Zimbabwe Parks and Wildlife Management Authority

Commercial Revenue Model Assessment

June 2014

Prepared by Conservation Capital with and on behalf of the African Wildlife Foundation

AFRICA BIODIVERSITY COLLABORATIVE GROUP

This report is made possible by the generous support of the American people through the United States Agency for International Development (USAID) under the terms of Cooperative Agreement No. RLA-A-00-07-00043-00. The contents are the responsibility of the Africa Biodiversity Collaborative Group (ABCG). Any opinions, findings, conclusions, or recommendations expressed in this publication are those of the authors and do not necessarily reflect the views of USAID or the United States Government. This publication was produced by **African Wildlife Foundation** on behalf of ABCG.

CONTENTS

1. INTRODUCTION

The African Wildlife Foundation (AWF) was invited by the Zimbabwe Parks and Wildlife Management Authority (ZPWMA) to conduct an assessment of its present commercial revenue model, with the aim of optimising revenue generation in support of Zimbabwe's conservation estate and to enable ZPWMA to be financially sustainable.

AWF has worked with protected area authorities across Africa to help plan, develop, expand and enhance protected areas, improve management of protected areas and to create new protected areas. AWF was requested to help ZPWMA to review their structure; assess operational needs and costs; evaluate revenue; and determine how the authority can revise its structure and/or strategy to maximize revenue to support protected area operations.

ZPWMA has been challenged by Zimbabwe's economic decline over the past decade and wider global economic challenges. These dynamics have led to a decline in tourism in Zimbabwe, resulting in a revenue deficit for ZPWMA. In addition, Zimbabwe's unstable investment market has also led to a decline in tourism and wildlife based investment.

AWF has reviewed ZPWMA's strategy and operations by means of seven in-person meetings with ZPWMA team members in Harare and extensive desk-based research and review of information provided by ZPWMA. AWF has also analysed third party engagement models and has developed guidelines for conducting tourism operator tender processes and for structuring legal agreements with tourism operators in ZPWMA protected areas.

About the African Wildlife Foundation

The African Wildlife Foundation (AWF) is a 53-year old, international conservation organization focused solely on Africa, with its headquarters in Kenya. AWF's mission is to work together with the people of Africa to ensure that Africa's wildlife and wildlands endure forever. AWF firmly believes that Africa's conservation must be led and implemented by Africans; 85% of AWF's staff is comprised of African nationals.

AWF works in large landscapes across the continent and is currently working in large landscapes covering 16 countries in east, central, southern and West Africa. AWF implements a holistic conservation program through five main programs: applied conservation science; land and habitat conservation; conservation enterprise;

capacity and leadership development; and climate change. AWF has been successful in facilitating sustainable conservation outcomes by brokering agreements between communities, government, private landowners and the private sector. AWF strives to reach solutions that are ecologically, socially and economically sustainable.

AWF has a long history working in Zimbabwe. AWF has for many years focused on three large landscapes in Zimbabwe: Limpopo, which stretches into the Lowveld area of Zimbabwe; Kazungula, which includes Hwange National Park region; and Zambezi, which includes Mana Pools National Park. AWF is currently focusing on a variety of programs in Zimbabwe including: rhino support in the Lowveld; development of a business model for various conservancies in the country; and collaborating with ZPWMA on development of a management plan for Hwange National Park and improving revenue generation for all protected areas (the subject of this report).

Conservation Capital is a technical partner of AWF, specialising in the development of commercial businesses in nature conservation contexts. AWF and Conservation Capital have worked closely together for more than a decade to support a wide range of protected area authorities across Africa to optimise their commercial revenue models.

2: CURRENT CONTEXT

ZPWMA generates revenue from three primary sources:

1. Photographic tourism
2. Hunting
3. Fish harvesting and sport fishing

This report focuses mainly on photographic tourism due to the fact that (a) many of the principles that we recommend relating to managing revenue generation from photographic tourism apply to the other revenue generating activities, and (b) photographic tourism is becoming increasingly important for ZPWMA (we understand from preparatory meetings with the ZPWMA team that in 2013 it accounted for more than 70% of revenue with hunting tourism being less than 30%).

It is essential for ZPWMA to take a long-term view on its commercial model. Official statistics (see Annex 4) show that tourism to National Parks and other protected areas in Zimbabwe has suffered over the past decade and it is therefore vital to rebuild Zimbabwe's protected area tourism 'brand'. This is especially important in the context of a world where markets are increasing but competition (particularly from other African nations) is increasing.

In order to build a sustainable and optimised revenue base in the long term, ZPWMA must work to attract the best possible tourism operators, and enter into contracts with them which are based upon genuine partnership. In order to build excellent protected areas the protected area manager and the tourism operators must *each focus upon what they do best* – but nevertheless work closely together. ZPWMA must also seek to attract operators which are capable of targeting different sectors of the domestic and global market.

3: OPTIMISING REVENUE – KEY PRINCIPLES

ZPWMA must first create a structure which over time will result in healthy, optimised revenues. The following three headline dynamics are fundamental:

- A strong base natural wilderness and wildlife product.
- Strong and diverse tourism operators to (responsibly) exploit this base product.
- Optimal financial arrangements between ZPWMA and the tourism operators.

The first two dynamics are essential for building the 'brand' of Zimbabwe's protected area network. Zimbabwe is blessed with beautiful and unique protected areas and it needs to now develop a similarly stand-out portfolio of tourism operators who will promote and utilise these protected areas.

1. **A strong base natural wilderness and wildlife product.** This tends to be a function of two interrelated dynamics:

    - ***Inherent Attributes:*** the quality of physical landscapes, and quality / potential of underlying wildlife product.

    - ***Developed Attributes:*** these can be indirectly relevant to the tourism product (e.g. anti-poaching which ensures good wildlife viewing) or directly relevant to it (properly assessed carrying capacity (i.e. no. of beds), tourism use zoning, quality of hotel/lodge/camp sites, quality of servicing / game viewing road network, application of meaningful tourism operating codes etc.

2. **Strong and diverse tourism operators to (responsibly) exploit this base product**. This tends to be a function of:

    - The strength of the base product as per 1 above - as this will attract the best quality operators;

    - The extent to which new tourism development opportunities are effectively promoted – so that the best operators get to hear about them. See *Key Points* below.

    - The quality of the tendering and selection process (See Annexes 1-3 for detailed guidance documentation)

    Key Points

    - Effectively promoting the opportunities primarily involves building a database of proven national and international operators (and ideally personal connections within them) to which ZPWMA will promote directly. It is essential to make very effective use of digital media – websites, social media platforms and relevant trade publications to reach the maximum audience.

    - The quality of tendering and selection process is again fundamental. A structured and now widely proven framework for managing these processes has been developed by AWF / Conservation Capital which can be made available to ZPWMA as part of ongoing assistance from AWF (refer also to Annexes 1 – 3).

    - ZPWMA *should in general not seek to manage its own tourism assets* (beyond very straightforward products such as campsites or basic self-catering facilities and facilities which are targeted at markets which ZPWMA is best placed to reach (see further below)). As a general rule professional protected area authorities should focus on protected area management, and professional tourism operators should focus on tourism management. This is a simple case of having different parties focus on what they know / do best. Accordingly, it is recommended that ZPWMA should carefully evaluate its current practice of operating some of its own tourism facilities versus outsourcing their management to the private sector.

3. **Optimal financial arrangements between ZPWMA and the tourism operators.** This is the main focus of this report as it forms the basis for maximising long term, sustainable revenues.

    There are two broad ways in which ZPWMA can generate revenue from a tourism facility:

    - Entry / Conservation Fees generated by tourists staying in a lodge/camp

- Lease Fees paid by the lodge/camp in exchange for the licence to operate

Entry / Conservation Fees

Our research has indicated that ZPMWA could do more to optimise revenue from Entry / Conservation Fees. Most properly functioning protected area authorities (public, private or community) generate more funds from entry fees than they do from lease fees - and by focusing on both it essentially allows a protected area authority to 'double-dip'. This is because entry / conservation fees effectively function as a 'tax' on the *consumers of a tourism product* (i.e. tourists) whereas the lease fees function as a 'tax' on the *suppliers of the tourism product* (i.e. the lodge). Empirical evidence also suggests that the market's price elasticity for entry / conservation fees is far greater than that for lease fees – i.e. tourists' willingness to pay higher entry fees is greater than tourism operators' willingness to pay higher lease fees.

ZPWMA's challenges to date in this aspect of their model is a product of them lacking the infrastructure / capacity to properly collect these fees. Accordingly, we understand that the recent strategic review carried out internally by ZPWMA means that the authority is instead proposing to charge (very high) fixed fees to lodge operators. We recognise that resolving the capacity issue will take time, but we recommend that ZPWMA should consider instead two outsourcing options for overcoming this:

- Outsourcing to professional fee collection companies. Such companies do exist for example in Kenya and play an important role in protected area revenue collection. ZPWMA should establish whether a suitable company exists in Zimbabwe / Southern Africa – however if such an option is not readily available then the second option below may be preferable:

- Imposing responsibility for fee collection on the lodge operators themselves. Extensive precedents exist for this with conservation fees in private and community conservancies all over Africa and there is no reason why the model could not be replicated within the context of national parks. The existing lack of trust between ZPWMA and operators has been highlighted during our research meetings, and therefore our proposed system (see 'Monitoring' section below) involves outsourcing verification responsibility to *statutory auditors*, with the *cost of such audits being borne by the operators* rather than ZPWMA. This system is based on the premise that revenue collection (lease fees and entry fees etc.) should never be based on trust and that instead a proper system of statutory audit based collection should be developed.

Additionally ZPWMA must set entry / conservation fees at the right level. As noted above, the price elasticity point will enable ZPWMA to 'push' in this regard (and ZPWMA will always retain the right to increase entry / conservation fees should they choose) but naturally there are limits. Entry / conservation fees also need to be varied according to the attributes of each different protected area. AWF would be pleased to guide ZPWMA through a structured categorisation and fee setting exercise using the assessment framework that we have developed across other African protected area contexts.

Lease Fees

Through AWF / Conservation Capital's work in more than 25 countries across Africa and Europe a clear optimum structure has emerged which works well virtually regardless of the geography or context, namely **charging a percentage (normally between 8% - 12%) of net revenue generated by any particular lodge regardless of its size and pricing policy.** Full definitions of what might constitute 'net revenue' (this might be varies slightly depending on context) are included within Annex 3. The reason that we recommend that lease fees are based upon 'net' revenue as opposed to 'gross' revenue is that it is not appropriate to charge lease fees on elements of revenue which do not ultimately accrue to the operator (e.g. sales tax and commissions payable to agents).

The key dynamics which underpin our recommended model are as follows:

- It is top line (revenue) based - as opposed to bottom line (profit) based;
- It is variable, as opposed to fixed, in nature; and
- It is percentage based, as opposed to bed-night based.

Each dynamic is considered on the following page:

Top Line (i.e. Revenue): Advantages

- The top line of a commercial tourism facility operating in a protected area is a more closely aligned indicator than the bottom line of the commercial operation's use of (and hence impact upon) the protected area resource.

- Top line based fees reduce ZPWMA's exposure to internal management risks within any particular third party commercial operation (that could negatively impact upon the cost and hence performance dynamics of the commercial operations' profit and loss account) that are beyond ZPWMA's control.

- As a consequence, top line based fees negate the incentive / need for the ZPWMA to 'intervene' in the internal management of the commercial operation which (a) it is not qualified to do and (b) can create a fertile environment for conflict. This can serve to damage the revenue generating potential of the operation to both its shareholders and ZPWMA.

- By directly linking fees to the financial performance indicator that is most directly linked to marketing benefits (i.e. revenue), a more direct and pertinent incentive is created for the ZPWMA to market both the protected areas and the constituent commercial operations within them.

- Top line based fees create a simpler basis for accountability and are far less susceptible to both legal and illegal accounting manipulation. This will reduce the need for onerous and costly verification processes and in turn foster more efficient fee collection rates.

