



Community Ownership & Ecotourism Markets: Evaluating Outcomes at Madikwe

Workshop 2: Local Equity and Partnerships in
Tourism Enterprises

THE AFRICAN SAFARI LODGE
FOUNDATION

*Arusha, 4 December 2008
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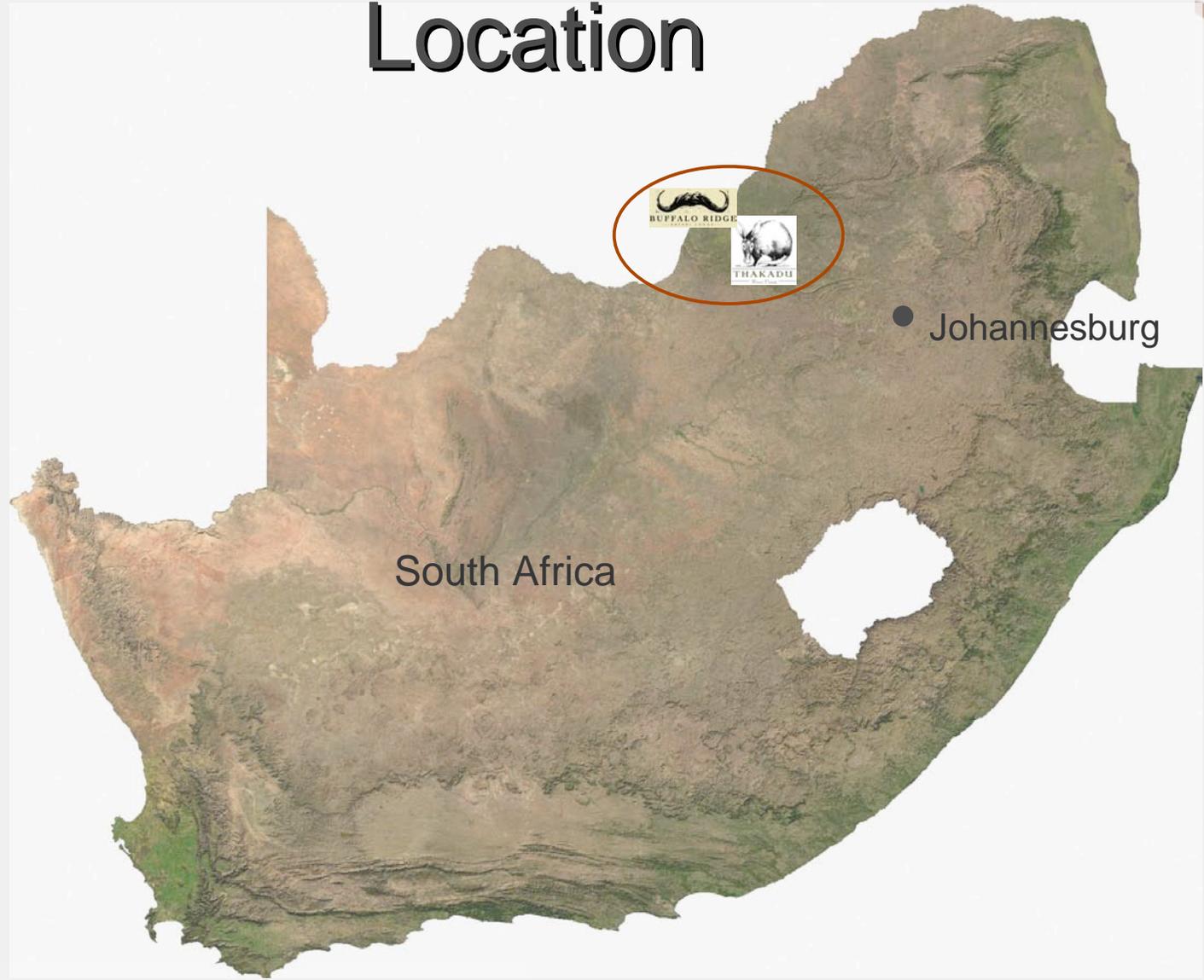
Presentation Outline

