

1.0. BUSINESS OVERVIEW

1.1. Economic Context

Malawi is an agriculturally-based economy. In 2003, total Gross Domestic Product (GDP) amounted to some US\$1.8 billion at current prices. Currently, real GDP is growing at around 4 percent per annum.

In 2005 the agricultural sector accounted for an estimated 37 percent of the total GDP. The next largest sectors are distribution, with 20.8 percent; manufacturing, 10.9 percent; financial and professional services, 9.1 percent; and producers of government services, 8.2 percent.

The economic prospects in Malawi are mixed. In the past, the country has relied too heavily on agriculture for economic development, and the majority of Malawians are still engaged in small-scale agriculture. Public sector spending to boost consumption of local goods is also highly dependent on revenues from the agricultural sector, as well as donor funded infrastructure developments. However, given the relatively positive regional dynamics, as well as the gradual emergence of non-traditional industries such as mining, telecommunications and tourism expansion, the Government anticipates that the economy will grow by an average of 5.5 percent per annum from 2005-2008.

1.2. Population and Labour Force

In 2004, Malawi's population was estimated at 11.2 million, and is currently growing at a rate of approximately over two percent per annum. The majority of the population continues to live in rural areas (84 percent in 2003), with almost 80 percent of the economically active population employed in the primary sector, specifically agriculture. The overall population density is approximately 94 persons per km².

1.3. Role of Tourism

Malawi has potential to develop tourism. However, the sector is taking off relatively slowly and the physical infrastructure (such as road access) needed to cater for large numbers of tourists is under extensive rehabilitation and construction. Nevertheless, tourism is already making a significant economic contribution - accounting for approximately 7.3 percent of GDP in 2003 according to World Travel & Tourism Council (WTTC) estimates.

1.4. General Institutional and Regulatory Framework

Malawi's legal system is based on English common law. The court system in Malawi accepts and enforces foreign court judgments that are registered in accordance with established legal procedure. There are, however, reciprocal agreements among Commonwealth countries to enforce judgments without this registration obligation.

The Government's overall economic and industrial policy does not have discriminatory effects on foreign investors. All regulations affecting trade (foreign exchange, taxes, etc.) apply equally to domestic and foreign investors.

1.5. Land tenure

Land can be leased for a maximum period of 99 years.

1.6. Local Skills Base

Skilled labour in Malawi is not abundant, and many investors rely on expatriate management staff. However, the Government recognises this and has begun intensive efforts at training skilled technical staff and artisans in order to sustain the growth and expansion of the economy in general. Hotel Workers in Malawi are trained at Malawi Institute of Tourism, which offers Certificate and Diploma Courses in Tourism and Hospitality. The Institute offers the following one-year Certificate Courses:

- Front Office Operations
- House Keeping
- Food Production
- Food and Beverage Services

The three-year Diploma Courses offered by the Institute cover areas of Travel and Tourism Management Hospitality and Tourism Management. In 2006 the Mzuzu University started training courses in Tourism and Hospitality Management to a degree level.

1.7. Infrastructure Services

1.7.1. International air access

The main international airport is in Lilongwe (Kamuzu International Airport), although Blantyre (Chileka International Airport) is also used for international flights. Air Malawi, the national carrier, flies to most major destinations in eastern and southern Africa, with connections on other airlines (via Johannesburg and Nairobi) to Europe, the United States and Asia. Other services are provided by Ethiopian Airlines, Kenya Airways, Zimbabwe Airlines and South African Airways (SAA).

1.7.2. Domestic air services

Air Malawi offers domestic services between the main cities.

1.7.3. Roads and lake transport

Malawi has a good road network and major road upgrade programme is underway. Remote locations can be reached via gravel roads. Ferry services (and some cruises) operate on Lake Malawi.

1.7.4. Telecommunications

Direct dialling is available to all countries. There are two mobile phone service providers, while Internet is also available through a number of service providers.

2.0. TOURISM SECTOR

Tourism to Malawi has experienced steady growth in recent years. The number of visitors increased from 173,000 in 1995 to 637,772 in 2006.

2.1. Product Offer

Malawi's tourism product is based on both natural and cultural heritage. The prime attractions are the fresh water Lake Malawi, the third largest lake in Africa, and wildlife that can be found in numerous national parks, wildlife reserves and forest reserves, mountains and scenery, cultural and historical attractions, and the friendly, welcoming people.

