

PROGRAMMATIC DESCRIPTION OF GMA SUB-ACTIVITY

Community Partnerships in Tourism for the Greater Kafue Economic Development (GKED) Project

A. Introduction

GMA's represent some of the poorest regions in Zambia and are characterized as remote, rural areas with limited access to markets and economic activity. The depth of poverty and related food insecurity in GMA's has contributed to unsustainable livelihood activities and pressures on the natural resource base. This has resulted in encroachment on conservation areas, deforestation, destructive agricultural practices, increasing wildfires, and most acutely, poaching of the wildlife.

The proposed sub-activity would support joint ventures (JVs) or partnerships between selected GMA communities and private sector investors to develop new tourism enterprises or convert existing enterprises into JVs. In response to the opportunities and demand, the JV enterprises would range from provision of tourism accommodations to production of quality goods from non-timber forest products that have a ready market both regionally and beyond. These would be modeled on successful ventures in Zambia and throughout southern Africa and will be implemented through a mix of contracts for advisory services and capacity building for the communities as well as grants to enable innovative and market driven partnerships that also leverage private sector contributions.

B. Objective

The objective of this proposed sub-activity is two-fold: 1) To develop a pilot sub-activity allowing communities in the KNP GMA's to manage resources and benefit from these in their areas, and 2) To lower the threshold for the private sector to invest in new or expanding tourism enterprises by providing investment capital in the name of community associations or trusts.

The sub-activity would support:

- Advisory services to provide a regulatory review, identify private sector partners, and negotiate equitable joint ventures with GMA communities.
- Technical assistance to pilot building the capacity of select community structures that show a commitment to CBNRM, accountability, and sustainability; technical assistance would support these structures to manage JV tourism partnerships and establish transparent and sustainable governance mechanisms.
- Grant funding to stimulate joint ventures in tourism enterprises.

C. Regional and local precedent for joint ventures with communities

Since the 1980s, most countries in the southern Africa region have actively sought to develop conservation initiatives where rural communities are granted use and management rights over their natural resources. In these community-based natural resource management (CBNRM) initiatives the region has been at the forefront in Africa and also globally. Past policies which alienated rural residents from the wildlife and other natural resources on their land have been reversed through policy and legislative change, which grants common property custodial rights to approved community-based organizations. Prominent examples of these initiatives have been typified by Zimbabwe's CAMPFIRE, Zambia's ADMADE, Botswana's NRMP, and Namibia's CBNRM programs.

These programs have been supported by donors and governments and have been aimed at building institutions, training, and some infrastructure. Key to the programs has been development of community based organization (CBO) activities as viable businesses, deriving income from wildlife and natural resources use and investing in conservation of the natural resources concerned. Greatest success has been achieved with wildlife resources, over which communities historically had no rights, and from which sizeable new incomes from tourism were possible. In almost all of the programs, most of the income generated by CBOs has come from JVs between the CBOs and private sector operations in tourism, both consumptive (safari hunting) and non-consumptive (wildlife viewing).

An important element has been the technical support of NGOs and government agencies to communities. These have provided technical expertise, training, and facilitation, enabling CBOs to protect resources, and to effectively negotiate and secure joint venture agreements from which they can derive equitable shares of the tourism rents generated.

Financial and economic analysis of the CBNRM activity or enterprise, as carried out by a CBO has been carried out in Namibia and Botswana. The combined investments by communities, donors and government as a group are generally recovered as income accruing to the CBOs in rents from JVs and profits from own enterprises. Once established and functional the CBNRM activities are also generally financially viable without subsidy from donors or government. Economic analysis shows that the CBNRM activity as practiced in Namibia and Botswana contributes positively to national income. Economic analysis of the whole Namibian CBNRM program, including all donor and government sectoral expenditures and all income generated has been found to be economically efficient over 15 years.

In the Zambian CBNRM program joint ventures between ZAWA, the Community Resource Boards (CRBs) and safari hunting operations in the GMAs form the backbone of wildlife based revenues for communities. The system is well established, and generates significant revenues. However, the process is currently controlled almost entirely by ZAWA. Due to lack of empowerment and support for CRBs and policy regarding revenue sharing, only a small proportion of these revenues currently accrue to the communities.

