

Poverty, Inequality and Environment Series No 1

***GETTING THE LION'S SHARE
FROM TOURISM:
PRIVATE SECTOR-COMMUNITY
PARTNERSHIPS IN NAMIBIA***

***Volume II
Practical Action: Guidelines for the
Development of Private Sector –
Community Partnerships***

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Acronyms

CBD	Convention on Biological Diversity
CBNRM	Community-Based Natural Resource Management
CBTE	Community-Based Tourism Enterprise
DEA	Directorate of Environmental Affairs
DFID	UK Department for International Development
FENATA	Federation of Namibian Tourism Associations
IIED	International Institute for Environment and Development
IRDNC	Integrated Rural Development and Nature Conservation
JMC	Joint Management Committee
LAC	Legal Assistance Centre
LIFE	Living in a Finite Environment
MET	Ministry of Environment and Tourism
MHT	Mud Hut Trading
MLR	Ministry of Lands and Resettlement
MWCT	Ministry of Wildlife Conservation and Tourism
NACOBTA	Namibia Community Based Tourism Association
NACSO	Namibia Association of CBNRM Support Organisation
NAPHA	Namibia Professional Hunters Association
NDT	Namibia Development Trust
PTO	Permission To Occupy
RISE	Rural Peoples' Institute for Social Empowerment
SRT	Save the Rhino Trust
TAS	Terra Africana Safaris
TASA	Tour and Safari Association
WIMSA	Working Group for Indigenous Minorities in Southern Africa

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1. INTRODUCTION

Partnerships between the private sector and local communities are a growing phenomenon in a number of natural resource sectors worldwide including forestry, agriculture and tourism in response to changes taking place in the market, civil society and environment and development policy – both nationally and internationally.

In a number of developing countries, tourism partnerships between the private sector and local communities are becoming more and more common, especially as communities are increasingly gaining rights to wildlife and other valuable tourism assets on their land through national policy changes on land tenure. In other cases, partnerships are developing on private land as tourism operators recognise that not only is local support essential for the long-term maintenance of the tourism assets on which the industry depends, but that many communities have cultural resources which can greatly enhance or diversify and existing tourism product.

In Namibia, a national review of natural resource management policies following Independence from South Africa in 1990 has provided the stimulus for the development of tourism partnerships. The major driving force has been the recently introduced communal conservancies legislation that gives local people use rights to wildlife and tourism on communal land. Coupled with a national programme on community-based natural resource management this provides a framework through which both biodiversity conservation and rural development goals can be achieved by enabling communities to benefit from commercial ventures on their land. Partnerships are therefore being encouraged between the private sector and communities in order to both improve the standard of living of local communities and ensure the long-term economic viability of the new conservancies (D. Callihan , pers comm).

These guidelines aim to provide advice on how both parties can get a good deal from the partnership rather than one side at the expense of the other. They set out the questions both sides to the partnership, community and private sector should consider at each stage of the negotiation process and the reasons why these issues are important. Separate guidelines have been prepared for communities and companies but inevitably there is some overlap between the questions each side must ask. A summary table is presented first and then the more detailed step by step guidelines – first for communities (or their representatives) and then for the private sector – including:

- Identifying a partnership opportunity
- Finding out about prospective partners
- Selecting partners
- Getting assistance
- Negotiating the financial components
- Negotiating non-financial components
- Deciding on the duration of the partnership
- Formalising the partnership
- Monitoring, reviewing and amending the deal

Volume I of this study is a background report which describes the increasing involvement of local people in the tourism industry in Namibia; the policy and institutional framework that supports private sector – community partnerships; the rationale behind, and characteristics of, such partnerships – both in general terms and within Namibia; and the key ingredients are for successful partnerships – that is, ones that meet the expectations of both sides.

Volume III comprises a detailed description, including a summary of strengths and weaknesses, of all the existing partnerships in Namibia that were identified during the course of the fieldwork. This alone provides a valuable source of previously undocumented information and is the basis for the analysis in Volume I and these guidelines.