Variable Fees: Advantages

- Variable fees will allow ZPWMA to leverage revenue upside in strong or strengthening market conditions.

- Variable fees will also incentivize ZPWMA to award development tenders to tourism operating groups with a proven track record in the management of these types of commercial operation. As such they can serve as a driver of quality in terms of the nature and management of tourism product on the ground, which in turn reflects positively on the overall brand of Zimbabwe and its protected area network.

- Variable fees increase the degree to which ZPWMA will become a stakeholder in the success or failure of any third party commercial operation. This in turn can serve to foster the development of a dynamic sense of partnership between ZPWMA and the commercial operation within the protected area which will stimulate:

    - ZPWMA, both unilaterally and in partnership with the commercial operations, to engage in marketing and promotion of the protected area and its constituent commercial operations

- ZPWMA to optimally manage the protected area for revenue generating purposes

- Variable fees more closely align the commercial operations' lease payments to their cash flow cycles and dynamics. This in turn should increase their ability to pay and thereby increase the efficiency of collection rates.

Percentage Based: Advantages

- Percentage based fees create an in-built, market-based inflation adjusting mechanism, as fees are automatically adjusted to any price increases in the facility themselves. This avoids the need for long-term inflation adjusting formulae to be built into contractual documentation, something which is virtually impossible to correctly pitch without very complex constant adjusting mechanisms. This is because it is very difficult for such formulae to correctly forecast and cater for either long-term trends in general inflation levels; or short term volatility in these levels; or more specifically, specific micro-inflation dynamics relevant to the commercial operation concerned.

- Percentage based fees better account for the presence of multiple contract rates being offered within any particular third party commercial tourism operation – a significant feature of their operating dynamics particularly in the larger hotel / lodge groups which are likely to generate the bulk of future ZPWMA revenue both through lease fees and more significantly, through entrance fees. They achieve this by ensuring that the costs of the lease are relatively (as opposed to absolutely) applied across each of these rates. Again, this more closely aligns the application of fees with market forces (which these contract rates are designed to manage).

  Explanatory Note: *Typically, hotels or lodges will operate their pricing policy based on a foundation 'Rack Rate', also sometimes known as the 'Gross Published Rate'. However, the rate that the facility will actually receive from a supplier will be different from this and is typically known as a 'Net Contract Rate'. The difference between the rack and contract rates will be the sales commission provided to the supplier concerned. In accordance with basic market principles of supply and demand, established volume suppliers will be granted bigger commission rates and hence lower contract rates than smaller less consistent suppliers.*

- Percentage based fees simplify the handling of the variety of different types of guest that tend to visit a tourism facility. These include children, national or regional residents, guides and complimentary trade related guests (typically agents of existing or potential suppliers who are visiting the facility as part of a familiarization visit – a conventional and necessary marketing tactic for these types of facility). Since the varying rates (or waivers of those rates) charged to these types of visitor are automatically adjusted for through the revenue lines, there is no need for the potentially complex verification processes required to measure precise bed-nights utilized for visitors of each type.

- Tourism as an industry is highly sensitive to external contextual factors – particularly macro-economic and security related. Downturns can be both frequent and severe. Percentage based fees are better suited to managing the risk of such downturns as they facilitate the ability of the third party commercial operation to discount prices that can stimulate demand in these conditions. This supports the maintenance of visitation volumes and significantly for ZPWMA, the associated revenues from entrance fees.

- Percentage based fees create an automatic seasonally adjusted pricing mechanism. One of the complexities of seasonally adjusted pricing for protected area authorities who manage multiple protected areas and multiple relationships with tourism operators is dealing with the fact that seasons may be different depending on the type and location of any particular facility. By linking fees to the price of the facility via a percentage based fee, this is problem is negated.

- Percentage based fees (depending on what they are applied to) can create financial upside from absorption of non-inclusive (i.e. not included within the published accommodation rates) revenue generators e.g. special activities.

- It could also be argued that there is a link between the price that a commercial operation is able to charge (to the tourist consumers) and the quality of the protected area resource in which it is based. Accordingly, a percentage based fee structure creates an incentive for ZPWMA to better manage the protected area system as this will be directly rewarded through increased revenue collection generated by price inflation.

- There is a strong case for arguing that lease fees should be varied according to the nature and quality of the protected area / site in which the tourism facility is located. Percentage based fees will create an automatic market based mechanism for achieving this variation on the basis that a better location will translate into better pricing power for the tourism facility (provided of course it is a well-managed one and that the partner selection process has been optimally managed). Determining the scale of variation via a fixed bed-night fee on the other hand could only be done on the basis of some theoretical, and hence probably contrived, formula.

- Charging a percentage of revenue links the main driver of fees to a financial accounting line, which is subject to conventional audit process. This can be leveraged to make verification procedures more efficient.

As noted above the actual percentage rate in comparable protected area systems across Africa tends to vary between 8% and 12% with an average of 10%. The only instances where the percentage may be higher is where the facility is already owned by the protected area authority (see text box below), or where the facility is located within a highly popular tourism location such as gorilla tourism in Rwanda. There is a strong argument for offering less expensive lease fees (i.e. lower percentages) in more challenging 'frontier' protected areas in order to incentivise operators to invest there. Similarly, another tool which ZPWMA should consider is a graduated lease fee system, which will build up lease fee percentages over time as a new operation becomes more established.

The economics of a typical well managed lodge (AWF / Conservation Capital have studied / managed the accounts of 50+ facilities across Africa and beyond) mean that 10% of net revenue tends to equate (depending on size, pricing and occupancy dynamics) to between 75% and 125% of net profit made by the lodge itself and this is before taking account of the entry / conservation fees generated by the lodge for the protected area authority. Accordingly overall value generated by a lodge for the protected area authority tends to be between 150% and 250% (depending on entry / conservation fee pricing) of that generated for the owners of the lodge concerned.

The lodge operator market has demonstrated a willingness to bear this rate but if it is pushed beyond these limits – 'operator flight' quickly follows. This is a very important issue for ZPWMA to consider in terms of building its long-term brand as noted in the sections above.

Operation of ZPWMA owned facilities

During the planning meetings with the ZPWMA team, clarification was requested on what should happen in the event that an operator takes on an existing facility owned by ZPWMA. The principles of this are exactly the same as the structure we recommend above, however there may be scope to negotiate a more expensive lease fee in favour of ZPWMA (by means of a higher percentage – probably between 10-15%). In general however, an operator would probably have to incur significant costs to refurbish any facility, and will additionally suffer the disadvantage of taking over a facility that will not necessarily be designed precisely as the operator would like for the purposes of their business model and target market. The alternative is that ZPWMA enters into a management agreement for which there is extensive international precedent in terms of how these are structured – however we would not normally recommend this as the business (and the bulk of the risk) remains with ZPWMA under such arrangements.

In the final planning meeting with the ZPWMA team in May 2014 to review the draft AWF report, it was agreed that there is merit in ZPWMA managing certain facilities itself – in particular self-catering and domestic market focused facilities which are targeted by the various domestic marketing campaigns which ZPWMA is carrying out. AWF will be pleased to assist in the rationalisation and selection of these facilities and the development of optimal financial and operating models.

Monitoring

One of the reasons ZPWMA is considering a single annual fixed fee structure is because (a) they feel for a variety of reasons relating to the current context in Zimbabwe, and the subsequent and general lack of trust between the private sector and the Government, that many enterprises are not fully declaring their true revenues; and (b) they lack the resources to monitor the correct accounting and payment of fees.

In practice however, these issues technically exist in almost any context across Africa (or indeed anywhere) and a key principle that should be deployed in this regard is to simply delegate responsibility for monitoring and verification to the *internationally regulated audit sector* by requiring all operators to have their accounts audited by approved auditors in this regard and also requiring those auditors to reconcile audited statutory accounts to the fees due / paid by the operator to ZPWMA[1]. And by linking lease fees to the revenue line of a company this becomes much easier for a company's auditors to do. As noted above and discussed in research meetings with the ZPWMA team, the statutory audit process would be a cost borne by the operator. Furthermore, ZPWMA would pre-select a choice of audit firms and all private operators would be required to choose one with whom to process their financial information, as a condition of their lease.

Legal Structuring

AWF / Conservation Capital have developed a standardized legal template that sets out how this fee structure – and the processes for having it verified and reconciled via a company's statutory audit - should be incorporated into contracts between ZPWMA and tourism operators (see Annex 3).

4. THE CURRENT AND PROPOSED ZPWMA APPROACH

ZPWMA are currently operating on the basis of fixed annual bullet payments of lease fees combined with an upfront 'commitment fee' payment. As noted above, we recommend that more emphasis is required on the collection of entry / conservation fees.

The current ZPWMA fees schedule is shown below together with that which we understand ZPWMA propose to move to following their recent internal strategic review. As is evident, the proposed uplift is dramatic and is fuelled by a perception around the extent of improving fortunes of tourism in Zimbabwe. This must be approached with caution as our research for this assessment shows that although overall tourism in Zimbabwe

[1] AWF / Conservation Capital have developed clear procedures for this reconciliation process.

has shown some signs of growth at certain periods in the past decade, it dropped by 29% in 2012 and the sector niche relating to wildlife tourism has dropped very significantly and appears to be static at best (see Annex 4).

CURRENT			PROPOSED				
Park Type	Key Money	Annual		Key Money	Var	Annual	Var
Cat 1	16,280	24,192	Cat 1	80,000	491%	100,000	413%
Cat 2	11,577	17,280	Cat 2	68,000	587%	85,000	492%
Cat 3	6,946	10,368	Cat 3	55,000	792%	68,000	656%
Cat 4	3,473	5,184	Cat 4	40,000	1152%	50,000	965%

On the one hand there are distinct advantages with a fixed fee system, as summarised below, and we appreciate why the recent ZPWMA internal strategic review resulted in proposals for such an approach:

Fixed Fees: Advantages

- Fixed fees will protect ZPWMA against exposure to poor external market conditions (provided of course that the third party commercial operation can continue to sustain these fees in these conditions), over which ZPWMA may have little or no control.

- Fixed fees protect ZPWMA against exposure to poor internal management of the third party commercial operation and its subsequent impact on operating performance; again over which it can have no management control.

- Fixed fees more correctly reflect the fact that protected area management services are still being provided by ZPWMA regardless of the operating performance of its constituent third party commercial operations.

- Fixed fees can be used by ZPWMA as a driver of product quality. By raising the threshold of fixed fees greater pressure is placed on the third party commercial operations to deliver adequate margins to cover these fees. This will tend to require the operator to develop a more competitive product capable of commanding the prices required to cover these thresholds.

- Fixed fees create a simpler basis for accountability. This in turn is likely to foster more efficient fee collection rates. Linked to this, fixed fees also make it more difficult for operators to use transfer pricing to drive down revenue attributable to a particular tourism operation (within a wider group of facilities that the same operator controls) and thereby reduce lease fee dues that are based on the scale of that revenue.

BUT, on the other hand, fixed fees fail to leverage the many benefits of variable fee structures (see sections above) and in addition have a number of important flaws:

Fixed Fees: Disadvantages

- Fixed fees will create opportunity costs for ZPWMA in strong or strengthening external market conditions (given the longer term belief that tourism sector will improve in Zimbabwe, this is important).

- If fixed fee structures need to be set both on a sustainable (to the third party commercial tourism operation) and 'level playing field' basis, by implication they would need to be set at a level capable of being sustained by the worst performing operators. And the implications of this to the wider brand of Zimbabwe's protected area network are significant and negative.

In addition to these theoretical arguments against fixed fees, some further points needs to be emphasised.

- As noted above, widespread studies conducted by AWF and Conservation Capital have demonstrated that typical wildlife based lodges in protected areas cannot sustain lease fees significantly in excess of 10% of net operating revenue[2]. The ZPWMA calculations around which the proposed fee structure has been set assumes an average number of beds of 36 and average occupancy of 70% over a 9 month season. While ZPWMA has been far more conservative in its internal strategic review assumptions around the average net revenue rate per bed-night, these rates are only going to be sustainable by very large facilities – smaller, higher end facilities simply will not be able to sustain them (for smaller lodges this structure is going to equate to up to 20%+ of net operating revenue – even in a good year). This in theory will lead to the development only of mass market, high capacity facilities which could severely damage Zimbabwe's overall protected area brand (as happened to Kenya in the 70s and 80s).

