mining and mineral processing. Also

it promotes mineral investment. The MMEW includes the departments of geological Survey (DGS), Mines (DoM) and the Mineral Affairs Division. In its strategic plan covering the period 2000 to 2006 the MMEW decided to improve the efficiency of mineral concessions administration, to invest into capacity building regarding Ministry staff, and to stress efficiency and transparency of policy implementation, since this would rank high on potential investors' lists of favourable attributes regarding investment environments.

Since the known deposits are forecasted to be depleted within the next 30 to 40 years taking current rates of exploitation as a basis of the calculation, and in respect of the overwhelming dependence of the country's economy on the benefits generated by the sector, prospecting is pursued intensely in Botswana. The largest number of prospecting licenses is for diamonds. Large unknown deposits are assumed to slumber beneath the thick layers of Kalahari sand, and comparatively innovative approaches are taken to discover them. The most recent undertaking is aerial prospecting using a so-called zeppelin airborne gravity gradiometer. The MMEW plays a monitoring and facilitating role and undertakes systematic surveys in order to encourage resource exploration and exploitation. Most of the prospecting and mining activity is conducted by private companies (it is worth to mention in this context that the Government has significant share holding in all of the large mining companies). There has a large build-up in private sector exploration been observed in recent years (Ministry of Finance and Development Planning, 2003, p. 204). During the period of the National Development Plan Eight (NDP 8), i.e. 1997/98 – 2002/03, a programme of gathering basic geological information for use both in land-use planning and mineral investment promotion was run. Part of this are the continued activities of mapping, geochemical and geophysical surveys in various parts of the country. Aeromagnetic surveys were completed in north western Ngamiland, Central Kalahari, Limpopo Central Zone and the Francistown Complex (Ministry of Finance and Development Planning, 2003, p. 206).

The stones processed in the country have to be sourced on the open market since all of the rough mined in Botswana is going to the DTC in London. Diamond cutting however “did not perform well” (Ministry of Finance and Development Planning, 2003, p. 213) during the NDP 8

planning period. The MMEWR therefore continued to explore where else within the sector value adding could be achieved. One of the approaches is to shift the sorting and valuation activities – that are up to day executed in the DTC facilities in London – to Botswana, to sort and value rough diamonds locally. The facilities are already being constructed near the airport of Gaborone, as an official of the MMEWA informed the author. Botswana is currently in the chair of the Kimberley process striving for complete accountability and transparency of the global supply of rough. Though the country has never been prone to any takeover of the diamond mining sector by any rebel movement – not least because other than in for example Sierra Leone the stones cannot simply be washed out of some river banks with low technology, but have to be mined from solid rock in 300 to 400 metres depth, which requires sophisticated, expensive equipment and procedures exceeding any average rebel movement’s abilities and resources – , it has a lively interest in avoiding any consumer boycott which would affect the country’s diamond dependent economy severely and possibly devastatingly. In addition to relatively weak market conditions in 1998 the diamond industry came under pressure from campaigns run by human right organisations like Global Witness and Amnesty International aimed against conflict diamonds. This gave the impetus to develop – in collaboration with non-government organisations (NGOs), diamond industry representatives and other diamond producing and consuming countries like Namibia – a system for rough diamond origin certification, striving for complete traceability from mine to consumer. The process of negotiating, developing and implementing this system has become known under the name Kimberley process. It is intended to exclude conflict diamonds from the legitimate trade in rough diamonds and to ward off the danger of a consumer boycott as a result from the mentioned campaigns and a consequent negative effect on the consumers’ buying behaviour.

Another initiative launched by Botswana is the “Diamonds for Development” campaign. It aims to present the many positive socio-economic effects of the diamond industry in stable, democratic diamond producing countries in general and Botswana in particular to potential diamond consumers and opinion makers in a broader sense. The objective is – like with the Kimberley process – to counteract the negative publicity

generated by the international debate over conflict diamonds (Ministry of Finance and Development Planning, 2003, p.208). This was strived for by means of communicating Botswana’s success story across all communication media, especially in North America and Europe. Up to date, there has no national branding scheme been implemented (Boer, Sherbourne, 2004, p. 34). Debswana has launched a line of “Botswana diamonds”, but these are only cut and polished locally. They are sourced from the DTC.

Illustration 3: Diamond Mining Area in Namibia



Source: Wikipedia (modified)

In **Namibia**, “The mission of the mining sector is to create an environment that balances the interests of Government and the private sector in ensuring long-term profitability of mining operations, revenue generation, foreign exchange earnings, local processing and value added, and employment creation, while minimizing negative local environmental and social impacts” (National Planning Commission, 2001, p. 335). The following strategies have been identified in pursuit of the sector’s objectives: “Promotion of private sector development”, “Promote downstream processing”, “Provision of information on mineral resources”, “Promote environmentally sustainable mining activity”, and “Regional co-operation” (National Planning Commission, 2001, p. 336).

According to the IPPR, the diamond industry's sheer size – in absolute as well as relative terms – in Botswana as well as Namibia necessitates a high degree of involvement of the respective governments (Boer, Sherbourne, 2004, p. 41). One of the advantages of a partnership model that involves the government as a shareholder is the possibility to decide how quickly the national diamond resources should be depleted. Since diamonds constitute under the prevailing circumstances the single most important natural resource for both economies, full control over it is understood to be mandatory. Similar to the arrangement in Botswana, the Namibian Government holds a share of 50 per cent of the major diamond mining corporation Namdeb (an equal private partnership between the Namibian Government and De Beers), though the country lacks Botswana's additional advantage of directly holding shares of De Beers. The agreement over the splitting of profits between the Government and De Beers is confidential. The Namibian Government has a representative sitting on the Board of De Beers, namely the permanent secretary of the Ministry of Mines and Energy. In Namibia, the industry is very open to competition. Still, up to 2004, only Namdeb was able to turn a profit from its operations (Boer, Sherbourne, 2004, p. 38). Namibia encouraged in recent years entrants into the mining sector as well as into diamond processing to “spread risk to Namibia, spur innovation, enhance competition, and gain information” (Boer, Sherbourne, 2004, p. 61). Confidence of the private sector in Namibia is viewed as a key condition for growth in the sector (cf. National Planning Commission, 2001, p. 334).

The Ministry of Mines and Energy (MME) is tasked to formulate and implement mineral and energy policies and legislation, and to supply the mineral investor and other stakeholders with geological baseline data. Within the MME recently the Directorate of Diamond Affairs was established. The influential position of Diamond was established with the Diamond Act of 1999, and his tasks and powers specified (including, e.g., licensing, valuation of rough etc.). Section 59 of the Diamond Act enables the Government to test prices by selling up to ten per cent of the production of rough diamonds of a mining company directly to the market. The Chamber of Mines (CMN) is the industry organisation that is the principal point of contact between the industry and the Government.

It promotes the interest of its members as well as of the industry's workers, e.g. safe working conditions.

In 2002, N\$ 33 million were spent on exploration in Namibia. This number is representing a mere 1.4 per cent of global diamond exploration spending (Boer, Sherbourne, 2004, p. 43) and could be a hint that the Namibian Government should give incentives – e.g. tax breaks – to exploration and mining companies to become more active in the country. The natural resource endowment of Namibia is characterized to constitute a comparative advantage due to the assumed likeliness of potential new discoveries (cf. National Planning Commission, 2001, p. 335). The Ministry of Mines and Energy assists the private sector in a somehow catalytic way through the provision of necessary information on mineral resources. This is done by maintaining a minerals database. Namibia's mineral resources are continually identified, classified and evaluated. These data are collected and processed by the Directorate of Geological Survey of Namibia (GSN), which is providing geological, geo-chemical, geophysical and mineral resource data to promote and attract mineral investment. Large parts of the country have been covered by high-resolution airborne magnetic and radiometric geophysical surveys. Furthermore, soil, rock and stream sediment samples are being analysed. The results of the surveys are published and offered to interested private sector parties.

