

# Mkhambathi Nature Reserve Phase 1

*A tourism development with the potential to transform a poor community*

## Background

Mkhambathi Nature Reserve is situated on the coast of north-eastern Pondoland, in the Eastern Cape. It lies between Port Edward and Port St Johns. The Reserve which covers an area of 7 720 hectares is part of the Pondoland Centre of Endemism, one of 235 “environmental hotspot” sites identified worldwide as being critically important for global biodiversity.

In 1922 people were moved out of the area and a leper colony and hospital was established on 18,000 hectares of rolling coastal grassland. When leprosy was cured, the facility became a TB hospital. Then in 1977 a third of the 18 000 hectares was proclaimed as a provincial Nature Reserve.

The Mkhambathi communities comprise some 40 000 people in seven villages in the vicinity of the Mkhambathi Nature Reserve. Three hundred and twenty six households launched a land claim over part of the Nature Reserve in 1994 under the auspices of 7 Communal Property Associations.



Their land was settled in October 2004 and the seven CPAs were constituted into the Mkhambathi Land Trust (MLT). The land settlement was on condition that the communities would maintain the Mkhambathi Nature Reserve as a conservation area and enter into a co-management arrangement with the Eastern Cape Parks and Tourism Agency (ECPTA) for the management of the Reserve. Today the Mkhambathi Land Trust owns 18 000 hectares in the Reserve as well as land adjacent to the Reserve.

## Vumelana support

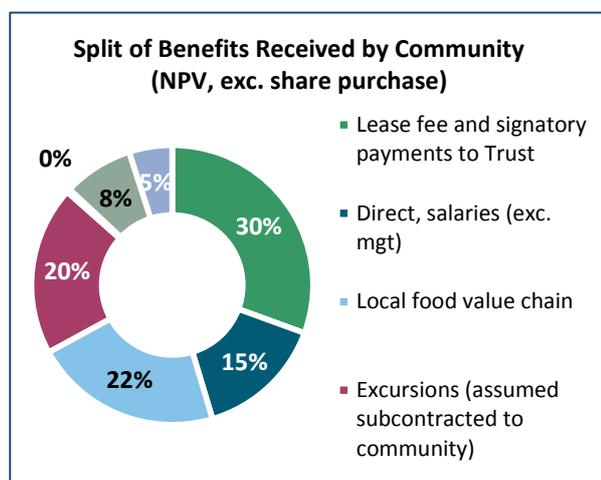
Early in 2012, Vumelana appointed a team to facilitate an agreement between a tourism development company, the Mkhambathi Land Trust and the ECPTA to develop properties in the northern part of the Reserve. The agreement provides that the developer will lease a portion of the Reserve, fence it and develop 110 beds at two beach locations at a cost of not less than R65m. Lease agreements for the development of the facilities have been concluded and an environmental impact assessment is under way.

## Potential impact

The Trust and the ECPTA will receive R150 000 pa base rental (increasing annually) plus 9% of turnover. This will be split 66.6% MLT and 33.3% ECPTA. The distribution of benefits to the broader Mkhambati community will be the responsibility of the Trust. In addition to the income from rent and turnover

approximately 70 jobs

will be created (40 through direct employment at the lodge, and the rest generated indirectly. There are also significant SME opportunities as a result of the project including crafts, additional accommodation, tourist activities (horse riding, guided tours, etc.) and the provision of supplies to the lodges (fresh vegetables, laundry services etc.). Further public benefits might include improved roads and facilities, and the general crowding in of investment into the area.



Community	NPV
Lease fee and signatory payments to Trust	12 783 684
Direct salaries (exc. mgt)	6 184 347
Local food value chain	9 039 795
Excursions (assumed subcontracted to community)	8 186 900
Training received by lodge staff	164 961
Dividends from shares	3 364 820
Value of shareholding in year 20	2 067 230
Share purchase	-4 149 562
<b>Total</b>	<b>41 791 736</b>

Investor	NPV
Investment	-62 620 172
Dividends from shares	70 421 814
Salaries (mgt only)	5 099 557
Time spent setting up agreement, year zero (see Table 1)	-27 227
<b>Total</b>	<b>12 873 972</b>

Government	NPV
Taxes paid	27 996 705
<b>Total</b>	<b>27 996 705</b>

ECPTA	NPV
Lease fee and signatory payments	6 391 900
<b>Total</b>	<b>6 391 900</b>

The cost-benefit analysis shows potential benefits for the community are derived predominantly from lease fees and salaries. In addition the community will benefit from training, food supply and income earned from guiding and excursions.

A range of additional benefits would be available to the community through the demand created for other services (not included in the initial cost benefit analysis) such as cattle breeding, vegetables, transport and security.

The establishment of ancillary businesses would require additional discretionary funding which the investor is trying to secure.