D. The Pilot program

The pilot program would aim to work with established Community Resource Boards (CRBs), associated Village Action Groups (VAGs), associated Traditional Authorities, community trusts, community interest groups, the Zambia Wildlife Authority (ZAWA), Department of Forestry Department of Fisheries, the District Development Coordination Committees (DDCCs), NGOs, private sector, and donor partners, to develop a viable network of JVs in GMAs surrounding KNP.

E. Potential types of JVs

The existing JVs in the GMAs are those with safari hunting operators. A hunting JV involves a contract signed between ZAWA, the private sector operator, and the appropriate CRB. As a rule, the contract is derived from a tender process. It grants the hunting operator the right to establish hunting camps and conduct hunting tourism operations, during the hunting season, utilizing trophy hunting quotas, pre-set annually by ZAWA. The agreement generally applies to a designated concession area within a GMA and lasts for five years, usually with an option for renewal. The hunting operator is obliged to pay an annual fee for the trophy quota to ZAWA as well as a rental fee for accommodation of hunting tourists. According to ZAWA policy, 50% of the trophy fee and 20 % of the accommodation rental should accrue to the contracting CRB. Contracts may contain commitment to provide benefits to communities, such as salaries for village scouts or assistance with infrastructure.

There is potential for improving the existing system of hunting JVs with empowerment of the CRBs, giving them more influence in calling for tenders, conducting negotiations with JV partners and allowing them to capture all the rents payable. As game populations increase with implementation of the project, it will be possible to develop more hunting JVs in areas with low wildlife viewing potential.

In the long term there is considerable potential for development of JVs between CRBs and private sector investors in non-consumptive tourism lodges in the GMAs. A few wildlife viewing lodges already exist in the GMAs, notably at sites adjacent to the KNP with sufficient wildlife stocks. However, the majority of these have obtained statutory title to the sites in question with no obligation to pay rents to the communities.

Potential for JVs is primarily based on nine existing JVs established between private sector safari hunting operators, ZAWA and communities (CRBs) within the GKED GMAs. As these come up for renewal, there is potential for them to be converted to come more under the direct control and guidance of the CRBs, rather than ZAWA, and for CRBs to access all the rents that are generated. They require transformation so that newly registered CRBs are empowered to renegotiate them and derive full rents from them.

Potential for expansion of JVs exists, in the parts of GMA conservation zones that are suitable for the development of wildlife viewing lodges, for development of new JVs under contract with CRBs. This potential should increase with time as wildlife stocks recover in these zones. Potential also exists for pressurizing and encouraging the holders 99 year lease agreements for wildlife viewing lodges in GMAs to pay a fair proportion of rents to the CRBs. In addition to tourism-based JVs, some potential exists for JVs between CRBs and saw timber producers, most

notably in Mulobezi GMA, but possibly elsewhere. The possibilities for JV development in other resource use including mining might be explored.

JVs between CRBs, constituted as legal entities, and private sector partners, identified as a rule through tender, would be negotiated to contain mutually agreed terms. These legally binding terms will specify the concession area, site(s) for lodges, camps, the nature of rights of use of concessions through tourism, and any obligations of partners in concession and natural resource management. They would include agreement on capital provision and ownership of residual capital. They would also incorporate the terms for payment of rents to CRBs. These payments will vary in nature, but commonly include a moderate fixed annual rental payment aimed at ensuring productivity, an annual royalty linked to JV turnover such as a bed-night levy.

Levels of rentals and royalties will be bid up through tender, but will be aimed at extracting the maximum rents possible for communities without jeopardizing the attractiveness of the private sector partner investment. Rates for royalties may be linked to production (e.g. tourist occupancy) to enable communities to capture some of any excess windfall profits. Community contributions to the capital would be essentially in the form of land and resources, but there may also be provision or a community share in the financial JV capital. Specification of conditions and measures to deal with non-compliance would be included.

F. Potential for attracting investment JVs in KNP GMAs

The potential for attracting investment in new non-consumptive JVs rests on the suitability of sites with attractive scenery, and with sufficiently diverse and tame wildlife stocks. Currently, this potential is localized, confined to limited areas such as the Kafue river frontage in Mumbwa GMA, the Busanga plains in Kasonso Busanga GMA, the Nkala GMA, Lunga and Kafue River frontage zones in Lunga Luswishi GMA, localized sites mostly on the KNP border in Mulobezi, Sichifulo and Bilili GMAs and possibly localized sites in Mufunta GMA.