- In practice, what will happen with these fees being set too high is that there will simply be very high default rates – which is ultimately self-defeating – and will prove to be far more costly for ZPWMA than just the loss of the money not paid (legal actions, lodges closed down, costs of finding new operators etc.)

- Our proposed methodology does in fact incorporate the benefits of fixed fees alongside the benefits of variable, top-line, percentage based fees. This is done through the use of **Annual Guaranteed Minimums** (AGMs) – which serve essentially as a safety net for ZPWMA. These are however set at levels that are well below what ZPWMA are currently considering: our recommended AGM is 20% implied occupancy for smaller lodges rising to 30% for larger lodges (the rationale being that larger lodges are easier to operate at higher occupancies as they can better absorb spikes in demand and as they are generally priced at a lower level, they can target a larger portion of the available market). Again, any attempt to set AGMs too high will simply result in 'operator flight'.

- While we understand the reasons for it (i.e. as a test of seriousness of commitment) we do not recommend that 'up front commitment fees' are sought from potential operators in the current Zimbabwe context. This might be possible in the context of lodge developments in protected areas with the biggest brands around the world but Zimbabwe, with due respect, is not a destination where operators or tourists are currently lining up to develop / visit. In fact our ideal structure proposes an inverse principle i.e. that AGMs are waived for start-up operations (i.e. first 3-5 years) in 'frontier' protected areas in recognition of the risk that is being taken and as part of an effort to encourage development. Perhaps ZPWMA can think about such commitment fees as and when its brand has been re-generated and its tourism economy is once again thriving – doing this now is not only premature but also potentially dangerous. A far better way of testing seriousness of commitments is through robust tendering processes and associated due diligence (as noted above an area where AWF / Conservation Capital have considerable experience and can provide strong support).

[2] As noted earlier we have, together with professional legal counsel, worked out carefully crafted definitions for 'net operating revenue' to which lease fees should be applied.

5. SUGGESTED WAY FORWARD

We recommend that the following approach be considered:

- Pilot our proposed 'ideal recommended' structure in one pilot park. During the most recent meeting with the ZPWMA team it was suggested that this could be Hwange National Park where the new General Management Plan which AWF is helping to develop is an opportunity to also review and optimise tourism revenue structures.

- An 'interim' structure for the rest of Zimbabwe's protected area network, which seeks to balance the current ZPWMA approach with some simple changes to enable ZPWMA to capture the benefits from some of the more obvious/easy aspects of our recommended ideal structure.

- Pilot some facilities which are managed by ZPWMA, in order to gauge their success over a period of time as compared with private operator managed facilities. As noted above, these must be in market niches which ZPWMA is confident it is best placed to operate (such as the domestic market) and AWF will be pleased to assist in the selection process.

A. Pilot Model

It is recommended that a meeting be organised between AWF and ZPWMA to discuss the specific context of Hwange National Park as a pilot location for a new commercial model and together agree the next steps towards implementing this.

B. Interim Structure

Our assumption is that it will be difficult to move the present ZPWMA commercial model from where it stands now to where it could ideally be in one swift transition. It therefore seems sensible that while the 'ideal recommended' model is piloted in a single protected area such as Hwange, there is an interim model which is developed in all other protected areas. We propose that for this interim model, we stay with a fixed fee system but that is applied so as to vary according to the *number of beds* in a facility rather than a system which applies simply to a standard average size of facility. Furthermore, as with the ZPWMA current system, the interim model should be varied according to the Category of Park.

We have then given further consideration to what the price structure should be for such an interim model. Under the model which we understand ZPWMA to be presently considering following its internal review, the proposed fees are based upon:

- A standard facility size of 36 beds
- A US$ 60 (Category 4) to US$ 120 (Category 1) revenue per bed rate
- An occupancy rate of 70%
- A 270 day season
- A 12.5% lease fee

In our view the 70% figure is much too high, but the 270 day season is probably fair. The assumed revenue per bed rate actually appears to be a bit too low (although it must be remembered that this should be net of sales taxes and commission). Under this model there is an implied rate per bed of just under US$ 3,000 for a Category 1 Park going down to US$ 1,500 for a Category 4.

In preparation of this report, we have tested this model by:

- Reducing the lease fee to 10% (our recommended benchmark – see sections above);

- Increasing the anticipated revenue rate *by double* (if ZPWMA get this model right, we believe it will be possible to attract a calibre of operators whose price structure would be higher than the present model assumptions);
- Reducing the implied occupancy rate to 30% (within Zimbabwe's current economic context, we suggest that the implied occupancy rate needs to be much less: certainly not more than 40% and our recommendation is 30%);
- Staying with the 270 days per year season;
- Using an average facility size of 36 beds (the model outlined below will however be possible to vary according to the number of beds in any facility).

More research needs to be done on the achievable revenue per bed rates, however our recommendation at this stage on the basis of the information made available to us would be as follows:

- Category 1 Parks – US$ 2,000 per annum per bed
- Category 2 Parks – US$ 1,600 per annum per bed
- Category 3 Parks – US$ 1,300 per annum per bed
- Category 4 Parks – US$ 1,000 per annum per bed

Comparative Financial Analysis

The table below summarises:

1) The current revenue generation model of ZPWMA based upon fee structure details shared with us;
2) The assumptions for an increased fixed fee lease system presently being considered by ZPWMA following its internal strategic review;
3) The projected returns from the proposed AWF interim fee structure, as explained above.

1. CURRENT ZPWMA MODEL			
	Right to Lease Fees	**Annual Lease Fees**	
Category 1	16,280	24,192	
Category 2	11,577	17,280	
Category 3	6,946	10,368	
Category 4	3,473	5,184	
2. PROPOSED MODEL UNDER CONSIDERATION BY ZPWMA			
	Right to Lease Fees	**Annual Lease Fees**	
Category 1	80,000	100,000	
Category 2	68,000	85,000	
Category 3	55,000	68,000	
Category 4	40,000	50,000	
3. AWF PROPOSED INTERIM MODEL			
	Rate Per Bed	**Beds**	**Total Annual Lease Fees**
Category 1	2,000	36	72,000
Category 2	1,600	36	57,600
Category 3	1,300	36	46,800
Category 4	1,000	36	36,000

*Note: the AWF proposed interim model does not include a right to lease fee. It would however place strong emphasis on generating entry/conservation fees in addition to the annual lease fee component (please refer to the further models explained below).

Proposed AWF Interim Model

The tables below summarise the potential returns from an **18-bed facility** under the proposed interim model:

18 Bed Lodge	Average Net Revenue Per Bed Night	Price US$ 100		
	Occupancy Scenarios	30%	50%	70%
	Lease Fees	14,580	24,300	34,020
	Entry Fees	58,320	97,200	136,080
	TOTAL	**72,900**	**121,500**	**170,100**

18 Bed Lodge	Average Net Revenue Per Bed Night	Price US$ 200		
	Occupancy Scenarios	30%	50%	70%
	Lease Fees	29,160	48,600	68,040
	Entry Fees	58,320	97,200	136,080
	TOTAL	**87,480**	**145,800**	**204,120**

18 Bed Lodge	Average Net Revenue Per Bed Night	Price US$ 300		
	Occupancy Scenarios	30%	50%	70%
	Lease Fees	43,740	72,900	102,060
	Entry Fees	58,320	97,200	136,080
	TOTAL	**102,060**	**170,100**	**238,140**

18 Bed Lodge	Average Net Revenue Per Bed Night	Price US$ 400		
	Occupancy Scenarios	30%	50%	70%
	Lease Fees	58,320	97,200	136,080
	Entry Fees	58,320	97,200	236,080
	TOTAL	**116,640**	**194,400**	**372,160**

The tables below summarise the potential returns from a **36-bed facility** under the proposed interim model:

36 Bed Lodge	Average Net Revenue Per Bed Night	Price US$ 100		
	Occupancy Scenarios	30%	50%	70%
	Lease Fees	29,160	48,600	68,040
	Entry Fees	116,640	194,400	272,160
	TOTAL	**145,800**	**243,000**	**340,200**

36 Bed Lodge	Average Net Revenue Per Bed Night	Price US$ 200		
	Occupancy Scenarios	30%	50%	70%
	Lease Fees	58,320	97,200	136,080
	Entry Fees	116,640	194,400	272,160
	TOTAL	**174,960**	**291,600**	**408,240**

36 Bed Lodge	Average Net Revenue Per Bed Night	Price US$ 300		
	Occupancy Scenarios	30%	50%	70%
	Lease Fees	87,480	145,800	204,120
	Entry Fees	116,640	194,400	272,160
	TOTAL	**204,120**	**340,200**	**476,280**

**Note that no scenario is presented for a US $400 per night facility with 36 beds due to the fact it is very unlikely that a facility of that size will be able to operate in that price range.*

The tables below summarise the potential returns from a **72-bed facility** under the proposed interim model:

72 Bed Lodge	Average Net Revenue Per Bed Night	Price US$ 100		
	Occupancy Scenarios	30%	50%	70%
	Lease Fees	58,320	97,200	136,080
	Entry Fees	233,280	388,800	544,320
	TOTAL	**291,600**	**486,000**	**680,400**

72 Bed Lodge	Average Net Revenue Per Bed Night	Price US$ 200		
	Occupancy Scenarios	30%	50%	70%
	Lease Fees	116,640	194,400	272,160
	Entry Fees	233,280	388,800	544,320
	TOTAL	**349,920**	**583,200**	**816,480**

**Note that no scenarios are presented for US$300 or $400 per night facilities with 72 beds due to the fact it is again very unlikely that a facility of that size will be able to operate in those price ranges.*

C. ZPWMA managed facilities

ZPWMA should select some facilities which it feels are best managed by ZPWMA. AWF will be pleased to assist in this selection process and to help design the financial and operating models going forward.

Conservation / Entry Fees – Further Observations

It is evident from the above analysis that the most important element of an optimised revenue system is Conservation / Entry Fees. ***We therefore strongly recommend that ZPWMA give renewed consideration to how collection systems for Entry Fees can be strengthened***. The inclusion of international audit firms in the model should also allow for entry fee information to be audited, as a means of strengthening and verifying collection rates. As noted above, AWF will be pleased to assist ZPWMA in designing a new system, including audit firm arrangements and operator lease documentation.

6. CONCLUSION

The current situation and opportunities for improved revenue generation by ZPWMA are as follows:

- The ZPWMA current approach, while having the significant benefit of simplicity, negates many of the positive dynamics that our recommended structure will bring. The revised model under consideration following ZPWMA's internal strategic review (based upon higher fixed fees) will only work in very specific situations for particular types of tourism facility. This will not be conducive to attracting and re-building the diversity of product required to stimulate a revival of Zimbabwe's protected area tourism brand. Unless this brand is indeed revived, ZPWMA's economics will always struggle.

- If fixed fee levels are set too high, there is a significant risk of ZPWMA signing a range of contracts with operators who don't understand these economics and who will simply end up (quickly) defaulting. This will prove very expensive for ZPWMA and as noted above, it won't just be the costs of uncollected fees – it will be all the legal actions, evictions and costs of finding replacement operators too – and damage to the Zimbabwe protected areas brand.

- We recommend that a model based upon a combination of *optimised collection of conservation/entry fees* and a *variable fee structure* is **piloted in one protected area**. Hwange National Park is ideally suited for this purpose.

- Recognising that it will be challenging to move to a new system at once, we further recommend that a **slightly modified interim structure is adapted in the other protected areas** which would continue to be based upon fixed fees, however this would be linked to a) the number of beds in a facility (and hence its revenue generation capacity) and b) the category of protected area.

