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AN INTRODUCTION TO TOURISM CONCESSIONING: 14 CHARACTERISTICS OF SUCCESSFUL PROGRAMS

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Governments and protected area Authorities are under increasing pressure to preserve the beauty and biodiversity of their beaches, parks, and pristine natural sites, while also growing tourism activity. Is it possible to do both?

Tourism concessioning is one solution. The private sector can be an important partner in helping protected area authorities achieve their twin goals of conservation and attracting visitors. Delivering successful tourism concessioning programs, however, is challenging and depends on the right mix of characteristics, technical expertise, and institutional experience.

The World Bank Group presents 14 key characteristics displayed in most successful tourism concessioning programs.





This short guide is designed for protected area managers, tourism authorities and their advisors in the international development and non-governmental organization (NGO) community.

It has been jointly produced as an introduction to concessioning practices by the World Bank Group's Trade and Competitiveness Global Practice and the IFC's Advisory Team on Public Private Partnerships.

It has been written for those who are new to concessioning, new to the tourism sector or new to protected areas. The guide intends to provide a brief overview of the key messages to consider when starting work in this area.

There are a minimum of 14 key characteristics displayed by most successful concessions programs.

SUCCESSFUL CONCESSIONS PROGRAMS TYPICALLY...

01

...put conservation first, and accept that some areas are not suitable for tourism.

02

...recognize the value of tourism.

03

...strive to make tourism sustainable.

04

...value local community participation.

05

...establish market viability early on.

06

...develop stakeholder awareness and strong engagement.

07

...ensure concessioning is supported by a sound concessions framework.

08

...rely on robust management plans.

09

...select the appropriate concession model.

10

...employ transparent and clear procurement procedures.

11

...have equitable contracts.

12

...manage effectively beyond the deal.

13

...manage risk.

14

...continually evaluate progress and adapt.

PUT CONSERVATION FIRST, AND ACCEPT THAT SOME AREAS ARE NOT SUITABLE FOR TOURISM

WHY IS THIS IMPORTANT?

The primary function of a protected area is to protect nature and biodiversity. In some cases, protected areas will also safeguard valuable and threatened cultural and/or historic assets. Covering nearly 12 percent of the Earth's surface, protected areas are also becoming key components in climate change mitigation strategies.

NOT ALL PROTECTED AREAS WILL BE SUITABLE FOR TOURISM

The International Union for the Conservation of Nature (IUCN) categorization suggests that tourism should be avoided in some protected areas which are considered too environmentally or culturally sensitive.

Of the seven IUCN categories, it is inappropriate to develop tourism in category 1a: *'Strict Nature Reserve'*. As a management objective, tourism has varied suitability across the other categories.

FIGURE 1: MANAGEMENT OBJECTIVES OF DIFFERENT TYPES OF PROTECTED AREA¹



PROTECTED AREA DEFINITION:

A clearly defined geographical space, recognized, dedicated and managed, through legal or other effective means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values.

- IUCN, 2008

¹ Table adapted from IUCN (1994) Guidelines for protected area management categories, IUCN, Gland, Switzerland and Cambridge, UK, and; Eagles, P. J., McCool, S. and Haynes, C. D. (2002) Sustainable tourism in protected areas: guidelines for planning and management, World Commission on Protected areas, Best Practice Protected Areas Guidelines Series No. 8, IUCN: Gland, Switzerland and Cambridge UK.

PROTECTED AREAS MAY ADDITIONALLY NOT BE SUITABLY ATTRACTIVE FOR TOURISM

Assuming the protected area does allow tourism (under the IUCN), it does not mean that tourism will be a viable activity. The most common reasons for this include:

- **Attractiveness:** Insufficiently attractive natural or cultural features to develop a commercially viable tourism product that is marketable and sufficiently competitive.
- **Accessibility and infrastructure:** Difficult location and connectivity, taking into account costs and time needed to travel to and within the area, as well as proximity of established tourist circuits/routes. The availability and cost of water, power and other utilities is also relevant.
- **Governance and management:** Insufficient local authority capacity or willingness to support the process, including maintenance or management of the asset (protected area). This may be further complicated by lack of transparency or experience.
- **Stability and social dynamics:** Issues of safety, security and stability around the protected area, including the openness and support of the local population.

PROTECTED AREA AUTHORITIES OFTEN WANT DIFFERENT THINGS FROM TOURISM

There are four broad types of governance for protected areas, depending on the key actors responsible for management decisions (see box below). Although conservation will be the primary objective of each type, those managing protected areas may have different priorities and expectations for tourism development. The more successful concessioning programs identify these priorities early on.

THERE ARE ALTERNATIVE (NON-TOURISM) MEANS OF PROTECTED AREA FINANCING

Where tourism is not a viable proposition for a protected area, the IUCN Best Practice Guidelines on Sustainable Financing of Protected Areas² provide a tool to explore alternative options. Effective protected area authorities always respect an area's limitations in terms of tourism.

GOVERNANCE TYPES

- **Governance by government:** Federal or national ministry, sub-national ministry or agency in charge, government-delegated management.
- **Shared governance:** Trans-boundary governance, collaborative or joint governance.
- **Private governance:** Conserved areas established and run by individual landowners, non-profit organizations, or for-profit organizations.
- **Governance by indigenous people and local communities:** indigenous or community conserved territories established and run by themselves.

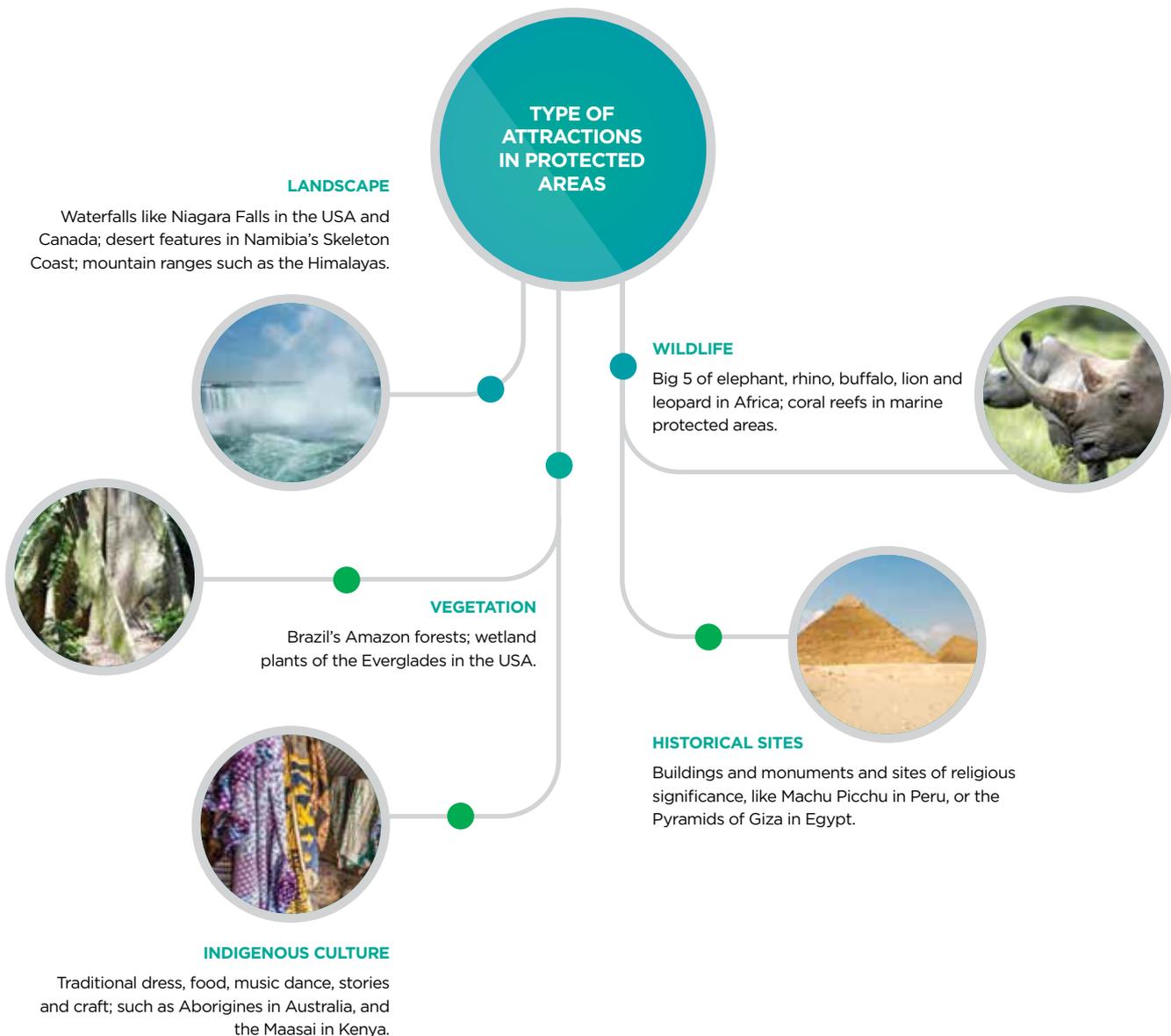
² Emerton, L, Bishop, J., and Thomas, L. (2006) Sustainable financing of protected areas: A global review of challenges and options, IUCN Best Practice Protected Area Guidelines, Series No. 13. IUCN Gland, http://cmsdata.iucn.org/downloads/emerton_et_al_2006.pdf

WHY IS THIS IMPORTANT?

Effective protected area authorities value and maximize the wider benefits of tourism. Successful protected area managers understand that tourism can help them achieve their goals of conserving the environment for future generations, as well as bringing other benefits to the area.

Tourism operations located in protected areas succeed when they thoughtfully leverage the available natural or cultural resources, such as landscapes, wildlife, plant life, indigenous cultures and historical sites. Such attractions inspire investors to develop tourism products and services, including accommodation, catering, retail outlets and a myriad of tourist activities (such as birdwatching and sports) that help grow a country's economy through job creation and local revenue generation.

FIGURE 2: EXAMPLES OF NATURAL AND HUMAN MADE ATTRACTIONS IN PROTECTED AREAS



TOURISM CONCESSIONS BRING VALUE TO A PROTECTED AREA IN SEVERAL WAYS

A concession can, where appropriate, bring much-needed protected area revenue as well as various wider economic, social and environmental benefits. Recognizing and maximizing this potential, as well as managing it effectively, is a characteristic of successful concessions programs.

Tourism concessions alone generated the equivalent of US\$58 million between 2002 and 2012 for South African National Parks (SANParks).³

LEVERAGING THE PRIVATE SECTOR CAN HELP PROTECTED AREAS

Properly managing protected areas is expensive. Increasingly, protected area authorities recognize that the costs can be alleviated with help from other partners and through tourism concessioning. Nature-based or cultural tourism operations can be introduced to help the protected area fulfil its primary mandate and finance conservation and its existence. Concessions are much more than a 'convenient' way of operating a site: they often produce greater development impact compared to sites and tourism operations managed by the State since this is not normally part of the public sector attributions.

The private sector can produce better results because:⁴

- Commercial tourism operations are its core business.
- It can more easily adapt to changing markets needs and conditions.
- It understands how to match product design with market demand.
- It understands how to promote products and services to tourists.
- It can be more effective and efficient in generating revenue from tourism.
- It can more easily raise capital and other funds, which diversifies funding sources from reliance on government sources.
- It can more easily manage the risks and responsibilities for commercial tourism.
- It has more freedom in setting price levels.
- It is (often) not constrained by as much bureaucracy as within government.