Not all these sites are currently suitable for investment but they could be made so in a short period with improvements in the protection of wildlife which will be secured through the focus of enhanced village scout efforts and possible restocking. This, combined with the MCC investments in marketing for the GKED, MCC investments in the wildlife stocks of the KNP, and support from strengthened CRBs with sound JV contracts and some capital, should improve the prospects of investments in these sites. As the project progresses the initiation of tourism development will in itself reduce costs of law enforcement allowing expansion of protection efforts to other areas. Growth in demand for tourism and investment prospects within the GKED project should grow at rates significantly higher than that for Zambia as a whole, which is some 5.5% per annum.

A key element will be the provision of appropriate security of tenure on concessions for private sector investors. This depends on the development of sound JVs, and may include the securing by CRBs of statutory lease rights on sites. Selected supporting investments made outside the sub-activity, though the MCC Innovation Fund.

G. Technical assistance/advisory services needed

A small technical assistance team will be needed to work with the COMACO alternative livelihoods sub-activity team to support JV development. A *team leader* with experience in CBNRM, development on CBNRM institutions, and management of JV development, will be deployed full time for four years. A *specialist trainer of trainers* with significant experience in JV management issues including contract development and business development.

The sub-activity will require to be integrated with the COMACO alternative livelihoods sub-activity, and rely to some extent from technical assistance provided to that activity. It will also benefit from separate selected activities with technical assistance to be funded through the MCC Innovation Fund, including inputs in developing community-based resource monitoring (the MOMs system) and technical assistance in natural resource inventory and land use planning in the GMAs.

H. Implementation and monitoring

The sub-activity would be based in the central GMAs with easy access to Lusaka, and the central GMAs (Mumbwa, Mufunta and Namwala), access to the northern GMAs (Kasonso Busanga and Lunga Luswishi) via Mumbwa, or Kaoma, or internal KNP roads, and access to the southern GMAs via the Ithezi Thezi road.

Implementation would begin with CRBs and JV development in the Mumbwa and Kasonso Busanga GMAs during year 1, followed in year 2 with work in CRBs of Nkala, Mulobezi and Sichifulo GMAs. In year 3 CRBs and JVs the remaining GMAs, (Lunga Luswishi, Namwala, Mufunta, and Bilili GMAs) would be initiated. With limited resources, in the interests of being able to fairly accommodate all CRBs in any one GMA, it may only be possible to focus on a limited number of GMAs, according to priority.

Where more than one CRB is present in a GMA, and only where this is easily possible, the current system of sharing effort and income in relation to JV development would be followed. However, this is unlikely to be feasible in some GMAs and it will then be necessary to allocate concessions and sites for JVs to individual CRBs. The pattern of implementation would depend on factors yet to emerge, but would give priority to the better developed CRBs with GMA conservation zones that have best potential to attract investment for successful JVs.

Tenders would be called for by legally registered CRBs, focusing on concessions sites identified in planning. Key selection criteria for award of tenders would include income potential for JV, rent payment conditions offered, conditions for resource management, track records of partners, and commitments to any ceding of assets, on termination. Revenue sharing would follow the rules in existing constitutions of CRBs according to payments to traditional authorities, staff remuneration and community projects, but these could be modified to better suit the needs for CBNRM management.

I. Likely size of JVs and average grant funding requirement for each type of JV

The average grant for JV establishment would amount to \$70,000. A typical JV may involve more than one than one tourism enterprise. In some situations grants may be combined to serve the development of these.

Annex A shows a financial and economic model (denoted in ZK'000 @ ZK5000/\$1) for a typical wildlife viewing joint venture in the GKED area. The size of the concession is some 24,000 hectares, the initial private capital required primarily for lodge development is some \$1.2 million. Annually, at full production in year 5, the JV gross income would be some \$1.3 million, the private net income would be some \$185,000, the total income to the community partner would be some \$132,000 including salaries and wages for local lodge staff, \$4,000 in fixed rental, and \$52,000 in royalty payment. The rental is charged at \$0.16 per hectare and the royalty charged is 4% of turnover, leaving a ten year financial rate of return for the private investor of some 12%. The annual economic contribution in value added to the national income by the JV would be some \$538,000.