To provide the reader with an idea of the appreciation that diamonds experience while being processed through the value-added chain (VAC) – i.e. the increase in value from the mined stone with a worth calculated by means of the direct cost of mining to the piece of jewellery sold in the shop –, the author cites the Institute of Public Policy Research: “ (...), after diamonds have travelled from Botswana to Beverly Hills, their value has risen by a factor of 26 from an original cost of US\$ 2.3 billion to a market value of US\$ 60 billion” (Boer, Sherbourne, 2004, p. 13). Although this includes all kind of activities like jewellery manufacturing with its related material inputs, in particular precious metals, furthermore branding and marketing efforts, retailing and the cost of labour, this information is giving a hint concerning the relevance of vertical integration and diversification into additional steps of the VAC to the economy of the country. The geographical placement of value addition is therefore

a topic of utmost priority for many diamond producing countries that “wonder why so much of the value added has to occur downstream, far away from where the diamonds were mined” (Boer, Sherbourne, 2004, p. 13). Producer countries strive to capture as much of the value created within the production and processing pipeline as possible. Furthermore, even in cases where moving down this pipeline does not seem to create a viable cutting and polishing industry, the potential “boost of employment is a strong enough goal in itself” (Boer, Sherbourne, 2004, p. 15) and the industry in these cases set up for strategic (e.g., to have already established cutting and polishing facilities when section 58 of the diamond act would be invoked) rather than financial reasons. Section 58 of the Diamond Act of 1999 gives the Namibian Ministry of Mines and Energy the right to force producers to make their rough available to diamond processors. Yet, this section has never been invoked, but it already gives the Government additional bargaining power in negotiations regarding the selling agreement (Boer, Sherbourne, 2004, p. 11). The stones processed in the country have to be sourced on the open market since almost all (every stone mined by Namdeb – this is the core of the selling agreement) of the rough mined in Namibia is going to the DTC in London. Government’s strategy so far has been to form a much closer partnership with De Beers through the creation of Namdeb whilst at the same time encouraging new companies to come and mine “on land and in Namibian waters” (Boer, Sherbourne, 2004, p. 6). “The strategy also aims to create an economically viable cutting and polishing industry in Namibia despite widespread acknowledgement that Namibia cannot compete head-on with existing low-cost cutting and polishing centres in India and China” (Boer, Sherbourne, 2003, p. 1). “Through the establishment of diamond cutting factories” within Namibia’s borders, the Government was trying to assure “a higher profile for our goods and our citizens in downstream markets, which are the driving force behind industries and economies in today’s consumer age” (Former president Sam Nujoma, 12 October 2001 at the official opening of NamCot Diamonds, a cutting and polishing company based in the Northern Industrial Area of Windhoek). “The possibilities for enhancing domestic value added through further processing of the natural resources have also not been fully explored” (National Planning Commission, 2001, p. 335).

Recently, the sales agreement was re-negotiated between the Namibian Government and De Beers. These talks will have profound influence onto the cutting and polishing industry. The new 2007 – 2013 agreement between the Namibian Government and De Beers will “extend from diamond mining into diamond marketing with the establishment of a 50:50 joint venture - Namibia Diamond Trading Company (NDTC) - responsible for the valuing, sorting, selling and marketing of Namdeb's diamond production. (...) The new agreement also outlines the development of a local downstream diamond industry in Namibia, which aims at giving Namibians a greater opportunity to raise revenues and create employment from their diamonds, rather than only exporting the raw gems through De Beers' trade company. This was seen as the main novelty in Namibia's new 2007-13 agreement with De Beers” (see Afrol News, 2008, p). The new Supplier of Choice marketing programme implemented by De Beers makes it even more difficult to those players in the very competitive cutting and polishing industry who were already short in supply of rough diamonds. Another problem that has to be mentioned briefly in the context of beneficiation is tariff escalation. Polished diamonds are, by the way, exempt from royalty taxes.

Like Botswana, Namibia is very much involved in the Kimberley process. Up to date, there has no national branding scheme been implemented (Boer, Sherbourne, 2004, p 34). Since there is no exclusive local beneficiation of Namibian diamonds – only a small proportion of the London mix was mined in Namibia –, current initiatives aim to brand the processed stones not as “of Namibian origin”, but rather “cut and polished in Namibia”. One would be the programme launched in 2000 by the Jewellers Association of Namibia (JASSONA) entitled “Namibian Manufactured Fine Diamonds”. It seems doubtful if such branded diamonds can command a premium in the market.

Namibia has identified offshore mining operations to be the promising future of the diamond sector in the country (cf. National Planning Commission, 2001, pp. 327 and 334).

3.1.2 Comparison of Diamond Sector Development Strategies

Botswana and Namibia obviously follow very similar strategies regarding the development of their dynamic export diamond sector. Both countries have chosen a path of maximising as far as possible the economic contributions in terms of foreign exchange inflow generated by the mining activities in their territories while rather putting employment creation – which would on a larger scale hardly be realizable anyway in this capital-intensive economic sector – on the back burner. They purposefully created conditions allowing foreign investors to run business in a profitable way. Both Governments decided to get closely involved as shareholders of the major diamond mining corporation by entering into 50/50 joint ventures with De Beers and thus creating Debswana (Botswana) and Namdeb (Namibia). Both countries intensively promote and support prospecting, while at the same time making efforts to diversify their economies away from the dependence on diamond exports. None of the two has a national branding scheme that could be applied to its diamond exports. Namibia as well as Botswana emphasizes participation in and development of the Kimberley process to reduce the probability of occurrence of conflict diamond campaigns aimed against the industry and potentially resulting consumer boycotts, which would hit their economies hard due to their high degrees of dependence. But there are as well some quite significant differences noticeable. In contrast to Namibia, Botswana went even further and acquired 15 per cent of De Beers' shares, definitely not only due to the wish to have a part in profits gained abroad, but also for strategic reasons, i.e. increased bargaining power in negotiations with the parent company. Namibia contents itself with placing a representative – the permanent secretary of the Ministry of Mines and Energy – in De Beers' board. The Government of Botswana regards the undermining of the single marketing channel to rather represent a challenge, while to the Namibian one it would be most welcome. This fact appears in an interesting light considering the statement of a German researcher and development economist, stating that “(...), successful strategies have a lot to do with countries' ability to develop own institutional mechanisms that allow it to process raw materials as part of a coherent industrialisation strategy and to gain

access to world markets independently from the know how of foreign firms (*ownership aspect*)” (Wohlmuth, 2006, p. 7). While Botswana is said to be open as well as Namibia to diamond companies competing with De Beers entering the country to set up business and operations, in reality this could yet be observed in Namibia only. Botswana invests significantly larger proportions of the revenues generated from diamond exports into education and health services than Namibia does. Namibia is concentrating upon marine (offshore) mining operations, while Botswana – lacking the geographic conditions Namibia disposes of – identifies the diamond sectors mid-term future to rest upon extension of opencast land mining. Beneficiation, i.e. cutting and polishing of rough diamonds, is promoted emphatically in Namibia, in first place to generate employment. Downstream processing is encouraged as far as possible. This approach was more or less completely filed away in Botswana, probably because it was realized that the according facilities were not able to operate competitively. Botswana set up a campaign called “Diamonds for Development” to increase potential end customers’ awareness of the positive contributions the diamond sector generated in the country and for its citizens. No comparable programme has been developed by Namibian representatives of the private or public sector yet. Namibia created the position and function of the Diamond Commissioner, no equivalent institution exists in Botswana. There is likewise neither a clause comparable to section 58 of the Namibian Diamond Act fixed in Botswana’s legislation, nor did the Government of Botswana reserve the right to test market prices by direct selling of rough to the international market as Namibia did.