2.1.1. Places to visit and things to do

(i) National Parks, Wildlife Reserves and Natural Attractions

- Lake Malawi is one of the deepest lakes in the world. The main tourist centre is in Mangochi (on the southern shoreline) and the nearby Cape McClear (also a World Heritage Site because of the variety of fish found in the lake). Further up the lakeshore, the port town of Nkhata Bay is popular with backpackers;
- Lake Malawi National Park, the first freshwater marine reserve of its kind in the world, is home to an estimated 1,000 species of cichlids (brightly coloured fish), most of which cannot be found anywhere else in the world;
- Liwonde National Park, located south of Lake Malawi on the Shire River, offers bird watching, boating safaris and game drives;
- Kasungu National Park is known for its archaeological sites and bird watching;
- Nyika National Park, in the north, attracts botanists, in particular due to the 200 orchid species - many of which are endemic;
- Lengwe National Park, in the extreme south, is popular for hiking and bird watching;
- The main Wildlife Reserves are Nkhotakota Wildlife Reserve, Majete Wildlife Reserve, Mwabvi Wildlife Reserve and Vwaza Wildlife Reserve; and
- Mount Mulanje, in the south of Malawi, reaches an altitude of 3,000m. Mountain and rock climbing, hiking and walking are the most popular activities in this area.

(ii) Other activities

For anglers, the best locations are Shire River and the various streams and rivers in the Mulanje, Zomba and Nyika districts. Lake salmon can be caught off the northern shores of Lake Malawi. Hiking, horse riding, mountain biking, paragliding, river rafting, and kayaking are also popular as are scuba diving, snorkeling and relaxing on the beaches of Lake Malawi. In addition, visits may be made to a number of cathedrals, mission stations and tea estates.

(iii) Cities and towns

- Lilongwe, proclaimed the national capital in 1975;
- Zomba, situated at the foot of the Zomba Plateau was for many years the capital of Malawi with old colonial buildings and the Zomba Museum;
- Blantyre, the country's oldest and largest city;
- Mzuzu, capital of the northern region; and
- Karonga, close to the northernmost point of Lake Malawi, where one can see fossil beds revealing dinosaur and hominid remains.

2.1.1. Market Trends

2.1.2.. Visitor arrivals

Total international arrivals amounted to 637,772 in 2006 compared with 382,600 in 2002 and 266,300 in 2001.

21.3. Purpose of visit

Business visitors constitute the largest single component (an estimated 51.9 percent of total international arrivals), followed by leisure visitors (21.7 percent) and VFR/Other (26.4 percent).

Table 1: International tourist arrivals, 2000-2006

| Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|----------|----------|----------|----------|----------|----------|----------|---------|
| Arrivals | 227, 600 | 266, 339 | 382, 647 | 424, 000 | 427, 360 | 437, 718 | 637,772 |

Source: Malawi Department of Tourism

2.2. Average length of stay

The average length of stay is at 9.7 days for leisure visitors and 6.5 days for business visitors.

2.2.1. Institutional Arrangements

The main responsibility for tourism development and promotion lies with the Department of Tourism within the Ministry of Tourism, Wildlife and culture. There is one main private sector association called Malawi Tourism Association (MTA) and other two associations which are also members of MTA known as Travel Agents Association and Airlines Association.

2.2.2. Future Outlook

Malawi remains one of the most stable and peaceful countries in Africa. Malawi's major focus is on the key European markets and emerging markets in Asia. The regional and domestic markets are also expected to grow. The future outlook looks bright due to an increased interest in Malawi as a tourist and investment location, good governance and increased dialogue between Government and the private sector on issues that affect the development and promotion of tourism.

3.0. INVESTMENT ENVIRONMENT

3.1. Government policy

The Government encourages both domestic and foreign investment in most sectors of the economy, without restrictions on ownership, size of investment or source of funds.

Malawi's investment framework, for both foreign and domestic investors is governed by the Investment Promotion Act of 1991, and is administered by the Malawi Investment Promotion Agency (MIPA). In the 2007/2008 financial year Government has provided very attractive incentives for investors in the tourism sector.

3.2. Investment agencies

The Malawi Investment Promotion Agency (MIPA) is mandated by an Act of Parliament (1991) to promote, attract, encourage, facilitate and support foreign and domestic investment in Malawi.

The responsibilities of MIPA include:

- Developing a favourable investment image of Malawi regionally and throughout the world;

- Recommending to government the need for changes in the statutory and administrative framework relevant to the investment climate;
- Facilitating all aspects of the investment process in Malawi;
- Furnishing information related to investment in Malawi;
- Identifying partners in or outside Malawi for joint venture business opportunities;
- Working with local and international financial institutions for the benefit of investors;
- Encouraging existing investors to expand or make a new investment; and
- Consulting with private sector organisations so that better informed recommendations concerning the investment climate can be made.

Investment applications are processed and approved by an Inter-Agency Committee known as the Investment Approval Committee (IAC) that offers:

- Approval process assistance for various permits such as business residence and employment permits within 10 calendar days;
- Information on business operating costs, economic indicators, utilities, investment opportunities, etc; and
- Courtesy services such as appointments for meetings, site visits and aftercare services.

3.3. Residential and Work Visas

MIPA can facilitate the acquisition of business residence and employment permits within 10 calendar days.

3.4. *Technical and Promotional Assistance*

Generic tourism promotion is undertaken by the Department of Tourism. The comparatively marketing budget is complemented by private sector marketing initiatives.