In a similar example of a JV for a hunting enterprise, most of which are already established (but require transformation), the size of the concession would be some 112,800 hectares, initial private capital required would be some \$477,000. Annually, at full production in year 5, the JV gross income would be some \$990,000, the private net income would be some \$175,000, the total income to the community partner would be some \$244,000 including salaries and wages for local lodge staff, \$34,000 in fixed rental, and \$109,000 in royalty payment. The rental would be charged at \$0.30 per hectare and the royalty charged is 11% of turnover, leaving a ten year financial rate of return for the private investor of some 14%. The annual economic contribution in value added to the national income by the JV would be some \$442,000.

Annex B shows the summary results for a model for a typical hypothetical CRB business enterprise in the GKED area. A typical CRB business may require initial capital of some \$180,000. Given that CRBs are have been established by ZAWA, a proportion of these costs are typically already sunk. For the community business to be viable it requires the full rental income from one hunting JV and two wildlife viewing JVs at full production. This would give it an annual gross income of some \$225,000, and a net income of some \$71,000. The communities would benefit from some \$630,000 in total income including both salaries and wages through CRB staff and village scout employment, as well as the net income. The community's internal return on investment over ten years would amount to some 26%. The annual economic contribution in value added to the national income by the JV would be some \$627,000.

J. Likely areas of investment

The investment of \$5 million will be focused on three main areas:

1. Technical assistance:

Full time technical team leader (for a period of four years)

Scope of Work: Work with ZAWA forestry and fisheries agency extension services and own training team, to develop CBNRM joint ventures in nine GMAS. Likely initial focus on Mumbwa, Kasonso Busanga and Mulobezi GMAs, followed by Nkala, Lunga Luswishi, Sichifulo, Mufunta and Bilili, depending on potential and demand. Working with CRBs, ZAWA/ Department of Forestry/ Department of Fisheries extension officers, COMACO Alternative Livelihoods sub-activity project.

Develop partnerships with NGOs, Private sector investors and leverage funding for long term project/programme continuity with these partners.

Oversee necessary policy changes in collaboration with ZAWA, Department of Forestry, Department of fisheries, providing for CRB registration, CRB/VAG/Traditional authority training, community empowerment, JV rent capture, etc.

Small technical team, consisting of one technical training expert, one trainer, and seven community facilitators. (Full time over five years)

Scope of Work: Support community structures (CRBs, Associations, Trusts) and in particular to develop CBNRM joint ventures in nine GMAS with initial focus on Mumbwa, Kasonso Busanga and Mulobezi GMAs, followed by Nkala, Lunga Luswishi, Sichifulo, Mufunta and Bilili GMAs, depending on potential and demand. Priority to be given to CRBs and areas with highest potential.

2. Grant funding:

A total of 43 grants to support community development of JVs and training of community actors

JV Development: This includes 34 grants of \$70,000 each for community development of JVs, to support initial funding of CRB development as necessary, to support associated SME development (guiding, crafts and community campsites), to support game translocation, and to support human wildlife conflict (HWC) mitigation. Depending on the specific needs for initial funding of these CBNRM activities, and depending on the nature of specific JV agreements, remaining JV grant funds would be used by communities for acquisition of capital stakes for CRBs in joint ventures (up to some 10% of JV financial capital, or some 60% of grant).

Training: This includes nine grants of \$50,000 each for initial training and remuneration of CRB committees, VAGs, and initial training and remuneration of village scout cadres to protect and monitor wildlife forest and fish resources.

Including a 6% levy to cover grants administration (meeting MCC requirements for due diligence including EIAs, etc.)

K. Expected results - Including analysis of beneficiaries

Table 1 shows the expected results for the Community Partnerships in Tourism sub-activity, over five years of implementation.

Table 1: Expected results for GKED Community Partnerships in Tourism sub-activity

Result	Year 1	Year 2	Year 3	Year 4	Year 5	5 Years
CRBs transformed (number)	1	2	2	2	2	9
JVs initiated (number)	2	5	9	9	9	34
Beneficiaries*	-	-	11,000	16,000	56,000	56,000

* The number of people benefiting from sub-activity - indirectly through wages and salaries or projects

L. Detailed budget breakdown

Table 2 shows a budget for the Community Partnerships in Tourism sub-activity. Total investment is \$5 million, with \$600,000 being allocated to the team leader TA, \$1,400,000 being allocated to the JV training and development team, and \$3,000,000 being allocated to grants, along the lines described above.