WHAT IS A 'CONCESSION'?

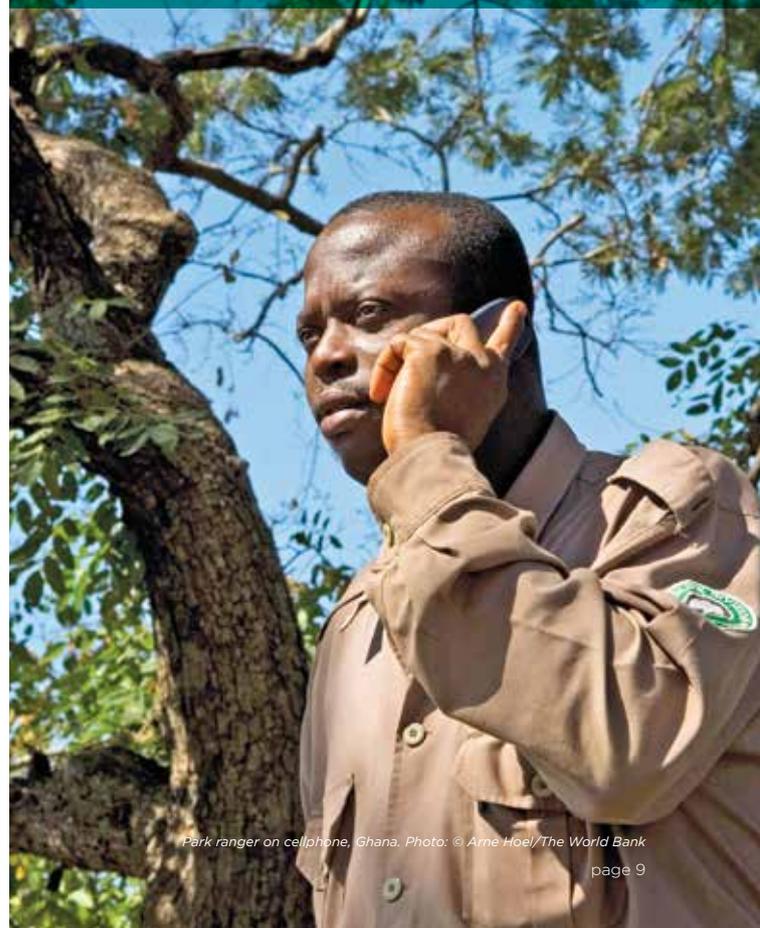
A concession is a lease, license, easement or permit for an operation undertaken by any party other than the protected area agency.⁵ A concession may be awarded via a number of processes, including auction, tender, direct award to an affected community, or in response to an unsolicited application. Best practice, however, suggests a concession should be awarded in a competitive and transparent manner.

Economic, social and environmental benefits:

The various ways of maximizing local benefits include:

- **Job creation:** Tourism is a labor intensive industry, and concessions in protected areas offer the opportunity for local employment⁶ and training.
- **Supply chain linkages:** Concessionaires can be encouraged to buy goods and services from local businesses and producers, occasionally using the bid evaluation process as an incentive mechanism.
- **Local expenditure:** The amount of money retained in the local economy depends on the degree of ownership, capacity and involvement of local entrepreneurs in the value chain.
- **Revenue sharing:** A percentage of concession derived revenue may be retained to support conservation management of the protected area and/or allocated to a fund for local development.

Income from tourism can give local populations a reason to value and preserve their natural resources. In Rwanda, for example, poachers have become tour guides, in the Virunga Volcanos region.



Park ranger on cellphone, Ghana. Photo: © Arne Hoel/The World Bank

³ SANParks (2012) Annual report, <http://www.sanparks.org/assets/docs/general/annual-report-2012.pdf>, pp29-30; Exchange rate of 1 June 2012 used of 0.11714, www.oanda.com

⁴ Adapted from Eagles, et al, (2009) Op. cit. pp12, Buckley, R. (2010), Conservation Tourism. CAB International, page xvi.

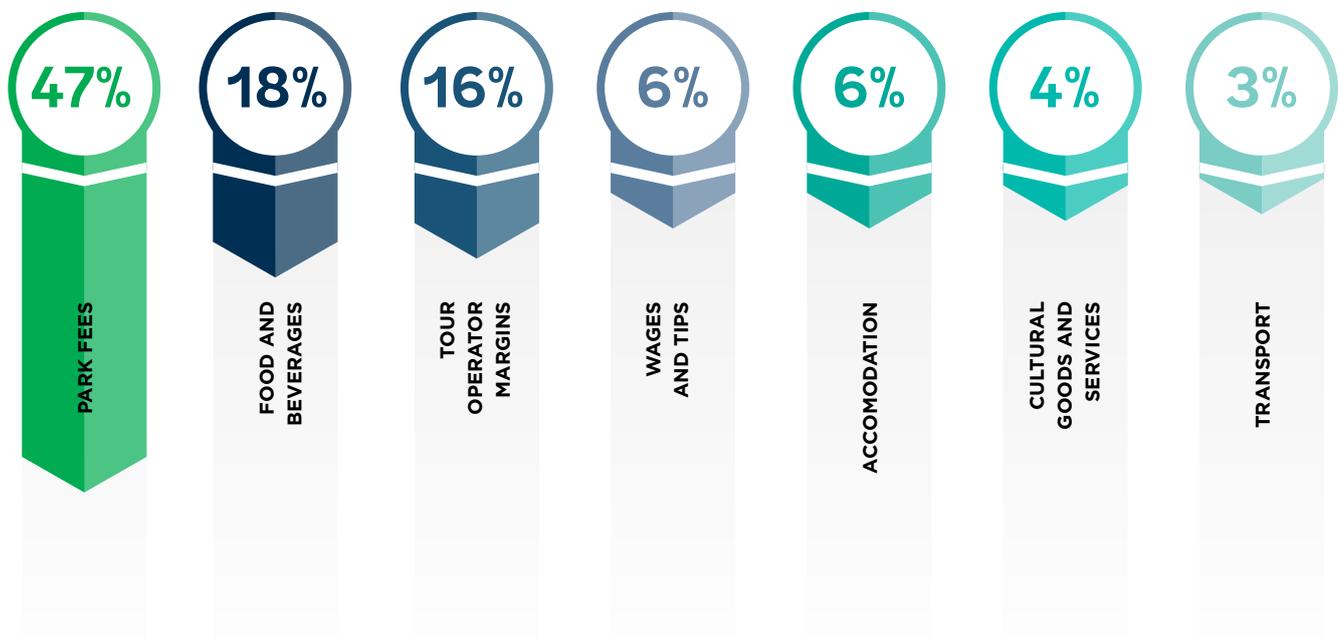
⁵ Adapted from UNDP (2014), Tourism Concessions in Protected Natural Areas: Guidelines for Managers Copyright.

⁶ Adapted from Wyman, M., Barborak, J. R., Inamdar, N., and Stein, T. (2011) Best practices for tourism concessions in protected areas: A review of the field, Forests, 2, 913-928.

PROJECT EXAMPLE: TANZANIA⁷

Almost half (47%) of the average US\$1,376 a tourist spends on a mountain climbing holiday to Mount Kilimanjaro in Tanzania goes towards park fees. A further 18% is spent on wages and tips for porters and guides, and 4% on local cultural goods and services⁸ (see the figure below). Increasing the proportion of expenditure that reaches the local economy is typically a primary aim of national governments.

FIGURE 3: DISTRIBUTION OF FINANCIAL BENEFITS FROM TOURISM ON MOUNT KILIMANJARO⁹



PROJECT EXAMPLE: BOTSWANA¹⁰

Okavango Wilderness Safaris has a concession for Mombo Camp in Moremi Game Reserve, in the heart of the Okavango Delta World Heritage Site.

The lodge is highly profitable, achieving an average occupancy of 70% between 2009 and 2013, with a rack rate of US\$2,413 per person, per night in the high season. During this period, the lease fees and taxes paid generated US\$6 million to government, and over US\$3.7 million was spent on staff costs (of whom 75% are local Batswana).

The NGO Children in the Wilderness (CITW) linked to Wilderness Safaris has provided short environmental education courses at their Botswanan camps for over 1000 children since 2001, and also wildlife guiding courses for children who show the greatest potential.

⁷ Spenceley, A. and Snyman, S. (2016) Can a wildlife tourism company influence conservation and the development of tourism in a specific destination? *Tourism and Hospitality Research*, 0 (0), 1-16, DOI: 10.1177/1467358416634158.

⁸ Mitchell, J., Keane, J., and Laidlaw, J. (2009) Making success work for the poor: Package tourism in Northern Tanzania. Final Report, Overseas Development Institute, London. Accessible at <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/4203.pdf>

⁹ Mitchell, J., Keane, J., and Laidlaw, J. (2009) op. cit.

¹⁰ Spenceley, A. and Snyman, S. (in press) Can an individual safari camp and company influence conservation and development of tourism in a specific destination? Submitted to the *Journal of Sustainable Tourism*.

WHY IS THIS IMPORTANT?

It is equally important for both the Protected Area Authority and the concessionaire to protect the natural resources on which the tourism operation is based (for example, thriving wildlife populations). If the natural or cultural asset quality becomes degraded through pollution, deforestation or over-exploitation, visitor demand and pricing are likely to decrease, hurting the businesses' bottom line and the local economy.

*Bird-watchers at the Cixi wetlands, China.
Photo: © You Ji/World Bank Photo Collection*

SUSTAINABLE TOURISM IS ON THE RISE

Savvy consumers, many sharing opinions on social media, are increasingly demanding strong sustainability credentials from the products and services they purchase around the world. For nature-based tourism operators, there is therefore an additional and growing market imperative to operate sustainably, as well as a purely practical one.

Sustainability in tourism means making a positive, long-term impact on the local environment, communities and society, and economy.

THERE ARE SEVERAL WAYS TO ENHANCE SUSTAINABILITY IN TOURISM

Some of these are driven by governments and authorities, and some driven by the industry or consumers. Governments can set standards and mandatory requirements through legislation. Regulating and enforcing sustainable behaviour through construction permits, licensing, environmental impact assessments, as well as the concessioning framework or contracts themselves is now commonplace. Voluntary mechanisms driven by the industry to enhance sustainability tend to work in parallel - such as award schemes, sustainability certification, and codes of conduct, as well as consumer-feedback platforms and ratings.

There are several internationally recognized sets of criteria, standards and indicators for sustainable tourism. Key principles are often incorporated into both national legislation and voluntary schemes.

- The Global Sustainable Tourism Council (GSTC) has two sets of criteria, one for hotels and tour operators, and the other for destinations (including protected areas). Accounting for numerous guidelines and standards available globally, they address socio-economic, cultural, and environmental impacts,¹¹ as well as sustainable management.