3.2 Export Sector: Tourism

3.2.1 Tourism Sector Development Strategies in Botswana and Namibia

The following sections was written with the intention to provide the reader with a systematic overview of the different elements of the comprehensive tourism sector development strategies devised and applied by Botswana and Namibia. To establish – in view of the complexity of the topic – a certain degree of clarity of the arrangement as

well as comparability, the author modelled the portrayal partially following a Namibian key document (NDP2) and enclosing a few additional subjects. Where necessary, country-specific supplementations were appended and adaptations made. In line with the approach recommended in a comparatively early Namibian Government document (Republic of Namibia, 1994, p. 6), the author, in order to consider all essential components of such a wide subject as a national tourism development strategy, concentrates on concepts and activities at macro or national level.

Following a country-specific introduction, the subjects addressed include: development of umbrella policy and legal framework for the sector (including key sector legislation and policies); information-based planning, management and development of the sector (special focus on tourism statistics databases); awareness creation on the importance of tourism to the respective country; the establishment of tourism boards (including product quality management, grading and licensing affairs); capacity building within the ministries for tourism policy development and coordination; training, skills and human resource development; community involvement in tourism; creation of opportunities for historically disadvantaged citizens in the formal tourism sector (Namibia only); and the responsible utilisation of the countries' natural resources and their conservation (explicitly addressing the land use conflict subject). Additionally, the attention is turned to: institutional frameworks; diversification efforts regarding the tourism product; marketing activities; and investment. Supplementary information is provided where applicable.

Botswana: The overall development strategy of the Government focuses on long-term export-oriented sustainable growth through diversification of the mining-dominated economy to improve the quality of life of the population. Tourism has been identified as one of the economic sectors with a potential to contribute to this process of diversification (DoT, 2000, p. 7). It is the explicit ambition of Botswana's Department of Tourism (DoT) to position the country, by 2009, "among the top ten preferred destinations in the world" (Ministry of Finance and Development Planning, 2003, p. 249).

This goal shall be achieved by (1) “creating a conducive environment for sustainable tourism development and growth”, (2) “availing tourism industry information”, (3) “satisfying customers and stakeholders”, (4) “enhancing work performance”, and (4) “playing an advocacy role”. The two main thrusts of Botswana’s tourism sector overall development planning are (1) the implementation of strategies for a sustainable tourism, and (2) the diversification of the tourism product (qualitative as well as spatial – Botswana’s Government tries to ensure that tourism development is spread as widely as possible throughout the country).

Other important points of departure are (Ministry of Finance and Development Planning, 2003, p. 248) the stimulation of increased participation of the private sector in tourism development by means of establishment of the Botswana Tourism Board, the broadening of the countrywide “geographical dispersion and distribution of tourism benefits” through the implementation of the National Eco-Tourism Strategy, training and capacity building, stronger involvement – including mobilization and encouragement – of the local population¹¹ in tourism projects including the instigation of entrepreneurship, the provision of business management, technical skills and other support services critical for the successful start of tourism enterprises, and the establishment of a Tourism Satellite Account (TSA) for the purposes of measuring more accurately than in the past the impact (direct and indirect) of tourism on the national economy.

The general position of Botswana’s Government on tourism can be found in the Tourism Policy: the “main objective of this tourism policy is to obtain from the tourism resources of the country, on a sustainable basis, the greatest possible net social and economic benefits for Botswana” (Republic of Botswana, 1990, p.14). The tourism resources referred to are scenic beauty, wildlife and unique ecological, geological and cultural characteristics. The objectives are described more specifically as follows:

¹¹ The approach is a mixed one – bottom-up in terms of allowing the communities to be integrally involved in the decision-making process and to act entrepreneurially, top-down in terms of educational and awareness campaigns, topics requiring decisiveness etc. Especially in the early phase of kicking off tourism projects in rural areas, the participative nature of the process has to be qualified since “some may lack a realistic understanding of what is involved, what true potential exists and the impacts of tourism on the community” (Ministry of Finance and Development Planning, 2003, p. 249).

Specifically, the objectives are to (1) “increase foreign exchange earnings and government revenues”; (2) “generate employment, mainly in rural areas”; (3) “raise incomes in rural areas in order to reduce urban drift”; (4) “generally promote rural development and to stimulate the provision of other services in remote areas of the country”; (5) “improve the quality of national life by providing educational and recreational opportunities”; (6) “project a favourable national image to the outside world” (Department of Tourism, 2000, pp. 3f.).

The tourism master plan identifies a set of several priority areas to be considered in the sector’s development. These include product development and diversification, community/citizen involvement in the tourism industry, private/public sector partnerships and ecological/ economic sustainability (DoT, 2000, p. 7) as well as tourism awareness, education and training.

In the past Botswana was known to be a rather exclusive, comparatively very expensive holiday destination. The Government followed a low volume/ high price policy, i.e. only low numbers of tourists were given access to popular tourist destinations like the Okavango Delta or the Chobe National Park, setting high prices for park fees, accommodation etc. This handling is currently changing.

Within the framework of the tourism master plan, four options for tourism development were discussed in detail. These comprise option (a) low volume/ high price, (b) medium volume/ high price, (c) high volume/ mixed price, and (d) modified high volume/ mixed price. Following analysis and extensive discussion of statistical data as well as estimating carrying capacities of the Protected Areas and seeking advice from experienced tour operators, it was concluded that option (d) clearly is the preferred option, and “there would appear to have been a clear rejection, both at the workshop and during the subsequent evaluations, of the former ‘low volume; high cost’ policy enshrined in various policy documents” (DoT, 2000, pp. 9f.). Therefore, the future sector development will most probably be characterized by a modified high volume/mixed price-model.

In terms of implementation, this will bring along the following measures enumerated in the Tourism Master Plan: “Maintain existing DWNP carrying capacity formulae in Protected Areas.”; “Attract a mix of High

Price/Medium Price/Low Price tourists to Protected Areas e.g. high Price in Chobe and Moremi; medium/low Price elsewhere, including self-drive campers, overland groups and domestic tourists.”; “Attract more visitors out of season.”; “Maximise product and geographical diversification throughout the country to reduce dependence on wildlife-based tourism, including tourism circuits around Gaborone.”; “Develop special interest and eco-tourism, including speciality tours – culture, history, archaeology, birds, etc.”; “Exploit the business opportunities for the tourism sector afforded by the Trans Kgalagadi Highway”; “Develop urban tourism: sport, music festivals/shows, conferences, school trips, etc.”; “Develop cultural and community-based tourism”; an “Develop domestic and intra-regional tourism” (DoT, 2000, p. 10).

The preferred option (d) “has been shown to be feasible from the standpoint of market trends, trade opinion and the results of both in-house and external evaluations and been demonstrated to be environmentally sustainable and within the handling capacity of the Protected Areas.” The former ‘low volume/ high cost’ policy is today perceived to have been far too restrictive, “doing little to spread the benefits of tourism more equitably throughout the country, both geographically and socially”. The new approach is believed to promise a “more balanced approach to tourism development that will broaden Botswana’s appeal in the marketplace, reduce its dependence on one product in one region and provide enhanced opportunities for Botswana to benefit from the fruits of tourism” (DoT, 2000, p. 11).