Malawi is a member of the Regional Tourism Organisation of Southern Africa (RETOSA) which, as the official tourism body for SADC, has been given the mandate to market and promote southern Africa in close co-operation with the region's national tourism organisations, the private sector and the communities. The primary aim is to create a clear and recognisable brand identity that will enable the sub-continent to compete effectively within the global arena through co-coordinated marketing activities (including exhibiting at selected trade fairs worldwide, media and educational trade tours, information services, etc.).

4.0. TOURISM INVESTMENT OPPORTUNITIES IN MALAWI

Malawi has potential to develop its natural tourism assets but is hampered by a lack of investment in new products and/or improvement of existing products.

There are a number of tourism projects which potential investors can develop with the full support of the Malawi Government. Some of the projects are outlined.

4.1.1. PROJECT NUMBER 01: LIKHUBULA FALLS ECO - LODGE

4.1.2. Project Background

Status of Site

Likhubula Falls is part of Mount Mulanje Forest Reserve which is also designated as an international Biosphere Reserve on account of its uniquely high level of endemism.

To-date official landscape designations have not been adopted in Malawi. However, the Likhubula Falls, the adjacent Miombo woodland and the stunning backdrop of the mountains undoubtedly warrant this site being described internationally 'as part of an Area of both Outstanding Natural Beauty and High Landscape/Scenic Value'.

Existing Accommodation

There is no existing accommodation. The nearest houses exist about four kilometers lower down the mountain (Forest Lodge and Forestry Dept buildings). The nearest human settlement is some five kilometers away. This is occupied by small holders, forest workers and crafts people.

The Forest Lodge provides accommodation primarily for back-packers and hikers at an approximate price of US\$10 per night. This would not be in competition with the proposed center and indeed would be compatible with it since the two establishments would serve different tourism markets. They would also be compatible in the sense that both require that an 'eco-tourist' service culture is established and sustained within the local communities.

Proposal

Mount Mulanje has been attracting walkers, ramblers, hikers, climbers and other special interest visitors since the early part of the last century and consequently an established series of footpaths and tracks exists complemented by some half a dozen basic huts providing overnight accommodation on a self-catering basis.

The mountain is unique in terms of its own nature and qualifies for being described internationally as 'part of an area of both outstanding Natural Beauty and High Landscape/Scenic Value.' The general location of Mulanje thus selects itself as an important opportunity for developing eco-tourism pursuits for inclusion in the strategy proposed by the Tourism Master Plan.

It is proposed therefore to establish twenty individual roomed self-contained luxury eco-tourism lodges, with commanding views of the falls, pools and the Mulanje Massif. Careful siting of the units using existing land-forms, boulders and vegetation ensures that the lodges and communal buildings will blend naturally with the landscape. Units are sited in such a manner that there is no visual obstruction by one unit to another due to the fact that the design takes advantage of the natural slope.

A network of visually compatible footpaths and woodland vistas will be established to provide tourists with stunning views of the falls and mountains, all accompanied by the music of the falls.

The design and operation of this high quality and small eco-cultural tourist center is undertaken so that it impacts minimally on the environment; all of the materials required will be carried to and from the site by local porters.

4.1.3. The Existing Situation

Environmental Aspects

Mulanje Mountain lies around 16° south and 35° east, covers over 640km² and rises from an average of 700m to 3,000m above sea level. Lister Gap separates Mulanje Mountain from Michesi Mountain in the northeast. Mulanje and Michesi together form the Mulanje Mountain Forest Reserve demarcated in 1924, and gazetted again in 1948 and 1958.

Mulanje Mountain Forest Reserve features forest from brachestegia woodland up to a small area of afro-montane forest at the higher levels with many endemic flora and fauna, many of these at higher levels being threatened or endangered. Higher levels are dominated by grassland with forest patches in gullies and ravines.

The mountain is of great importance for biodiversity conservation because of its high rate of endemism (the extent to which species found there are found nowhere else on earth). The World Wildlife Fund has identified Mt Mulanje as one of 20 key areas in the world for the conservation of biodiversity, and is designated as an afro-montane regional center of endemism. Its six distinct vegetation zones are important for 250 bird species (41 of which are endemic and three endangered) as well as 118 species of butterflies, (five endemic), nine endemic reptiles, two endemic amphibians and one endemic mollusc.

Mammals such as antelopes (Bushbuck, Duikers, and Klipspringers) and a few leopards have become sparse due to poaching or dwindling food supply.

One of the features on some slopes of the mountain is the wood porters who jog trot down the mountain slopes carrying up to 160lb weight of wooden planks on their heads from the high plantations producing timber. The forest also provides the community with a source of firewood, building blocks, edible fruits, tubers and roots, thatching grass, medicinal plants, mushrooms, honey, etc, as well as providing the water supply for an estimated 400,000 people.

