



**Greater Sossusvlei-Namib Landscape**

## **FINANCIAL STRATEGY REPORT**

**December 2019**

**Prepared by Andreas Brueckner (Consultant)**

## Introduction

As the name suggests, The Greater Sossusvlei-Namib Landscape (GSNL) is a vast stretch of land on the edge of the Namib Desert encompassing privately held land, partly held as nature reserves but also including commercial livestock farms, as well as the national park, with no defined borders.

The GSNL is managed under a co-management approach whereby there is high-level consensus amongst all stakeholders on developing an overall vision, objectives and targets that will be to the greater good of all stakeholders, achieved through the implementation of an agreed Action Plan.

The vision of the GSNL is to co-manage the Greater Sossusvlei-Namib Landscape for enhanced landscape and biodiversity conservation, and socioeconomic development, for the sustained benefit of the people within the Landscape and the Region.

In 2019 the GSNL was selected as one of the pilot sites under the IUCN's **Incubator for Nature Conservation (INC)** project as outlined in:

<https://www.iucn.org/theme/environmental-law/our-work/protected-areas-pas/incubator-nature-conservation-inc/greater-sossusvlei-namib-landscape>

A consultancy agreement was entered into between IUCN and the writer of this report, Andreas Brueckner (AB), a financial expert residing in Namibia, with the following terms of reference (extracts).

“The consultant will assist the GSNLA team to develop a funding and financial management plan for the GSNL in Namibia. The consultant will also visit the GSNL region in order to understand the social, economic, and ecological risks, challenges, and opportunities, and receive technical support provided by a specialist from the IUCN Conservation Incubator (INC). The results from this work will produce a draft financial strategy and business plan that will specifically support the responsibilities of GSNLA to manage their interests and commitments in the GSNL region.”

It is declared, that AB has a vested interest in the GSNL, being a director of the NamibRand Nature Reserve, one of GSNL's largest members. This was disclosed to the IUCN when the work was commissioned and during all interaction with members during the course of the consultancy.

The time frame of the original contract was extended as a result of logistical delays caused by the geographical challenges in the GSNL.

This report is submitted on the amended due date of 15 December 2019.

## Executive Summary

- The development of a financial strategy for the GSNL was largely based on feedback from the members as to their aspirations and views on possibilities to design a mechanism to support environmental and social improvement activities in the region.
- This was achieved through a questionnaire survey and interviews with key members and stakeholders.
- Based on the feedback that the introduction of a tourism levy on a “per person per night” (p.p.p.n.) basis would be supported by members, a model of potential revenue was developed by researching the lodging capacity within the landscape.
- Here we looked at a “high road”, including participation in charging the levy by all lodging establishments in the region, and a “medium road” including participation by only the current and potential new members.
- For now the strategy is based on the medium road, with the high road serving as a long-term vision.
- The levy collection will be administered and collected by the lodging establishments, who will promote the levy and collect it from their guests on a voluntary basis, (i.e., guests can opt out). The member will then declare and pay across to the GSNL the sum of levies collected at regular intervals.
- Collection and submittal of levies will be based on trust and not subjected to audit by the GSNL, but the levy contribution by each establishment will be public knowledge as part of the GSNL Annual Financial Statements. Therefore, some measure of transparency will be applied.
- The design of the levy mechanism reflects the survey results and the goal of attracting broad and early participation by lodging establishments. Several variables were applied in the design phase to ensure that members felt that the levy mechanism was reasonable and fell within the parameters suggested by the survey results.
- Two models were investigated: a differentiated levy between upmarket and more budget establishments, and a single levy for all visitors. Ultimately it was agreed that the differentiated model would have more chance of success.
- Various expenditure scenarios were then compiled differentiating between operational or core costs and environmental and social project related expenditures and the necessary capital expenditures relating to both.
- The results of these calculations were then summarised into a five year projection, adding to earlier grant funding still available to the GSNL.
- These projections were prepared with the understanding that **expenditures will be made only after the income stream from the levy is secured** and not vice versa.
- Possibilities for further revenue streams were identified in the survey; there was strong support for gaining independence from donor funding and generally to attain full self sustainability.
- As such, the focus in this strategy is on income generation within the ambit of the GSNL’s direct control.