- In addition to the above recommendations on revenue generation, the ZPWMA team have indicated that they would value AWF undertaking a wider review of the ZPWMA commercial operating structure.

Recommended Next Steps

Given the discussions between ZPWMA and AWF and the interest in pursuing these recommendations, AWF and ZPWMA should agree on the next steps, which, as discussed, potentially include:

- Developing a pilot model in Hwange National Park;

- Providing guidance on the implementation of the proposed interim structure in other protected areas;
- Finalising a system to optimise collection of entry / conservation fees involving a combination of operator-led collection and statutory audit procedures;
- Guidance and management support for a tendering and contracting process for remaining key sites in protected areas using the recommended new commercial models; and
- Carrying out a wider review of the ZPWMA commercial operating structure in order to identify further opportunities to enhance revenues and overall conservation impact.

AWF will be presenting these findings to the Hon. Minister of Environment, Water and Climate in July 2014.

Contact Information:
Kathleen H. Fitzgerald
Vice President Conservation Strategy
African Wildlife Foundation
kfitzgerald@awf.org
+27760368372 (South Africa)
+245729406222 (Kenya)

Annexes

Annex 1: Tourism Tender Information Requirements

Annex 2: Tourism Tender Evaluation Framework

Annex 3: Legal Structuring of Lease Payments for Tourism Operations

Annex 4: Analysis of Photographic Tourism Market Trends in Zimbabwe

AFRICAN WILDLIFE FOUNDATION®

Annex 1: Tourism Tender Information Requirements

GUIDANCE DOCUMENT FOR ZPWMA: TOURISM TENDER EVALUATION FRAMEWORK

Note: *This framework and its associated scoring system is designed to help ZPWMA structure and guide the evaluation of tenders. It should be recognized that in practice different components of an operator's bid will be of particular importance depending on the specific context concerned. It is therefore not possible to weight the scoring of the individual components of this framework in a manner that will be relevant to all scenarios. Please also note that where a particular component is not relevant it should be struck out of the section concerned and the section total and related percentage adjusted accordingly.*

BIDDER NAME / REFERENCE:	

1	**QUALIFICATION**			
1.1	**Tender Fees**	Have the tender fees (if applicable) been paid in full to ZPWMA?	☐ Yes ☐ No	Notes:
1.2	**Regulatory / Legal Compliance**	(a) Are there any historical issues relating to the applicant that should disqualify it from being considered?	☐ Yes ☐ No	Notes:
		(b) Are there any regulatory / legal compliance issues specifically relating to the applicants current bid that should disqualify it from being considered?	☐ Yes ☐ No	Notes:
1.3	**Conflicts of Interest**	(a) Are there any relevant conflicts of interest relating to the individuals behind the bid that are significant enough to disqualify it from being considered?	☐ Yes ☐ No	Notes:
		(b) Are there any relevant conflicts of interest relating to the corporate entity making the bid that are significant enough to disqualify it from being considered?	☐ Yes ☐ No	Notes:

Does the bid qualify for evaluation?	☐ Yes ☐ No

2	THE BIDDER			
2.1	**Corporate Entity**	How relevant, credible and successful is the experience of the corporate entity behind the bid: (a) to the bid and; (b) to ZPWMA's wider strategy?	☐ Very (Score 3) ☐ Somewhat (Score 1) ☐ Not At All (Score 0)	Notes:
2.2	**People**	How relevant, credible and successful is the experience of the key people behind the bid: (a) to the bid and; (b) to ZPWMA's wider strategy?	☐ Very (Score 3) ☐ Somewhat (Score 1) ☐ Not At All (Score 0)	Notes:
2.3	**Overall Professionalism**	To what extent does the overall bid give ZPWMA a sense of comfort as to the general professionalism of the corporate entity and the people behind the bid?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
			TOTAL SCORE / 9 = %	Notes:

3	CORPORATE MATTERS			
3.1	**Proposed Corporate Structure**	To what extent does the proposed corporate structure give ZPWMA comfort that it will optimize the efficiency and quality by which the proposed enterprise will be financed, developed and operated?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
3.2	**Proposed Governance Structures**	To what extent do the proposed governance structures give ZPWMA comfort that: (a) the experience of key people behind the bid will be actively and sustainably leveraged into the proposed enterprise? (b) the proposed enterprise will be professionally managed?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
3.3	**Proposed Employee Structures**	To what extent do the proposed employee structures give comfort to ZPWMA that the proposed enterprise will be professionally managed?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
3.4	**Compliance**	To what extent does the bid give ZPWMA comfort that the bidder understands the compliance framework within which the proposed enterprise will be required to operate and will develop the requisite processes to honour it?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
			TOTAL SCORE / 12 = %	Notes:

4	THE COMMERCIAL PRODUCT			
4.1	**Overall Quality**	In general terms how do ZPWMA rate the overall quality of the proposed conservation tourism products that will be developed within the context of this project?	☐ High Quality (Score 3) ☐ Moderate Quality (Score 1) ☐ Low Quality (Score 0)	Notes:
4.2	**Market Driven**	To what extent do the proposals give a sense that these products are market driven i.e. are in line with current and likely future trends in market demand?	☐ Very Much (Score 3) ☐ Somewhat (Score 1) ☐ Very Little (Score 0)	Notes:
4.3	**Contextually Appropriate**	To what extent do the proposals give a sense that these products have been conceived in a manner that is appropriate to the physical context in which the project is being developed and with respect to the project and ZPWMA's overall goals?	☐ Very Much (Score 3) ☐ Somewhat (Score 1) ☐ Very Little (Score 0)	Notes:
4.4	**Environmental Impact**	To what extent do the proposals give a sense that the product has been designed in a manner that makes best use of emerging sustainable technologies and will have minimum negative impact on the environmental integrity of the surrounding natural resources?	☐ Very Much (Score 3) ☐ Somewhat (Score 1) ☐ Very Little (Score 0)	Notes:
4.5	**Operational Efficiency**	To what extent do the proposals give a sense that the product has been designed in a manner that will optimize its operational efficiency?	☐ Very Much (Score 3) ☐ Somewhat (Score 1) ☐ Very Little (Score 0)	Notes:
4.6	**Financial Efficiency**	To what extent do the proposals give a sense that the product has been designed in a manner that will optimize its financial efficiency?	☐ Very Much (Score 3) ☐ Somewhat (Score 1) ☐ Very Little (Score 0)	Notes:
			TOTAL SCORE / 18 = %	Notes:

5	RELATED INFRASTRUCTURE (if applicable)			
5.1	**Relevance**	To what extent does the bid give ZPWMA comfort as to the relevance of any proposed related infrastructure development within the project context e.g. that relating to security, community or conservation development within the area etc.?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
5.2	**Completeness**	To what extent does the bid give ZPWMA comfort as to the completeness of this proposed related infrastructure development?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
5.3	**Quality**	To what extent does the bid give ZPWMA comfort as to the likely quality of the proposed related infrastructure development?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
			TOTAL SCORE / 9 = %	

6	MARKETING			
6.1	**Quality and Structure of Overall Marketing Process**	To what extent does the bid give ZPWMA a sense of comfort as to the likely existence, quality and completeness of structured marketing processes within the proposed enterprise?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
6.2	**Pricing**	To what extent does the bid give ZPWMA comfort as to the appropriateness of the pricing policies for the proposed enterprise?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
6.3	**Leverage**	To what extent will the proposed enterprise be able to leverage existing markets and marketing channels that have already been developed by the bidding entity or the people behind it?	☐ Very much (Score 3) ☐ Somewhat (Score 1) ☐ Not At All (Score 0)	Notes:
			TOTAL SCORE / 9 = %	Notes:

7	BENEFITS MANAGEMENT (translating economic value into conservation development)			
7.1	**Overall Quality of Proposals**	To what extent does the bid give ZPWMA comfort as to the overall quality of the proposed benefits management strategy that will be developed alongside the proposed enterprise?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
7.2	**Contextual Relevance of Proposals**	To what extent are the proposed conservation development initiatives considered to be relevant to the project context and goals?	☐ Very Relevant (Score 3) ☐ Somewhat Relevant (Score 1) ☐ Not Relevant (Score 0)	Notes:
			TOTAL SCORE / 6 = %	Notes:

8	RELATED MANAGEMENT MATTERS			
8.1	**Security**	To what extent does the bid give ZPWMA comfort as to the quality and relevance of the proposed security management strategy?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
8.2	**Stakeholder Management**	To what extent does the bid give ZPWMA comfort as to the quality and relevance of the proposed stakeholder management strategy?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
8.3	**Risk Management**	To what extent does the bid give ZPWMA comfort as to the quality and relevance of the proposed risk management strategy?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
8.4	**Collaborative Management**	To what extent does the bid give ZPWMA comfort as to the extent to which the bidding organization is likely to work enthusiastically and effectively with ZPWMA to promote the project and achievement of its overall goals?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
			TOTAL SCORE / 12 = %	Notes:

9	**FINANCIAL MATTERS**			
9.1	**Accuracy of Proposed Financing Requirements**	To what extent does the bid give ZPWMA comfort as to the accuracy of the investment requirements needed to finance the development and operation of the proposed enterprise?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
9.2	**Investment Financing Capacity**	To what extent does the bid give ZPWMA comfort as to the capacity of the bidding entity to finance the proposed investment requirements?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
9.3	**Overall Revenue Generating Potential**	To what extent does the bid give ZPWMA comfort as to the overall revenue generating potential of the proposed enterprise?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
9.4	**Financial Management**	To what extent does the bid give ZPWMA comfort as to the likely quality of the bidder's general financial management abilities and capacity?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
			TOTAL SCORE / 12 = %	Notes:

10	**FEE STRUCTURE**			
10.1	**Proposed Fee Structures**	To what extent does the bid give ZPWMA comfort as to the viability and appropriateness of the proposed fee structures?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes:
10.2	**Fee Generation Potential**	To what extent does the bid give ZPWMA comfort as to the scale and appropriateness of the potential fee generation of the proposed enterprise?	☐ High Comfort (Score 3) ☐ Some Comfort (Score 1) ☐ No Comfort (Score 0)	Notes
			TOTAL SCORE / 6 = %	Notes:

SUMMARY

Ref.	Section	Score	%	Notes
2	**The Bidder**			
3	**Corporate Matters**			
4	**The Commercial Product**			
5	**Related Infrastructure**			
6	**Marketing**			
7	**Benefits Management**			
8	**Related Management Matters**			
9	**Financial Matters**			
10	**Fee Structure**			

OVERALL IMPRESSION

How do ZPWMA **rate this bid in overall terms?**	☐ **Very Highly** ☐ **Quite Highly** ☐ **Only Moderately** ☐ **Not at All**	Notes:

TENDER GUIDELINES FOR ZPWMA TOURISM DEVELOPMENT PROJECTS

This document provides an outline of standard informational requirements that would be required from tourism operators in a typical tender process for typical tourism development projects lead by ZPWMA.

Note that adjustments may need to be made on a case-by-case basis to suit the specific context concerned.

As a general rule, in order to optimize the efficiency and equitability of the tender appraisal process, all tenders **must** be presented in line whatever structure is developed based on the suggested sectional structure set out below. If a particular section or sub-heading is not relevant to the proposal being made, the words "Not Applicable" should be inserted as appropriate.

Opportunities should be provided throughout the structure to present 'Other' information that the applicant may feel is necessary but is not specifically provided for in the pre-formatted structure.

SECTION 1: EXECUTIVE SUMMARY

Applicants should provide ZPWMA with an executive summary of their overall proposal not exceeding 2 pages in length. This should specifically include a summary of the proposed investment and fee structures.