Mt Mulanje as a gazetted forest reserve under the jurisdiction of the Ministry of Forestry and Natural Resources whose administration office is situated at the Likhubula Station, the starting point for the main walking/climbing routes up the mountain. This office collects visitor fees for use of the mountain huts it maintains and organizes the arrangements for tour guides and porters from this route. The Ministry operates a forest reserve management system, which is designed to deal with the competing demands of conservation, scientific, community, commercial and recreational interests in the mountain.

A non-governmental organization, the Mulanje Mountain Conservation Trust (MMCT) has also been established by professionals, conservationists, the Mountain Club of Malawi, trekkers and climbers, to assist in dealing with conservation and community participation. One of their principal current interests is the maintenance of the mountain trails and the upgrading of visitor services. It is understood that the MMCT

will be able to assist with the development of community involvement in any future tourism facilities and in the possible establishment of a community trust.

Social/Community Aspects

The nearest human settlement to the proposed eco-tourism development is some five kilometers away and is occupied by forestry workers, smallholders and crafts people. As a consequence there are no encroachment/resettlement issues to consider.

Land Ownership Issues

Being a protected area, issues of land ownership are not a major concern. The communities closest to the proposed site, Mbewa and particularly Nakhonyo, use the section of the Likhubula River below the pool at the center of the site for bathing, laundry and as a source of potable water. In the main, this reflects an absence of piped water and an inadequate number of boreholes.

Whilst the site, particularly the pool, possesses some mythological significance for local villages, being in a protected area it is not used for ritualistic or other cultural activities. However, some human activities do take place near the site.

Compatible Activities

- **Curio Selling:** This activity already takes place at the entrance to the forestry reserve some two to five kilometres from the site. As a result, lodge visitors would not have to travel a long distance in order to purchase curios. It should be noted that currently the peak period for visitors to Mt Mulanje and curio sales is between October to December. During this period curio sellers can make on average MK300-600 (US\$5-10) per day per vendor which by local standards, is a very good income. The proposed lodge will generate additional visitors, increasing the sale of curios in general terms. Furthermore, the nature of the new markets suggests the visitors attracted to Mt Mulanje might visit throughout the year and will possess higher levels of disposable income for curio purchase.
- **Trained Tourist Guides and Porters:** The Forestry Office maintains a list of guides and porters who are at present given some basic training. Visitors are provided with guides and porters on a rotational basis so that the benefits are spread more widely in the community. This arrangement also helps to reduce incidents of harassment of tourists and possible theft of their personal effects. These guides are from the surrounding communities and are, therefore, familiar with the site; they will also benefit from the increased number of visitors attracted by the new lodge facilities. It is likely that additional guides and porters will be required as occupancies in the lodges increase.

Conflicting Activities

- **Harvesting of Wood and Grass:** Harvesting of wood and grass from the surrounding forest is not uncommon. The wood is used for two main purposes, namely for sale as timber and for home consumption as firewood. Although much of the harvesting of wood for timber happens away from the site, some paths leading to and from sites where the harvesting takes place are close to the

proposed project site. It is possible that the privacy of tourists could be violated by these activities if not controlled.

- **Bush Fires:** Bush fires are relatively common during the dry season caused in the main by poachers. To address these potential problems there is need for the Department of Forestry, local traditional and political leaders, the village natural resource management committees and the Mulanje Conservation Trust to carry out civic education campaigns in the area to discourage the people from engaging in these practices. Scarcity of firewood in the wider locale is a big problem in part due to high population density, vast tea estates and the resulting shortage of land where household forests can be maintained. Introduction of alternative and affordable sources of fuels such as solar systems and income generation resulting from direct and indirect creation of employment opportunities resulting from the lodge will go some way to mitigate these problems.

There is an underlying need to make the villagers aware of the importance of both preserving the natural vegetation and other resources of the area as well as the need to make visitors to the lodge feel welcome.

Potential Negative Impacts

- **Pollution of Likhubula River:** Since the local communities that live downstream from the proposed site utilize the river water for personal use, care will need to be taken to ensure that project activities upstream, such as the disposal of solid and liquid wastes and sewage do not pollute the river and create a local health hazard.

At the same time, the surrounding communities will need to be informed on how best to treat their water before use. The village health committee and the health surveillance assistants in the area can play a vital role on this matter. In addition, another mitigation measure that could be adopted by a developer would be to drill boreholes in the neighbouring villages, for their direct benefit.

Potential Positive Impacts

- **Employment and income generation:** The community members will benefit from employment opportunities that will be created by the project both within the lodge and in the provision of tour guide and other services. In addition, increased demand will be generated for handicrafts.

It is understood that many guides, porters, and other villagers who befriend tourists receive financial assistance from the tourists after they return to their home countries. With the development of the lodge these opportunities are also likely to increase.

- **Cultural exchange:** Through interaction with tourists, the surrounding communities will learn some aspects of the tourists' culture and ways of life. The communities will also have the opportunity to share their culture through, for example, the presentation of traditional dances and songs, other performance and decorative arts to the tourists.