- The International Organization for Standardization (ISO).¹² ISO18065:2015 is a voluntary standard establishing requirements for tourism services in protected areas while bearing in mind the area's conservation objectives.¹³
- United Nations World Tourism Organization (UNWTO) Indicators for sustainable development in tourism destinations describe the process to develop destination-specific indicators and includes example applications in ecotourism destinations.¹⁴

**PROJECT EXAMPLES:
BOTSWANA/KENYA***Tourism for Tomorrow Award, 2014 - Finalist, Environment*

Great Plains Conservation is a company that secures African landscapes that are deemed to be 'under threat' (such as migratory routes) and acquires the rights to convert that land to protected areas. The company leases and operates low-impact safari camps on half a million acres and hopes to expand to 5 million in ten years.¹⁵

¹¹ <http://www.gstccouncil.org/gstc-criteria/sustainable-tourism-gstc-criteria.html>

¹² http://www.iso.org/iso/catalogue_detail.htm?csnumber=61250

¹³ Lopez, C. M. (2014). The international standardization process: Tourist service provided by NPA. In World Parks Congress, Sydney 2014.

¹⁴ <http://sd.unwto.org/en/content/indicators-sustainability-tourism-destinations>

¹⁵ <http://www.wttc.org/tourismfortomorrow/winners-finalists/2014-winners-finalists/great-plains-conservation/>

WHY IS THIS IMPORTANT?

Because local people are key stakeholders in most protected areas, they stand both to gain and lose from tourism development. Experience shows that communities who are engaged in tourism activities are more likely to add value than those that aren't.

Local people may be living within a protected area, using and relying on its natural resources, or have sites of cultural and social significance within it. There is growing recognition that such communities can suffer various costs from living inside or close to protected areas, including the opportunity cost of not expanding agriculture or

alternative land uses, or experiencing direct conflict with wildlife. They are frequently among the poorest in society and are often a high government priority in terms of receiving economic opportunities and greater inclusion.

Tourism can also introduce negative impacts in relation to local livelihoods, policy priorities, and capital assets.¹⁶ Communities themselves should weigh the potential positive and negative impacts from tourism and then make informed decisions. Where the benefits from tourism outweigh the costs, people are generally more supportive of conservation measures and often contribute directly to policing and preservation.

Communities that receive consistent, tangible benefits from tourism tend to be more welcoming towards tourists, which can dramatically enhance the quality of experience for guests.

THE MOST EFFECTIVE TYPE OF COMMUNITY PARTICIPATION DEPENDS ON THE COMMUNITY

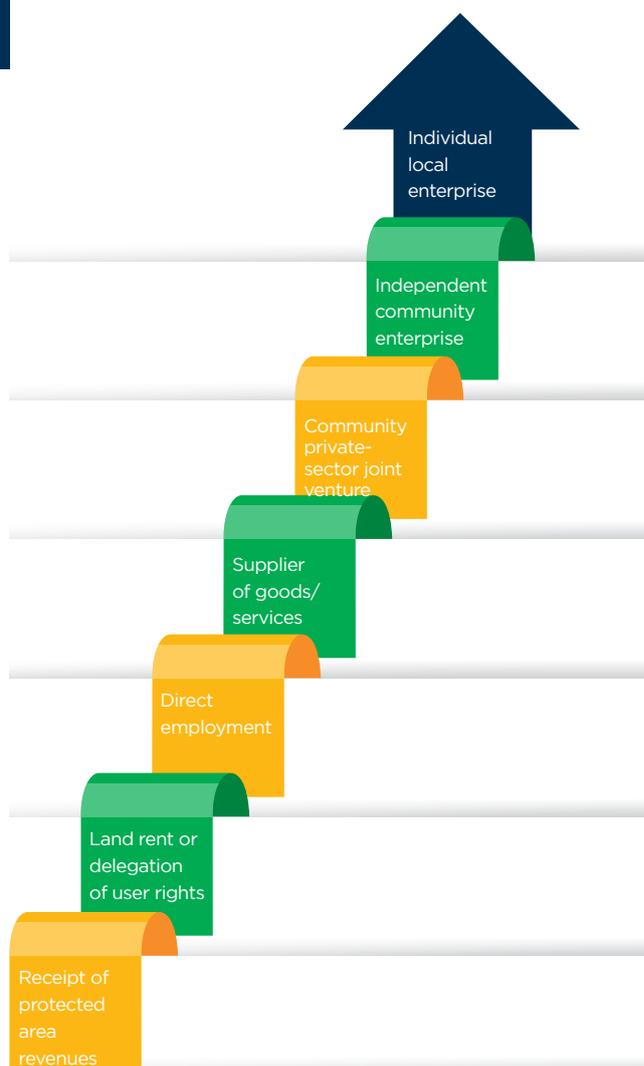
There are many different degrees of community participation. At a bare minimum, effective protected area authorities consult widely with locals, share information, listen to concerns, and design the concessions process with these issues in mind. Beyond this, communities can also participate more actively through the tourism value chain or by becoming concessionaires. The different types of involvement¹⁷ (shown on the right) require increasing levels of skill, risk and empowerment. They correspondingly tend to contribute to higher local development impacts. Effective concessions programs assess suitability of types of participation on a case-by-case basis.

Determining the most appropriate form of participation typically involves detailed analysis, in-depth consultation, and third-party support and training (often from NGOs) ahead of time.¹⁸

For participation that requires moderate or high levels of skill (e.g. community enterprises or joint-ventures), communities may require considerable and long-term technical and capacity building support in order to engage effectively.

An example of the types of improvements that can be generated through a concession are illustrated in the table to the right, for the Etendeka concession in the Palmwag conservancy of Namibia.¹⁹ In this case, concessioning generated benefits from capital investment, more local people were employed, a higher income was achieved for the state, and income was directed to the conservancies.

FIGURE 4: TYPES OF COMMUNITY PARTICIPATION BY INCREASING SKILL, RISK AND EMPOWERMENT



¹⁶ Adapted from Ashley, Roe and Goodwin (2000:4) Pro-Poor Tourism: Putting Poverty at the Heart of the Tourism Agenda. <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2861.pdf>

¹⁷ Adapted from Strasdas, W. (2001). Ecotourism in practice: The implementation of the socioeconomic and conservation-related goals of an ambitious tourism concept in developing countries. Cited in Strasdas, W., Corcoran, B., & Petermann, T. The Ecotourism Training Manual for Protected Area Managers. Zschortau, Germany: German Foundation for International Development (DSE), Centre for Food, and Rural Development and the Environment (ZEL).

¹⁸ International Finance Corporation (2012) Facilitating tourism investment in the Maputo Elephant Reserve: The tourism investment generation approach, Investment Climate Advisory Services, World Bank Group.

¹⁹ Thompson, A. (2008) Concessions in Namibia's protected areas. Presentation to the African Safari Lodges Program, The Grace Hotel, Rosebank, South Africa, 19-21 May 2008. Accessible from www.asi-foundation.org/news.php?id=241&catid=-. Note: Original values in Namibian Dollar, converted using exchange rate for 1 June 2008 of 0.13054.

PROJECT EXAMPLE: COMPARATIVE BENEFITS OF COMMUNITY PARTICIPATION IN JOINT VENTURE LODGE: ETENDEKA, PALMWAG CONSERVANCY, NAMIBIA²⁰

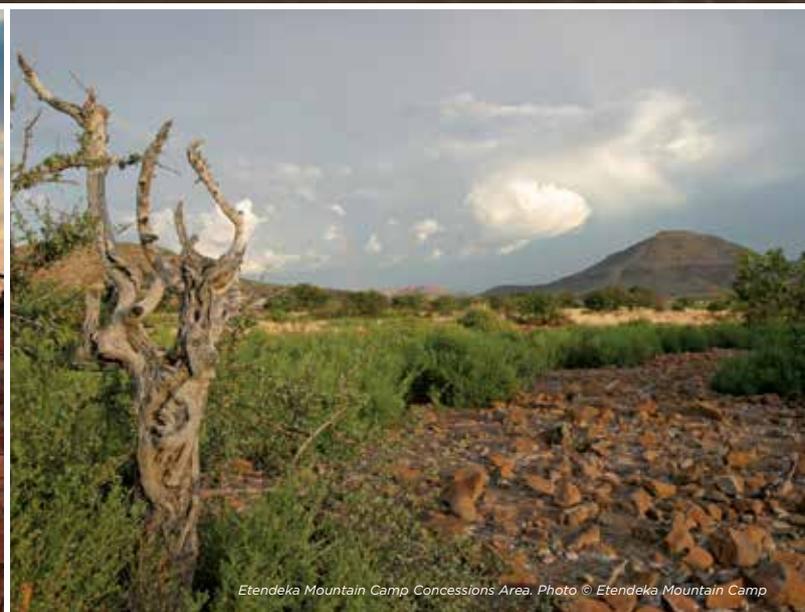
TABLE 1: COMMUNITY BENEFITS BEFORE AND AFTER JOINT VENTURE PARTICIPATION IN ETENDEKA, NAMIBIA

ETENDEKA BEFORE COMMUNITY JOINT VENTURE	ETENDEKA AFTER COMMUNITY JOINT VENTURE
Existing tented camp operating for 12 years	20 year concession issued to conservancies Capital raised for community ownership of: A redeveloped tented camp A fixed lodge
Concession held by private tourism operator	Partnership between conservancy & new investor to manage the facilities
6 staff employed	35 local staff employed
US\$5,220 income per annum for the State (N\$40,000 per annum)	US\$39,160 income per annum for the State (N\$300,000 per annum)
No direct income for communities	US\$78325 per annum paid to conservancies (N\$600,000) + ownership of the assets with an expectation of dividend earnings

In some cases, technical support agencies (e.g. NGOs) will have to engage with a community for several years before the community can make informed decisions to partner with the private sector in a joint-venture or as a community-based tourism initiative (i.e. where ownership is by a collective of community members). Expectations need to be managed for a significant period after the concession is awarded and the facility is being built and actually starts to generate income. A protected area authority must factor these elements into the overall concession planning timeframe. In some instances, authorities may invite NGOs to ready communities for concessioning a year or two in advance of a concession tender process (e.g. Maputo Special Reserve, Mozambique).²¹



Etendeka Mountain Camp Big Sky Lodges. Photo © Etendeka Mountain Camp



Etendeka Mountain Camp Concessions Area. Photo © Etendeka Mountain Camp

²⁰Thompson, A. (2008) Concessions in Namibia's protected areas, Presentation to the African Safari Lodges Program, The Grace Hotel, Rosebank, South Africa, 19-21 May 2008. Accessible from www.asi-foundation.org/news.php?id=241&catid=. Note: Original values in Namibian Dollar, converted using exchange rate for 1 June 2008 of 0.13054.

²¹ International Finance Corporation (2012) Facilitating tourism investment in the Maputo Elephant Reserve: The tourism investment generation approach, Investment Climate Advisory Services, World Bank Group.



Tourists visit Maputo Special Reserve, Mozambique. Photo © Hermione Nevill

**PROJECT EXAMPLE:
MOZAMBIQUE COMMUNITY JOINT VENTURE**

CHEMUCANE; AN INNOVATIVE PARTNERSHIP FOR THE ESTABLISHMENT OF ANVIL BAY LODGE IN PONTA CHEMUCANE (MAPUTO SPECIAL RESERVE)²²

This nature-based tourism lodge is a joint venture between a private sector investor, the Bell Foundation, and a local community association, Ahi Zameni Chemucane (AZC). Mozambique's government initiated the process, and scoped, planned and procured the investment via a competitive tender facilitated by IFC. The communities within the Chemucane were helped by an NGO to create a community legal structure that allowed them to enter into a joint venture partnership with the Bell Foundation.