In the following, the 13 points shall be addressed as announced further above.

(1) Development of umbrella policy and legal framework for the sector through stakeholder consultations: The key legislative acts, policy papers and documents comprise: the Casino Act of 1971, the Wildlife Conservation Policy of 1986, the National Conservation Strategy of 1990, the Tourism Policy, Government Paper No. 2 of 1990, the Tourism Act of 1992, the Wildlife Conservation and National Parks Act of 1992 the Tourism Regulations of 1996, The Tourism (Licensing) Order of 1996, the Finance (Tourism Industry Training Fund) Order of 1996, the Financial Assistance Policy (FAP – Tourism) of 1996, the

Botswana Tourism Development Programme of 2000 (containing the Tourism Master Plan), and the Botswana Tourism Board Act of 2003.

(2) **Information-based planning, management and development of the sector:** Botswana undertakes specific measures to develop capacities in collecting and processing statistical data on tourism. In November 2000, the DoT established with assistance of the WTO and the United Nations Development Programme (UNDP) a preliminary phase of a tourism statistics database system, which represented only the first phase of a much larger tourism statistics project (Ministry of Finance and Development Planning, 2003, p. 241).

(3) **Awareness creation on the importance of tourism to Botswana:** The DoT states that “knowledge about tourism in general is limited, or even non-existent, within major parts of the Botswana society”, particularly in terms of its economic significance and “the role which the sector can play in the future development of the country, especially in rural areas” (DoT, 2000, p. 16). Awareness campaigns are intended to be addressed “to specific target groups such as policy and decision-makers; opinion leaders; the public in general and the future generations” (DoT, 2000, p. 16). Such campaigns could focus on public tourism awareness (also in rural communities), tourism awareness in schools, awareness in the tourism industry, and visitor awareness. An interesting aspect of the modelling of awareness programmes in Botswana is the planned inclusion of international visitors as temporary members of the society of Botswana as a whole.

(4) **The establishment of the Botswana Tourism Board:** The Botswana Tourism Board (BTB) was established in the year 2003 to market and promote in an effective manner as a tourism destination. The key tasks for the board are to “do all such things” (very detailed information on the full spectrum of functions assigned to the BTB can be found in the Tourism Master Plan and the Botswana Tourism Board Act) “as are necessary to market and promote Botswana’s tourist attractions, and to encourage and facilitate travel, by local and foreign tourists, to the said attractions” (Republic of Botswana, 2004, p. A83).

(5) **Building capacity in the Ministry for tourism policy development and coordination:** Endeavours to improve the efficiency of the Department of Wildlife and National Parks (DWNP) were documented in the

National Development Plan 9 (NDP 9) (Ministry of Finance and Development Planning, 2003, p. 236).

(6) Training and Human Resource Development in the tourism sector: In Botswana the lack of professional performance of personnel in the tourism sector was identified as a challenge to be addressed (DoT, 2000, p. 15). “The overall objective is to educate and train sufficient numbers of personnel to meet the needs of the sector, at all levels, for all occupations, and in all parts of the country at the right time. The long-term objective is to make Botswana self-sufficient in all matters of education and training for the development of human resources for the hotel, catering and tourism sector”. Strived for is the acquisition of the necessary skills to occupy “positions at all levels, including management levels, eventually reducing foreign exchange leakage and dependency on expatriate staff” (DoT, 2000, p. 15). Licensing and inspecting received a lot of attention in Botswana during the last years since it became clear that the quality of accommodation and infrastructure as well as the skills and training of personnel in the sector facilities play a key role in attracting tourist to the country.

(7) Community involvement in tourism: The Government strives for an increased “participation of citizens in the productive ownership and management of tourism enterprises”; to achieve this it runs, e.g., the Community-Based Natural Resources Management Program (CBNRMP, this programme can be considered to be in essence quite comparable to Namibia’s Community Based Natural Resource Management, or CBNRM). The number of Botswana potentially provided with business opportunities is estimated to be rather large, since the majority of these enterprises will belong to the SME sector. It is furthermore stated that the “fact that new developments will mainly take place in the rural and remote areas will support the active participation of communities in tourism, thus creating possibilities for employment and income. The distribution of economic benefits outside Botswana’s urban areas could contribute to reducing socio-economic disparities among the country’s different areas and mitigating the ongoing migration to the population agglomerations in the south” (DoT, 2000, pp. 8f.).

(8) Creation of opportunities for historically disadvantaged citizens in the formal tourism sector: Since in Botswana there are no ethnic

dividing lines comparable to the situation in Namibia, and independence from the former South African Apartheid regime with its discriminative legislation has already been lasting for several decades, this point is not a prioritized one in the country. While there is no specific programme in Botswana comparable to Namibia's Black Economic Empowerment (BEE) efforts, there are certain approaches involving especially training and skill building as well as calculated community involvement that will probably lead to a higher proportion of indigenous tourism sector entrepreneurs in the long run.

(9) Responsible utilisation of Botswana's natural resources and their conservation: The conservation and sustainable treatment of Botswana's natural assets has been agreed upon to be mandatory. It is stated: "Because tourism has a tendency to destroy or at least endanger its own assets, the protection and conservation of its natural environment is imperative, not only under 'green' aspects" (DoT, 2000, p. 9). Alongside minerals and rangeland, wildlife has been recognized as one of the three main valuable natural resources (statement derived from NDP 9, p. 236), conservation and protection of the wild fauna and flora have moved into focus of policy makers in Botswana and are treated as priority areas. Efforts are undertaken to reduce land use conflicts relating to humans and wildlife¹². Measures to reduce the number of and take the edge off land use conflicts in Botswana include: financial compensations for damages caused by predators, fencing projects (application of fencing must find its limitation where it would endanger the survival of wildlife in the country's arid environment where freedom of movement is essential), the increase of Problem Animal Control in terms of manpower and new camps and the provision of equipment and boreholes (since water is one

¹² At the root of these conflicts is basically the concurrence for resources (space, water, vegetation) between man and non-domesticated animal. This has led to several problems, e.g. the poaching and indiscriminate killing of animals understood not to represent assets to the communities but only threats, dangers and nuisances. In some areas, especially during the last century, this led to a worrying decline of population numbers of some species. It is only since the implementation of programmes, regulations and instruments like the CBNRMP, the Hunting and Licensing Regulations, the Predator Strategy, and the Problem Animal Control (PAC, including non-lethal PAC techniques) that the rural population is systematically informed about the value that a denser and diverse wildlife population represents as a major tourist attraction, including trophy hunting. When consciousness spread that the fauna was provided with an intrinsic value and that it was in the communities' vested interest to protect it and to look after it, population numbers started to recover.

of the scarcest resources in the country and therefore waterholes are quite often the grounds for land use conflicts). The aim is “to create a balance between human activity and the continued existence of wildlife in reasonable numbers” (Ministry of Finance and Development Planning, 2003, pp. 245f.). The Ministry of Environment, Wildlife and Tourism (MEWT) follows the Vision 2016 guideline on the use of renewable natural resources (that “should be in balance with their regeneration capacity”) in its Strategic Plan 2001 – 2009.