- Location
- Overview
- Tourism products and activities
- Background
- Institutional Arrangements
- Capital Structure
- Social Issues
- Financial Arrangements
- Economic impacts
- Lessons
- Replicability





Location





Overview

- Two community-owned lodges in Madikwe Game Reserve:
 - 24-bed luxury tented camp (**Thakadu River Camp**)
 - 16-bed luxury thatched lodge (**Buffalo Ridge Safari Lodge**)
- **Thakadu** owned by the **Batlokwa** community
- **Buffalo Ridge** owned by the **Balete** community
- Both lodges operated by *The Madikwe Collection*
- Both inside a fenced, Big-5, malaria-free, state-owned protected area
- 3.5 hrs drive from Gauteng; 1 hr from Gaborone (Botswana)
- Buffalo Ridge opened in 2004; profitable but returns slightly lower than expected
- Thakadu opened in 2006; profitable within 6 months; returns higher than expected



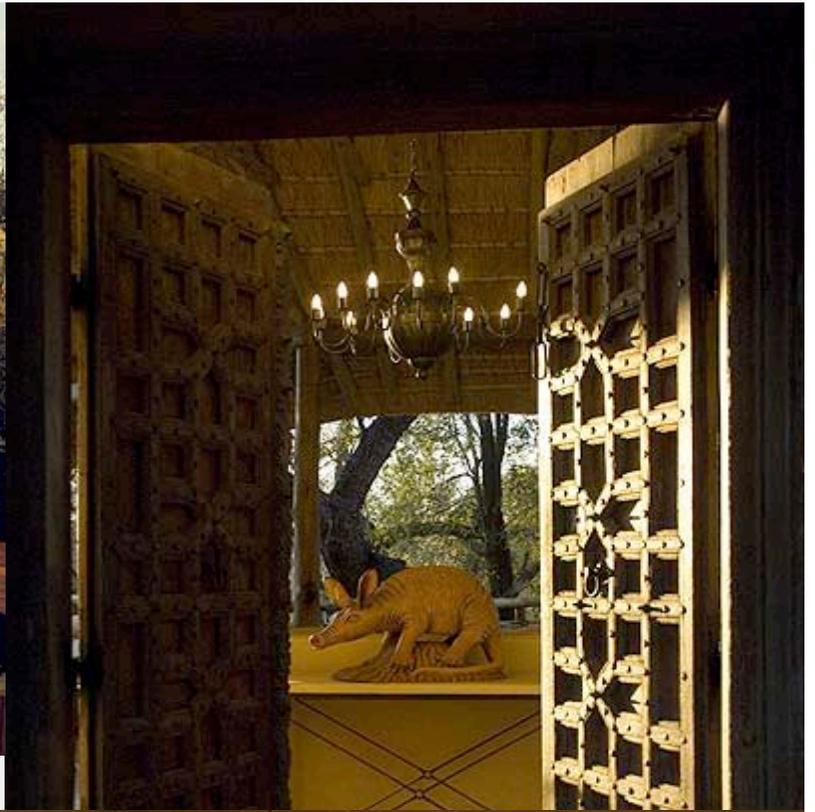


Tourism Products

The lodges offer a typical menu of activities ('theatre in the bush'):

- Game drives (day & night)
- Walking safaris*
- Community tours
- Emphasis on high quality:
 - design
 - décor
 - guiding
 - general service
 - cuisine
- Buffalo Ridge thatched structures
- Thakadu 'light footprint' tented camp





Background



- During the late 1980s, the former SA government expropriated farms for incorporation into Bophutatswana
- Opted to establish a game reserve on the land (75,000ha) and began largest reintroduction of wild animals ever undertaken
- Madikwe always viewed primarily as an **economic asset** rather than a biodiversity preserve
- After end of apartheid, new provincial conservation agency (NWPTB) made Madikwe SA's leading example of a market-based approach to commercial development in state-owned protected areas
- By 2008, NWPTB had awarded 32 leases to private investors