Table 2: Budget: GKED Community Partnerships in Tourism sub-activity

BUDGET	Year	Year	Year	Year	Year	Total
	1	2	3	4	5	
TEAM LEADER						
Team leader	150,000	150,000	150,000	150,000	0	600,000
TA SUPPORT TEAM						
JV specialist trainer	150,000	150,000	150,000	150,000	150,000	750,000
Trainer	50,000	50,000	50,000	50,000	50,000	250,000
Facilitator	16,000	16,000	16,000	16,000	16,000	80,000
Facilitator	16,000	16,000	16,000	16,000	16,000	80,000
Facilitator	0	16,000	16,000	16,000	16,000	64,000
Facilitator	0	16,000	16,000	16,000	16,000	64,000
Facilitator	0	0	16,000	16,000	16,000	48,000
Facilitator	0	0	0	16,000	16,000	32,000
Facilitator	0	0	0	16,000	16,000	32,000
Facilitator	232,000	264,000	280,000	312,000	312,000	1,400,000
Subtotal	280,000	280,000	280,000	280,000	280,000	1,400,000
GRANTS						
JMCs/Contract parks (34*\$70,000)	140,000	350,000	630,000	630,000	630,000	2,380,000
Village scout support (9*\$50,000)	50,000	100,000	100,000	100,000	100,000	450,000

BUDGET	Year	Year	Year	Year	Year	Total
	1	2	3	4	5	
Grants management (6%)	10,000	25,000	45,000	45,000	45,000	170,000
Subtotal	190,000	450,000	730,000	730,000	730,000	3,000,000
GRAND TOTAL	572,000	864,000	1,160,000	1,192,000	1,042,000	5,000,000

M. Assessment of sustainability

Benefits achieved in the Community Partnerships in Tourism sub-activity, should continue in perpetuity, and indeed increase over the long term. Long term sustainability of the sub-activity will require ongoing inputs from development partners beyond the end of the project. It is believed that once the conditions for successful CBNRM are in place, the attractiveness of investment in these ongoing activities for donors, NGOs and private sector partners and government will be ensured. It will be one important task of the Team leader and the training team to work towards interesting partners for this. It is also recommended that Innovation Fund resources be directed at ensuring long term sustainability, as described below.

Assuming project costs as in Table 2, ongoing benefits in terms of the financial rents derived through 30 years, with a five year lag between initial JV development and the start of flow of rents, a 20% annual allowance for capital replacement after end of project, and no growth in benefits beyond year 5, it is possible to estimate a 30 year rate of return of some 20%.

N. Other considerations

The Community Partnerships in Tourism sub-activity, integrated within the GKED would benefit from, and require, additional expenditures made for the project as a whole. These include some overlapping CBNRM expenditures made through the GMA Alternative Livelihoods Sub-activity. They also include expenditures made through the Innovation Fund. The latter could include setting up of a community natural resource monitoring system (the MOMs system developed in Namibia and Botswana), natural resources baseline and end-of-project inventories, GMA livelihoods baseline and end-of-project inventories, ongoing land use planning, research and development for possible capture of payments for ecosystem services (such as in REDD+ and Water), and long term planning for ensuring sustainability of the GKED investment.

Possible Innovation Fund expenditures relevant to the Community Partnerships in Tourism sub-activity are shown in Table 3. Some \$1.5 million might be involved.

Table 3: Possible additional funding requirements for the Community Partnerships in Tourism sub-activity

INNOVATION FUND ITEMS	Year 1	Year 2	Year 3	Year 4	Year 5	Total Life of Project
Community monitoring (MOMs)	75,000	75,000	75,000	75,000	75,000	375,000
Natural resources inventory	150,000	0	0	0	150,000	300,000

INNOVATION FUND ITEMS	Year 1	Year 2	Year 3	Year 4	Year 5	Total Life of Project
Land use planning	45,000	45,000	45,000	45,000	45,000	225,000
Payments for ecosystem services	0	150,000	0	0	0	150,000
Livelihoods survey	150,000	0	0	0	150,000	300,000
Long term sustainability planning	75,000	75,000	0	0	0	150,000
TOTAL	495,000	345,000	120,000	120,000	420,000	1,500,000