Developing Private Sector-Community Tourism Partnerships in Namibia

Steps to Follow	Points to consider	
	Community	Company
1. Identifying a partnership opportunity	<p><i>Have we got what it takes?</i></p> <ul style="list-style-type: none"> • How does tourism compare with other land uses? • What are our land use priorities? • What tourism assets do we have? • Do we want hunting or tourism or both? • How much will it cost? • Do we have the capacity ? 	<p><i>Have we got what it takes?</i></p> <ul style="list-style-type: none"> • Are we prepared for face-to-face meetings with the community? • Do we have someone with personal commitment to make this work? • Do we have experience working with communities or do we need to get someone in to help?
2. Finding out about prospective partners	<p><i>Is the company likely to be suitable?</i></p> <ul style="list-style-type: none"> • Does it have a track record in tourism development? • Does it have experience of working with communities? • Can it produce a sound business plan ? 	<p><i>Is the community likely to be suitable?</i></p> <ul style="list-style-type: none"> • Is it too big? • Does it have any previous tourism experience? • Does it have a strong institutional structure? • How dependent is it on tourism? • What is the skills base like? • Does it have access to external support and/or facilitation?.
3. Selecting partners	<p><i>How can we make sure we get the best partner?</i></p> <ul style="list-style-type: none"> • Competitive tendering? • Auction? • Direct, one-to-one negotiation? 	<p><i>How can we make sure we get the best partner?</i></p> <ul style="list-style-type: none"> • Are there any other communities with similar tourism assets? • Do they meet the suitability criteria above? • Are there any other companies bidding with the same community?
4. Getting assistance	<p><i>Do we need expert help?</i></p> <ul style="list-style-type: none"> • A facilitator who knows the tourism business? • Legal advice? • Help determining a fair return? 	<p><i>Do we need external help?</i></p> <ul style="list-style-type: none"> • A facilitator who understands community concerns? • Someone who speaks the local language?
5. Negotiating the components of the deal	<p><i>What do we need to think about in the deal?</i></p> <ul style="list-style-type: none"> • Who should own the enterprise – us them or joint? • If them, do we get a say in the management? • Should we opt for a fixed payment or a more risky but potentially more lucrative success-linked structure? • What are the minimum costs we need to cover and then how much more on top should we expect? • Are our payments fair and protected against inflation etc? • Are we getting a premium for allowing exclusive use? • How many people will be employed and in what sort of jobs? • Who decides about recruitment? • How much will employees get paid? • Should there be a minimum payment clause? 	<p><i>What do we need to think about in the deal?</i></p> <ul style="list-style-type: none"> • Who should own the enterprise – us them or joint? • If them, do we get a say in the management? • Does the community understand the implications of different types of payment options? • Are we paying the community enough to at least cover their costs – direct and indirect? • Do they understand how the overall value of the deal has been calculated? • Have we ensured payments are fair and that easily verifiable by the community? • Does the community understand the implications of granting us exclusive use? • Does the community have realistic expectations about how many people we can employ and in what type of jobs? • Have we ensured an appropriate community structure is involved in recruitment? • Are we paying a fair wage compared to other enterprises?
6. Deciding on the duration of the partnership	<p><i>Are we in this forever?</i></p> <ul style="list-style-type: none"> • What is the normal length of a contract for a tourism or hunting enterprise? • Can we get out of the contract if the company fails to perform? • Can we have a renewable contract clause ? 	<p><i>How long a contract can we secure?</i></p> <ul style="list-style-type: none"> • Does the community understand we need security in terms of a reasonable length contract if we are to make significant capital investment? • Can we balance our need for security with the community's wish for flexibility in the face if uncertainty?
7. Formalising the partnership	<p><i>How can we prevent any misunderstanding?</i></p> <ul style="list-style-type: none"> • Have we got it in writing? • Are the rights and responsibilities of both sides clearly understood and agreed? 	<p><i>How can we prevent any misunderstanding?</i></p> <ul style="list-style-type: none"> • Have we got it in writing? • Are the rights and responsibilities of both sides clearly understood and agreed?
8. Monitoring, review and amending the deal	<p><i>How can we ensure we continue to get a fair deal?</i></p> <ul style="list-style-type: none"> • Can we access company records? • Is there provision for a Joint Management Committee? • Does the contract allow for changes to the deal ? 	<p><i>How can we reassure the community it is getting a fair deal?</i></p> <ul style="list-style-type: none"> • Are we being transparent with our accounting and reporting to the community? • Is there provision for a Joint Management Committee?

Community Guidelines

These guidelines are aimed at assisting communities and organisations advising them as they consider whether and how to go into partnership with a private company. For many of the issues there are no clear cut answers or universally best course of action, it is a case of the community understanding what the various options are, and assessing its own priorities. The questions set out below for each stage of the partnership process are designed to assist this process of analysis and priority setting.

1. Identifying a partnership opportunity

- What land use options are available and what are their likely returns in comparison to tourism?
- What are the priority land uses for the community?

Community preparation in establishing priorities and analysing the full range of options is essential. Conservancy land use plans and tourism development plans are an essential part of this process. Expert advice may be necessary for analysing potential returns from tourism, given that this is a new activity for most communities.

- What tourism assets does the community have to offer? - Are these found anywhere else in Namibia? Are they located near tourism routes or near a national park?

The value of tourism assets varies according to the characteristics of the resource in particular uniqueness and location. Communities need to understand the value of their tourism assets. Again, conservancy tourism development plans can provide the answers here.