The lodge is forecast to generate up to US\$3.5 million in annual turnover, yielding approximately US\$550,000 net income each year to the Chemucane community and an expected US\$550,000 in annual wages from jobs created. The community's 40 percent share in the project is funded by a zero-interest US\$500,000 loan from the African Safari Lodge Foundation (sponsored by the Ford Foundation) and a US\$500,000 grant from the Ministry of Tourism's Community Equity Fund (sponsored by the World Bank).

It was the first time Mozambique had given a long-term concession right to a community for a prime tourist site within one of the country's major nature reserves.

The lodge was built by local communities who also operate it. The project has already created about 30 full time jobs, and helped spur growth in an area with otherwise few opportunities for formal employment.

**PROJECT EXAMPLE:
SOUTH AFRICA SANPARKS**

WEIGHTING CONCESSIONS PROCUREMENT TO ENCOURAGE COMMUNITY INVOLVEMENT²³

In the concessions process developed by South African National Parks, bids included 'empowerment plans' which received 20% of the weighting during the proposal reviews. Elements included were:

1. Shareholding by historically disadvantaged individuals or groups.
2. Training and affirmative action in employment.
3. Business and economic opportunities for local communities.

Contracts signed by successful bidders required that they provide SANParks with an annual report to quantifiably account for their empowerment activities and achievements, in relation to their bid objectives. In this regard, SANParks reserved the right to impose penalties if concessionaires failed to meet their empowerment obligations. Proposals received for accommodation concessions in Kruger National Park ranged from 7.5% to 68% shareholding from historically disadvantaged individuals. By 2014 these concessions had achieved nearly 500 permanent and temporary jobs.

²² International Finance Corporation (2012) Facilitating tourism investment in the Maputo Elephant Reserve: The tourism investment generation approach, Investment Climate Advisory Services, World Bank Group.

²³ Spenceley, A. (2003) Tourism, local livelihoods and the private sector in South Africa: case studies on the growing role of the private sector in natural resources management. Sustainable Livelihoods in Southern Africa Research Paper 8, Institute of Development Studies, Brighton, accessible from <http://www.anna.spenceley.co.uk/files/TourismLivelihoods&PrivateSectorSpenceley.pdf>, pp51, and Pers Com. I Dokrat, SANParks, 2014.

WHY IS THIS IMPORTANT?

Market viability is essential for sustainable and profitable operations. Through analysis and research, all successful concessions programs establish market viability in the earliest stages of development. Profitable and sustainable operators will have assessed supply and demand factors

and moved forward, knowing that their product is competitive and meets market needs.

A number of factors may dissuade tourists from visiting even the most pristine attraction, and a poorly performing tourism concession won't deliver the types of benefits or 'value' that the protected area seeks.

Experienced investors evaluate a number of factors to determine viability. Before making a commitment to invest, prospective opportunities are typically scored. The most viable projects tend to do well in the following areas:

POLITICAL STABILITY

Uncertainty and conflict can place investments at risk, threaten the image and saleability of a destination, and in extreme cases threaten the security of staff and customers. Nearby developments and changing geographic/climactic conditions will also be considered.

COMPETITIVE BUSINESS ENVIRONMENT

Sensible, clear taxation and labour regulations and repatriation policies encourage foreign investment, as well as strong sector policies, clear concessions frameworks, functioning courts, as well as easiness and low administrative costs of compliance with business regulations.

SUITABLE ATTRACTIONS

The location must be sufficiently attractive, with a competitive asset base (natural beauty, wildlife populations, etc.) that meets market demand.

PROTECTED AREA MANAGEMENT

Management of the main attractions or assets is important. Successful concessions rely on regular infrastructure maintenance, provision of public facilities, efficient conservation management - as well as sound financial management by the protected area authorities.

MARKET DEMAND

The most idyllic concession will not be profitable if there is insufficient demand for its attractions. Demand projections are always calculated ahead of time.

MARKET SUPPLY

Many tourism operations prefer to be within a tourism cluster or circuit to aid access, packaging, promotion, and economies of scale. However, oversupply or saturation of similar products in a given area can be damaging to the environment as well as the viability of the concession.

ACCESS

Access, both to the protected area, and to the concession itself is important for both the management of the operations, and for visitors. The more difficult or expensive the access, the higher the cost to the business.

INFRASTRUCTURE

Good infrastructure lowers operating costs as well as the type of communications available in the area (phone and internet coverage). Solar power and boreholes, rainwater capture, or desalination plants might be considered for remote areas. Availability and environmentally sustainable options for garbage and sewage treatment should also be considered.

AN ESTABLISHED/DEVELOPING TOURISM INDUSTRY

Most investors prefer destinations with a positive brand or image, where authorities have experience working with the private sector. This might also help lower marketing and promotion costs.

REASONABLE OPERATING COSTS

This includes costs for inputs such as labour, fuel, food, utilities, and training, and standard expenditures such as fees, rents, and taxes.



**PROJECT EXAMPLE: MOZAMBIQUE ANCHOR PROGRAM
- MAPUTO ELEPHANT RESERVE²⁴**

AS PART OF THE INITIAL INDUSTRY DEMAND ANALYSIS ACTIVITY AT THE OUTSET OF THE PROGRAM, THE WORLD BANK GROUP EMBARKED ON A PROCESS OF DIRECT CONSULTATION WITH THE TOURISM INVESTMENT COMMUNITY.

Attending and presenting at international and regional tourism investment conferences provided the opportunity to network with hundreds of potential and existing tourism investors in Mozambique. To complement this informal information-gathering, the team also conducted a series of formal interviews with more serious investors.

The team:

- Gained a preliminary understanding of private-sector perceptions regarding business in Mozambique.
- Increased overall awareness of Mozambique as an investment destination.

- Tested and stimulated interest in the Elephant Reserve.
- Started building a long-list of interested investors and operators.

The Elephant Reserve concession sites were introduced to the three groups identified in the Reserve's investment strategy: international investors, regional investors, and majority national investors. The team actively built and managed relationships with these investors, continually updating an annotated short-list of interested parties. In addition, a quarterly newsletter was launched and distributed to over 600 international investors, which generated numerous queries and requests for further information.

²⁴ International Finance Corporation (2012) Facilitating tourism investment in the Maputo Elephant Reserve: The tourism investment generation approach, Investment Climate Advisory Services, World Bank Group.

DEVELOP STAKEHOLDER AWARENESS AND STRONG ENGAGEMENT

WHY IS THIS IMPORTANT?

A successful and sustainable concession process identifies and engages with stakeholders early on to understand their various concerns and expectations, and works with them to ensure a project's success. Dialogue over environmental, social, political, economic, or other concerns can help avoid problems and delays later on. Because protected areas are valuable to different groups and individuals for different reasons, effective concessions are built on shared trust and understanding among many stakeholders.



A SOUND STAKEHOLDER ENGAGEMENT PROCESS IS CONTINUOUS

It often begins before the start of a project and continues even after the project ends, and includes the following activities:

- Identifying the main stakeholders.
- Informing and communicating all relevant information to each stakeholder.
- Consulting with stakeholders and involving them in planning discussions.
- Negotiating with stakeholders over sensitive issues in complex projects.
- Involving stakeholders and reporting to them to keep them abreast of developments.



FIGURE 5: KEY ELEMENTS OF STAKEHOLDER ENGAGEMENT²⁵



TABLE 2: THE SEVEN MAIN TYPES OF CONCESSION STAKEHOLDER AND THEIR ROLES²⁶

TYPE OF STAKEHOLDER	ROLE IN THE CONCESSION PROCESS
National or local government/politicians	To ensure that the proposed concession satisfies all local and national legal requirements and meets the needs of their constituents. To initiate and guide the legal process of concessioning.
Protected area authorities	To ensure that the concession does not undermine conservation of the natural and/or cultural asset, and that it contributes financially to the management costs.
Private sector (including tourism and other sectors)	Will seek to benefit from the concession (directly or indirectly) and ensure that the concession does not harm their interests.
Local communities, individuals, action groups, leaders, landowners, etc.	To ensure the concession improves the livelihoods for present and future generations, and does not harm their environment or way of life.
Civil society organizations and groups with special interests	To represent the views of groups with less of a voice (marginalized communities) or no voice (wildlife, environmental issues).
Academic community	To provide advice on regional studies or of concessions in other locations.
Development community (including donor and development agencies)	To provide funding and technical support, which may include advising on poverty reduction initiatives, sustainability, and environmental protection.

²⁵ Adapted from IFC (2007) Stakeholder engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets, International Finance Corporation, Washington DC, pp13, accessible from http://www.ifc.org/wps/wcm/connect/938f1a0048855805beacfe6a6515bb18/IFC_StakeholderEngagement.pdf?MOD=AJPERES

²⁶ IFC (2007) Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets, International Finance Corporation, Washington DC, pp 10, accessible from http://www.ifc.org/wps/wcm/connect/938f1a0048855805beacfe6a6515bb18/IFC_StakeholderEngagement.pdf?MOD=AJPERES

ENSURE CONCESSIONING IS SUPPORTED BY A SOUND CONCESSIONS FRAMEWORK

WHY IS THIS IMPORTANT?

The more robust and transparent the concessions framework, the more successful and sustainable the concessions will be. When this framework is weak, changes to national policy or legislation that governs concessions may be required before beginning a concessions program. Making an accurate assessment of the weaknesses, how much work needs to be done, and the likely impact of these changes, will help to determine the type of intervention necessary, and the type of advisors that may be needed.

WHAT IS A CONCESSIONS FRAMEWORK?

It is the essential underlying architecture that enables a concession to be awarded and operated. It includes, but is not limited to, the legal and regulatory structure, and may also encompass the governance and institutional set-up, as well as practical tools and guidelines for implementation.

STRONG CONCESSIONS FRAMEWORKS ARE CLEAR, TRANSPARENT AND LEGALLY ROBUST

A supportive concessions framework is always clear and is based on sound foundational laws; it is supported by diverse stakeholders who have also had input; it is implementable through well aligned laws, policies and regulations; and it is a living framework that is monitored, evaluated and modified, as necessary. Strong legal frameworks for concessions have three broad dimensions:²⁷

International conventions: Such as the World Heritage Convention, Convention on the International Trade of Endangered Species, and the Convention on Biological Diversity outline commercial activities permitted at World Heritage Sites. Global conventions and guidelines influence and inform national policy and legislation.

- 1. Concessioning Policy framework:** Reflects the protected areas' Strategic Vision, and sets out the objectives, context and conditions for concessioning. Sound policies address the public interest and respond to collective needs on particular issues (e.g. poverty reduction, land tenure, income generation, etc.), and provide guidelines and procedures for effective implementation. Policies are not legally binding.
- 2. Concessions Legislation:** Laws and regulations provide the legal basis for concessioning. Laws can take the form of a Concessions or PPP law, amendments to pre-existing laws (land law, tourism law, investment law, etc.). The most effective laws provide general principles without being too explicit. They provide the mandate and framework for commercial activities including contract duration, protection of biodiversity, rights of the concessionaire, etc. Based on this, the government or the protected area authority may then develop sets of regulations that explicitly describe the process, procedures and details.

