



SADC PPP CASE STUDIES

Public Private Partnerships (PPP) can be accompanied by difficulties, particularly in the context of developing countries. Given that PPP can be an instrument for financing infrastructure development in the Southern African Development Community (SADC) region, these systemic weaknesses need to be addressed at both national and regional level. To assist in this regard, the SADC Secretariat and the SADC Development Finance Resource Centre (DFRC), in collaboration with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has commissioned a series of case studies examining private sector experiences of Public Private Partnerships (PPP).



A CASE STUDY ON DAAN VILJOEN GAME PARK

NOVEMBER 2012

FIRM OVERVIEW

Title	Daan Viljoen Game Park
Name of private sector partner	Prosperity Group – Karros Wildlife Safari
Nationality	Namibia
Sector	Tourism
Countries where doing business	Namibia
PPP Type	Lease, rehabilitate, operate, transfer.
Partners	Prosperity Group – Karros Wildlife Safari Namibian Wildlife Resorts Ministry of Environment and Tourism.

BACKGROUND

The Public Private Partnership between Namibia Wildlife Resorts (NWR) and the Prosperity Group was signed in 2008 and resulted in a complete revamp of the Daan Viljoen Nature Reserve. To date some \$40 million has been spent on revamping the camp site, bungalows, restaurants and landscape at the park which was suffering from aging and dilapidated infrastructure. A further \$30 million will be invested in a second phase over the coming years. The second phase of the project will involve turning the old restaurant at the camp into a 350-seater conference facility and the old braai area into about 10 to 12 luxury units. The third phase will see the establishment of a medical tourism park, a relatively new concept to Namibia that will involve the construction of a spa and a wellness centre. The facility will aimed at those recovering from minor surgery and for post-stress treatment relaxation. This phase is expected to cost about N\$15 to N\$18 million and will only get off the ground by 2013.

Currently the resorts functions as a general tourism facility but also as a conference venue. Prosperity subsidiary, San Karros Lifestyle Safari, signed the PPP deal with NWR in 2008 through which it has a 30 year leasing rights over Daan Viljoen. The PPP can be referred to as a lease-rehabilitate-operate-transfer model – one unique feature is that there is a profit sharing agreement where NWR takes a small share of the profit. The reserve forms part of a cluster of projects which are part of the parastatal's turnaround strategy aimed at transforming NWR into a profitable state tourism business.

Swapo's Kalahari and Zebra Holdings have a combined 20 per cent stake in the project. SWAPO is the political party of the ruling government.

BARRIERS ENCOUNTERED BY PRIVATE SECTOR PARTNERS

Low quality and age of infrastructure was one of the main problems facing the private partner. There was not a significant amount of infrastructure that could be re-used without a major overhaul and reinvestment.

A PPP Act and regulations were not yet promulgated or in place. In the absence of a national policy on PPPs, NWR was directed to submit its own PPP approach to the Cabinet Committee on Overall Policy and Priority for approval. Approval was eventually given, but there was oversight over the deal.

Linked to the absence of policy was that there was no PPP unit in the national government at the time of the transaction, so the NWR together with the Ministry of Environment and Tourism were directly responsible for the negotiations. They frequently had to go back to higher organs of state to obtain mandates, which in some cases was a time consuming process.

Bureaucratic procedures continue to hamper the pace of the private partner who stated that all decisions have to first be made through NWR, who then refers the decision to the Ministry of Environment and Tourism. Once approval is obtained this is communicated to NWR and then eventually back to Sun Karros. There were also objections from workers/employees of the previous NWR who claimed that there was no consultation before the PPP was advertised. This resulted in some industrial action and protest activity.

A second barrier linked to employees is that as part of the PPP deal Sun Karros was compelled to take on employees previously employed by the state. In many cases these employees were long term staffers with salaries completely unrelated to grades of work in the private sector. This caused further complications when new staff were employed at market related rates, and they worked side-by-side with existing employees.

The other major obstacle was the relationship between spatial planning and tourism development related to the encroachment of human settlements into sensitive environmental areas. This is related to the Otshimushe informal settlement which encroaches onto the eastern boundary of the park. A related issue is control of pollution into the water sources flowing through the park and there are also major issues relating to the illegal harvesting of firewood and illegal hunting and poaching.

IMPACT OF BARRIERS

The private partner had to over-capitalise the project in order to achieve a going concern.

The government was relatively inexperienced in implementing PPPs, and there were no public sector based transaction advisors. This caused the pace of the deal to be very slow.

Any new decisions which involve NWR are also slow.

The impact of human settlements continues to be a problem for water quality and environmental issues.

FIRM RESPONSE TO BARRIERS, INCLUDING INTERACTION WITH POLICYMAKERS

The private partner had to borrow from a consortium of banks and potentially threaten the viability of the venture in order to meet the capital requirements. This is related to the concept of over-capitalisation, but all indications are that income and expenditure are now balancing and the project will succeed.

In order to speed up decision-making the firm now interacts simultaneously with NWR and the MET so that when decisions are required, the information lies already at the hands of all the necessary decision-makers.

The firm had to engage with unions and government regarding labour law issues, security of job tenure and employment conditions. They also had to provide assurances that all salaries and benefits would be matched for the workers who transferred to Sun Karros. This meant that under-qualified individuals were earning four times the market related wage for menial tasks. The private partner has systematically tried to upgrade the employees into positions which are more matched to their salaries, but this has had a moderate success rate.

In terms of the environmental issues of water quality and poaching, the firm has taken a back seat and this responsibility is now in the hands of NWR and the MET. The firm only plays a monitoring role in this barrier.

There has been consistent interaction with policy makers as it is a PPP.

The company has had and continues to have close interaction both with the parastatal NWR as well as with the Ministry of Environment and Tourism.

OUTCOME FROM REACTION TO BARRIER

The labour issues have been resolved.

The teething problem with the implementation of the first PPPs in the tourism sector has meant that both private sector and public sector capacity has been built. There is a solid precedent on the ground now, and further projects are in the process of being packaged.

The government has commissioned the development of a PPP policy, and a draft is now available. Some of the experiences of the Daan Viljoen project have fed into the development of the policy, and there is talk about the establishment of a PPP Unit.