4.1.4. Project Location

The site proposed for the establishment of an eco-tourism lodge development is near Dziwelakhalamba dam, which is about 4km from Likhubula Lodge; itself being about 14km from Mulanje town. Mulanje town is 80km from Blantyre on the Thyolo - Muloza highway. The Mulanje Massif is an area of 130 million year old solid granite rocks and stiff clay associated with weathered rocks, rising dramatically almost 3000m above the surrounding plain. The Massif is home to twenty peaks reaching over 2500m, including Sapitwa Peak which at over 3000m is the highest point in Central Africa. Mulanje covers an area of around 600sq km incorporating Mt Mchesi to the northeast but separated by the gorge known as Fort Lister Gap. The ruins of this 19th century British Fort survive as a testament to its role in severing the infamous slave route into Portuguese Mozambique. Approaching Mulanje from Blantyre the plain becomes carpeted by mile upon mile of tea plantations.

Site Description

The proposed site is located approximately at a 1000 metre elevation on the western side of Mt Mulanje about a kilometer from the existing un-made vehicular access down to Likhubula Station. The route to the site from the rough mountain road is along an interesting, undulating forest path which follows the contours of the mountainside. It reaches the site at a mid point on sloping mombo woodland overlooking the Likhubula Falls and Pool where an existing concrete viewing platform affords an attractive panorama.

The proposed site occupies the sloping and sometimes steep sided ground on either side of the falls, pool and river. However, it is envisaged that the lodge's and their supporting infrastructure would predominantly be constructed across the river from the arrival point because of the views afforded from that side and the better topographical and woodland characteristics present.

The site is located in a somewhat sheltered position, being at an elevation and on a side of the mountain that receives only half the level of rainfall experienced by the highest and wettest locations. Nevertheless, air temperatures can still change appreciably between night and day through the wet season in particular and wood-burning stoves in the lodges will be a necessary feature for comfort during certain periods.

The site is well located for the main mountain road and access to numerous long established paths and routes up and across the Mulanje Massif, yet the walking distance from the vehicular track places it in an essentially remote position where the peace, tranquility and natural heritage of the mountain environment can be immediately experienced.

4.1.5. Existing Services

Access

The access route from Blantyre to Mulanje town center is along a very good recently commissioned road, which takes about one hour's drive. Then from Mulanje Boma to Likhubula Station, where the administration Office is located, can be accessed along a

fairly good gravel road which currently being upgraded to bitumen standard. From this point to the higher pools and waterfalls on the Likhubula River (Dziwelakalamba) a four-wheel drive vehicle is necessary following earth roads that provide access to residential compounds for forestry members of staff and Likhubula Presbyterian Institution. Dziwelakalamba is about 4km from Likhubula Forest Lodge, on a winding and gravel road.

Other Services

Electricity

There is an existing mains electricity supply to Likhubula area provided by ESCOM. The capacity of the existing transformer is 33KVA.

The project might not be able to take advantage of upgrading the existing transformer to a higher capacity due to its distant location, which requires additional installation of three-phase power supply. The ESCOM power utility has advised that installation of three phase HV lines from Likhubula the area can be supplied to the proposed site with a provision of a new transformer of 100KVA.

Water

The Ministry of Water Development supplies water to the Likhubula area. Raw water is abstracted from the Likhubula River at a point upstream of the Falls.

Sewage

Sewage treatment works for the Likhubula area is implemented by septic tanks with soak away. It is therefore proposed that the development will have its own septic tanks treatment works.

Telecommunication

The Malawi Telecommunications Limited (MTL) covers the area with its ground phone lines. The area is also covered by the two mobile phone service providers networks.

4.1.6. Proposed Project

Description

Woodland areas located in Mount Mulanje Forest Reserve have been identified for the environmentally sensitive and discrete sitting, above and below the Likhubula Falls, of twenty eco-tourist lodges and service structures constructed using natural materials. Careful sitting using existing landforms, boulders and vegetation cover to screen the lodges, service buildings and bird watching hides etc will result in a development at-one with the natural landscape.

A network of footpaths and woodland vistas will be established to provide tourists with stunning views of the Falls and Mountains, accompanied by the sound of the Falls.

The establishment of the eco-tourism lodge will result in the employment of local villagers in the lodge itself but in addition will create further demand for guides, porters and possibly forestry department personnel. The improvement in visitor numbers attracted by the lodge will also increase levels of demand for foodstuffs,

fruits/vegetables from local small holders/farmers and provide an expanded market for local craftsmen and curio sellers.

The eco-cultural tourist center will serve as a base for providing tourists with a range of memorable experiences:

- day walks and over-night treks to enjoy the diverse wildlife (birds, plants, insects etc)
- trips to sites of archaeological interests (iron age) on the Mountain, using one or more of the Forestry Dept's existing huts;
- visits to nearby tea plantations; and
- excursions to a range of centers of cultural and natural history interest, including the Blantyre Museum, the Zomba Botanical Gardens and the craft center at Mua Mission.