- Can hunting and tourism be operated simultaneously without conflict? Do community members want both types of activity?

Combining hunting and tourism will generate more revenues to cover the costs of running a conservancy or similar institution and will diversify risk. However, in order to be successful these activities require very careful planning.

- What costs are involved in managing wildlife e.g running the conservancy, wildlife crop and livestock damage and indirect costs of foregone land use?

This is important to establish how much revenue the community needs to generate at a minimum from its partnership arrangements in order to cover its costs.



Land use priorities need to be established

2. Finding out about prospective partners

- Does the company have any previous tourism (or hunting) experience? If not what measures does it propose to take to address this – eg hiring experienced manager?

There is a higher risk of failure of the business enterprise and hence the partnership, if the company does not have any previous tourism (or hunting) experience. If a community goes into a partnership with a company of this type it should consider ways of reducing the risk to itself in the negotiation of the deal eg fixed monthly payments rather than dependent on turnover or profit (see below).

- Has the company worked with communities before? If not, what measures does it propose to take to address this?

A company that has had a successful partnership with another community is likely to be a good prospect. If a company has no track record of working with communities, it is important for it to be willing to take advice from or use facilitation services of community development organisations.

3. Deciding how to select partners

- Is the community responding to an approach from a company or looking for a private sector partner for an identified tourism/hunting opportunity? If the former, can other companies be approached? If the latter, can several companies be invited to bid?

Inviting proposals from more than one company encourages competition and allows the community to compare different proposals. It can therefore get a better idea of what a good deal is and will help in identifying an accurate current market value for their tourism assets.

- Can the services/assets being marketed and the benefits required from the company be expressed simply eg provision of training for X community members in activity Y plus financial bid for hunting rights?

Where the services being marketed can be expressed simply, public auctions can have advantages of transparency and reduced time and cost of preparation and assessment on both sides. A pre-qualification process will ensure that only companies acceptable to the community are eligible to bid at the auction. A reserve price based on the preparatory analysis of land use options and costs will protect against collusion amongst bidders to keep the price low.

- Is one-to-one negotiation, rather than competitive tendering or auctioning, the only feasible option for a particular partnership eg a good neighbours arrangement? If so has the community prepared itself for negotiation?

Where there is only one potential partner and hence no alternative to direct, one-to-one, negotiation, community preparation is essential. The community needs to consider what it can offer the enterprise eg protecting wildlife and habitat and what it requires from the company in return for this service.

4. Getting assistance

- What type of external assistance is needed to ensure a good deal?
- Which organisations can help?

Communities who have not negotiated tourism partnerships should always seek independent, external assistance to ensure a fair deal is reached. Even those with previous tourism experience should make use of the wider range of expert advice and assistance that is available. NACOBTA, IRDNC and LIFE have all helped facilitate deals between individual communities or conservancies and private companies. WIMSA is a support group for San people that has also been involved in tourism negotiations. Economists from the DEA in the Ministry of Tourism have been involved in establishing fair payments eg bed night rates. The Legal Assistance Centre can ensure that contracts are sound and can provide advice in the event of any breach of contract. Other conservancies that have already negotiated agreements can also share experience and provide advice.

Future support for conservancy requests for assistance with JVs will be co-ordinated by NACOBTA together with LIFE and other implementing partners (e.g IRDNC, RISE).

5. Deciding on ownership of the venture

Before entering negotiation or going through a tender/auction process, the community needs to consider the following issues:

- Whether it wants to formally own part of the enterprise and why (for financial reasons or non-financial reasons).
- How much involvement in management it wants.
- How much risk i.e. variation in income it can live with.
- How important financial components are relative to non-financial ones.

No ownership structure is necessarily better than any other. Much depends on the circumstances, capacities and priorities of each community.

If **financial returns** are the most important for the community, then **formal ownership by the company**, at least at the outset, is likely to be a good arrangement in most cases. This is because it enables the company to concentrate on what it does best, ie secure finance for the venture and manage it. However, a number of issues need to be considered by the community:

- Is the community happy to leave management of the venture to the company or does it expect to have some involvement if not at the outset then at least later on?

If involvement of community members in managing the enterprise is desired, explicit provision for this and for the necessary training needs to be made in the agreement. The community should recognise that this may be at the expense of financial returns from the agreement because of costs of training and on-the-job learning.

- Does the community want the option of an ownership stake later on once it has acquired some experience and observed the performance of the enterprise?

A commitment to review the ownership of the enterprise at a specified date or to allow the community to exercise an option to buy into the enterprise after a specific number of years can be incorporated in the agreement.