- However, other revenue streams may need to be explored in due course should levy revenues fall short of estimates, or core and environmental and social expenditures are higher than estimated, or both.
- A recommendation was made at GSNL's Landscape Management Committee meeting on 29 Nov 2019 to introduce the levy at the differentiated level beginning 1 March 2020 and continuing forward on a test basis. GSNL will carefully monitor progress over the five year projection period - always seeking positive cash flow from the levy mechanism.

## Methodology

### Initial Consultation

- Two meetings took place in February 2019 between the consultant, John Winter (Innovations in Conservation LLC) o.b.o. the INC project and Nils Odendaal (Chairperson GSNL) to discuss the approach and methodology. After evaluating potential approaches to supply a sustainable source of income for GSNL, they chose to focus on a tourism levy to be collected from guests at GSNL lodging establishments.

### Testing the Water

- The survey questionnaire was developed to gauge members' and stakeholders' views and opinions on a variety of matters including:
  - General attitude towards the landscape and the size and scope of its activities and engagements and whether that should include environmental and socio-economic issues
  - Income generation capabilities
  - The introduction of a tourism levy
  - Ultimate independence and self sustainability
  - Projects/Initiatives that GSNL could fund/implement
- The survey results were summarised and are appended as ANNEX 1
- The detail survey evaluation is available as part of the project documentation
- In addition, all key members were identified and personal interviews conducted with all that were available during the project period, which was the majority (80%)
- These interviews were documented and are appended as ANNEX 2
- Interviews with key stakeholders were sought but could not be secured despite numerous attempts. There is a level of complacency amongst stakeholders despite the fact that they stand to gain from the GSNL interventions. However we did at least manage to obtain responses to the questionnaire from all key stakeholders.

### Researching the Levy Income Potential

- A matrix of all establishments in the landscape, and their available beds was identified.
- The establishments were differentiated between upmarket (> N\$ 5000 p.p.p.n.) and more budget lodgings. Campsites were included at likely rather than full capacity.
- The matrix of potential beds and income is attached as ANNEX 3
- Two models have been presented to members for consideration.
  - One levy across the board
  - Differentiated levy between up-market and lower priced establishments
- Two scenarios: High Road and Middle of the road. Low road not contemplated.
- High Road = All stakeholders in the landscape become part of the GSNL and accept the levy
- Medium Road = Current and prospective new members accept the levy
- Variables in the model are:
  - Amount of levy
  - Occupancy rates

- Mix of foreign versus regional guests
- Number of children
- Acceptance level by guests
- Not all members are likely to join immediately. A signup timing estimate has been made for the next few years
- The potential income generation model is attached as part of ANNEX 4

### **Setting the Expenditure Levels**

- On the other side of the model we have compiled a “wish-list” budget of projects and initiatives the GSNL could get involved with and the estimated cost thereof.
- This is variable at will but must always result in a positive cumulative cash-flow.
- Assumptions/Notes:
  - For the next two years only a cost recovery for the time spent by the landscape coordinator on GSNL matters and a contribution to the office cost.
  - Staffing: Initially a cost recovery for the landscape coordinator only at 10K per month. Full time coordinator budgeted beginning in year 3 (Mar 2022)
  - Office: Initially a cost recovery for an office at the current base. In later years a separate house also accommodating the staff at an independent location e.g. Sesriem - from year 5 (Mar 2024) at 10K per month
  - Projects:
    - Wildlife monitoring project with MSc intern from 3rd year. Own vehicle from year 4 - operating cost plus insurance
    - Mobile medical clinic provided with a vehicle from year 2
    - Reservists and honorary rangers from Year 3 with a vehicle allocated to them
  - Capital expenditure for vehicles - Singlecab Landcruiser 4\*4 bakkies. Based on a deposit of 200K and financing over 5 years
- The Potential Expenditure model is attached as part of ANNEX 4