Lawmakers may also consider competition principles.

Competition law helps promote and maintain fair competition in national markets, protecting consumers and ensuring entrepreneurs can compete freely in the market economy. Competition principles vary between jurisdictions and concern state aid, deregulation, and other policies. In concessioning, competition issues include exclusive rights of access for a specific area, extension or expansion of a concession and incentives for tourism concessionaires to behave competitively.

PROJECT EXAMPLES: USA AND SOUTH AFRICA

USA: The 1998 Concessions Management Improvement Act improves concessions and increases competition. The National Park Service has since enacted management and implementing policies that guide its operations concerning private sector concession contracts.²⁸

South Africa: The Public Finance Management Act regulates all public private partnerships, including concessions. South Africa has progressively increased the number of PPP transactions covering a wide range of sectors, including transport, office accommodation, healthcare, eco-tourism, social development and correctional services. The National Treasury has developed a toolkit for implementing PPPs in state controlled game reserves and national parks.²⁹ All agreements require National Treasury approval and a defined process must be followed. Integrated into the process is the Broad-Based Black Economic Empowerment policy, which prioritises economic opportunities for the historically disadvantaged.³⁰

²⁷ Casimiro, R. (2012) Legal frameworks for concessions: Review of legal frameworks globally and in Southern Africa, Presentation made at the 'Concessioning tourism opportunities in conservation areas and maximising rural development; workshop, 19-22 March 2012, Indy Girrasol, Maputo, Mozambique, available at <http://www.slideshare.net/AnnaSpenceley/review-of-legal-frameworks-globally-rita-casimiro>

²⁸ Wyman, M., Barborak, J. R., Inamdar, N., and Stein, T. (2011) Best practices for tourism concessions in protected areas: A review of the field, *Forests*, 2, 913-928.

²⁹ www.gtac.gov.za/publications/toolkits

³⁰ National Treasury (2004) Public Private Partnership Manual: National Treasury PPP Practice notes issued in terms of the Public Finance Management Act, National Treasury PPP unit; Davies, R. (2010) CIA Post completion monitoring, South African National Park (Project ID9907), IFC internal report.

WHY IS THIS IMPORTANT?

A protected area management plan is a blueprint for the way a protected area will be run, covering both day-to-day and long-term operations. Management plans specify the type and degree of resource management needed to assure the ecological integrity of the protected area and the protection of its resources.

INVESTORS VALUE MANAGEMENT PLANS AND THEIR CONSISTENT AND EFFECTIVE IMPLEMENTATION

Robust plans send a message that the management of the destination has been thought through, has stakeholder buy-in, and that its resources are managed. This all reduces the risks for investors. With a management plan in place, it is less likely that ad-hoc decisions can be taken in response to external pressure. Successful concessions are generally found in protected areas that are well researched and managed, and strategically planned for tourism.

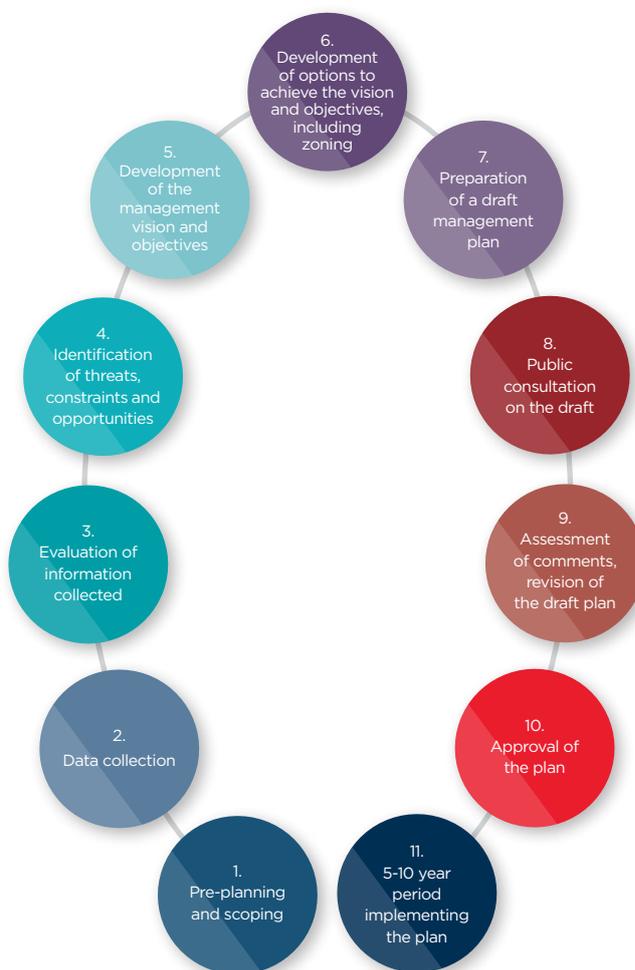
ROBUST MANAGEMENT PLANS OFTEN ACCOUNT FOR TOURISM ACTIVITIES

Good management plans typically provide the context for tourism, including concessions, and highlight the specific areas that are zoned or allocated for tourism. Zoning guides the spatial distribution of concession sites, providing protection for critical habitats and ecosystems. Zoning also separates conflicting human activities, allows reasonable human uses while protecting natural or cultural qualities, and allows damaged areas to recover. Some plans may include descriptions of the type and location of tourist facilities.

Within management plans, authorities use visitor planning tools to determine the scope of tourism activities. Approaches include: limits of acceptable change; visitor impact management; and defining sustainable tourism indicators for destinations as described in the IUCN Best Practice Guidelines on Tourism and Visitor Management in Protected Areas.³¹

Plans are produced by the protected area authority and are generally updated every five to ten years.

The process of developing a management plan generally entails the following steps:³²

FIGURE 6: DEVELOPMENTAL STEPS**PROJECT EXAMPLE: MOZAMBIQUE**

The Quirimbas National park, located in northern Mozambique and stretching for more than 100 kilometers along the country's coastline, implemented a management plan and a tourism development plan in 2009. The tourism plan includes information on the status and projections of tourism in the park, and also outlines a phased tourism development strategy for accommodation, attractions, and excursions. This includes maps of the park, potential locations for future tourism concessions, and fees charged for tourism.

The plan also includes an entire volume on guidelines for tourism development and operations in the park, with considerations for environmental management, transport and access, and local economic linkages. The plan provides a solid basis for any future concession planning.³³

³¹ Leung, Y-F., Spenceley, A., Hvenegaard, G., and Buckley, R. (2016) Tourism and visitor management in protected Areas: Guidelines for sustainability, 3rd Edition, IUCN, Gland.

³² Thomas, L. and Middleton, J. (2003) Guidelines for management planning of protected areas, Best practice protected Area Guidelines Series No. 10, Cardiff University and IUCN, pp23-25.

³³ National Treasury (2004) Public Private Partnership Manual: National Treasury PPP Practice notes issued in terms of the Public Finance Management Act, National Treasury PPP unit ; Davies, R. (2010) CIA Post completion monitoring, South African National Park (Project ID9907), IFC internal report.

WHY IS THIS IMPORTANT?

Choosing the right concession model will help ensure a successful concessioning process and maximize the socio-economic benefits expected from tourism.

Effective programs understand the implications of each type of concession model (the level of control and responsibility, risk transfer, revenue sharing, community participation, etc.) and select the most appropriate for the context. The best model will depend on the objectives of the protected area authority, the level of risk they are willing to incur, and the legal framework.

A concession model is the legal and financial structure under which the concession will be owned and operated. While usually categorised as a form of Public Private Partnership (PPP), there are a number of different concession models that can be applied within this spectrum.

ROLES AND RESPONSIBILITIES VARY BETWEEN THE DIFFERENT MODELS

Concessions are just one type of public private partnership that can be used to encourage private participation in tourism services.

TABLE 3: THREE COMMON MODELS USED FOR PRIVATE SECTOR PARTICIPATION IN PROTECTED AREAS

CONTRACT NAME	DESCRIPTION	DURATION	FUNCTIONS TRANSFERRED TO A PRIVATE OPERATOR	PAYMENT MECHANISM
Concession	The Authority awards long-term user-rights to a third party (private owner or owner/operator, or community group) to build and manage a tourism facility. In some cases the concessionaire can sub-lease the facility to an operator or management group. The concessionaire has responsibility for all investment and is usually accountable for management of the facility.	10 - 40 years. Concession periods vary greatly for different countries.	Design, rehabilitate, extend or build, finance, maintain, and operate - typically providing services to users/tourists. The facility is usually transferred back to the concessioner (authority) at the end of the concession period.	Private operator pays a fee to government (could also include share of revenue).
Lease	The Authority creates a lease agreement with the private concessionaire. Private operator thus leases facility (pays rent) and assumes full operating responsibility, with the government typically remaining responsible for capital expenditures on assets.	Typically more than 5 years.	Maintain and operate, providing services to users.	Private operator pays a fee to government.
Management Contract	Government enters into an agreement with a private operator to manage an existing tourism facility and pays the private operator a fixed management fee based on performance. For example, management of existing accommodation, restaurant or retail facility. Can include responsibility for operations and maintenance of assets (O&M Contract), but typically government remains responsible for all investments.	Typically less than 5 years.	Manages a range of specified activities.	Government pays the private operator a fixed management fee. There may also be a performance based fee.

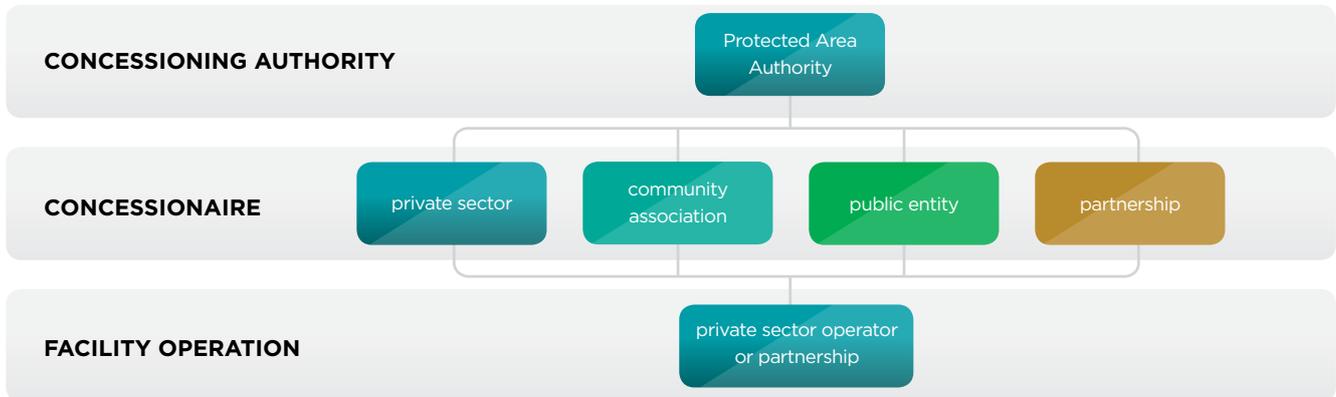
Concessions are by far the most common model in protected areas, with some lease arrangements where existing authority-owned infrastructure already exists.