An alternative option to formal ownership of the enterprise by the company is **joint shareholding** between the company and community. If this is to be the case there are some different issues for the community to consider:

- Do community members understand the implications of shareholding? Income will vary depending on the profits made by the enterprise, that in some years, particularly at the beginning, they may receive nothing.

If variation in income is a problem the community could propose a hybrid arrangement – a mix of shareholding and payments linked to turnover and/or an annual fixed payment – to ensure some minimum income for the community even in the initial years.

- Is it clear what each side is putting into the partnership and how it is being valued, in return for its shareholding?

Calculation of the contribution from both sides involves a certain amount of subjectivity and specialist input. The community will need assistance in checking that the equity share it is offered by the company is reasonable.



The value of various tourism assets needs to be clearly understood

- Will community members be easily able to check the calculation of how much they receive in dividend payments?

Access to company accounts needs to be explicit in the agreement. Community members need to have the capacity to understand the accounts and decisions made on dividends or have access to assistance on this. If community members do not have this capacity and if assistance is not likely to be available for the duration of the contract, they should consider simpler financial and ownership arrangements.

- Will joint ownership translate into the degree of management involvement that the community wants and expects?

The community needs to be explicit about how much involvement in management it wants. Ways of accommodating this need to be discussed in the negotiations and measures such as a phased training programme incorporated in the agreement.

If **ownership rather than financial revenue** is the priority for the community rather than simply financial returns the third option is **sole ownership** by the community. Again, there are a number of issues to be considered:

- Do all community members have realistic expectations of income and employment generation from a community-owned venture? – Have they compared the returns from a typical community campsite as opposed to a typical private-sector owned tourism lodge?

Revenues and employment from community-owned ventures are usually much smaller than from private or jointly owned enterprises given that the level of investment is much lower. If full ownership is considered a community priority it must be realised that this has a cost.

- If ownership is a priority has the community considered other options such as a community activity that is complementary to a privately or jointly owned lodge such as a cultural village or provision of services?

A complementary activity has the advantage of ready access to a market . It allows the community to make use of private sector expertise in marketing.

6. Negotiating financial components of the deal

a) Choosing a payment structure

How much risk of fluctuation of income is the community prepared to take? Is it important to have some minimum level of fixed income that does not vary each year e.g. to cover conservancy running costs (even if the company, for some reason of its own, does not get started on the planned venture), or is it more important to receive a payment that is linked to the success of the enterprise even if this means receiving very little in bad years but potentially much more in good years?

The choice of payment structure depends on the level of risk the community is willing to take on given the characteristics of the venture and the operator a community should be less willing to take on risk if the company has no prior experience of tourism). In general the community can reduce risk by opting for a minimum fixed income. The community should only opt for payments related to the success of the enterprise (eg percentage of turnover or profit in the case of tourism, and payments per animal shot in the case of hunting) if:

- It can cope with some fluctuation in income
- The potential reward is higher than under a fixed payment system (a reward for taking on risk)
- There is some initial fixed payment

It is advisable to allow for review of the payment structure after a specified period.

b) Determining the overall value of the deal

- What is the minimum total payment that the community should be willing to accept?

This can be calculated by working out the direct costs of managing wildlife that need to be covered plus the indirect costs to the community – i.e. what could it get from alternative land uses? It is also necessary to consider whether other partnerships the community may be involved in will also be generating income to cover a portion of these costs.



Right of exclusive use must be addressed as part of the financial component

- What is it reasonable to expect the company to pay the community over and above the minimum but also allowing for the fact that the company needs to generate a profit and have an incentive to continue in the venture?

There is no straightforward answer. Tendering or auctioning will enable comparison of bids. Whatever selection process is adopted, the community or people advising it need to make or have access to projections of the potential returns of the enterprise under different assumptions about occupancy and rates. This can form the basis of discussions with the company which can present its own set of projections. The extent of non-financial benefits that the company is providing also needs to be considered as these have cost implications.

c) Ensuring correct payments

- Will it be straightforward to calculate how much the community should receive each period and check that the correct payments are being made?

The most straightforward approach is to set a fixed rate per person per night. The community can monitor how many people stay each night more easily than assessing whether an agreed percentage of turnover, or accommodation fees or profits has been paid. This avoids the "10% of what?" syndrome. To take account of accommodation rates rising over time because of inflation or other factors, it can be agreed in the contract that the flat rate will increase by a specified percentage each year, for example at the national inflation rate.

- Is the community protected against changes in the purchasing power of the financial revenues it receives from the contract?

Any fixed payments eg land rent or bednight levies need to be increased in line with inflation or some agreed benchmark particularly where contracts are of long duration. Alternatively, payments can be specified in US dollars given that rates for tourists and for trophy hunters are often expressed in that currency.

d) Rewarding Exclusivity

- Is the company proposing restrictions on other tourism/hunting developments within a certain area?
- Does this area have potential for further tourism activity?