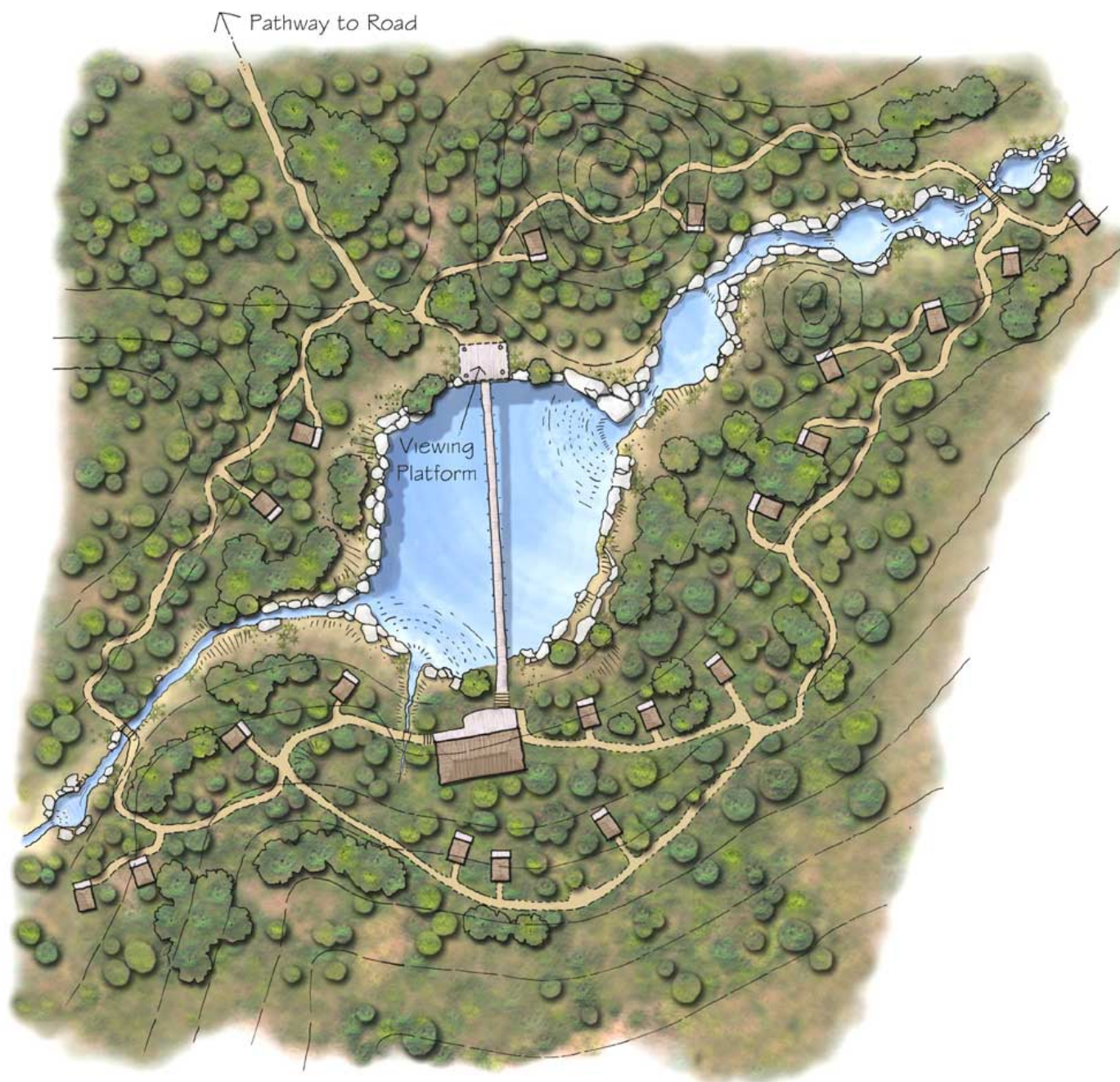
Summary of Accommodation

The following buildings and associated structures/facilities are proposed:

- Twenty individual lodges, constructed of natural materials, each incorporating tented sleeping accommodation for between one and four people, an indoors sitting area, a bathroom and toilet and a verandah. Each lodge shall be provided with a wood-burning stove, an area for dry log storage, windows/screens which afford protection against mosquitoes.
- Multi-purpose communal building incorporating a bar/restaurant/lounge with a spacious Falls viewing area. The flexible internal space will also serve as a room for mounting interpretive displays, for showing videos, films etc and for holding meetings; the communal building will also have toilets, a clothes drying room; service areas including kitchen and laundry facilities and provisions storage area.
- A lodge for the Site Manager and family.
- A lodge for site staff, including a cook and kitchen staff, plus caretaker. (It is assumed that cleaning staff will live in settlements located within 3-5 kilometres of the site).
- A suspended footbridge (timber/rope) bridge is also provided which serves as a link between the viewing deck and the reception and is included in the provision of three bridges described above.
- Two additional rope and timber bridges, linking either side of the river up and down stream of the Falls to facilitate access and the development of walking circuits and paths.
- A network of well drained paths and timber/store steps. These will be planned so as to permit rotational use thereby avoiding excessive wear.

