

*This series provides an overview of successful public-private partnerships in various infrastructure sectors, where IFC was the lead advisor.*

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**Tourism Sector**

## South Africa: National Parks

IFC played a key role in helping South African National Parks (SANParks) structure and implement the initial landmark public-private partnerships for setting up nine ecotourism concessions, seven of which are in the world famous Kruger National Park, and awarding concessions to private operators for retail and restaurant facilities in several national parks. The transactions closed in 2000 and 2001, respectively.

The highly successful SANParks ecotourism public-private partnerships have generated more than US\$20 million in revenues to date. They have also developed infrastructure and assets worth more than US\$36 million that will revert to SANParks at the end of the contractual periods.

The commercialization strategy has vastly improved SANParks' standing in the eyes of stakeholders, reduced unemployment in neighboring communities, and created economic opportunities for previously disadvantaged ethnic groups. As a result, the government increasingly views national parks as a tool for economic development and has stepped up its annual financial commitment. Thanks to the increase in public funds and the additional revenue from its partnerships, SANParks has been able to expand the land under its protection.

## BACKGROUND

Created in 1998, SANParks became a successful parastatal entity, a leader in the development of the ecotourism industry. Yet despite managing some of the world's most spectacular natural assets, SANParks was failing to deliver tourism products efficiently. In 1999, following a benchmarking exercise against similar private operations, SANParks realized that it lacked the skills, incentives, and access to capital to make the most of tourism opportunities.

Deciding that it would not run commercial ventures, but instead focus on its core function of biodiversity management, SANParks developed the concept of commercialization as a conservation strategy. This would allow the private sector to operate commercial services and facilities, and generate additional revenues for the organization through improved products.

## IFC'S ROLE

SANParks sought the assistance of IFC as lead transaction adviser because of its expertise in structuring complex transactions with a high level of transparency. IFC's role involved:

- structuring the overall commercialization program,
- analyzing the market potential for concessions and commercial facilities,
- establishing strict environmental safeguards,
- developing a strategy for promoting Black Economic Empowerment,
- defining contractual terms between SANParks and private operators, and
- implementing a transparent bidding system.

A key element of the concession structure was that the concessionaires had to adhere to SANParks' environmental requirements. These included stringent limits on the carrying capacity of each bid site. All construction plans and activities were subject to environmental impact assessments, and SANParks had to approve all design and environmental plans. Agreements included meaningful financial penalties, backed by performance bonds, for noncompliance with the environmental requirements.

Another key element of the concessions was a commitment to empowering disadvantaged South Africans. As a result, more than 30 percent of the concessionaires are black-controlled companies and all concessionaires have substantial black shareholdings.

The concessionaires were also required to make minimum commitments to purchasing goods and services from community businesses surrounding the national parks. This was a pioneering success for Black Economic Empowerment in South Africa's tourism sector.

## TRANSACTION STRUCTURE

The project was structured in two phases. Phase I involved greenfield ecotourism concessions and phase II involved retail and

restaurant concessions in all national parks.

IFC structured the greenfield concessions as design, build, operate, and transfer projects, each with a 20-year term. In these concessions the private operator was granted exclusive use of the land allocated to build accommodation facilities and provide ecotourism activities, while SANParks retained ownership of the land and all buildings thereon. The ecotourism concession contracts had no right of renewal or first refusal on expiration. The concessionaires pay SANParks an annual fee calculated as a percentage of the turnover bid during the tender process.

The restaurant and retail concessions were structured as rehabilitate, operate, and transfer projects with a 10-year term. Again, SANParks retained ownership of all buildings and assets. Employees at affected restaurants and shops were transferred to the private operators at the same pay and under the same conditions. Operators bear the capital costs of all rehabilitation and SANParks earns a fee that is the higher of fixed monthly rental or percentage of turnover.

## BIDDING

The nine ecotourism concessions awarded are all high-value, exclusive, private lodges. The financial commitment made by the bidders was in the form of a guaranteed income to SANParks of US\$35 million over 20 years. The investment mobilized by the private operators was US\$15 million and 350 new beds were to be developed, creating an estimated 700 new jobs.

The bids for retail and restaurant facilities resulted in 22 shops and 17 restaurants being awarded. Facilities were upgraded at the operators' expense. The financial offers by private operators exceeded expectations. One year following the award of these concessions, retail turnover increased by 43 percent and restaurant turnover by 60 percent.

## POST-TENDER RESULTS

- SANParks has a significant source of revenues to help fund its conservation and biodiversity operations in a sustainable manner.
- SANParks has developed significant expertise to manage and implement PPPs —since 2001 it has successfully contracted 14 more concessions and has a well-established contract management unit.
- The methodology developed by IFC was influential in the development of the Public-Private Partnership Toolkit for Tourism issued by the South African National Treasury's PPP Unit in 2005.