Agreeing to restrictions on further tourism/hunting developments is likely to reduce potential revenue to the community. It should therefore expect to receive something in return for agreeing to such restrictions.

7. Negotiating non-financial components

a) Employment

- How many community members will be able to find employment in the venture?

Different types of enterprise are likely to result in different levels of employment for local people. Tourism lodges might have a relatively high demand for staff (depending on the size of the enterprise) while potential opportunities within a hunting business are likely to be more limited.

- How important is it for the community that community members take on more skilled work over time as well as unskilled positions?



Employment opportunities will depend on the type of development

If the community is keen for its members to take on higher level employment in the tourism/hunting enterprise this needs to be built into the agreement. Realistic targets for the numbers of local people employed as well as their employment in more skilled and management positions should be incorporated in the agreement.

b) Recruitment

- How will recruitment of community members be carried out and who will be responsible?

Involvement of the conservancy committee or traditional authorities in recruitment will enable it to check that genuine efforts are being made to employ locals. It can also help to ensure that the distribution of employment opportunities is perceived as fair or is in line with what the community wants.

c) Determining wage levels

- How much is the company offering for each type of position? How does this compare with other paid employment available locally or the returns from time spent on livestock and other traditional activities?
- How much are workers in similar positions paid at other lodges? How do their skills level and education compare with that of community members?

The community should expect to get as least as much as from other paid employment available locally. Salaries paid at other lodges are a useful benchmark but differences in skills and education level need to be taken into account.

8. Deciding on the duration of the partnership

- Is the community expecting the company to make a significant amount of investment?
- Does the company have a track record in tourism?
- What happens if the company fails to generate much business?
- How much change is expected from year to year eg in hunting quotas?

If a company is expecting to invest a significant amount of money in a tourism enterprise it requires a certain degree of security over its investment. A contract of less than 5 years will not give the company the security needed for it to make more than a minimal investment in a tourism enterprise. A 10 year contract with the option of extension provides adequate protection for the company's investment. However, the community also needs protection and escape clauses need to be built in so that if the company fails to perform, the community is not locked into a long contract. This is particularly important where the company concerned has little experience in tourism

Hunting enterprises require little capital investment so the security of long contracts is not such an important issue. However, a multi-year contract is still preferable to an annual contract as it cuts down on time and cost involved in selecting the company and negotiating the main provisions of the contract. This still leaves room for annual negotiation on the hunting quota.



A long-term contract is needed to ensure security of investment

9. Formalising the partnership

- Does the community have a clear record of what has been agreed and what the rights and responsibilities on both sides are?

For all types of partnerships including good neighbours arrangements, it is important to have a written agreement, memorandum of understanding or contract, which sets out what both sides have agreed., what they expect to get and what they expect to put in to the partnership.

10. Monitoring, reviewing and amending a deal

- What access will the community have to financial and other information about the enterprise?

Access of the community to company records and accounts is important to check that the correct payments are being made, that financial performance is as expected or has not fallen below levels stipulated in escape clauses. The community may need to seek assistance in interpreting this information.

- What provision is there for the company to consult the community on matters concerning the partnership or for the community to make its views known to the company on any issues that arise?

Formation of a Joint Management Committee with representatives of the company and the community is a useful model to follow.

Company Guidelines

It is in the company's long-term interests to ensure that communities have examined the options on an informed basis, consider the deal to be fair and have a channel for communicating concerns once the partnership is up and running. It is possible that a company can generate higher returns in the short-term by taking advantage of the lack of information and negotiating power of communities but such partnerships are either unlikely to last or will generate dissatisfaction on the part of the community. These guidelines aim to assist companies in developing long-term successful and equitable partnerships with communities.

1. Identifying a partnership opportunity

The company needs to establish whether it has the key characteristics that will make for a successful partnership with communities:

- Does the managing director or proprietor reside in the country and are they prepared for face-to-face meetings or visits?

If the community can visit a high level representative of the company to discuss issues face-to-face, the level of trust in the partnership is substantially increased.