Gross floor area for this development is 1,800m².

Figure 1.4
Concept Development Plan



4.1.7. Architectural and Landscape Treatment

Protection and Conservation of all existing Site Features

It is essential that the natural contours, the existing vegetation and the river, together with its banks, should be disturbed as little as possible by the proposed construction and uses. The concessionaire should be required to provide a performance bond at the outset of the contract to cover this. The specifications for the site works should itemise the concessionaire's responsibilities with respect to each of the main features of the proposed tourism development site:

- All existing vegetation and boulders should be conserved in site, except where the lodges, sight lines (vistas) and new/modified access routes for paths and bridges need to be either constructed or established. Prior to construction, permission must be sought from and granted jointly by the Departments of Forestry and Tourism, for any trees, vegetation and boulders to be either removed or moved. All trees, other vegetation and boulders that are to be retained must be cordoned off to protect them during construction works.
- Throughout all survey and site construction works, any disturbance to the ground surface, especially to the slopes, must be kept to the absolute minimum. Ground compaction also must be avoided.
- Disturbance to the riverbed, course and banks shall likewise be minimised during survey and construction phases.
- All accidental disturbance to the site shall be repaired at the expense of the concessionaire and in the manner specified in advance by the Departments of Forestry and Tourism.

Design and Establishment of the Proposed Features

The locations, chosen for all of the lodges, communal building, associated structures, paths, bridges, and viewpoints and all other tourist development facilities and features, shall provide tourists and conservationists alike with the most aesthetically pleasing development. This will require that each of the lodges, structures etc does not visually intrude upon any of the other lodges and viewpoints. Thus at the detailed design stage, it will be necessary to ensure that the structures do not detract from any of the main existing sight-lines between the river course, the banks, the paths and prime view points.

Strong visual and acoustic 'buffer zones' (green screens), using climbers, shrubs and trees and natural landforms, need to exist between all of the lodges and associated structures. Where vistas need to be provided between the tourist facilities (lodges, associated structures and viewing points), they should be so designed that the facilities are themselves either screened or their visual impacts are sufficiently softened that they do not intrude.

The lodges and all associated structures/facilities shall be constructed using natural materials (timber, granite and natural tiles/thatching grass, rope etc), thereby ensuring that the structures integrate naturally with the surrounding vegetation and landforms.

When constructed all of the tourist development facilities and features should appear natural and be visually compatible with the existing features of the surrounding Forest Reserve.

The visual impact of all of the lodges and new/changed features shall be appropriately softened, using the natural landform (contours, rock formations, vegetative cover etc), such that they do not appear intrusive in the landscape. Where this is to be achieved by the establishment of new planting (trees, shrubs, climbers and ground covers), only species that are natives and indigenous to the Mount Mulanje ecosystem and (if necessary, to the specific habitat - Miombo woodland) shall be used. In this respect, particular attention shall be paid to the selection and appropriate planting of woodland shrubs (under-storey species) and climbers, since it is this dimension of the overall woodland structure that is most in need of attention.

This applies particularly in the case of the southern slopes downstream of the Falls, as well as to the northern slopes both up and downstream. The apparent openness of these particular woodland areas was emphasised by the time of year at which the site appraisal was conducted (mid October when leaf fall was well advanced). However, the incidence of progressive fire damage was probably the primary factor responsible for the absence/thinness of the under-storey.

In order to facilitate the detailed design stage, it will be essential for two detailed surveys to be undertaken, namely:

- A comprehensive topographical survey of the areas both up and downstream of the Falls, in which it is proposed that the lodges and associated structures should be constructed.
- A full vegetation survey covering all layers of the existing woodland and, in particular, the species, heights, spreads diameters and ages of the trees and shrubs. The results of this survey shall be submitted to the Departments of Forestry and Tourism at the time that the detailed design proposals are presented.

The approval of the proposals shall be conditional upon the submission of an accurate and comprehensive vegetation survey, supported by a management plan. The latter shall show the changes proposed to the woodland arising from the construction and use of the tourism development facilities.

In order that the Departments of Forestry and Tourism are in a position to ensure that the proposed Tourism Development is environmentally acceptable, the developer shall be responsible for preparing an Environmental Impact Statement (EIS) for scrutiny by an independent assessor. Only when it has been determined that the plans and designs proposed (including mitigation measures) are environmentally sound and sustainable shall they be considered for approval.