(10) **Institutions:** The Department of Wildlife and National Parks (DWNP) and the Department of Tourism (DoT) were relocated to a new Ministry of Environment, Wildlife and Tourism (MEWT) as a result of portfolio responsibility rationalisation. The Department of Tourism (DoT), which is maybe the most important single institution in Botswana’s tourism sector, “is responsible for pursuing the primary policy objective of maximising utilisation, on a sustainable basis, of existing natural resources in order to increase social and economic benefits to Botswana”. In the private sector, the Hospitality and Tourism Association of Botswana (HATAB) is the umbrella federation of private businesses that strives for advocating its member’s interests in “marketing, product development and diversification, conservation issues and specific needs of its members such as manpower and training” (DoT, 2000, p.4), and is consulted by the Government on policies, legislative issues and government regulations that affect its members” (DoT, 2000, p. 4). The Botswana Tourism Board (BTB) was established to market and promote in an effective manner as a tourism destination.

(11) **The diversification of the tourism product:** It was realized in Botswana that the tourism industry is “overwhelmingly dependent on wildlife” (Ministry of Finance and Development Planning, 2003, p. 249). To reduce this dependence and the strain on current attractions, the Government focuses intention on the development of other complementing tourism resources, such as heritage and cultural sites. The idea is to identify “additional product components and new geographical regions, in particular the parks in the centre and south of the country with its still non-exploited potential for wildlife and wilderness oriented tourism” (DoT, 2000, p.8). This includes the renunciation of a single low volume/high value orientation of the tourism offer, adding, e.g., the independent,

self drive component of the market, and implies the need for a development of “main travel routes as ‘spines’ and travel ‘loop’ options for varying duration and length around them” (BIDPA, 2006, p. 12).

The Eco-Tourism Strategy was developed in 2001 and initiated by the UNDP as a way of diversifying the tourism product. An integral part of the strategy was the setting up of an inventory of heritage attractions and historical sites, to enable easy identification and development.

(12) **Marketing activities:** The country is striving for a greater share of the international tourism market and within this context actively places advertisements in selected regional and international publications to attract tourists in source markets. It was decided to concentrate on the “holiday segment and in particular on the international (as opposed to regional) holiday market. The future number of business and other visitors is more volatile and less susceptible to marketing initiatives, and hence more difficult to predict” (DoT, 2000, p. 7). The development of a comprehensive marketing strategy was commenced around the year 2003 in collaboration with the United Nations Development Programme. Professional marketing companies were appointed in overseas locations – namely North America, the United Kingdom and Germany – to promote Botswana as a recommended holiday destination. In terms of international cooperation, the memberships with the Regional Tourism Organisation of Southern Africa (RETOSA, a sub-branch of the South African Development Community SADC, is promoting the whole region as a tourist destination, an approach taking into account the fact that a considerable proportion of international visitors do travel and stay not only in one country, but conduct cross-border journeys and tours of all Southern Africa including four or even more countries), and the World Tourism Organisation (UNWTO, that provides for example capacity-building programmes in the form of training and skill transfer) shall be mentioned.

Botswana’s marketing efforts are conducted in a structured manner; market research was undertaken as well as studies “to evaluate the economic benefits derived from the different segments of the visitor mix” (Ministry of Finance and Development Planning, 2003, p. 251). Still, the strategy might need to be widened. Personnel from BIDPA criticized that “Current frameworks and practices in tourism do not fit into a focused

competitive strategy that provides the basis, unique positioning and critical requirements as cornerstones for a winning, sustainable tourism industry in Botswana.” The existing approach was “primarily supply driven” and would not “give due recognition to demand trends, market scope and variations of various market segments” (BIDPA, 2006, p. 7).

(13) **Investment:** There are several institutions and programmes in Botswana that facilitate investment in general, but none is focusing only on tourism. “The status of tourism in the past has led to very little attention for the sector in terms of investment promotion for a number of reasons. Although some of these apply specifically to the tourism sector, most are also relevant to investment promotion in Botswana in general”. Some problems mentioned are a “lack of emphasis on promotion of the tourism sector; lack of tangible project ideas; unavailability of land; lack of citizen involvement” (DoT, 2000, p. 4).

Namibia: The Government identified the tourism sector as one that “(...) offers the medium and long-term opportunity to drive economic expansion and boost job creation and to involve local communities to improve their quality of life” (National Planning Commission, 2001, p. 282). The authors of the Namibia’s current national tourism policy identify tourism to constitute “potentially Namibia’s greatest economic driver and the most economically and socially sustainable industry for Namibia’s future” (Republic of Namibia, 2005, p. 3). Due to “the arid nature of much of Namibia, land use opportunities are relatively limited” and tourism “offers the least invasive and most productive land use opportunity” in many parts of the country where there seem to be not many other opportunities for economic development. “The opportunity cost of developing tourism is therefore very low, and the direct benefit to communities substantial” (Republic of Namibia, 2005, p. 3). The Namibian Government has identified – besides political stability – a “wide range of unique and exciting natural and man-made experiences” (National Planning Commission, 2001, p. 275) as the country’s comparative advantage and has committed itself to ensure, by means of a sound conservation strategy, that these attractions are not over-utilised or damaged. Key problems of the Namibian tourism economy were identified and are addressed during the current NDP 2 phase. They include: “low accommodation occupancy rates, an inadequately trained

workforce, limited marketing and promotion efforts, and an infrastructure in need of improvement and extension” (National Planning Commission, 2001, p. 275). Another problem is the limitedness in terms of numbers of key attractions visited by tourists, which brings some of them near to their carrying capacities (e.g. Etosha and Sossusvlei). Last but not least, hopes of awakening entrepreneurial spirit and the will to assume active and participative positions within the tourism industry – like owner of an accommodation facility, manager or at least tour guide – among the formerly disadvantaged people apparently were not met by reality up to date. The development strategies applied during NDP 2 are designed to cope with these issues and to overcome the mentioned problems, with the overall aim that “tourism can realise its potential as a major economic driving force, bringing benefits to all Namibians” (National Planning Commission, 2001, p. 275).

Namibia strives for a (business) environment conducive to tourism activities in the broadest sense. The role of the Namibian Government in the tourism sector is seen as an “enabling force to stimulate development”, while entrepreneurial activities are intended to be driven by the private sector. The strategic assumption reads “that public intervention, whether in marketing, investment or development, should only take place where the market cannot operate or where a substantial opportunity to make progress towards government policy objectives, would not otherwise be possible” (Republic of Namibia, 2005, p. 8). Proposed areas of government activity comprise “development and maintenance of the necessary infrastructure for the development of tourism, providing seed capital to kick-start projects or filling gaps where opportunities might otherwise be lost for the country, such as marketing the destination, stimulating product development, providing vocational training and skills development, as well as regulation and licensing” (Republic of Namibia, 2005, p. 8).

The strategies proposed in NDP2 are displayed in the following groupings (National Planning Commission, 2001, pp. 281ff.):

1. Development of umbrella policy and legal framework for the sector through stakeholder consultations
2. Information-based planning, management and development of the sector

3. Awareness creation on the importance of tourism to Namibia
4. The establishment of the Namibia Tourism Board
5. Building capacity in the Ministry for tourism policy development and coordination
6. Training and Human Resource Development in the tourism sector
7. Community involvement in tourism
8. Creation of opportunities for historically disadvantaged Namibians in the formal tourism sector
9. Responsible utilisation of Namibia's natural resources and their conservation

The above-mentioned groupings shall be explained a bit more detailed. They basically constitute the core of current formal Namibian tourism sector development strategies. As above in the Botswana section, the author also includes four other elements of a comprehensive development strategy for the tourism sector: institutions, the diversification of the tourism product, marketing activities, and investment.