Background

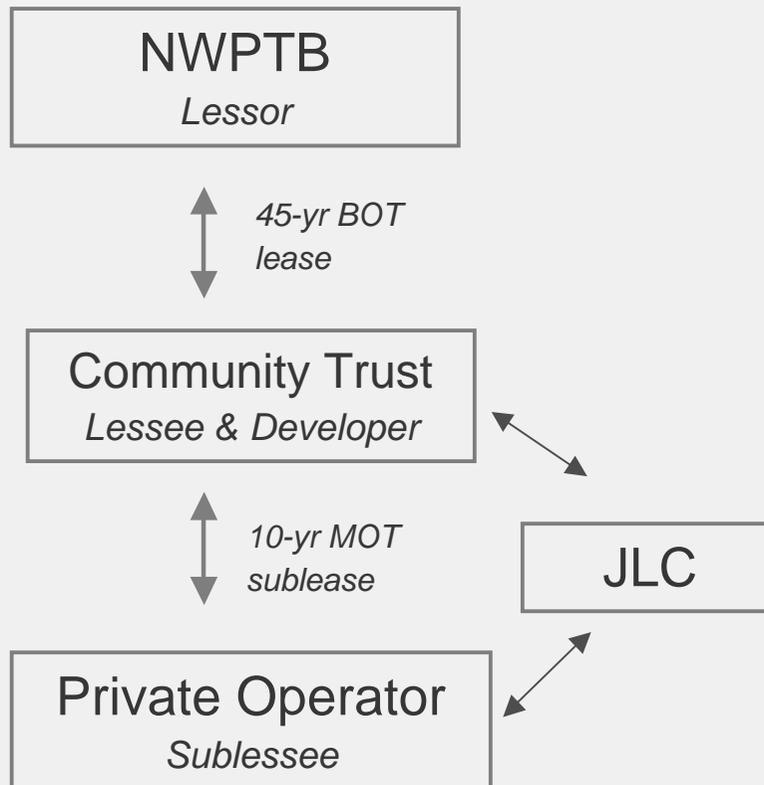


	Land & wildlife	Lodges
Ownership	State	State
Development	State	Community
Management	State	Community*

- *Madikwe Initiative* recognized the **strategic opportunity** offered by the ‘Madikwe model’ to include communities in standard PPP (‘public-private-partnership’) model
- Thereby conferring ownership of high value lodges on the rural poor
- But communities lacked commercial skills; therefore needed to contract in private expertise (but with succession planning)