SECTION 2: BIDDER DETAILS

1. **Corporate Vehicle.**
    a. Summarize the precise nature and place of registration of the (current or proposed) corporate vehicle (i.e. company, trust, foundation etc.) that will be submitting the bid.
    b. Where applicable (i.e. in cases where the corporate vehicle has already been formed) provide copies of all relevant statutory documents e.g. Certificate of Incorporation, latest full set of audited accounts etc.
    c. If this vehicle is (or will be) part of a wider corporate group, summarize:
        i. The nature of that group and its operations.
        ii. The precise relationship of the bidding vehicle to the other entities within the group.
2. **Partners / Shareholders**
    a. Specify who is / will be the principal partners or shareholders within the corporate vehicle submitting the bid.
    b. Please provide brief (maximum half a page each) biographies of each of the principal partners or shareholders. These should specifically summarize the strategic value that each brings to bidding vehicle.

SECTION 3: CORPORATE STRUCTURE & COMPLIANCE

3. **Corporate Structure**

   a. Summarize and rationalize the nature of the corporate legal structure that will be used to finance, develop and operate the proposed enterprise.

4. **Statutory Compliance**

   a. Summarize the key statutory compliance requirements (licenses, authorizations, approvals, legal contracts etc) that will be secured / entered into by the bidding vehicle in order to ensure the proper and legal operation of the proposed enterprise.

   b. Specify what management processes / mechanisms will be used to ensure ongoing compliance in this regard.

5. **Other**

   a. Please provide any other information you feel is relevant in this regard.

SECTION 4: GOVERNANCE, MANAGEMENT & EMPLOYEE STRUCTURES

1. **Governance**

   a. Summarize the key governance mechanisms / structures that will be used to manage overall decision making within the proposed enterprise.

2. **Management & Employee Structure**

   a. Summarize the proposed management and employee structure that will be used to implement this decision-making and manage the proposed enterprise on a day-to-day basis.

3. **Other**

   a. Please provide any other information you feel is relevant in this regard.

SECTION 5: COMMERCIAL OPERATIONS

1. **Commercial Product Development**

   a. Summarize *and rationalize* the core commercial products (tourism facilities and camps / associated activities etc.) that will be developed as the basis for generating revenues within the proposed enterprise.

   b. Describe and where possible provide illustrative supporting plans / sketches of all associated infrastructure development requirements.

2. **Operational Capacity**

    a. Enumerate the overall annual operating capacity of the each of the commercial products developed within the proposed enterprise (e.g. total number of beds and annual available bed nights per lodge/camp etc.).

3. **Management Activities**

    a. Provide a summary of the key management activities that will be required to manage the proposed enterprise. These activities should reconcile with the management and employee structure proposed as per Section 3 above.

4. **Ethics**

    a. Summarize the ethical framework that will govern the operation of the proposed enterprise together with any management tools that will be used to apply and monitor this framework.

5. **Environmental Impact Management**

    a. Summarize what measures that will be taken to ensure that all operations within the proposed enterprise – commercial or otherwise, minimize or eliminate their potential for negative environmental impact. Specific reference should be made, but not be necessarily restricted, to:

        i. Construction materials and methods;
        ii. Water management;
        iii. Waste management;
        iv. Methods of power and energy generation.

6. **Other (as relevant)**

    a. Please provide any other information you feel is relevant in this regard.

SECTION 6: MANAGEMENT RELATED INFRASTRUCTURE DEVELOPMENT

1. **Infrastructure**

    a. Beyond the infrastructure development specific to the tourism operations as per 4.1.b above (lodges / camps etc), summarize any additional anticipated infrastructure developments (if any) that will be made with respect to facilitating the general management of the proposed enterprise and any other related operations e.g. security, community development, conservation development etc.

2. **Related Equipment**

    a. Summarize the principal equipment resources (vehicles, boats, aircraft, plant, communication and IT facilities etc.) that will be deployed to facilitate the general management of the proposed enterprise and related conservation and community development operations.

3. Other (as relevant)

a. Please provide any other information you feel is relevant in this regard.

SECTION 7: MARKETING

1. Core Product Attributes

a. Provide an analysis of the core *competitive* and *comparative* attributes of your proposed product offering.

2. Markets

a. Provide a segmented analysis of what markets will be targeted by the operation, and why. Please explain their relevance to the wider ZPWMA context.

3. Pricing Policy

a. Provide an analysis of the pricing policy that will be deployed by the operation supported by a clear explanation as to why it is believed this policy will optimise its potential business and financial performance.

4. Marketing & Sales Tools / Infrastructure

a. Provide an analysis of what marketing and sales tools / infrastructure will be developed / used by the operation, supported by a clear explanation as to why it is believed these tools / infrastructure will serve to optimise its potential business and financial performance.

5. Marketing & Sales Activities

a. Provide an analysis of the marketing and sales activities through which the tools (see above) will be deployed by the operation, supported by a clear explanation as to why it is believed these activities will serve to optimise its potential business and financial performance.

6. Marketing / Sales Partnerships

a. Summarize and rationalisatize any third party marketing and / or partnerships that will be entered into to optimize the business and financial performance of the operation.

7. Other (as relevant)

a. Please provide any other information you feel is relevant in this regard.

SECTION 8: BENEFITS MANAGEMENT

1. Core Strategy

a. Summarize and rationalize the core components of the anticipated benefits management strategy that will be used to translate economic values created by the proposed enterprise into ultimate conservation development achievement. Note that this analysis should demonstrate a clear understanding of the core conservation values and threats relevant to the project context and their relationship to local (human) community dynamics.

2. **Staffing**

   a. Summarize the anticipated human resource structure (if any) that will be specifically dedicated to the implementation of the benefits management strategy.

   b. Summarize how these resources will be recruited, trained, managed and equipped to fulfill this work.

   c. Summarize how these resources will interact with dedicated tourism operations.

3. **Other (as relevant)**

   a. Please provide any other information you feel is relevant in this regard.

SECTION 9: SECURITY MANAGEMENT

1. **Security**

   a. Summarize and rationalize the core components of the anticipated general security management strategy that will be implemented around the proposed operation. Please refer to wider ZPWMA security arrangements in the relevant protected area(s).

2. **Staffing**

   a. Summarize the anticipated human resource structure (if any) that will be specifically recruited for the management of any security activities.

   b. Summarize how these resources will be recruited, trained, managed and equipped to fulfill this work.

3. **Other (as relevant)**

   a. Please provide any other information you feel is relevant in this regard.

SECTION 10: STAKEHOLDER MANAGEMENT

1. **Stakeholder Management**

   a. Identify the principal stakeholders that that you believe will be relevant to the proposed enterprise together with an explanation of how and why these stakeholders have been identified.

   b. Summarize how these stakeholders will be prioritized and managed.

SECTION 11: RISK MANAGEMENT

1. **Risk Management**

   a. Summarize the range of potential risks that may impact the operation and performance of the proposed enterprise.

   b. Further summarize what steps (both preventative and curative) would be taken to manage these risks with a view to where possible preventing their manifestation; or in the event of such manifestation, containing or mitigating any consequent negative impact.

SECTION 12: COLLABORATIVE MANAGEMENT

1. **With ZPWMA**

   a. Summarize how and in what areas the proposed operation might coordinate and work with ZPWMA to contribute to the project's overall objectives.

2. **With Any Other Relevant Groups**

   a. Summarize your proposals (if any) for how best you could work with any other relevant groups (if any) to:

      i. Optimize the achievement of the project's overall objectives, and;

      ii. Promote national and international recognition of the natural and conservation values and threats relevant to the project context.

SECTION 13: PERFORMANCE MANAGEMENT & REPORTING

1. **Key Performance Indicators**

   a. Summarize what financial and non- financial key performance indicators (KPIs) will be relevant to the management of the proposed enterprise.

2. **Reporting**

   a. Summarize your proposals for how these KPIs will be monitored and reported upon both for internal management purposes and in terms of reporting to ZPWMA and any other relevant stakeholders.

SECTION 14: FINANCIALS

1. **Cash Flow Forecast**

   a. Please provide a cash flow forecast for the first 5 years of the proposed enterprise. The following will be relevant:

i. The forecast should clearly distinguish between CAPITAL development expenditure and OPERATING income and expenditure cash flows.

ii. The forecast should clearly distinguish between different revenue stream types – to the extent that there is more than one.

iii. The forecast should clearly highlight the total investment capital that will be required and how this will be used to service the capital and operating requirements highlighted in (i) above.

iv. The cash flow forecast (if necessary in the form of a specific with-workings note to it) should clearly indicate the breakeven operating level of the proposed enterprise.

v. All underlying assumptions to the cash flow forecast should be clearly explained and highlighted. The information provided as part of the assumptions should clearly enable the reader to understand all the key drivers behind both the income and expenditure side forecasts.

2. Investment Capital

a. Provide a summary of from where and how the investment amounts required (as indicated in the cash flow forecast) above will be sourced.

b. Summarize the basis upon which the financing will be made available to the operation i.e. invested as equity / preference shares / shareholders loans / secured or unsecured third part loans etc. Full details of the terms of this finance must be provided.

SECTION 15: FEE PROPOSAL

The ZPWMA evaluation body will remain open to all proposals regarding the structure and quantum of fees. However, the following should be noted:

- Preference is likely to be given to structures that provide for both a Guaranteed (or Fixed) annual sum combined with a Non-Guaranteed (or Variable) performance based sum appropriate to the nature of the operations being proposed (e.g. percentage of turnover, bed-night fee etc.).
- In appraising the overall quantum of fees proposed, the committee will be adopting a long term view of the value of this opportunity in what it believes is a global context of significantly decreasing supply (of pristine wilderness areas of equivalent quality) combined with significantly increasing demand.
- All fee proposals made should specifically articulate how the fee structure will be adjusted for inflation over the life of the project.

SECTION 16: OTHER INFORMATION

Please provide any other information in this final section that you feel is relevant to your proposal.

GUIDELINES FOR ZPWMA IN STRUCTURING LEASE PAYMENTS

This document provides detailed guidelines on the legal structuring of lease payments for tourism operations in ZPWMA managed protected areas. These guidelines are informed by best practice in developing conservation tourism projects across Africa.

It should be noted that the particular context will determine the importance of certain components and not all will be relevant in every case in Zimbabwe. For example, the definition of qualifying revenue could vary depending on the context. This document also deals with the complex issue of transfer pricing i.e. where an operator can sell a package that may have facilities in a ZPWMA managed protected area and also outside that protected area, and the operator allocates the revenue on the non-protected area facilities to reduce the lease fees due to ZPWMA on the facilities within the protected area.

NON-NEGOTIABLE CLAUSES FOR TEMPLATE PROTECTED AREA LODGE LEASES

1. **DEFINITIONS**

(a) "**Agents**" means sales agents, tour operators, ground operators and any other agent whose business is the brokering, procurement of goods or services to Guests as part of, or ancillary to, their stay at the Lodge;

(b) "**Audited Financial Statements**" means for a specific Financial Year:

(i) the audited balance sheet;

(ii) the audited profit and loss account;

(iii) an audited cash flow statement; and

(iv) an audited Related Party Transaction Certificate;

(v) an audited Compliance Certificate

together with the notes, reports, statements and other documents which are or would be required to be annexed to such financial statements, relating to the Business;

(c) "**Auditor**" means an auditor appointed by the Operator who shall be a member of the relevant national professional body for certified or chartered public accountants established by statute to regulate the accounting profession within the country concerned;

(d) **"Bed-Night"** means occupation of a bed in a Lodge room for an overnight stay by a paying Guest, but does not include occupation of a bed in a Lodge room by a person granted a concessionary rate or complimentary accommodation by the Operator for marketing purposes or to an Employee;

(e) "**Beverages**" means any liquid refreshment supplied by the Operator to Guests for consumption;

(f) "**Business**" means the business of leasing, operating, managing, promoting and maintaining the Lodge and all related and ancillary activities;

(g) "**Commissions**" means all amounts payable by the Operator as part of the Business in the form of commissions to Third Party Agents independent of and not being a Related Party;

(h) "**Compliance Certificate**" means a certificate to be issued and signed off by the Auditor in the form set out in Schedule II and providing a reconciliation between the Operator's total revenue from the Lodge for a Financial year as shown in the audited profit and loss account and the Rent due to the national protected area authority for that Financial Year.