1) **Development of umbrella policy and legal framework for the sector through stakeholder consultations:** The short-term strategy is to develop policy and framework in a consultative process with all relevant stakeholders, and taking into consideration the formal as well as the informal tourism sector. Contents are incentives and regulatory mechanisms; purpose is the simulation of growth and the creation of confidence. The medium- and long-term strategies cover implementation of the policy in “smart partnerships with public and private sector stakeholders”¹³. On 20 February 1998, the President signed the Namibia Wildlife Resorts Act (No. 3 of 1998). The Namibia Tourism Board Bill was introduced to the National Assembly in April 2000.

2) **Information-based planning, management and development of the sector:** The short-term is to “design and establish an appropriate information system” regarding statistical data on tourism in Namibia, including value and trend data. The medium-term strategy is to produce and update annually Tourism Satellite Accounting. Instead of relying solely on raw tourist arrival statistics, the Namibian authorities decided to conduct “regular tourist surveys, taken from departing tourists at Namibia's key

¹³ If not specifically marked in a different manner, citations appearing in quotation marks in this section stem from NDP2, chapter 17, pp. 281ff.

land, sea and air border posts.” It is assumed that the pure arrival statistics “are not a good verifiable indicator” (National Planning Commission, 2001, p. 273), and that the number of tourists means little in contrast to information on (a) lengths of stay and (b) average daily expenditures in Namibia. As the editor of the Namibian ‘Economist’ told the author during an interview, some 4/5 of the number arrivals are ascribed to South Africa, while contributing only about 1/5 of the tourism revenues. The statistics published by the Bank of Namibia do not identify all direct segments of the tourism industry under one classification. Background is the practise to identify the GDP by activity in separate primary, secondary and tertiary sectors and to ascribe to tourism only certain elements of the tertiary sector – namely hotel and restaurant activities. To get a better understanding of the contribution of the tourism industry – or more accurate, the tourism economy –, the tourism satellite accounting (TSA) is planned to be applied. In fact, tourism generates a demand for a much broader set of products including agriculture, fishing, electricity and water, mining, manufacturing, construction, transport and communication, finance, real estate and business services (National Planning Commission, 2001, p. 276), and is thus taking effect in all three sectors of the economy.

3) **Awareness creation on the importance of tourism to Namibia:** The short-term strategy is to “improve the appreciation” of the important economic role that tourism plays in Namibia. The medium-term strategy is shaped by the undertaking of an educational campaign relying on the then already collected and analysed data. In the long term, tourism shall speak for itself by helping to solve the problems related to poverty and unemployment.

4) **The establishment of the Namibia Tourism Board:** The short term strategy, already implemented by now, consisted of the institutionalisation of the NTB, personnel matters, collaboration with the European Union (EU) that assisted and funded during the establishment phase, and the identification of the sectors of the tourism industry which should be subject of regulations. The medium-term strategy is constituted by putting into action the different functions of the NTB: “tourism promotion, achievement of standards of quality, registration of regulated business, promotion of training in the industry, and the development of

environmentally sustainable tourism”. The long-term strategy is to achieve a situation where the NTB fulfils the function of a bridge between the policy-making authorities and the operative sector “through the implementation of these policies”.

5) Building capacity in the Ministry for tourism policy development and coordination: The short term strategy was adequate staffing of the Directorate of Tourism (DoT) with qualified personnel in sufficient numbers. The medium-term strategy is the systematic implementation of the tourism policy, facilitation of the work of the NTB as well as the expansion of community based tourism. In the long run, a harmonious and efficiently functioning relationship between the DoT, the NTB, the private sector, communities and other stakeholders is aimed at.

6) Training and Human Resource Development in the tourism sector: Since it has been recognised that the sector suffers from an inadequately trained workforce, the NTB was in the short and medium run tasked to especially promote training and skills development in the tourism and hospitality services. Some training is already done by the Polytechnic of Namibia. The long-term strategy is to provide all interested Namibians with the opportunity to receive “affordable training in all skills”.

7) Community involvement in tourism: In ongoing efforts a number of conservancies and community tourism enterprises have been established. The short-term strategy consisted of drafting legislation and regulations for the community-based tourism. The medium-term strategy intends to assist communities in “reaching equitable partnerships with the tourism industry”, a step probably considered to be necessary to hamper immoral business practices making use of the communities’ relative inexperience in doing business. Capacity-building and training programmes in communities as well as marketing will be objectives in both short- and medium term. In the long run it is intended to support national strategies by way of community involvement in tourism as well as to foster partnerships between the capital, the regions, “the civil society and the donor community.” In contrast to the last years, when the projects were treated as isolated local community projects, community-based tourism (CBT) is no longer understood and handled as a separate entity, but rather integrated into the overall tourism policy. The former understand-

ing has been replaced by targeted efforts to integrate communities into the economic mainstream as a so-called Pro-Poor tourism. The decision to make use of external investment is taken on a case-by-case basis considering local needs and market conditions.

8) Creation of opportunities for historically disadvantaged Namibians in the formal tourism sector: Initially, mechanisms, including incentives, shall be developed to attract historically disadvantaged Namibians to “enter the formal tourism sector as investors, owners, operators and senior-level partners”. The incentives and mechanisms intended to increase the active participation of historically disadvantaged citizens shall then, in the medium to long term, be implemented, tested and fine-tuned to achieve the promotion of a “representative cross-sector of society actively involved in influential and wealth-creating levels in the tourism sector”.

9) Responsible utilisation of Namibia’s natural resources and their conservation: The short term strategy included the appointment of a task force put into charge of examining the carrying capacities of selected key tourism destinations and areas like Etosha, Sossusvlei and others. First steps were the development and testing of guidelines and mechanisms for purposes of tourism planning, management and development for different management areas (“e.g. parks, conservancies, state land”) and ecosystems (“deserts, river basins, etc”). In the medium term, the same task group is designated to map strategies addressing this over-usage issue as well as implementing the already compiled regulatory instruments and extending them to new areas coming under tourism pressure when the sector grows. In the long run, economic utilisation and environmental conservation are imagined to coexist in a sustainable balance. Trophy hunting is contributing significantly to Namibia’s tourism sector in terms of income generation and is seen as a major industry (Pack, L.; Pack, P., 2004, p. 130). According to the MET, it has “contributed greatly in ensuring the continued survival¹⁴ of large numbers of wildlife on the

¹⁴ This may sound a bit contradictory at first glance but becomes clear after a look at the historic circumstances: during the last three centuries a lot of damage was done in Southern Africa by means of hunting. This was partly caused by the legislative framework, since for a long time all game in a country was state property. But because the wildlife population could in practice not be controlled this led to widespread poaching. Game was viewed as a competing with the cattle for water and pasture, or – regarding predator species – even posing a direct threat to it. When in 1968 the property of game

commercial farming areas” (National Planning Commission, 2001, p. 287). The National Planning Commission stated in chapter 18 (wildlife) of the NDP2 that a strengthening of mechanisms and procedures “to minimize conflicts between wildlife and communities, and to maximize benefits obtained from wildlife in order to offset the cost of living with such wildlife” is strived for (National Planning Commission, 2001, p. 296).