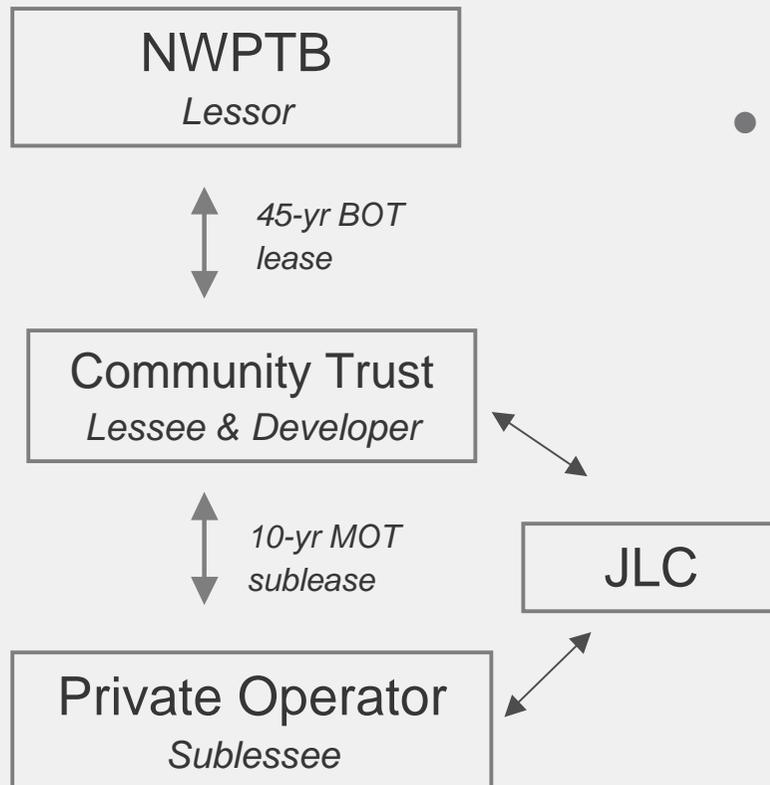
Institutional Arrangements



- Conservation agency (NWPTB):
 - Focuses on core expertise (biodiversity conservation)
 - Manages protected area
 - Supplies bulk infrastructure*
 - Manages private leases/ concessions
 - Optimises income for conservation from private commercial leases



Institutional Arrangements

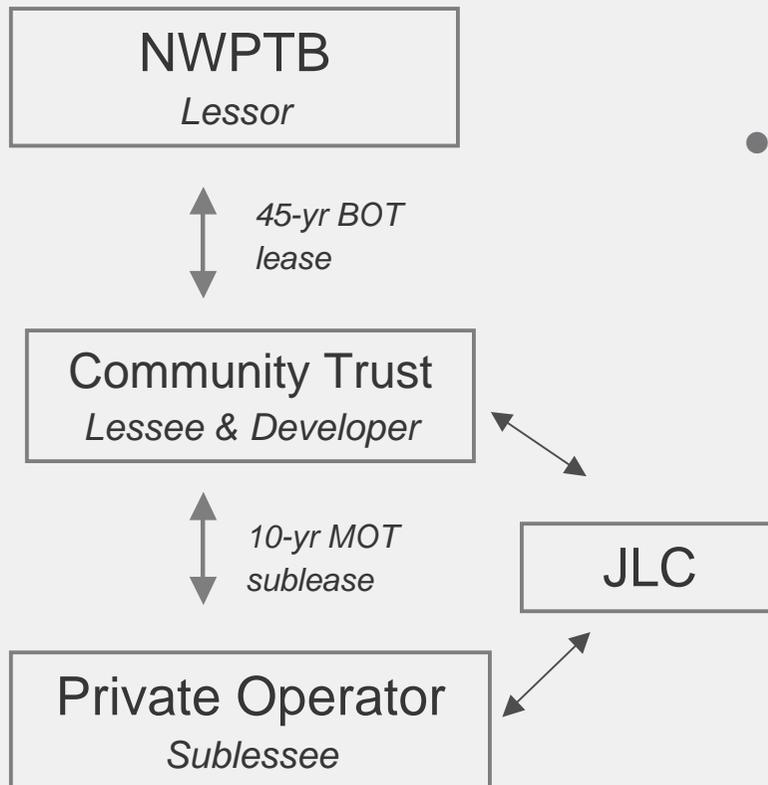


- **Communities:**

- Legally constituted (as development trusts)
- Acquired 45-year BOT leases from NWPTB
- Appointed private operator via subleases ('rights-based tie-back of benefits')
- Raised capital for lodge development
- Managed construction of lodges
- Manage subleases & distribute associated benefits
- Participate in Joint Liaison Committees



Institutional Arrangements



- Private partner (*The Madikwe Collection*):
 - 10-year MOT subleases (+ conditional options to renew) with strong affirmative clauses
 - Supplied FFEs & working capital
 - Operates and maintains lodges for period of sublease
 - Will hand back lodges to trusts when subleases terminate
 - Participates in Joint Liaison Committees