All models mean sharing risks and rewards to deliver the tourism product. Inexperienced authorities might grant the private sector more responsibility; confident authorities might take on a greater role. Whatever the arrangement, a successful agreement should last long enough for the investor to generate a reasonable return.

THERE ARE DIFFERENT TYPES OF CONCESSIONAIRES

Bodies that enter into concession agreements with protected area authorities are usually private entities, but can also be public or quasi-public, community associations, or combinations of any of these – such as private-community partnerships.

FIGURE 7: EXAMPLES OF DIFFERENT TYPES OF TOURISM CONCESSIONS



A large number of concessionaires both build and operate the facility, but in some cases, usually where the private sector is not the concessionaire, there will be a different entity given the responsibility to manage the concession development or existing tourism facilities (under a management contract or a lease). There have been cases in the past where community

associations or other organizations have taken on the role of management, but this is unadvisable given the recorded low level of success. The main purpose for concessioning should be to bring private sector expertise in operating and marketing to better manage tourism as a revenue generating activity for the protected area.

EXAMPLES OF INSTITUTIONAL ARRANGEMENTS IN SOUTH AFRICAN TOURISM CONCESSIONS



Photo © Singita Lebombo Lodge.



Photo © Wilderness Safaris, Rocktail Beach Camp.



Photo © Credit: Buffalo Ridge Safaris.

PRIVATE SECTOR OWNER AND OPERATOR

Singita holds a concession from the protected area authority SANParks in Kruger National Park, and also manages the lodge (Singita Lebombo) under their own brand.

The concessions agreement includes environmental and socio-economic requirements, including local procurement and employment. Singita pays a minimum fee or a percentage of revenue (if higher) to SANParks.³⁴

JOINT VENTURE OWNED, PRIVATELY OPERATED

Rocktail Beach Camp is operated by Wilderness Safaris and leased by a joint-venture (JV) from iSimangaliso Wetland Park. The JV is made up of Wilderness Safaris and a Proprietary Limited Company (PTY). The PTY is made up of Wilderness Safaris and the KwaMpukane Community Trust (50 percent each). 8.5 percent turnover is paid to the iSimangaliso Wetland Park Authority, with 8% of rent given to community.

The Joint-venture also developed iGugulesizwe community centre with various tourism tours and accommodation outside the reserve.³⁵

COMMUNITY OWNED, PRIVATELY MANAGED

Thakadu Lodge and Buffalo Ridge Lodge in Madikwe Game Reserve, are both owned by communities (Batlokwa and Balete respectively), on land leased from the North West Parks and Tourism Board (NWPTB). The facilities are sub-leased to the Madikwe Collection (private operator) who manages and operates the enterprise.³⁶

³⁴SANParks (2011) Request for qualifications issues by South African National Parks in respect of the proposed public private partnership project for the Nwanetsi concession in the Kruger National Park, Accessed from http://www.sanparks.org/docs/groups_tenders/2011/nwanetsi/rfq-nwanetsi.pdf on 27 March 2015 and Department of Environmental Affairs and Tourism (2007) National Assembly, Question no. 1213, Internal Question paper no. 25 of 2007, Accessed from https://www.environment.gov.za/sites/default/files/parliamentary_updates/question1213.pdf on 27 March 2015

³⁵ Spenceley, A. (2008) Rocktail Beach Camp, Presentation at the African Safari Lodges practitioners workshop, The Grace Hotel, Rosebank, South Africa, 19-21 May 2008.

³⁶ Massyn, P. J. (2008) Madikwe Community Lodges: Thakadu River Camp, Buffalo Ridge Safari Lodge, African Safari Lodges practitioners workshop, The Grace Hotel, Rosebank, South Africa, 19-21 May 2008.

THE TYPE OF CONCESSION MODEL, AND THE PREFERRED CONCESSIONAIRE ARRANGEMENTS ARE DECIDED IN ADVANCE

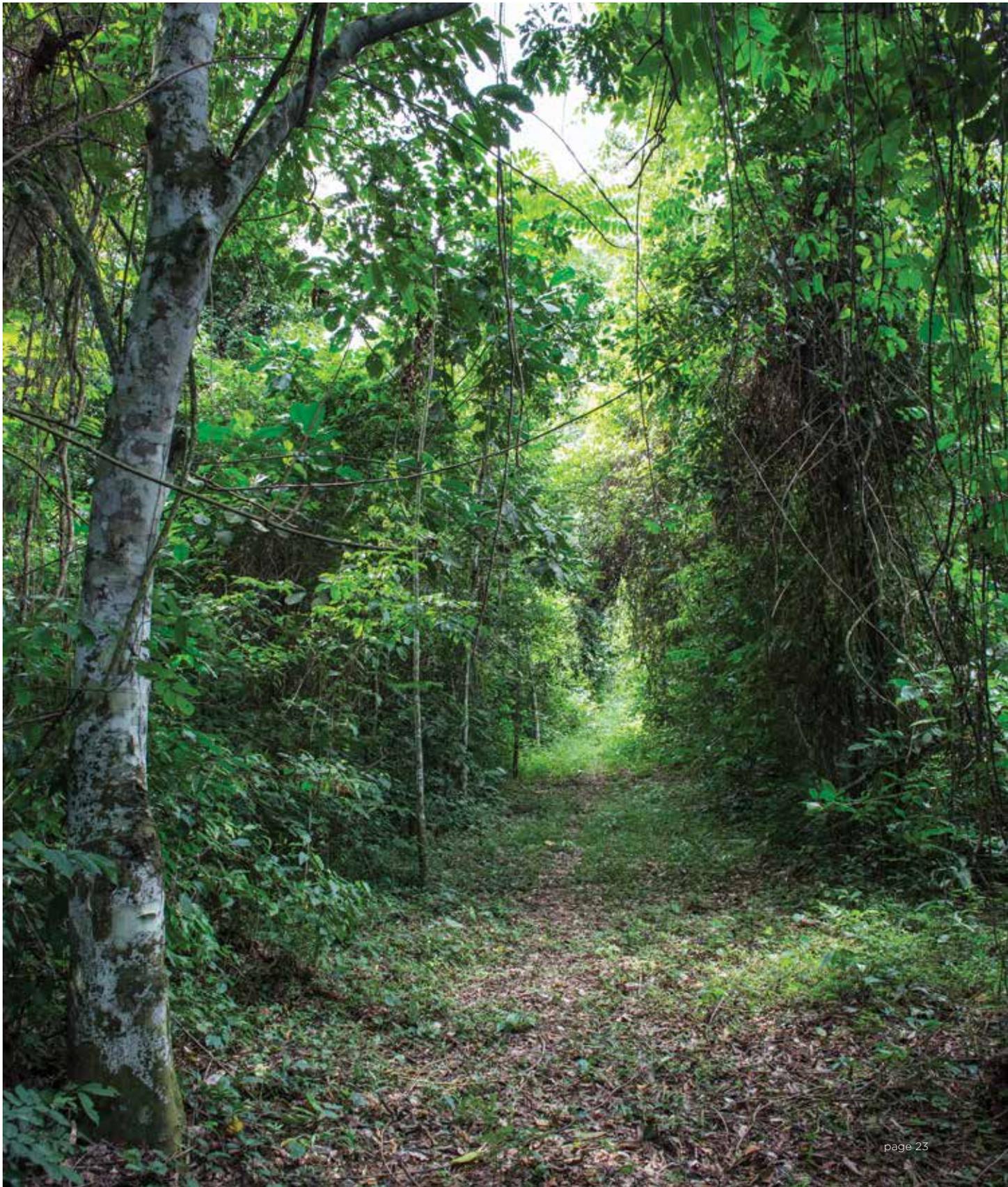
When deciding the best strategy to take, successful protected area authorities use their primary objectives, the projected viability of concession sites, investor appetite and their Park Management Plans.

These considerations have an impact on the preferred model and concession arrangements. In the most effective concessions programs the authority predetermines the

types of concessionaire (investor) in advance, in order to better target their offer when it comes to taking the opportunities to market.

LEGAL, FINANCIAL, SOCIAL, AND ENVIRONMENTAL RESPONSIBILITIES OF CONCESSIONAIRES VARY

There is a broad range of options for the type and extent of responsibilities placed on a concessionaire. The responsibilities relate to the priorities of the particular protected area authority, the investor, and the specific concession.



EMPLOY TRANSPARENT AND CLEAR PROCUREMENT PROCEDURES

WHY IS THIS IMPORTANT?

The most successful concessions regimes employ transparent, well planned, and often competitive processes that result in a balanced deal, a qualified investor, and a viable, sustainable project. These 'procurement' procedures can make or break a concessioning process - and the reputation of the protected area authority.

A well-designed competitive procurement process should result in the identification of competent concessionaires that can develop a tourism concession in the most effective and efficient way - both from a technical, and value-for-money perspective.³⁷ A well designed process should result in:

- An agreed contract.
- A satisfactory deal and solution for both the protected area authority and investor (relating to the costs, benefits, and opportunity costs).
- Strong environmental and socio-economic benefits that are agreed.
- A contract period that is sufficient for the investor to make a return on their investment and provides security over the term of the agreement for both sides.

THERE ARE IMPORTANT BEST PRACTICES IN DEVELOPING A SOUND PROCUREMENT PROCESS

A qualified technical team is essential. To ensure a well-governed procurement process, it is critical that qualified and appropriate people are involved in managing the process all the way through. Members of the committees set up to manage different elements (especially bid evaluation) should be trustworthy, technically competent, and fair. Establishing appropriate composition of the group, and an appropriate mix of skills and expertise, is critical in ensuring an effective transaction.

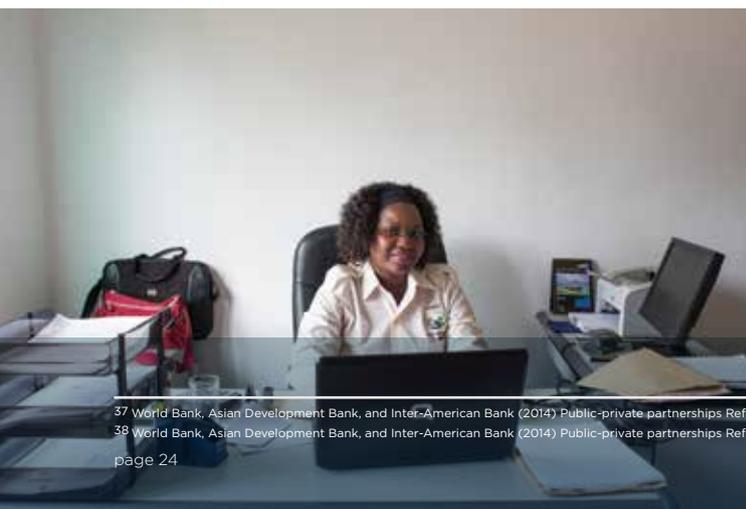
GOOD PROCUREMENT PROCESSES:



Authorities make key decisions depending on the needs of all parties:

When designing a competitive procurement strategy, the authority will define key elements of the process:³⁸

- **Pre-qualification:** whether to use a pre-qualification process to select a short-list of firms or consortia that will participate in the bidding process.
- **Bid process:** whether to use a single-stage process to select the preferred bidder, or a multi-stage process, in which proposals and the bidding documents may be reviewed and iterated.
- **Negotiation with bidders:** to what extent discussions with bidders may lead to changes in the initial draft contract: either during the bidding process (with multiple bidders), or after final bids have been submitted.
- **Basis for award:** whether to rank proposals and choose the preferred bidder based on a single financial or value-related criterion (after screening for technical merit), or some weighted evaluation of financial and technical criteria.