Furthermore of interest are the following aspects:

(10) **Institutions:** The Namibian Tourism Board (NTB) was established in May 2001. The Namibian Wildlife Resort (NWR) commenced operations as an – supposed to be financially more and more independent – parastatal company on first April 1999. The Ministry of Environment and Tourism (MET) was set up in 1990 and is responsible for the safeguarding Namibia’s environmental resources. Its Directorate of Tourism (DoT) is tasked with the sustainable development of the tourism industry. The Federation of Namibian Tourism Associations (FENATA) represents the umbrella organisation for tourism associations in the private sector. Its members are the Namibia Community Based Tourism Association (NACOBTA, a non-profit membership organisation that supports communities in developing tourism enterprises in Namibia), the Hospitality Association of Namibia (HAN), the Association of Tour and Safari Operators (TASA), the Namibia Professional Hunters' Association (NAPHA), the airline Air Namibia, the Car Rental Association of Namibia (CARAN), and the Tourist Related Namibian Business Association (TRENBA). Training courses are offered by the Namibia Academy for Tourism and Hospitality (NATH).

(11) **The diversification of the tourism product:** During the last years, Namibia followed a double-tracked approach regarding concentration on market segments. While continuing to “provide an affordable tourism

was returned to land owners in Namibia and the fauna was classified by law into fair, protected and specially protected game as well as wild animals, the situation changed drastically. It was now possible to legally sell the meat, and the commercial trophy hunting developed. Game was no longer seen as detrimental, but as an additional source of income – the income opportunities deriving from trophy hunting are significantly higher than those from sheep or cattle farming. The formerly alarmingly low wildlife populations on farm land recovered quickly and in are now stable or growing. In the year 2000, direct earnings from this tourism sub-sector amounted to roundabout N\$ 80 million, game farming as a whole gained N\$145 million (National Planning Commission, 2001, pp. 287f.).

product for Namibians”, the focus lies now on the high value market (National Planning Commission, 2001, p.274). Nonetheless, attention is paid to avoid an over-concentration on this section, since it is considered to potentially be counter-productive to efforts to increase direct employment as well as to promote low-cost community-based tourism. An interesting idea regarding an additional tourism attraction – the so-called diamond tourism – is being discussed currently. It is based on the assumption that Namibia is known to a commercially significant number of tourists as a producer of high quality diamonds who would be interested to find out more about this industry, its history, methods of operations etc. At the time being, the only offer is being made by Ghost Town Tours, a tour operator who guides tourists through an abandoned old diamond town. It is also considered to sell “Namibia diamonds” to the visitors, but yet there are only such stones available that are merely cut and polished in Namibia. Far more attractive would definitively be jewellery, gems or rough of Namibian origin.

(12) **Marketing activities:** In order to enable spreading the benefits of tourism in face of the market-driven development of the sector, the authors of the tourism policy recommend a ‘attract and distract’ policy: the country “should use its main strengths, regardless of location, to position the country competitively on the world stage in order to attract visitors to our country; once their attention has been secured, in terms of a prospective visit, every effort must be made to ‘distract’ and disperse them throughout the country by promoting different regional attractions, within the constraints of market receptiveness” (Republic of Namibia, 2005, p. 6). The Namibia Tourism Board is among other things tasked with marketing the country abroad, especially in the major source markets. It runs a professionally constructed, attractive website promoting Namibia as a holiday destination worldwide in English and German (since the country is the most important source market) language (see references), and even offering a You-Tube video clip presenting Namibia’s attractions. Besides in Windhoek, the NTB as well runs offices in Frankfurt/ Germany, London/ United Kingdom, and Cape Town and Johannesburg/ South Africa. Namibia holds like Botswana a membership with the Regional Tourism Organisation of Southern Africa (RETOSA). The city tourism officer of Windhoek pointed out to the author during an

interview that ideas are discussed in Namibia to apply experiential marketing.

(13) **Investment:** Generally, ownership and investment by Namibian citizens are promoted. The underlying idea is the aim to “minimise leakage, avoid creating dependency on external agencies and ensure maximum national and local benefit from tourism, within the context of the commercial need to remain internationally competitive” (Republic of Namibia, 2005, p. 7).

3.2.2 Comparison of Tourism Sector Development Strategies

Both countries identified tourism as the one economic sector of choice to diversify their economy away from dependence upon diamond exports as a source of income and especially foreign exchange influx. Furthermore, the governments of Botswana as well as of Namibia regard its development as the most hopeful way to geographically spread economic benefits and generate employment throughout the countries.

The tourism sector development strategies followed by Botswana and Namibia, at least during the last years, are strikingly similar. The author therefore first lists the most relevant common approaches, and only afterwards points out the few important differences.

The shared approaches comprise for example the establishment of a tourism board (BTB, NTB) tasked mainly with marketing the respective country to target markets as a holiday destination, and in secondary functions with grading and licensing, consulting, serving as a connecting link between private sector and the authorities, etc.

The active and responsible involvement of citizens living in remote and rural areas – i.e., in the so-called communities – into tourism business activities is encouraged and pushed by means of programmes that seem to differ only in their abbreviations, but not in content. The community-based natural resources management program (CBNRMP) in Botswana shows the same conceptual traits as the community-based natural resources management (CBNRM) in Namibia.

Conservation of wildlife and landscapes was recognized as mandatory to preserve the tourism sectors resource base in both countries. Consis-

tently, their Governments devised and implemented extensive protection regulations and mechanisms.

Namibia as well as Botswana strive for a diversification of their tourism product in geographical (to take the strain of already overcrowded tourist attractions) as well as qualitative (e.g., integration of cultural and heritage sites as travel destinations) terms.

Both countries cooperate to some extent with their neighbouring countries to be able to offer 'regional tourism'. Target customers are those tourists who wish to travel around visiting two or more sub-Saharan countries. The establishment of transfrontier parks is one facet of this approach, 'regional marketing' as executed by the RETOSA another.

Authorities in Botswana as well as in Namibia describe a lack of skills and training of personnel within the tourism industry as a major bottleneck. It is the author's opinion that differences in handling this challenge can be found here. The formal training and education (craft skills and vocational) appears to be pushed more deliberately in Namibia, a fact that also finds expression in the installation of schooling facilities.

In contrast to the latter, authorities in Botswana devised a comprehensive ecotourism strategy and thus created a basis for accelerated diversification efforts of the tourism product and offers. Underlying reason might be the plan to belong to the worldwide top ten preferred holiday destinations by the year 2009, an ambition not articulated in Namibia

Black economic empowerment considerations are a topic only in Namibia, but not in Botswana.

The maybe most significant difference between tourism sector development strategies is the targeting of market segments. Botswana has a reputation of being a very expensive holiday destination. This is the result of a high cost/ low volume approach followed persistently by the Government of Botswana. Currently, this strategic restriction is being reviewed and will most probably be broadened to a 'modified high volume/ mixed price' guideline. On the other hand, Namibia used to concentrate on serving the lower and medium price market segment. Now efforts are undertaken to additionally develop a high price tourist market segment.

4 Summary and Policy Recommendations

4.1 Summary

The two main theses at the outset of this study were:

(a) The countries of Namibia and Botswana follow partial similar, partial different developmental strategies concerning the economic sector diamond mining, processing and trade.

(b) The countries of Namibia and Botswana both follow strategic approaches regarding the economic sector of tourism which differ from each other noticeable in several aspects.

Regarding (a), the thesis held true. While the scales of production differ substantially and are not at all comparable, the two countries actually pursue very similar export sector development strategies. Still, there are as well deviating approaches observable concerning several topics, e.g. the questions of beneficiation, or the single marketing channel. Looking at (b), the devised and applied strategies obviously differ far less than expected in the beginning. The only major departure from this uniformity is the focus on different market segments in terms of customer volumes and pricing. But here as well first signs of a convergence occur.

4.2 Policy Recommendations and Outlook

Having a look at the developments, approaches, circumstances and future prospects in the **diamond sector**; the author comes to the conclusion that some recommendations can be crystallized.