(i) "**Control**" means the ability directly or indirectly to direct the management of an organisation, whether through ownership of voting rights or otherwise, provided that the direct or indirect ownership of fifty percent (50%) or more of the share capital of an entity is deemed to constitute control of that entity for these purposes (and 'Controlling' and 'Controlled' and their derivates shall have corresponding meanings);

(j) "**Employees**" means those employees, officers or independent contractors of the Operator engaged in work at the Lodge;

(k) "**Excluded Revenue**" means, subject to clause 4, the following types of revenue received by the Operator as part of its Business. Revenue from:

- (i) the supply of Exclusive Beverages;
- (ii) the supply of Exclusive Spa Treatments within the Lodge but not to the extent that the treatment includes a service which generates Qualifying Revenue, in which case all revenue shall be treated as Qualifying Revenue;
- (iii) the supply of Exclusive talks provided to Guests as part of their stay at the Lodge for informational and recreational purposes as opposed to vocational training;
- (iv) Exclusive sales from a retail shop outlets located at the Lodge provided that the sales do not relate to Qualifying Revenue items, in which case the proceeds of such sales shall form part of the Qualifying Revenue;
- (v) commission received by the Operator from the supply of goods or services to guests accommodated at premises other than the Lodge (and fly-camps (or in any structure other than the Lodge) outside the Lodge but within the Park and operated by or for the Operator and any temporary camp operated by the Operator within the Park whilst the Lodge is being built or is otherwise not in operation) and which do not form part of the Qualifying Revenue;
- (vi) the supply of Exclusive children's activities (as part of a dedicated children's club or otherwise) provided that the services in question are provided within the Lodge;
- (vii) the supply of Exclusive cultural performances within the Lodge, such as tribal dances; and
- (viii) any other forms of Exclusive revenue which may be classified as Excluded Revenue by agreement in writing between the national protected area authority and the Operator;

(l) "**Exclusive**" means in relation to any price quoted to the Guest for the supply of a particular service or good, an obligation on the Guest to pay separately and in addition to such quoted price for any other service or good supplied ancillary to the first service or good supplied, such as being obliged to pay for Beverages supplied ancillary to accommodation which are not included in the price quoted for the accommodation;

(m) "**Financial Year**" means the Operator's twelve month accounting reference period;

(n) "**Force Majeure**" means the occurrence of one of the events listed below which results in the Lodge's average occupancy falling to 5% or less of its total capacity prior to the occurrence of such event. The events in question shall be an act of God (including an earthquake, flood or volcanic eruption), pandemic disease or other condition which impairs the normal physiological functioning of humans or of other organisms and which are transmissible to humans, war, terrorism, civil commotion, strike, lock-out or other labour dispute, fire, flood, legislation, sanctions, civil war, trade embargo or any economic or other cause beyond the reasonable control of any party, but excluding any of the above events which is caused by any act, omission or default of any party;

(o) "**Guest**" means any person accommodated at the Lodge or in any other accommodation facility of (or used by) the Operator within the Park, but does not include an Employee;

(p) "**Guaranteed Annual Minimum**" means the minimum amount of Rent to be received by the national protected area authority from the Operator in a given Financial Year, being the amount for a given Financial Year set out in Schedule I and also subject to the exemptions set out in that schedule;

(q) "**Inclusive**" means a price quoted to the Guest for the supply of a particular service or good which includes other services or goods supplied ancillary to the first service or good supplied, such as where the price quoted for accommodation includes the cost of consuming certain Beverages;

(r) "**Lease**" means this document, namely the lease entered into by the national protected area authority with the Operator for the lease of the Lodge and the word "Leased" shall be construed accordingly;

(s) "**Lodge**" means [*description of the lodge operated by the Operator*];

(t) "**Lodge Audited Financial Statements"** means Audited Financial Statements relating to the Business but not to any other business activity of the Operator where the Operator operates a business other than the Business through the same legal entity;

(u) "**Net Qualifying Revenue**" means Qualifying Revenue received by the Business in a Financial Year less:

  (i) the amount of all Commissions paid but excluding commission received by the Operator from the supply of goods or services to guests accommodated at premises other than the Lodge and which do not form part of the Qualifying Revenue; and

  (ii) all or any Tax payable on such revenue, including VAT or (analogous taxes) and service charge, training and catering levy;

(v) "**New Facility**" means:

  (i) a Lodge that at the date of commencement of the Lease is in the process of being, or has been, constructed and built from a green field site by the Operator; or

  (ii) a Lodge that has not operated as a going concern for twelve months prior to the date of commencement of the Lease; but

excludes a business or lodge or tourist concern operating as a going concern and taken over or otherwise acquired by the Operator through a share or asset purchase;

(w) "**Operator**" means *[name of the lessee]*, the operator of the Lodge under the terms of the *[lease];*

(x) "**Park**" means [ ] National Park, a category [A/B][3] Park];

(y) "**Prevailing Market Conditions**" means the average amount of rent payable by the operators of similar sized and located lodges within the country as determined in good faith by the national protected area authority;

(z) "**Qualifying Revenue**" means all revenue of whatever nature or description received by the Operator from the operation of the Business (other than Excluded Revenue) including, without limitation, revenue received from the provision of:

(i) accommodation to Guests for overnight stays including in:

(1) Lodge rooms;

(2) Fly-camps (or in any structure other than the Lodge) outside the Lodge but within the Park and operated by or for the Operator; and

(3) any temporary camp operated by the Operator within the Park whilst the Lodge is being built or is otherwise not in operation;

(ii) conference/meeting services, including the hire of rooms and all conferencing facilities and equipment;

(iii) income (whether rental, licence fee or otherwise) received by the Operator from the use and/or occupation by any person other than the Operator of space, premises or parts of premises within the Leased area;

(iv) laundry services;

(v) communications services including telephone and internet connectivity;

(vi) accommodation at the Lodge at concessionary rates exclusively for marketing purposes or to Employees;

(vii) Inclusive or Exclusive meals (including Inclusive or Exclusive Beverages) supplied to Guests, whether within the Lodge or provided by the Operator elsewhere within the Park in the form of picnics or bush dinners or otherwise;

(viii) commission received by the Operator from the Business, other than in circumstances referred to in the definition of Excluded Revenue;

(ix) game viewing, educational, health or recreational activities offered to Guests within or outside the Lodge, involving any mode of conveyance or activity, such as, without limitation:

(1) fishing, game drives (whether conducted by day or by night), game tracking, bird viewing and nature walks, foot, horseback safaris, motor cycle, bicycle, elephant, camel, rafting or hot air balloon trips;

(2) visits to cultural villages within the Park;

(3) attending cultural performances within the Park but outside the Lodge, such as tribal dances;

(4) visiting archaeological sites within the Park;

(5) sporting activities such as swimming, tennis, golf and those available in a gymnasium;

(6) spa services supplied outside the Lodge but within the Park;

---

[3] To be tailored to suit each Park.

(7) Inclusive Spa Treatment supplied within the Lodge;

(8) training courses in areas including, without limitation, bush craft and photography;

(9) equipment hire and servicing of equipment;

(x) transportation services (whether by water, road or air);

(xi) any other forms of revenue which may be classified as Qualifying Revenue by agreement in writing between the national protected area authority and the Operator;

(For the purposes of this definition references to Operator shall, subject to sub-clauses 5 (b) and (c), be deemed to include any Related Party of the Operator);

(aa) "**Quarter**" means a period of three calendar months in a Financial Year starting from the date of commencement of the Lease or such other date as may be agreed in writing between KWS and the Operator;

(bb) "**Related Party**" means any entity which directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with the Operator or in relation to any natural person who Controls the Operator, members of his immediate family (grandparents, parents, siblings, spouse, children or grandchildren and lineal descendants of any of them), a trust for the benefit of any of them and entities Controlled by any such trust or persons;

(cc) "**Related Party Transaction**" means any contract, course of dealing, business practice, arrangement or co-operation between the Operator and a Related Party relating to the Business;

(dd) **"Related Party Transaction Certificate"** means a certificate to be issued and signed off by the Auditor in the form set out in Schedule III which shall provide a breakdown of the total contract value of all Related Party Transactions relating to the Lodge in a particular Financial Year;

(ee) "**Rent**" means 8.0% of the Net Qualifying Revenue subject to adjustment in the circumstances set out below to take account of the Guaranteed Annual Minimum and also sub-clause 5 (c);

(ff) "**Spa Treatment**" means treatment provided to Guests at the Lodge with a view to rejuvenating, relaxing and/or beautifying them, by providing services including, without limitation, those services commonly known as mud and herbal wraps, sea salt body glows, aroma-therapy, Swedish, Shiatsu and Egyptian massage, reflexology, aromatic flower and milk baths and feet spa treatments;

(gg) "**straight line basis**" means a method of calculation whereby the amount of any increment is to be calculated with reference to the original amount and not to the original amount compounded with earlier increments;

(hh) "**Tax**" means any form of sales based (but not income based and therefore excluding income tax, capital gains tax or compensating tax) levy, impost, duty, charge, contribution, withholding or impost of whatever nature (including any related fine, penalty, surcharge or interest) imposed, collected or assessed by, or payable to the the country's tax authority or any statutory successor body;

(ii) "**Third Party**" means independent of and not a Related Party to the Operator;

(jj) For the purposes of this Lease revenue received (or words to that effect) by the Operator shall be deemed to have crystallised for the purposes of calculating the amount of revenue for Rent purposes when it is accrued by the Operator in its accounts and not when the Operator receives payment of it.

2. RENT AND INCREASE IN GUARANTEED ANNUAL MINIMUM

(a) The consideration for the grant of the Lease shall be the Rent.

(b) The Rent shall be payable to the national protected area authority by banker's cheque quarterly in arrears within 30 days of the end of the Quarter in question.

(c) The Rent payable shall be subject to adjustment to take account of the Guaranteed Annual Minimum as follows. If in relation to any Financial Year the Rent paid by the Operator is less than the Guaranteed Annual Minimum for the Financial year in question ("**Deficit**") then, without prejudice to any other rights that the national protected area authority may enjoy under the terms of the Lease in such circumstances, the Operator shall pay the full amount of such Deficit together with the Rent due for the first Quarter of the next Financial Year, or where the Lease has been or is to be terminated, immediately upon expiry of a written notice to do so given by the national protected area authority.

(d) The Guaranteed Annual Minimum shall be increased with effect from the sixteenth Financial Year of the Lease as follows. The Guaranteed Annual Minimum to apply with effect from the sixteenth and subsequent Financial Years shall either be the Guaranteed Annual Minimum for the fifteenth Financial Year increased annually by 5 % on a straight line basis or by an amount to reflect Prevailing Market Conditions as at that time, whichever is the higher.

3. OBLIGATION TO APPOINT AN AUDITOR AND TO SUBMIT FINANCIAL REPORTS

(a) The Operator shall be required to have in place an Auditor for the duration of the Lease.

(b) The Operator shall engage the Auditor to prepare for each Financial Year, and at the cost of the Operator,:

(i) the Audited Financial Statements, which shall be capable of being amended by the national protected area authority in the circumstances referred to in clause 5 (c);

(ii) where applicable, the Lodge Audited Financial Statements, which shall be capable of being amended by the national protected area authority in the circumstances set out in clause 5 (c)

(iii) the Compliance Certificate; and

(iv) the Related Party Transaction Certificate;

collectively referred to as the "**Financial Deliverables**".

(c) The Operator shall, at the cost of the Operator, submit the Financial Deliverables that relate to a particular Financial Year to the national protected area authority within four months of the Financial Year end in question.

4. PACKAGING OF EXCLUSIVE AND NON-INCLUSIVE SERVICES

To the extent that the Operator shall offer to Guests supplies which are classified as Excluded Revenue packaged together with supplies which are classified as Qualifying Revenue, such as offering the purchaser of Spa Treatment a bush dinner at a concessionary rate, all of the revenue received from the provision of these forms of supplies shall be deemed to be Qualifying Revenue.