³⁷ World Bank, Asian Development Bank, and Inter-American Bank (2014) Public-private partnerships Reference guide: version 2.0, International Bank for Reconstruction and Development.

³⁸ World Bank, Asian Development Bank, and Inter-American Bank (2014) Public-private partnerships Reference guide: version 2.0, International Bank for Reconstruction and Development, pp174.

DIRECT NEGOTIATIONS AND UNSOLICITED PROPOSALS

Direct negotiation may be preferred in some instances. (For small projects, for example, where there is limited competitive interest, or extensions of existing contracts). Direct negotiation is not necessarily faster than competitive procurement, however, and open tenders can demonstrate an authority's commitment to transparency, and help to secure the best investor and the best deal for the project. Best practice assumes competitive and transparent procurement. There is research into how unsolicited proposals can be managed to protect transparency in the procurement process, but this is typically a difficult thing to accomplish.

METHODS AND DURATION OF PROCUREMENT DIFFER AMONG PROTECTED AREA AUTHORITIES

The preferred procurement method used by a selection of protected area agencies is outlined below, and includes the typical duration for each process.³⁹



TABLE 4: PROCUREMENT METHODS BY A SELECTION OF PROTECTED AREA AGENCIES

PROTECTED AREA AGENCY	PREFERRED METHOD	DURATION OF PROCUREMENT (EFFORT)	
		SMALL CONCESSION (E.G. BUSINESS LICENSE, GUIDING)	LARGE CONCESSION (E.G. WITH INFRASTRUCTURE DEVELOPMENT)
Parks and Wildlife Service, Tasmania	Unsolicited (small) Tenders (large)	3 weeks in parks	6-18 months
Great Barrier Reef Marine Park Authority, Australia	Unsolicited (first come, first serve).	8-10 weeks, 4 months for Expression of Interest process	Longer (not specified)
Parks Canada	Tender	3-6 months	60 days
Ministry of Environment and Tourism, Namibia	Direct award to communities, tender, auction (hunting areas), direct with applicants	3-12 months	12-14 months
New South Wales, Australia	Tender	4-12 weeks	6-18 months
US National Park Service	Tender	2 years	2 years

PROJECT EXAMPLE: SOUTH AFRICA

South Africa's Public Private Partnership manual is a public document, aligned with the country's Public Finance Management Act.⁴⁰ The manual outlines the approach to small and large capital investment projects.

It also includes templates for procurement documents, and proposal evaluation checklists that can be used by protected area authorities during concessioning. It gives investors clear information on the process that will be followed.

DIRECT NEGOTIATION DEFINITION:

A direct negotiation is the bilateral negotiation process between a sponsor and a concessioning authority over the terms and conditions of the concession. This process requires sound legal counsel and typically takes place in the absence of a competitive process, or after an award has been made.

UNSOLICITED PROPOSAL DEFINITION:

An unsolicited proposal is a concessions proposal received by the protected area or Government Authority outside of a formal process or request for proposal (RFP). The sponsor may have already identified a site or opportunity, and may be looking for a means to negotiate directly. In some cases, an unsolicited proposal may trigger the launch of a competitive process, because it demonstrates to the authority that there is interest in a site, and that other bidders should also be given an opportunity to submit proposals.

³⁹ Adapted from Thompson, A. (2009) Scan of concessions systems and best practice, The United States, Canada, Australia, Namibia and New Zealand's fisheries management system, Department of Conservation, New Zealand.

⁴⁰ www.ppp.gov.za

WHY IS THIS IMPORTANT?

Effective contracts are comprehensive, clear, and protect the interests of all parties. Without equitable contracts, the partnership between the concessionaire and the other parties may be strained or even fail. A good contract might also be flexible to allow for changes in circumstance. An effective contract achieves the right balance of responsibilities and accountabilities and addresses issues important for financing (allocation of risks and rewards, transfer and assignment of rights and termination).

A concession agreement, or contract, describes the legal rights and obligations of all signatories concerning the concession.

EQUITABLE CONTRACTING INCORPORATES A VARIETY OF KEY ELEMENTS

The best concession agreements stipulate all aspects related to design, construction, maintenance, and performance monitoring of the concession. Successful contracting processes incorporate the following elements:⁴¹

- **Accurate identification of the parties:** The contract should identify the parties as completely as possible.
- **Clear payment terms:** The contract should explicitly state the exact payment terms.
- **Flexible covenants:** Restrictive covenants should be avoided if possible. Such clauses either should not extend beyond the termination of the contract or should not apply if the contract is terminated for cause.
- **Be legally valid and comprehensive:** Always ensure a legal review of the contract.
- **An appreciation that there will be problems:** Include an appropriate dispute resolution processes.
- **Provisions relating to defaults, opportunities to cure and termination:** These provisions promote performance and avoid litigation. Alleged contractual breaches must be raised when they arise.
- **Adequate negotiation:** To discuss and ultimately agree upon all terms.
- **Clear understanding/deadlines/penalties:** All parties should demand explanations and seek answers to contract queries. A timeline for project completion is imperative along with penalties.
- **Contract language/s and translations.** If there are copies in different languages, only one version is a binding contract.
- **Boilerplate provisions.** Protect the rights and privileges of the parties, like Notice Provisions, Assignment, Warranties, Indemnity, Consent to Jurisdiction, Dispute Resolution, Modification of Agreement.

- **All parties have signed:** Sign simultaneously or sign last, so nothing can be changed.
- **Clear internal procedures and protocols:** To ensure contractual compliance.

**PROJECT EXAMPLE:
MOZAMBIQUE**

Mozambique's government added a draft partnership agreement to the Requests for Proposals for tourist developments in the Maputo Elephant Reserve. The bidders' proposals had to include a schedule of proposed amendments to the partnership agreement in a specified format. Once a preferred bidder was selected, the partnership agreement was negotiated. These draft contracts were developed based on best practice and stipulated all aspects referred to in this section (i.e. concession period, payments, conditions precedent, design, construction and maintenance, and performance monitoring). The disclosure of the draft partnership agreement at an early stage of the process helped ensure that the tender process was fair, transparent and efficient.⁴²

**PROJECT EXAMPLE:
SANPARKS, SOUTH AFRICA**

World Bank Group best practice tries to avoid any post-award negotiation of the concession agreement, to safeguard transparency. In the SANParks process, bidders were issued with a draft concession agreement, asked to mark-up the agreement and submit comments and invited to a bidders conference where all comments were discussed. Following the bidders conference, SANParks issued a final bid package including a final Request for Proposal and a final concession agreement, which was not negotiable. All bidders had to submit a signed agreement with their bids and the winning bidder's agreement was countersigned.⁴³

⁴¹ Grove, A. S. (1996) Only the Paranoid survive, cited in CRISIL (2013) Lesotho Tourism Public Private Partnership Contract Management Consulting, Contract management Manual and resources, Volume 2: Contract management training manual.

⁴² International Finance Corporation (2012) Facilitating tourism investment in the Maputo Elephant Reserve: The tourism investment generation approach, Investment Climate Advisory Services, World Bank Group.

⁴³ Peter Fearnhead (2003), Commercial Tourism Concessions: a means of generating income for South African National Parks, 9th World Parks Congress: Sustainable Finance Stream September 2003, Durban, South Africa.

Contract management can be defined as ‘the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk’.

WHY IS THIS IMPORTANT?

A signed contract marks only the beginning of a partnership. Managing a contract helps ensure that a mutually beneficial, long-term relationship develops between the protected area authority and the concessionaire. Contract management recognizes the unique needs, constraints, and goals of each party, and ensures risks have been adequately transferred. The key to managing effectively beyond the original deal is regular communication.

Savanna Lodge. Photo © longtaildog

EFFECTIVE CONTRACT MANAGEMENT HAS FIVE MAIN OBJECTIVES

The duration of a concession agreement may by far exceed the tenure of individual staff members in the protected area authority or the concessionaire enterprise. Effective management during this period is critical to the long-lasting and mutual success of the partnership. Relationship management and institutional memory are vital. Contract management over the lifecycle of a concession has five main elements, as outlined below:

OBJECTIVES OF CONTRACT MANAGEMENT

- 1 To manage the partnerships and establish good working relationships.
- 2 To define roles, responsibilities and protocols.
- 3 To measure performance and results against required objectives.
- 4 To enable administrative processes required for effective management.
- 5 To react in timely fashion, manage variations and settle disputes.

In the best cases, the protected area authority produces a document that includes:⁴⁴

1. **A concession management manual:** Includes an overview of the project objectives and concession team, governance, communication and meeting plans, issues relating to construction, payment, performance, and risk management.
2. **A contract management plan:** Outlines the contract implementation schedule through the development, operation and exit phases. It includes the strategic objectives and key deliverables, transition, relationship, and service management, contract administration, contingency plans, exit strategy and implementation plan.

Engaged and efficient contract managers are key resources to protected area authorities⁴⁵

They will possess a variety of skills, including those that focus on contract and project management, and on legal, analytical, financial, and business issues. They might also display skills in market evaluation, environmental/heritage, and infrastructure and support. Other important traits for an ideal contract manager include:

- Ready to engage specialists on contract management (including legal expertise).
- Institutional training at functionary level for the effective implementation of concession operations.
- Understanding of the tourism industry management issues and economic realities of concession operations.
- Knowledge of the organizational policy of the protected area authority.
- Ability to interpret and implement national legislation relating to tourism concessions.

⁴⁴ CRISIL (2013) Lesotho Tourism Public Private Partnership Contract Management Consulting, Contract management Manual and resources, Volume 2: Contract management training manual.

⁴⁵ Varghese, G. (2012) Concessions processes: Public private partnerships, South African National parks; Pawliczek, M. (2012) Concessions management in Madagascar, and Rodrigues, A., and Booth, V. (2012) Tourism concessions management in Niassa National Reserve: The combined roles of governance, monitoring and research, 2000-2012; All presentations made during the ‘Concessioning tourism opportunities in conservation areas and maximising rural development; workshop, 19-22 March 2012, Indy Girrasol, Maputo, Mozambique, all accessible at <http://www.anna.spenceley.co.uk/presentations.htm#U0aG51xuHwI>; Buckley, R. and Sommer, M., (2001) Tourism and protected areas: Partnerships in principle and practice, CRC for sustainable tourism, accessible at <http://www.sustainabletourisonline.com/12/natural-protected-area-assets/tourism-and-protected-areas-partnerships-in-principle-and-practice>: pp21-31

SANParks Approach to contract management: 'Not one of us is as good as all of us!'

SANParks has high risk projects with large capital investment, and a small, strong contract management function with specialist expertise (legal, environmental) where necessary for contentious issues. Contract Management issues are given priority in the organization with established mandates, and responsibilities and accountability are fully identified. Their management framework allows for consistency in their approach to all PPP projects.