### **Current Secured Income**

- The GSNL had obtained core expenditure funding through a grant from The Nature Conservancy in 2016 of US\$ 30,000 p.a for 5 years for which the first instalment was paid in March 2017.
- As at the end of 2019 some US\$ 15K remains for the current year and an additional US\$ 60,000 remains for the following two years.
- This will provide a bridging finance until the proposed levy gets fully functional.
- It will also fund the costs incurred with the implementation, e.g. printing of a brochure
- These funds have been brought into the projection at the current average exchange rate of 1US\$ = 15 N\$

## General Impact of the GSNL

- As part of the exercise of devising a financial strategy plan we collected statistics on the general anticipated impact of the GSNL on the local community and the Namibian economy at large
- This information was also sought by one of the stakeholders relating to the impact that the poor state of the roads has on the potential of the area
- These GSNL impact statistics are appended as ANNEX 5

## Recommended Strategy

- Recommendations to Landscape Management Committee (LMC) at the meeting on 29 Nov 2019:
  - Introduce the levy on a differentiated level from new financial year 1 March 2020, as
    - Slightly higher revenue stream
    - Likely better acceptance from visitors
  - Assist members with implementation fitting their individual systems
  - GSNL wide promotional campaign – distribute brochures, etc.
  - Expenditures are to be incurred as levy revenue is received, and not vice versa
  - Careful monitoring over the next few years to assess potential and possible scope of projects
  - Once projects commence ensure operational and financial control in order to ensure their success
  - Publicity on projects and GSNL's contribution to conservation and the community

## Risks Associated with this Strategy

- Levy revenue is dependent on the continued success of the tourism industry in the GSNL. Factors to consider include:
  - Political and social stability in Namibia
  - Pricing of lodgings
  - The beauty and solitude of our pristine environment being spoiled by overcrowding (e.g., at Sossusvlei)
  - The state of the roads
  - The weather – possible effects of climate change (e.g., wind)
- Assumptions in variables not holding true (although they have been conservatively applied)
- Rejection of the levy by the wider GSNL community

All these risks are considered to be minimal, but need to be listed and considered.

## Business (Action) Plan

- Communicate the “Go ahead” from the LMC to the members and the timeframe for the implementation
- Design and commission a convincing brochure “selling” the levy (to be funded out of the available TNC funds) and distribute to members free of charge
- Ensure the levy is not seen as an additional charge by the members, but rather a “collection on behalf of “ the GSNL
- Develop various models for implementation to suit differing systems. Options are:
  - An all-inclusive rate including the levy
  - The levy being charged as a collection on behalf of the GSNL upfront with the booking but as a separate line item, and the establishment deciding whether to allow an “opt out” mechanism or not
  - The levy being charged on site together with the extras, again with the “opt out” up to the lodge
  - The levy not being charged direct, but being lobbied for by the lodging staff with the assistance of the brochure
  - The levy being handled like a “donations box” without guests being prompted or lobbied
- Members will be guided in order to make implementation as smooth as possible
- Design a levy receipt as a proof of payment and a “feel good” sense for visitors having paid up. This will be numerically controlled through the GSNL coordinator
- Note that the levy will need to be subject to VAT payable to the Namibian government
- Design a periodical declaration form (probably quarterly), reflecting:
  - Number of visitors – (foreign, SADC, and children) and levy applicable to each
  - VAT collected
  - Total payment made
- GSNL will need to get registered for VAT and declare and pay the VAT to the fiscus.
- The levy contribution per establishment will be summarised by the GSNL into an annual statistic, which will form part of their Annual Financial Statements
- In the initial year the GSNL team will regularly follow up with members to encourage participation in the system and to assist with any teething problems and stumbling blocks
- Once the collected levies start building up, the GSNL should enthusiastically share progress (without reference to lodging establishment names at this early stage) with members together with the names of projects to be funded and how they benefit the region
- In time notify existing members that have not implemented the levy, that it will become a requisite for GSNL membership, probably beginning in 2021