5. **RELATED PARTY TRANSACTIONS**

(a) All services to be provided to Guests and any other person on Lodge grounds shall be supplied and invoiced by the Operator other than in circumstances where the national protected area authority shall have approved in writing the supply by a party other than the Operator and which shall only be given to the extent that such services are Excluded Revenue.

(b) All supplies made to Guests outside Lodge grounds, but using assets owned by the Operator or any Related Party and/or maintained by the Operator or any Related Party, shall be deemed to be supplied by the Operator and the revenue received shall be deemed to be Qualifying Revenue.

(c) To the extent that in any Financial Year the average Inclusive Net Qualifying Revenue per Bed-Night supplied through Related Party Agents is less that 75% of the equivalent average Inclusive Net Qualifying Revenue per Bed-Night supplied through Third Party Agents then, by notice in writing given to the Operator and the Auditor, the national protected area authority shall have the unilateral right to increase the Net Qualifying Revenue for the purposes of the Rent payable by an amount which is equal to the total difference in average Inclusive Net Qualifying Revenue per Bed- Night supplied through Related Party Agents and 75% of the average Inclusive Net Qualifying Revenue per Bed- Night supplied through of the Third Party Agents multiplied by the total number of Bed-Nights supplied by the Related Party Agents, with such additional Rent to be payable with the ordinary Rent due at the end of the immediately following Quarter or, in the event that the Lease shall have been terminated at that time, immediately upon the giving of notice to do so.

6. **FORCE MAJEURE**

(a) If by any an event of Force Majeure, a party is unable to perform in whole or material part its obligations under the Lease, then such party shall be relieved of those obligations to the extent it is unable so to perform, and such inability to perform shall not make such party liable to the other, and it is not possible for the Affected Party to be adequately compensated by insurance. If any event of Force Majeure persists for a continuous period of three (3) months or more and such event prevents a party in whole or in material part from performing its obligations under this Agreement then the party unable to perform its obligations ("**Affected Party**") may, by written notice to the other, suspend all rights and obligations arising from the Lease until such Force Majeure event no longer persists and the parties are able to resume performance of their respective obligations provided that if such notice shall be given by the Operator it shall be permitted access to the Lodge to take steps to protect its assets during the period of suspension. The parties shall only resume performance of their obligations by written notice given by the Affected Party. If any event of Force Majeure shall persist for one (1) year then either party shall have the right to terminate the Lease without any further obligation other than in relation to accrued liabilities.

(b) Without prejudice to the rights under the preceding sub-clause, upon the occurrence of a Force Majeure event the parties shall be at liberty, rather than giving a notice under the preceding sub-clause, to negotiate a continuation of the Lease with a varied Guaranteed Annual Minimum.

(c) If the Lease shall be terminated in the circumstances referred to in sub-clause 6 (a) then to the extent that the Force Majeure no longer persists and the national protected area authority decides to lease the Lodge, then the Operator shall have the opportunity of matching the terms offered to any third party of the lease of the Lodge.

SCHEDULE 1

Guaranteed Annual Minimum

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8

Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15

To the extent that the Lodge is a New Facility and the Park in which such Lodge is situated is a:

- Category "A" Park then the Guaranteed Annual Minimum shall not apply to Year 1; or
- Category "B" Park then the Guaranteed Annual Minimum shall not apply for Years 1 to 3 inclusive.

SCHEDULE II

Form of Compliance Certificate

Note: All items in bold to be defined as per Definitions in Lease Agreement

Ref.	***Item***	***Amount***
A.	TOTAL REVENUE AS PER PROFIT & LOSS ACCOUNT IN **LODGE AUDITED FINANCIAL STATEMENTS**	
LESS:		
B.	**Commissions** *(included in Total Revenue as per Profit & Loss Account in* ***Lodge Audited Financial Statements***)	
C.	Total **Taxes** *(included in Total Revenue as per Profit & Loss Account in* ***Lodge Audited Financial Statements***)	
D.	Total **Excluded Revenue**	
E.	Total **Net Qualifying Revenue** (A-(B+C+D))	
F.	Extraordinary Reconciling Items* ▪ Type 1 ▪ Type 2 ▪ Type 3 ▪ Etc	
	Total Extraordinary Reconciling Items	
G.	Total Adjusted **Qualifying Revenue** (E-F)	
H.	TOTAL **RENT** DUE TO the national protected area authority (G X 8%)	

****** Extraordinary Reconciling Items must be individually grouped, described and totalled by Type***

AFRICAN WILDLIFE FOUNDATION®

SCHEDULE III

Form of Related Party Transaction Statement

Note: All items in bold to be defined as per Definitions in Lease Agreement

Ref.	*Item*	*Amount or Number or %*
A.	Total **Inclusive Net Qualifying Revenue** supplied through **Third Party Agents**	
B.	Total number of **Bed-Nights** supplied through **Third Party Agents**	
C.	Average **Inclusive Net Qualifying Revenue** supplied through **Third Party Agents** per **Bed-Night** (A÷B)	
D.	Total **Inclusive Net Qualifying Revenue** supplied through **Related Party Agents**	
E.	Total number of **Bed-Nights** supplied through **Related Party Agents**	
F.	Average **Inclusive Net Qualifying Revenue** supplied through **Third Party Agents** per **Bed-Night** (D÷E)	
G.	C÷F Expressed as a Percentage	

Annex 4: Analysis of Photographic Tourism Market Trends in Zimbabwe

ANALYSIS OF PHOTOGRAPHIC TOURISM TRENDS IN ZIMBABWE

This document provides an overview of the current status of photographic tourism in Zimbabwe. It has been prepared by AWF using information provided by a range of credible sources including the Zimbabwe Tourism Authority and the World Bank.

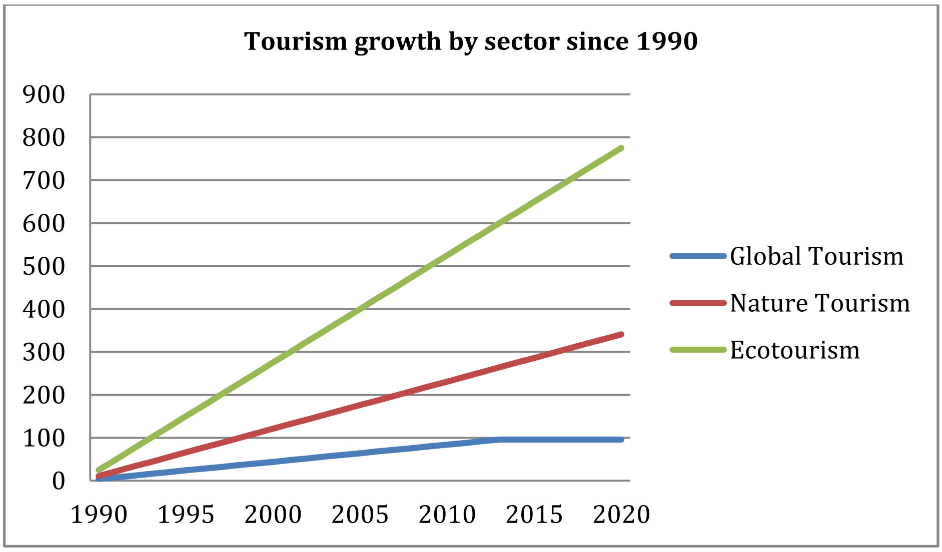
Global Industry Trends

The International Ecotourism Society (www.ecotourism.org) says the following on the current status of the global nature tourism and ecotourism sector:

- The wider sector of *nature tourism* (which involves general travel to natural areas) is growing globally at 10%-12% per annum;
- Since the 1990s, the sub-sector of *ecotourism* (travel proactively orientated towards nature/local communities which would include photographic tourism within the ZPWMA context) has been growing at a rate of 20% - 34% per year;
- *Nature tourism* is growing 3 times faster globally than the tourism industry as a whole (and therefore it could be said that within this *ecotourism* is growing at between 6 and 8 times the rate of normal tourism).

The International Ecotourism Society also makes the following general observations on the global tourism sector as a whole:

- 'Resort' or regular package tourism has now "matured as a market" and its growth is projected to remain flat. In contrast, 'experiential' tourism—which encompasses ecotourism, nature, heritage, cultural, and soft adventure tourism, as well as sub-sectors such as rural and community tourism—is among the sectors expected to grow most quickly over the next two decades;
- The United Nations Environment Programme (UNEP) have indicated that most tourism expansion is occurring in and around the world's remaining natural areas;
- Analysts predict a growth in eco-resorts and hotels, and a boom in nature tourism — and suggest that those who are committed to sustainable, high quality nature tourism will make significant market gains. These trends are illustrated in the graphs below.



The findings of the International Ecotourism Society are confirmed by the UN's World Tourism Organisation (www.unwto.org), which states that ecotourism and nature based tourism are among the fastest growing market segments worldwide. Recent research carried out by UN WTO has shown that 8% of all trips currently sold worldwide can be described as *ecotourism*, with a potential grow to 15%.

World Travel and Tourism Council (WTTC) Analysis of Zimbabwe Tourism Sector: 2013

The following represents a summary of the relevant parts of the World Travel and Tourism Council's most recent assessment of the tourism sector in Zimbabwe. These figures have also been cross-referenced with various official Zimbabwe government reports on the tourism sector in order to ensure consistency.

⇒ **GDP: DIRECT CONTRIBUTION:** The direct contribution of Travel & Tourism to GDP was USD378.6mn (5.2% of total GDP) in 2012, and is forecast to rise by 2.1% in 2013, and to rise by 5.8% pa, from 2013-2023, to USD679.5mn in 2023 (in constant 2012 prices).

⇒ **GDP: TOTAL CONTRIBUTION:** The total contribution of Travel & Tourism to GDP ('total' being inclusive of all related spend to the tourism sector, such as fuel purchases, construction of hotels etc.) was USD770.3mn (10.6% of GDP) in 2012, and is forecast to rise by 2.4% in 2013, and to rise by 5.9% pa to USD1,394 mn in 2023.

⇒ **EMPLOYMENT: DIRECT CONTRIBUTION:** In 2012 Travel & Tourism directly supported 40,500 jobs (3.7% of total employment). This is expected to rise by 1.4% in 2013 and rise by 4.2% pa to 62,000 jobs (3.5% of total employment) in 2023.

⇒ **EMPLOYMENT: TOTAL CONTRIBUTION:** In 2012, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 7.8% of total employment (86,500 jobs). This is expected to rise by 2.6% in 2013 to 88,500 jobs and rise by 2.5% pa to 113,000 jobs in 2023 (6.3% of total).

⇒ **VISITOR EXPORTS:** Visitor exports generated USD447.5mn (8.5% of total exports) in 2012. This is forecast to grow by 1.5% in 2013, and grow by 6.6% pa, from 2013-2023, to USD861.6mn in 2023 (8.9% of total).

⇒ **INVESTMENT:** Travel & Tourism investment in 2012 was USD68.5mn, or 7.1% of total investment. It should rise by 3.3% in 2013, and rise by 2.0% pa over the next ten years to USD110.5mn in 2023 (5.2% of total).