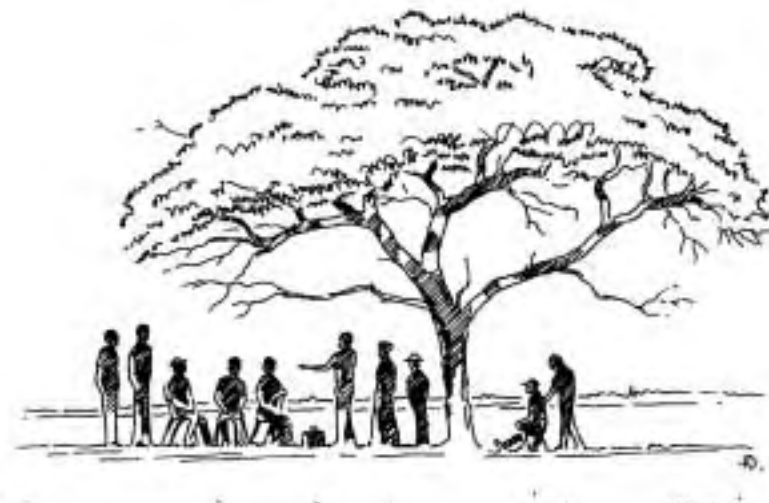
- Is there a senior member of staff personally committed to negotiating the partnership and working with the community after it has been set up?

Visits to the community may be required frequently and at short notice so personal commitment is essential.

- Has the company or any of its staff worked with communities before?

Previous experience is clearly an advantage but companies new to working with communities can address their lack of experience by enlisting the services of a facilitating agency or by hiring a community development specialist.

Frequent meetings with the community are essential (an independent facilitator can be of great assistance)



2. Finding out about prospective partners

- What size is the community?

Working with small community groups means that individual benefits from tourism can be more significant and so commitment to the venture is likely to be stronger. If the community is large an emphasis on community payments rather than individual payments can help spread benefits more widely.

- Does the community have an established institutional structure eg conservancy committee? If not are there other authorities which have wide community support?

Working with communities with a strong institutional structure provides a point of focus for negotiations and a recognised procedure to be followed.

- Does the community have sufficient experience of tourism to understand the level of benefits likely to be generated? If not are there any facilitators with both community and tourism experience that can be brought into to assist in discussions?

Where communities have no previous experience of tourism, outside facilitators can ensure that false expectations are not raised and that business plans are realistic.

- Does the community have the appropriate level of skills – literacy, language, numeracy? If not can training provided as part of the agreement address these skills gaps?

A high level of skills is not essential but where they are lacking, training is a crucial component of a partnership contract.

- What are the main livelihood options of the community - how dependent will the community be on the tourism enterprise?

Communities who are motivated by, but not overly dependent on, tourism are more likely to put the necessary effort and energy into making the venture a success but are able to absorb the risk of failure. Communities often have a diverse range of livelihood activities. For a partnership to succeed it must complement, not conflict with other activities.

3. Selecting partners

- Is there more than one possible location for the enterprise and hence more than one potential partner?

Choose the community that fulfils most of the criteria described in Step 2 above.

- Is the company the only one involved in negotiation with the community?

Where possible encourage the community to approach other companies and to examine other options as well. This may seem to run counter to the company's interests but the benefits could be considerable, eg: reduced scope for disputes later on, greater willingness on the part of the community to accept a long contract, reduced time in negotiations if community has better sense of the options available.

4. Getting assistance

- Is the community being assisted in the negotiations by an NGO or other community development organisation?

The partnership is more likely to succeed if the community goes into it on an informed basis. The company could encourage the community to seek assistance, identifying organisations or other conservancies that it could approach. Alternatively, the company could take the initiative and approach an impartial organisation to act as facilitator for the negotiations

- Is an external facilitator required to compensate for the company's lack of experience in dealing with communities?

Many of the NGOs that provide assistance to communities may be equally useful to companies. NACOBTA, IRDNC and LIFE all have experience in working with both the private sector and communities and have first hand experience of brokering deals between the two. Other companies and individuals who have been involved in partnerships with communities may be willing to offer help or advice.

5. Deciding on ownership of the venture

No ownership structure is necessarily better than another – it depends on the nature of the enterprise and the priorities and capacities of both sides. It is important that both sides are comfortable with the negotiated structure and fully understand its implications.

If the private (company) ownership model is adopted:

- Does the company understand why the community has agreed to this? Is it sure that the community has debated the alternatives rather than just going along with the first suggestion?

- Does the company know what the community's expectations are in relation to involvement in management?

If communities opt for private ownership because they have decided to prioritise income and reduced risk, they may be happy to leave management to the company. However, some communities may want some involvement in management even if they are not formally owners of the enterprise. If these expectations are not addressed in the negotiations, tensions could arise later on.

If the community is happy to rely on the expertise of the company for the initial years but wants to be involved in management or have more control later as it picks up some knowledge of the business, then provision needs to be made for management training and for a change in ownership structure.

- Have other ways of instilling a community sense of ownership been explored?

Formal ownership in the legal sense may not be very meaningful to the community. Other factors such as consultation and involvement in management may be more important in making community members feel that they have a stake in the venture. Encouraging and assisting the community to set up complementary activities which they can control e.g a cultural village or craft production may also help.