Social Issues



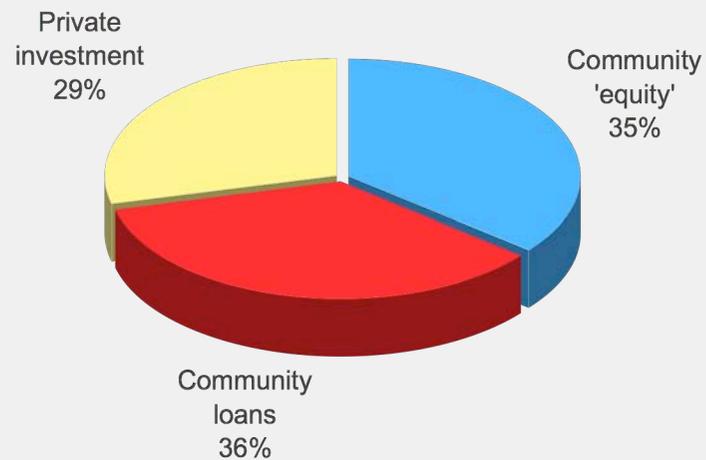
- Establishing the trusts required **intensive institution-building**
- Process had to be **responsive to local conditions** and integrated with village-level power structures and local government activities
- Led to **legally constituted development trusts** which are broadly based but closely **aligned to traditional and local government-sponsored structures**
- The trusts are **governed** by relevant **legislation**, overseen by the **High Court** and regulated by **deeds** that set out objectives, powers, functions, etc.
- Trusts are directed by **boards of trustees** that include the traditional leaders (as founders), elected members and outside representatives with legal and financial expertise. They now also employ **implementation officers**.
- **Support providers** have included Mafisa, the Centre for Community Law and Development, local government, the NWPTB, the ASL Foudation and *The Madikwe Collection*.
- The ongoing ability of the trusts to manage the **distribution of benefits** will be a long-term measure of success...



Capital Structure

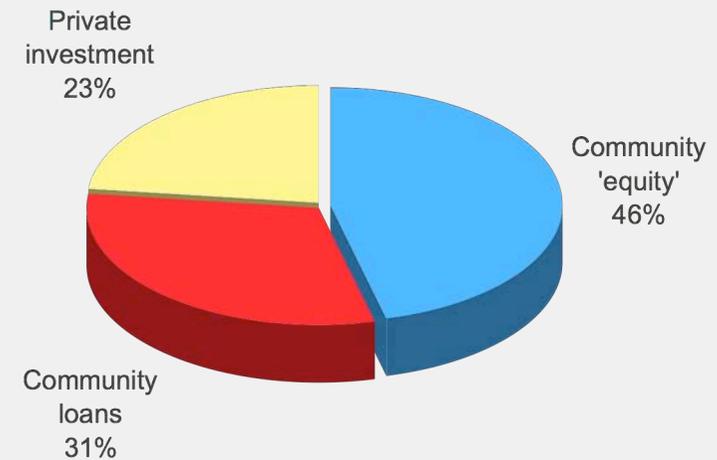


BUFFALO RIDGE



- Total capital investment of US\$2-m
- 50:50 community debt:equity gearing

THAKADU



- Total capital investment of US\$2.2-m
- 40:60 community debt:equity gearing



Financial Arrangements



- The **Trusts** pay market-based rentals to the NWPTB:
 - **A fixed fee** of US\$5k per year (Balete) and US\$7k per year (Sebolao) (escalating with inflation)
 - **A variable fee of 6%** of the annual turnover generated by the lodges
- The **private partner** pays:
 - **The rental** due to the NWPTB (as noted above)
 - **A fixed fee** of US\$1k per commercial bed per year (escalating with inflation)
 - **A variable fee of 10%** of annual turnover generated by the lodges