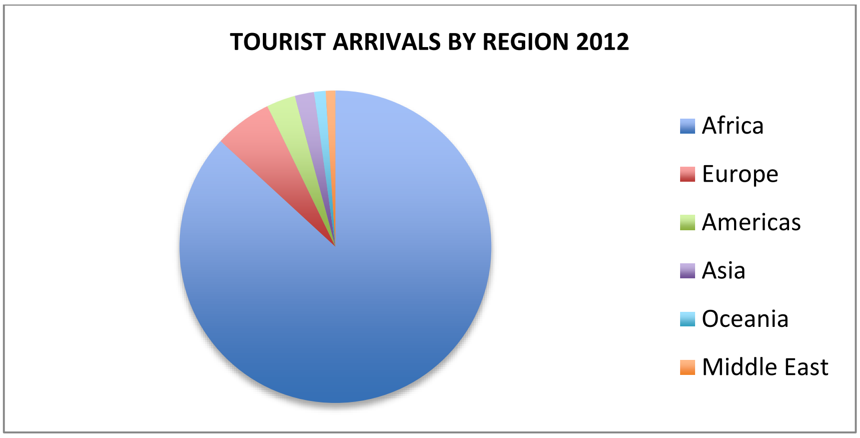
Zimbabwe total tourist arrivals 1993-2012

Source: World Bank and Zimbabwe Tourism Authority

- **Total tourist arrivals:** Overall tourist arrivals over the period have increased although the year-on-year figures show high rates of volatility and these overall figures do not show trends within the niche photographic tourism markets which will be relevant to ZPWMA. Overall tourist arrivals to Zimbabwe would have increased for reasons including:
    - Growth of low cost air travel and higher rates of mobility
    - Improved communication links
    - Effect of the internet and availability of information and ability to book accommodation and holidays
    - Greater stability and mobility in countries bordering Zimbabwe

- **Historic events:** The irregularity in growth can be explained in some part by:
    - 2003 – 2005 saw a decline in tourism potentially as a result of land reclaims and acclaimed political instability and lack of basic and staple resources in the country
    - 2003 saw Zimbabwe pull out of the Commonwealth
    - 2006 – 2009 sees hyperinflation of Zimbabwean dollar
    - 2007 – 2008 was a period of political tension which may have contributed to the decrease in tourist arrivals

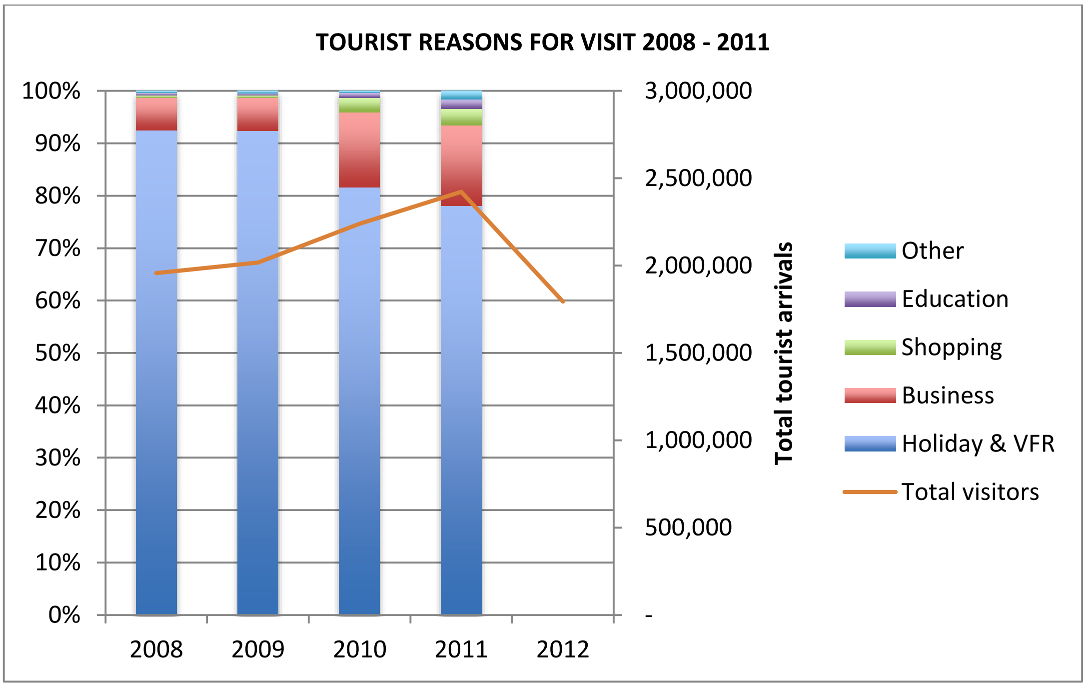
1. Tourist arrivals by region 2012



Source: World Bank and Zimbabwe Tourism Authority

- **Tourist arrivals by region:** Africa originated tourists make up 87% of total tourist arrivals into Zimbabwe followed by Europeans consisting of 6% (ZPWMA will partly target these international niches but many visitors will be from South Africa and from within Zimbabwe).

2. Tourist reasons for visit 2008 – 2011

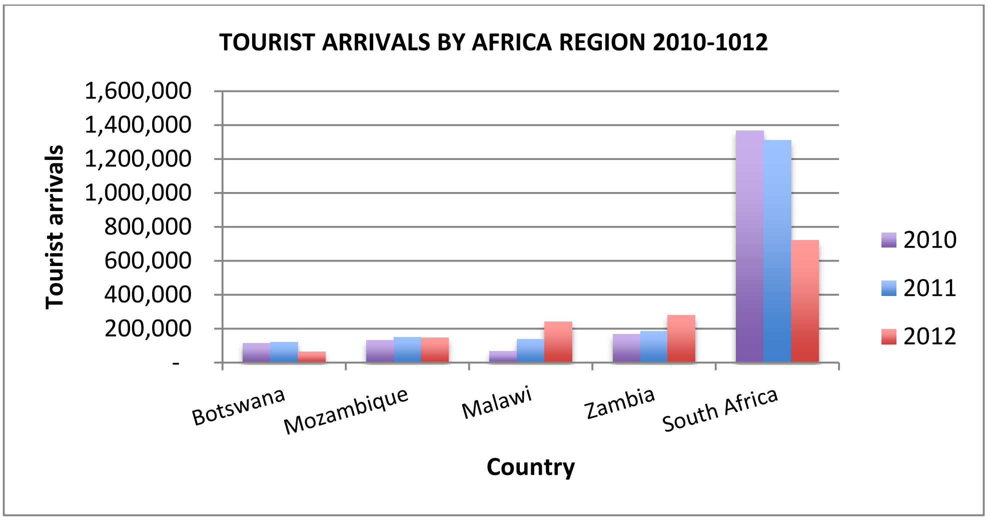


Source: Zimbabwe Tourism Authority

** VFR: Visiting family and relatives*

- **Tourist reasons for visit:** Between 2008 and 2011 the number of business tourists visiting Zimbabwe increased from 6.1% to 19.5% as a proportion of the total number of tourists arriving in the country. Holiday and VFR tourists conversely decreased from 92.5% to 69.4% of total arrivals. Business tourism would have increased as international sanctions on Zimbabwe were lifted. Holiday tourist figures both nominally as a proportion of total tourist arrivals and in real terms decreased over the period potentially as a result of political and economic instability, the emergence of alternative 'high quality' tourism destinations in countries neighbouring Zimbabwe, and a perceived deterioration of public services including national parks.

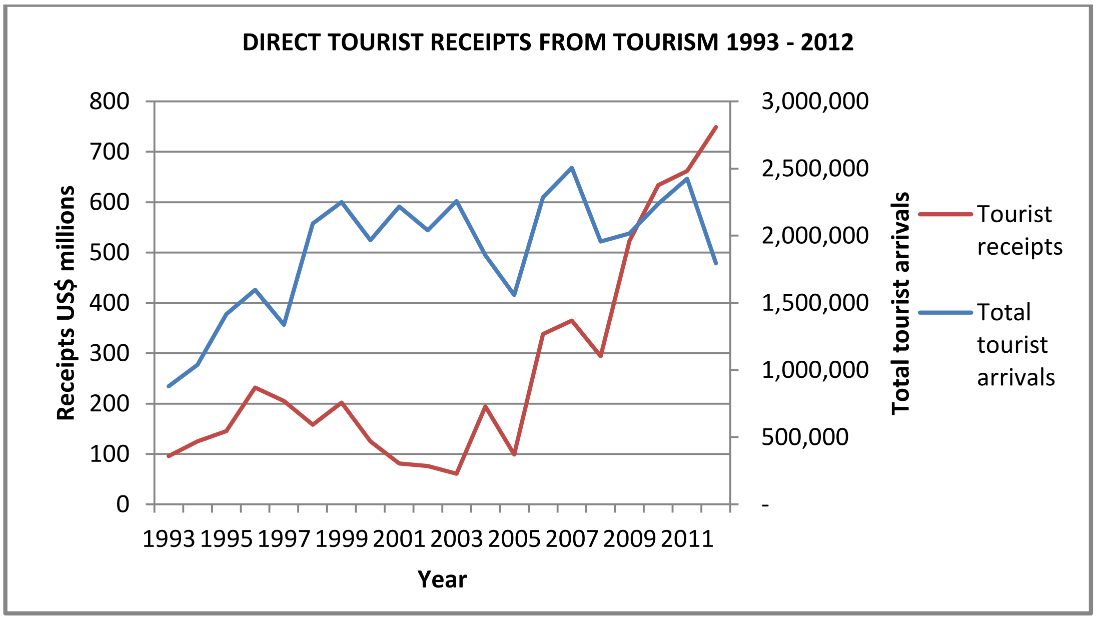
3. Tourist arrivals by Africa region 2010 – 2012



Source: Zimbabwe Tourism Authority

- **Tourist arrivals by Africa region:** The majority of tourists visiting Zimbabwe from Africa originate in South Africa. Interestingly the number of South African visitors has dropped significantly from 2010 – 2012 from 1.36 million to 720,000. This may be a result of the emergence of Mozambique as a preferable tourist destination for South Africans and an impact of the global financial crisis, which has caused international tourism travel rates to fall in general.

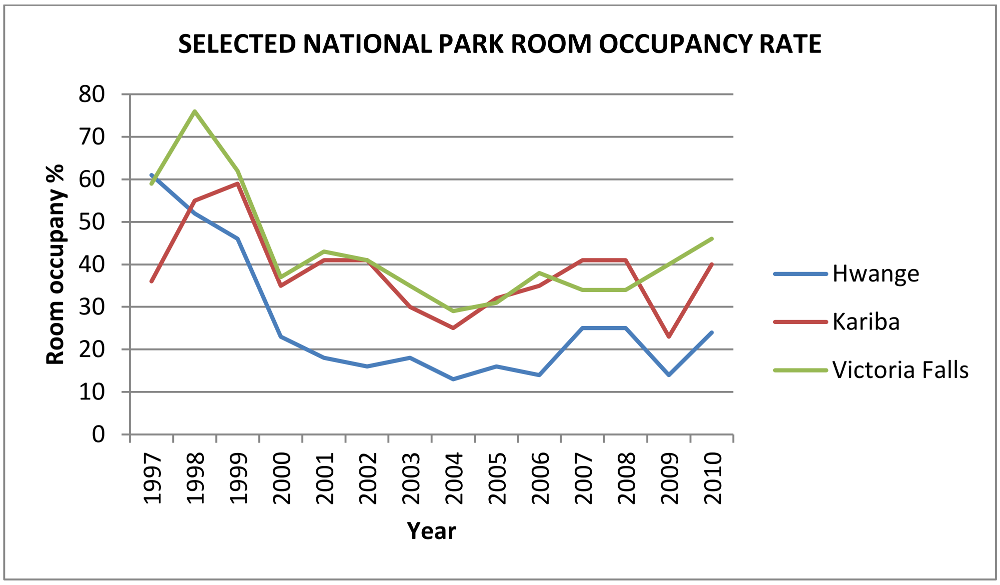
4. Direct tourist receipts from tourism US$ millions 1993 - 2012



Source: World Bank and Zimbabwe Tourism Authority

Direct tourism receipts: Between 2003 – 2011 direct tourists receipts increased and were directly correlated to tourist arrivals. Interestingly in 2011 this trend inverted as receipts increased and arrivals decreased. This may suggest that the majority of tourist receipts are not received by leisure tourists whose arrival rate has been shown to decrease, but are largely attributed to business tourists whose arrival rate has increased.

5. Selected National Park room occupancy rate %



Source: World Bank and Zimbabwe Tourism Authority

- **Room occupancy rate:** Room occupancy rates on the whole have decreased from 1997 – 2010 across the selected national parks. This may be a result of a decline in visitors to Parks but it may also be a result of a higher number of rooms available across all Zimbabwe national parks providing consumers with greater choice in which national parks they select to visit.