If the joint ownership model is adopted:

- Do community members understand the implications of shareholding - that income will vary depending on the profits made by the enterprise, that in some years, particularly at the beginning, they may receive nothing?

If variation in income is a problem the company could propose a hybrid arrangement – a mix of shareholding and payments linked to turnover and/or an annual fixed payment – to ensure some minimum income for the community even in the initial years.

- Is it clear what both sides are putting into the partnership and how their inputs are being valued, in return for their shareholding?

Calculation of both sides contribution involves a certain amount of subjectivity and specialist input. The community will need assistance in checking that its equity share is reasonable. It is important for the company to ensure this happens as problems could arise later on. If the company is not convinced that the community has fully understood the basis for the equity sharing, it should look for other ownership structures and accommodate the community's desire for involvement in management or control in other ways.

- Will community members be easily able to check the calculation of how much they receive in dividend payments?

Access to company accounts needs to be explicit in the agreement. Community members need to have the capacity to understand the accounts and decisions made on dividends or have access to assistance on this. The company can help by identifying people or organisations that can provide this input. Even so, in some cases it may be better to choose a different model of ownership and accommodate the community's desire for involvement in management or control in other ways.



Involvement in management builds trust and increases the sense of ownership

Will joint ownership translate into the degree of management involvement that both sides want and expect?

The company needs to find out how much involvement in management the community wants. Ways of accommodating this need to be discussed in the negotiations and measures such as a phased training programme incorporated in the agreement. If there are genuine constraints or tradeoffs eg with financial returns these need to be made clear at the outset.

If the community ownership model is chosen:

- Is there an expectation that the company will be involved in the management of the enterprise?

Agreement needs to be reached at the outset as to how much say the company has in the management of the enterprise in return for their inputs into the partnership. If the company is not involved in the day to day management then expectations of management standards required from the community need to be made explicit.

6. Negotiating financial components of the deal

a) Choosing a payment structure

A variable payment structure is not necessarily better than a fixed one from the point of view of the community as it depends on its needs and attitudes to risk.

- Is the company sure that community members understand the implications of the payment structure agreed on eg that income can fluctuate if payment is linked to the success of the enterprise, or that income will not increase later as the number of visitors increase if a fixed payment structure is agreed on?

The company can facilitate community understanding of the implications this by presenting estimates of payments to the community under different structures and scenarios.

- Is there provision for reviewing the structure after a specified period?-

Community needs and attitudes to risk may change and the implications of a payment structure may only be fully appreciated once an enterprise is up and running.

- Does the community understand why it is being paid and what the amounts received will depend on? Does the payment structure facilitate this understanding?

Linking payments to the success of the enterprise or the overall level of business may be advantageous for non-financial reasons. It can make it easier for community members to see a link between management of wildlife, tourist visits and community revenue.

b) Determining the overall value of the deal

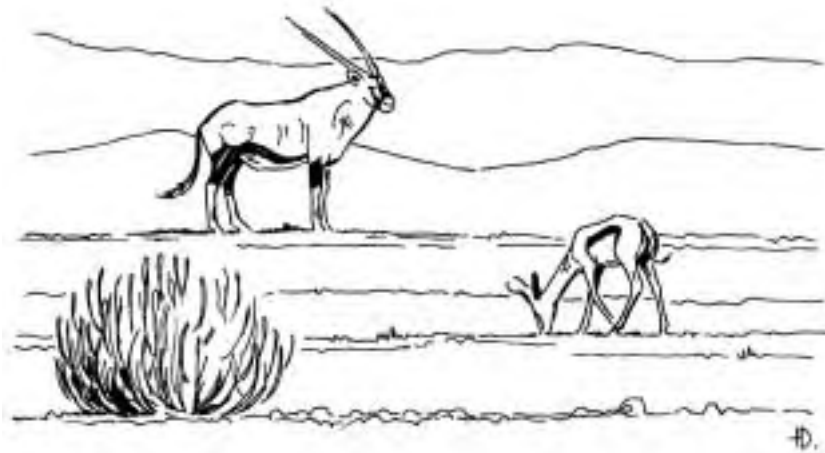
This is where there is most potential for misunderstanding and bad feeling so it is important to ensure that the basis for calculation is clear without compromising commercial sensitivity.

- Is the community receiving at least enough to cover the costs of wildlife management – direct and indirect?

The success of the enterprise ultimately depends on the community having an incentive to protect the wildlife or other natural resources (for non-wildlife based tourism) in its territory. If the community income from the partnership is insufficient to cover these costs, the whole basis for the tourism/hunting enterprise will be eroded over time.

- Has the basis for the company offer been understood by the community and/or to the organisation assisting it?