Concerning Botswana as well as Namibia, diversification away from the diamonds is mandatory. There are several potential dangers that – if becoming reality – would have devastating effects on the respective economies due to their extreme dependences on the sector. These threats can be found on the supply as well as on the demand side. The most important example for the former scenario would be a company producing synthetic diamonds – already quite established in the industrial (tool) diamond domain and nowadays producible at more than competitive cost and in a quality that makes it impossible to distinguish them from natural stones with the bare eye – and marketing them successfully as widely accepted substitutes for the traditional ones. Prices would sink like a stone and the whole diamond mining industry collapse over night.

Demand side threats are a consumer boycott driven by concerns about the circumstances of the mining as well as the recipients of the profits (issue conflict diamonds), or a loss of interest of the consumers in diamonds as gem stones in jewellery, which is not very likely in the near future, but still possible.

Assuming that there is a growing risk attached to future diamond mining due to price uncertainties (breakdown of demand, boycott, discovery of new deposits due to increased worldwide exploration activity and new technology used in prospecting, synthetic diamonds), it seems sensible to increase the rate of depletion of currently known mines. Although this will heighten the economy's dependency even more in the medium term, it will assist to reduce future insecurity stemming from potential adverse changes in market conditions. If government should opt for such a condensing of the diamond mining sector lifespan, it appears mandatory to guarantee – preferably by means of legislation and other kinds of institutions – that the revenues are not used to serve recurrent expenditures, but are invested into education and other sectors of the economy to generate future income. The IPPR argues that creating a “special fund designed to promote long-term productive investment in the economy” would make the objective more politically acceptable and hamper any ambitions to treat the income “simply as another recurrent revenue in the national budget” (Boer, Sherbourne, 2004, p. 59).

Spending on exploration should be increased significantly. Namibia appears to be lagging behind in this respect, which could pose a serious threat since its relative importance as a supplier country can diminish drastically within a few years if a large deposit would be found elsewhere in the world and Namibia's output stays at the current level or even decreases. Definitely, more information is needed on the extent of existing unknown deposits and their commercial viability as well as figures as exact as possible on the duration of operability of known ones. Revenues incurred from rough diamond exports should only be regarded as windfalls and be invested in structures, abilities and activities forecasted to generate future income. The tourism sector suggests itself here. Still some decision makers treat too large proportions as a means to finance recurrent expenditures.

The diamond industry support strategies pursued by the Canadian Government focussing on branding and marketing could give valuable incentives for own programmes. The author believes that authentic origin branding of diamonds offers tremendous unexploited opportunities to capitalize on price premiums and customer preferences. Although this kind of branding is hampered by the currently dominating single marketing channel, the Kimberley process origin certifications possibly offer a first point of departure for Botswana as well as Namibia.

The Republic of Botswana is currently very closely involved in the diamond mining industry as a shareholder. This led in the past to a largely unchallenged monopolistic industry structure. The Government might want to examine the unexploited potential benefits to the people of Botswana deriving from the market entry of additional diamond mining corporations.

The Namibian Government should continue to strive for attraction of additional diamond mining corporations into the country. This might help to solve the challenge of shortage of rough supplied to cutting and polishing facilities.

Although section 58 of the diamond act might allow Namibian cutting and polishing factories to source enough rough diamonds to use their facilities to capacity in times of the Supplier of Choice program, and maybe even more important, domestic stones, it seems doubtful to the author if the beneficiation sector could compete with the large and established beneficiation centres that benefit from massive economies of scale, international reach and the possibility to move large amounts of rough diamonds between their various cutting operations seeking out the most profitable locations. The only chance to create sustainable workplaces in this industry would maybe be to specialize in a niche market. The author recommends focusing on the high quality low volume end of the product range combined with a Namibian origin branding built among other things upon the world class quality of the stones and the distance to any conflict diamonds. Still, Namibia would have to compete with the high-end processing centres in Antwerp, New York and Tel Aviv. The chance lies in the comparatively lower cost of labour in southern African countries and the concentration on a niche like Australia did with its “pinks”. Namibia should try to capitalize on its unsurpassed

high percentage of best gem quality diamonds. Combined with a high level of training and skills of the cutting and polishing workers as well as government support – like the already implemented export processing zones – and the best technology available it should be possible to compete with the low cost cutting centres. However, there should not be placed great hopes in the employment effect of the development of this industry – if viable anyway, it will nourish only a few hundred qualified workers and employees in a sustainable manner. It seems preferable to run the whole mining sector as efficiently and profitably as possible while avoiding making trade-offs between revenue maximisation and direct employment creation that could be useless in the long run. Rather Namibia should concentrate on maximising revenues, technology and skill transfers. To create employment, the revenues then could be reinvested elsewhere, advisably in the tourism sector.

Anyway, if it was decided that a significant cutting and polishing industry processing domestic rough shall be set up, it should be interesting to note that the countries that have been successful in doing so – namely Canada, Russia and South Africa – all have modelled legislation or consultative processes calling on the producers to supply the beneficiation facilities with locally mined diamonds. Furthermore, since the training level of cutting and polishing workers is of tremendous importance and the “import” of foreign exports to train Namibian personnel – at least during the first years until the industry is established – would simply be a necessity, the current practise of a very restrictive awarding of work permits for non-residents will have to be reassessed. To go a step further, in case the Namibian Government set its hopes into the creation of a strong and vibrant beneficiation industry against all mentioned odds, the author would plead for an even more consequent and holistic approach: presently, Namibian stones are prospected, mined and sorted in the country. The rough cut and polished is sourced from the DTC. It would make more sense to create one or several vertical integrated companies, or different companies cooperating and complementing each other, bypassing the DTC at all and aiming to keep in country as much of the value added chain as possible. This would mean to “in-source” the whole pipeline from exploring and prospecting over commercial feasibility studies, mining, sorting, valuation, cutting and polishing, marketing

and branding, jewellery design, jewellery manufacturing and the retailing on the domestic market, to tourists and abroad. This approach would definitively offer a wholly different potential for achieving a premium on the market by branding, since these would really be “Namibia diamonds” of both, domestic origin and manufacture. Advantageous synergy effects can be expected from this proposed setup. Nonetheless, it will take a while until the necessary know-how regarding every step in the VAC is readily available in Namibia. Since quite a lot of Namibian citizens have worked in staff positions for a considerable time now at least in the mining area there should be sufficient talented personnel in the country. Not to neglect, there will blow a strong wind into the face of any policy maker trying to promote and implement the suggested change from the side of the major players in the industry who capitalize on the existing marketing channel structure and have no interest in competitors of a new quality.

Regarding the **tourism sector**, both countries should concentrate on putting an end to the lack of training and skilled personnel which is representing a major bottleneck. A more systematic extension of appropriate schooling facilities is desirable.

Namibia should reconsider its NWR development efforts, which continue to fail to have a sustainable positive effect.

At the time being, travellers often have to book two-legged flights via South Africa. Since air tickets are expensive and present an important restriction to potential tourists, it seems advisable to strive for direct connections to the most important source markets and the increased stimulation of competition between airlines to lower fares.

Marketing strategies are already very elaborate, but still should be adjusted to be even more demand- and less supply-side oriented. Bilateral and regional cooperation in marketing should be extended further. It is the author’s impression that at the time being opportunities are slipped by neglecting an underestimated segment of the market. Tourists preferring to visit several countries in the region subsequently during one holiday might not yet be sufficiently taken into consideration and addressed by marketing campaigns.

There are already branding efforts undertaken by both countries, but as far as the author knows no sound and cohesive branding process concept was applied yet. This should be changed.

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