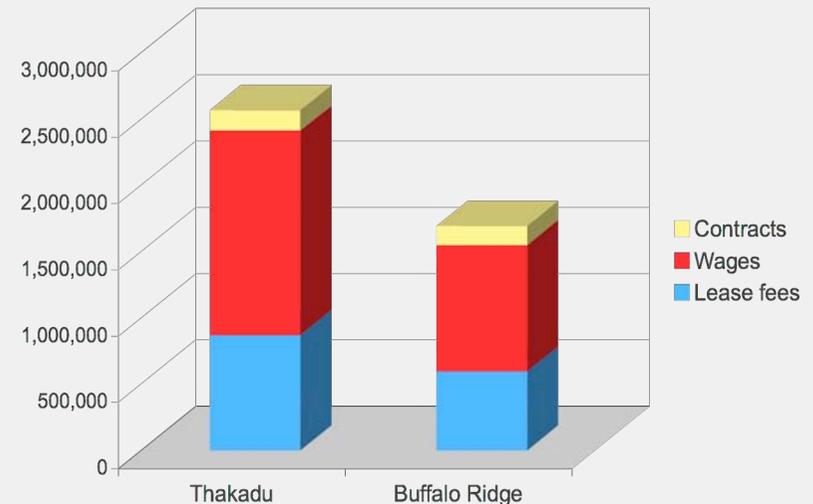
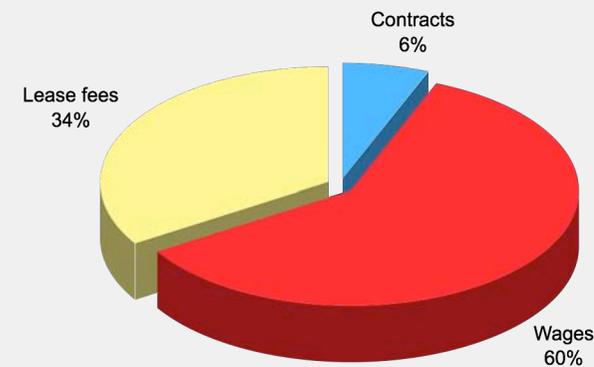


Economic Impacts



- During 2008, **Thakadu** will generate:
 - **US\$100k** in lease fees to the NWPTB
 - **US\$155k** in sublease fees to the Sebolao Trust
 - **US\$265k** in wage payments (excluding gratuities)
 - **US\$30k** in local business contracts*
 - Total benefit of **US\$550k**
- **Buffalo Ridge** will generate:
 - **US\$65k** in lease fees to the NWPTB
 - **US\$100k** in sublease fees to the Sebolao Trust
 - **US\$165k** in wage payments (excluding gratuities)
 - **US\$25k** in local business contracts*
 - Total benefit of **US\$355**
- Operator planning philanthropic foundation

Distribution of benefit (Thakadu)



Employment



	Thakadu*	Buffalo Ridge*
Total staff employed	39	26
Total monthly wage bill	125,000	78,000
Average monthly wage	3,205	3,000
Number of women employed	21	14
% of total	54%	54%
Monthly wage bill to women	78,000	29,000
Average wage to women	3,714	2,071
% of average wage	116%	69%
Men employed	18	12
% of total	46%	46%
Monthly wage bill to men	47,000	49,000
Average wage to men	2,611	4,083
% of average wage	70%	136%

* Figures in ZAR (US\$1 = ±ZAR 1)



Some Lessons



- **Community-ownership** of high value leases/concessions requires:
 - Supportive state agencies & conducive institutional environment (NWPTB support;* Madikwe Initiative; PPP rules; management frameworks, etc)
 - Clear rights frameworks backed by well-structured contracts
 - Competitive set of natural assets (valued by tourism industry)
 - Capacitated & legitimate CBOs/CLEs with strong support programs
 - Capital subsidies (equity grants; ‘risk-tolerant’ loan financiers)
 - Well-balanced capital structure - avoid too much debt!
(Question of how to capitalize initial community equity - **travelers’ philanthropy?**)



More Lessons



- **Commercial viability** in this market requires private partner with:
 - Strong commitment to community partnership
 - Strong **marketing, sales** & operational capacity
 - Sufficient capital reserves to fund start-up & seasonal slumps
- **Social sustainability** requires:
 - Careful initial institution building
 - Ongoing capacity building & administrative support
 - Training interventions to build skills
 - Succession model/planning
(Question of community participation in operating company?)



Replicability



- Strategic opportunity linked to widespread adoption of PPPs in protected areas
- Many countries have conducive legal and policy frameworks
- Private sector partners are available (adoption of approach by leading firms)
- Risk tolerant loan financiers available

BUT

- Support from - and capacity of - government agencies variable
- Shortage of technical support agencies
- How to capitalize community equity?

Need for subsidies to facilitate roll-out and to avoid high case-by-case transaction costs
- **the role of travelers' philanthropy?**





Thank you!



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