- Acknowledge members that have implemented the levy with a prominent certificate and signboard, to give credit to members for their participation and collection efforts
- Design a PR strategy to publicize the activities and projects of the GSNL as they unfold
- During the projection period continue lobbying the “doubters”, being those establishments in the landscape that have not implemented the levy yet.
- Design and display (at strategic points) a prominent board with a list of participating members to be updated regularly for new sign-ups
- Analyse results to assess whether the original assumptions hold true and adjust the levy mechanism as needed to ensure positive cash flow
- Ensure transparency and accountability since it is a prerequisite to retain members’ trust and to encourage others to participate in the levy

## Anticipated Financial Projection of Strategy Implementation

| GSNL Financial Projection  | Medium Road - SUM     |                       |                       |                       |                       |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|  | Mar 2020<br>to Feb 21 | Mar 2021<br>to Feb 22 | Mar 2022<br>to Feb 23 | Mar 2023<br>to Feb 24 | Mar 2024<br>to Feb 25 |
| The Nature Conservancy (TNC) Grant Funds                               | NAD 225 000,00        | NAD 450 000,00        | NAD 450 000,00        |                       |                       |
| <b>Differentiated Levy</b>   |                       |                       |                       |                       |                       |
| <b>Potential Net Levy Revenue</b>                                      | NAD 1 305 652,91      | NAD 2 207 770,71      | NAD 2 790 375,06      | NAD 3 069 412,57      | NAD 3 376 353,83      |
| Operational Expenditure  | -NAD 457 000,00       | -NAD 500 300,00       | -NAD 702 730,00       | -NAD 770 603,00       | -NAD 956 263,30       |
| Excess available for Capital Expenditure, Project Funding and Reserves | NAD 1 073 652,91      | NAD 2 157 470,71      | NAD 2 537 645,06      | NAD 2 298 809,57      | NAD 2 420 090,53      |
| Capital Expenditure  | -NAD 160 000,00       | -NAD 564 200,00       | -NAD 768 694,00       | -NAD 1 073 502,58     | -NAD 728 647,76       |
| Project Funding  | -NAD 418 000,00       | -NAD 917 840,00       | -NAD 1 023 946,00     | -NAD 1 086 410,60     | -NAD 1 195 051,66     |
| Surplus/Shortfall for the Current Year                                 | NAD 495 652,91        | NAD 675 430,71        | NAD 745 005,06        | NAD 138 896,39        | NAD 496 391,11        |
| Reserves at the end of the year  | NAD 495 652,91        | NAD 1 171 083,62      | NAD 1 916 088,68      | NAD 2 054 985,07      | NAD 2 551 376,18      |

As per ANNEX 4

## **Conclusion**

- Given the significant number of guest beds in the landscape, even a small levy (which is a fraction of the lodging price) can generate sufficient funds for the GSNL to achieve its objective, provided that a critical mass of establishments in the region join the initiative
- It is therefore paramount to embark on adequate measures to ensure sufficient “buy-in” by members
- In order to do so, the mechanism must be simple and not a burden to members
- It must also be clear that it is a collection on behalf of the GSNL and that the benefits flow directly back into the landscape
- As members have other priorities this project needs to be driven by the GSNL
- In time, as the benefits of the projects become apparent, more and more lodges will join as it will become a matter of prestige to be part of the GSNL
- As the status of the GSNL develops, members will be able to utilise their membership as a marketing tool

**Ultimately the GSNL will be able to attain complete and sustainable financial independence, provided that the project is driven with determined focus**