Showing company projections to the community may not be sufficient and may not be very meaningful. Encourage the community to make its own calculations and to seek assistance for this. Comparing the two sets of calculations will help to identify points of misunderstanding, divergence of opinion and unrealistic expectations. Show details of other partnership deals to the community as these provide a basis for comparison.



It is important to provide an incentive to protect wildlife

d) Ensuring correct payments

- Can the payment system be easily understood and monitored by community members?

Linking payments to turnover or to room rates sounds simple but can prove complicated and cause misunderstandings because of differences in definition, variations in rates by season and type of visitor. A fixed payment per person per night regardless of differences in rates between seasons and visitor types is very simple and can be easily checked by community members. There could be differentiation between the seasons if there is a marked difference in room rates between one season and another. Allowance can also be made for annual adjustment in line with inflation and/or exchange rate changes.

e) Rewarding Exclusivity

- Has the community understood the implications of any development restrictions in the agreement?

Restrictions on other developments may often be necessary to safeguard the company's investment but much depends on market conditions. Addressing these restrictions specifically in the negotiations or in the proposal (in the case of a tendering process) and making a separate payment for them may help to make them more explicit for the community, thus avoiding surprises and disagreements later on. Market conditions can change or not be accurately predicted in the first place. It is therefore important to allow for adaptation to changing circumstances.

7. Negotiating non-financial components

a) Employment

- Is the community aware of the levels of employment the enterprise is likely to generate?

Communities with little experience of tourism may view the development of any enterprise as a large generator of employment. Realistic projections of the number and type of jobs the enterprise is likely to create should be provided at the outset to prevent raised expectations.

- Has the company discussed with the community its expectations in relation to skilled and higher level employment?
- Is there a mismatch between the community's expectations and the current level of skills and education in the community? If so, can this be overcome by training programmes and on-the-job experience?

The failure of locals to take on more skilled positions in the enterprise is often a source of community dissatisfaction. Instead of making vague commitments to employment of local staff in higher level positions, the company would do better to tackle this issue in the negotiations and agree on training programmes and target dates for certain types of position to be taken over by locals. If this has financial implications eg: the cost of employing locals on work experience, training programmes, it is better to discuss them at the negotiation stage than present them as obstacles later on. Allow some scope for reviewing targets in a forum like a Joint Management Committee.

b) Recruitment

- Who will be responsible for recruitment? What role will the community play?

Providing relatively well-paid jobs for just a few individuals in a community is a sensitive issue. Involve the conservancy committee or traditional authorities in recruitment as these are in a better position to balance factors such as household need, ability, proximity to the operation etc.

c) Determining wage levels

- Does the community understand the basis for the wages for the different posts available?

While wage levels do not seem to have been a problem in existing partnerships, it is useful to ensure that the basis for wage levels for each post are clear. The company should be prepared to provide details of salaries paid at other lodges in Namibia together with explanation of any differences eg in skill and education levels of those involved, urban cost of living allowances.



Training is a crucial component of a partnership

8. Deciding on the duration of the partnership

- Does the community understand the need for a reasonably long contract to ensure security of investment in a tourism enterprise?
- Does the contract length required by the company conflict with that wanted by the community?

Understand community concerns about being locked in to an arrangement for a long period particularly if it is new to tourism and not familiar with the company. Find ways of balancing the need to secure investment with flexibility. Do not expect the community to agree to a long contract if the company does not have a sound track record in tourism and in working with communities. With the help of a facilitator discuss with the community the various reasons why they might not want to lock themselves into a long contract and consider ways of dealing with these in the agreement.

For hunting enterprises a short contract is the norm but even so a multi-year (rather than annual) contract is likely to be mutually beneficial, resulting in reduced transaction costs on both sides – so long as there is provision for the annual quota to be revised.

9. Formalising the partnership

- Do the company and the community both have a clear record of what has been agreed?

Drawing up a contract implies legal costs and may seem like unnecessary bureaucracy, particularly in the case of “good neighbours agreements”. However, the benefits of some kind of mutually agreed written record (even if it is decided to opt for something less formal than a legal contract) are considerable. It ensures that rights and responsibilities on both sides are clearly defined and reduces the scope for misunderstanding.

10. Monitoring, reviewing and amending a deal

- Has provision been made for the community to have access to financial and other information about the partnership enterprise?

Transparency is important for maintaining community trust. In particular, the community needs to know that the correct payments are being made. However, reporting must be appropriate to community circumstances. The company can encourage the community to seek assistance on this but it should also try to simplify reporting as much as possible.

- What provision is there for the company to consult the community on matters concerning the partnership or for the community to make its views known to the company on any issues that arise?

It is useful to set up a forum for periodic discussion and consultation eg a Joint management committee with representatives from both sides.



Have we got it in writing?