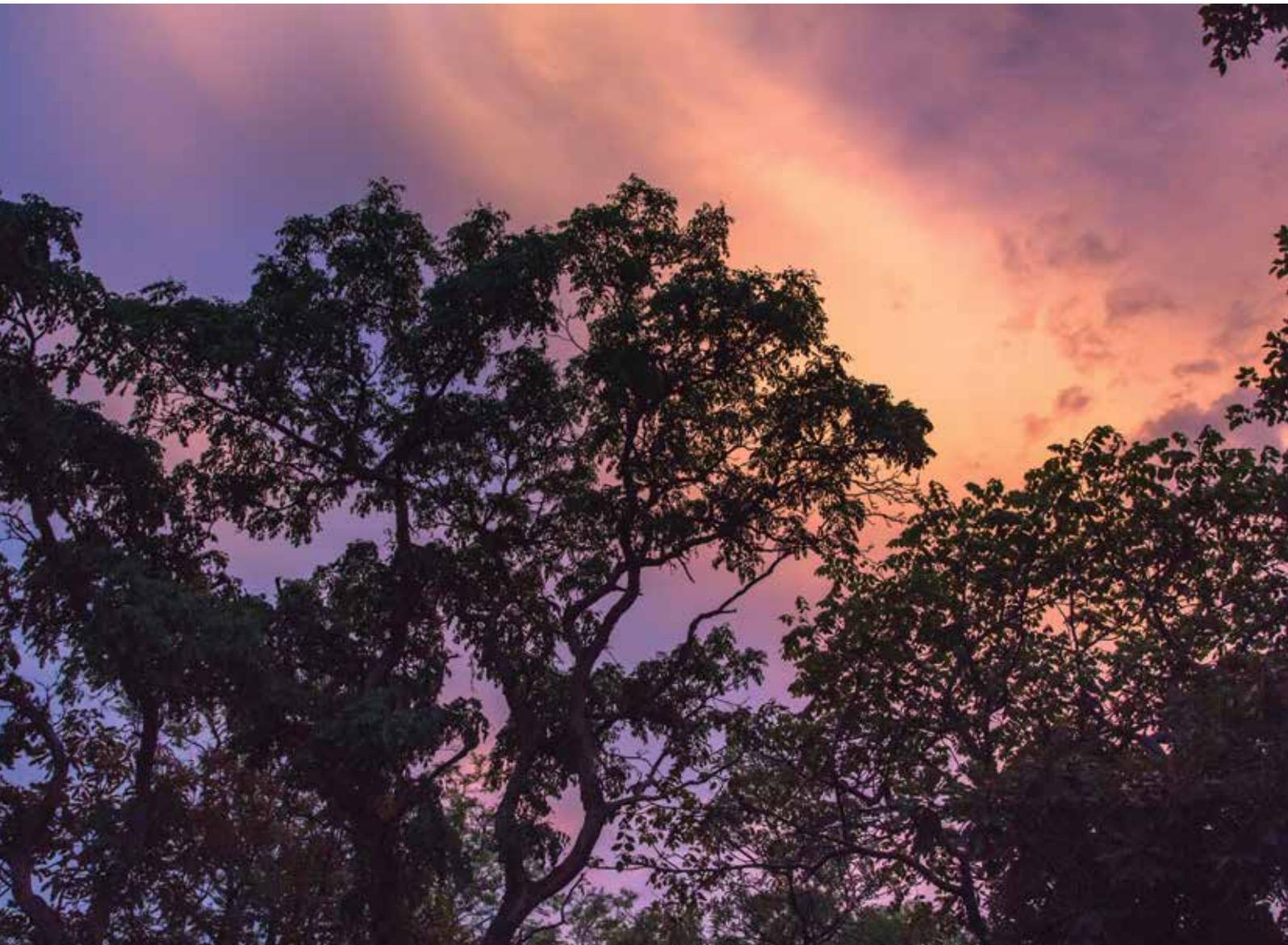
They have:

- A formal and systematic monitoring system:
 - Repeated measurement of selected variables to detect changes.
 - Comparison of actual performance and compliance with agreed levels and standards.
 - Provision of early indications of progress or lack thereof in the achievement of commercialization objectives.

- Resources are established at inception stages to ensure management in a highly effective, efficient and professional manner.
- Combination of project management, legal, analytical, financial, business acumen, market evaluation, environment/heritage, infrastructure and support skills.
- An understanding of tourism industry management and tourism industry management and economic realities of concession operations.
- Knowledge of organizational policy.
- Ability to interpret and implement PPP legislation.
- Negotiation and contract management skills.

The results?

The organization has an effective enforcing legal mechanism and a good understanding and consideration of the complexities. Their consistent approach has allowed them to be firm but fair-minded and flexible where necessary, and an overall integrity in the process has paid off in securing private investors.⁴⁶



⁴⁶ 'Concession Contract Management & Monitoring' Presentation: Sept 2014, SANParks.

WHY IS THIS IMPORTANT?

Risks are associated with all concessions programs. Successful concession regimes practise effective risk management by identifying, mitigating, and monitoring risk through stakeholder engagement, site assessments, regular reporting, adequate due diligence, and employing experienced/reputable technical personnel.

Adequate identification of those risks, and planning responses, can make the difference between success and failure. Risks can lead to costly delays, work stoppages, threats to the operation, negative publicity, and reputational harm. Tourism concessions face a multiplicity of risks, especially those based in regions with weaker legal or political or systems, or in areas vulnerable to extreme or unpredictable weather conditions. A few of the more important risks tourism concessions might face are listed below:

Risk management is the forecasting and analysis of potential financial and non-financial risks, and identifying procedures to mitigate or eliminate their impact. Risks can arise at the local, national, or international levels and be either internal or external to a tourism project.

FIGURE 8: RISKS FACED IN TOURISM CONCESSIONING**APPLYING RISK MANAGEMENT TO TOURISM CONCESSIONS**

Sound risk mitigation systems establish standards, and identify and monitor changes in those standards throughout the life of a tourism concession. Managing risk might require additional external support from specialists. The IFC's Sustainability Policy identifies eight broad areas of performance standard monitoring:⁴⁷

- *Standard 1:* Environmental and social risks and impacts.
- *Standard 2:* Labour and working conditions.
- *Standard 3:* Resource efficiency and pollution prevention.
- *Standard 4:* Community health, safety, and security.
- *Standard 5:* Land acquisition and involuntary resettlement.
- *Standard 6:* Biodiversity conservation and sustainable management of living natural resources.
- *Standard 7:* Indigenous peoples.
- *Standard 8:* Cultural heritage.

⁴⁷ IFC (2012:4) Performance Standards on Environmental and Social Sustainability are available from http://www.ifc.org/wps/wcm/connect/c8f524004a73daeca09afd998895a12/IFC_Performance_Standards.pdf?MOD=AJPERES

PROJECT EXAMPLE: MANAGING ENVIRONMENTAL RISK IN SOUTH AFRICA

South Africa: Concessionaires in Kruger National Park undertook Environmental Impact Assessments as part of their infrastructure development planning. Environmental Management Plans were also devised for the construction and operational phases of the concession, which provided the basis for monitoring compliance with environmental standards. Monitoring targets were established in relation to the length of new roads developed, the number of beds, water consumption, waste production, and specific game drive guidance (e.g. minimum approach distances for Big Five wildlife). Concessionaires employed environmental control officers to monitor and report on environmental impacts. Stiff penalties were applied for every incidence of non-compliance with the environmental conditions of the concession agreement.⁴⁸



*Tourists explore buffer zone, Isalo National Park, Madagascar.
Photo © Hermione Nevill*

⁴⁸ Spenceley, A. (2004) Responsible nature-based tourism planning in South Africa and the commercialisation of Kruger National Park, In Diamantis, D. (ed) Ecotourism, Thomson, pp 267-280.

WHY IS THIS IMPORTANT?

Monitoring and Evaluation (M&E) is essential to understanding the impact and performance of a concession. In the long term, M&E *“provides government officials, development managers, and civil society with better means for learning from past experience, improving service delivery, planning and allocating resources, and demonstrating results as part of accountability to key stakeholders”*.⁴⁹ A thorough M&E program helps answer the questions: Has concessioning been a success? What can be done better next time? Effective concessions are effective because they almost always modify or update their approaches or systems.

Monitoring and evaluation (M&E) involves learning from experience, adapting to changing conditions, updating practices, or implementing new ones, when necessary.

M&E helps track progress in line with the concession agreement, and identify any discrepancies early on.

The findings can later be used to adapt concession processes (e.g. where particular issues arise or where the financial revenues are substantially different to what had been anticipated).⁵⁰

M&E can assess the:

- Efficiency and cost-effectiveness of the concessioning process.
- Impact of the concession (economically, socially, environmentally, politically).
- Performance of the concessionaire to meet its contractual obligations.
- Opportunity cost of alternate development options (other than concessioning).
- Success of a commercialisation strategy within protected areas.

Both the authorities and the private sector have M&E responsibilities.

The protected area authority is the ultimate entity responsible to ensure that the objectives and specifications of the concession agreement are met. However, monitoring is often also the private sector’s role. Reports on their performance should be regularly provided to the authority as specified in the concession agreement (for example, water use, or community benefits).

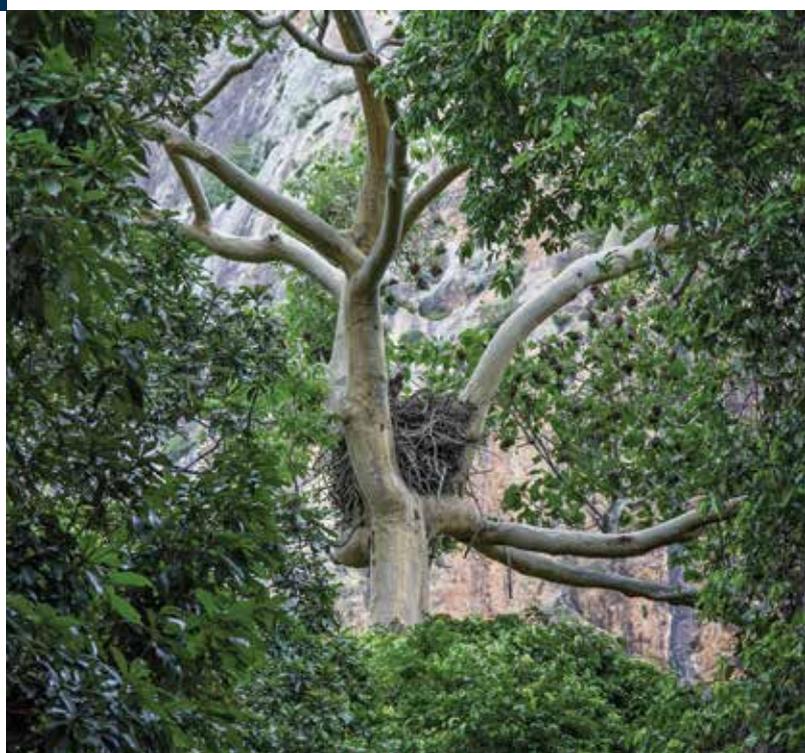


⁴⁹ World Bank (2004:5) Monitoring and Evaluation: Some Tools, Methods and Approaches. World Bank: Washington.

⁵⁰ World Bank (2004:5) Monitoring and Evaluation: Some Tools, Methods and Approaches. World Bank: Washington.

AN INTRODUCTION TO TOURISM CONCESSIONING: 14 CHARACTERISTICS OF SUCCESSFUL PROGRAMS

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