As part of the Woodland Landscape Management Plan, the measures required to ensure that the natural vegetation cover is sustained in perpetuity shall be specified. The manner in which natural regeneration is to be encouraged and protected shall be specified, together with the phasing of any supplementary activities (e.g. successional planting, coppicing etc) that shall be required. Since the site falls within the Forest Reserve, which in this particular case has recently been designated as an International Biosphere Reserve (UNESCO) the use of all exotic species is strictly prohibited.

Prior to the preparation of the detailed designs, the developer shall be required to submit for approval/amendment a list of all the plants that it is intended to use on the site.

4.1.8. Site Engineering Issues

The following infrastructure works will be carried out:

- Access road improvements; the existing mountain road will require upgrading to improve access to the facility. It will be necessary to consider reconstructing several short but heavily rutted sections to take care of steep gradients and sharp corners. In addition, drainage structures will be required to improve serviceability of the road.
- Mains Electricity Connection; installation of three phase HV power supply with a transformer of about 100KVA will be required for the proposed site.
- Sewage Treatment Works; septic tanks with soak away will be used for treating waste water and solid wastes.
- Water Supply; Likhubula River will be the source for raw water abstraction. Elevated storage steel tanks will be used for supplying the proposed site.
- Telecommunication; About ten telephone lines from Mulanje town will be supplied to a switchboard for communication with additional dedicated lines as required.

4.1.9. Market Potential and Estimated Room Occupancy

Market Potential

Mount Mulanje is of great importance for bio-diversity conservation because of its high rate of endemism and has been identified by the World Wildlife Fund as one of twenty key areas in the world for the conservation of bio-diversity. Consequently, from an eco-tourism standpoint, the mountain represents an extremely attractive visitor destination.

Bearing in mind the physical diversity and scenic beauty of the Massif, it offers a wide range of natural-world and adventure/special interest visit options of both a challenging and less demanding nature. The availability of a network of established paths, trails, trekking routes and climbs, developed over the last 100 years coupled with the provision of numerous basic mountain huts and shelters, presents a ready-made eco-tourism product with potential for development and upgrading.



Figure 1.5
Lodge Elevation and Floor Plan

Mount Mulanje is readily accessible from Blantyre and in turn from Lilongwe on the national road network giving the proposed lodge the opportunity to attract weekend or longer break visitors from domestic export and international markets. Existing accommodation in the Mulanje area is largely of a budget nature and the mountain huts themselves are of a functional character so the provision of more comfortable lodge style accommodation will open the Massif to a far wider particularly international visitor profile. The fact that the existing mountain huts themselves may be spartan is not considered to be a negative feature for promoting the location to the eco-tourist special interest markets.

Mount Mulanje in fact fits very comfortably into the proposed network of new eco-tourism lodges offering a variety of topographical and natural wilderness visitor experiences as put forward in the National Tourism Master Plan. These lodges, together with existing camps/lodges in other interesting locations will give future visitors to Malawi (and also those to Zambia/Tanzania) the opportunity to build bespoke tours incorporating several of these high quality sites according to their particular interests.

Preliminary Room Occupancy Projections

There is no directly comparable existing high quality mountain lodge in Malawi although the Kuchawe Inn on Zomba Plateau is arguably comparable in some respects. The scale and style of Kuchawe Inn is distinctly different to the proposals at Mount Mulanje and historically the Inn has attracted different markets to those anticipated for Likhubula Falls. However, it is offering good quality product in an attractive mountainside location which has tremendous potential for developing as an eco-tourist visitor destination. Room rates are around US\$150 for bed and breakfast in a twin/double and room occupancy rates were between 50 - 60 percent in the period before it closed down in early 2001 following a fire.

The proposals at Mount Mulanje are for a smaller style development with only twenty lodges (Kuchawe has forty rooms) but it is considered that similar levels of occupancy can be achieved given the support for and promotion of eco-tourism as a national strategy by the Department of Tourism and the opportunity which therefore exists to draw the attention of the large eco-tourism markets already visiting neighbouring southern African countries. It is anticipated that the Mountain Mulanje eco-tourist lodge can attract the following levels of room occupancy in its first three years of operation and ongoing:

| | | |
|--------------------|---|------------|
| Year 1 | - | 50 percent |
| Year 2 | - | 60 percent |
| Year 3 and ongoing | - | 65 percent |

4.1.10. Basis of Financial Projections

Published Tariffs

In view of the planned nature, style and quality of the proposed eco-tourism lodge at Mount Mulanje, it is considered that the published tariff for the development should be similar to that currently charged at Mvuu Lodge in Liwonde National Park, the premier lodge accommodation currently available in Malawi.

The proposed tariff of US\$200 per person per night will, similar to Mvuu Lodge, represent an all inclusive daily rate covering all meals and drinks, three guided nature

treks/walks/climbs/activities and government taxes. In line with current market practice, it is considered necessary to adopt a policy of limited discounting of the proposed room rate. This reflects a need for a degree of price flexibility in recognition of the likely seasonality of demand for the eco-tourism lodge and to take account of promotional and related activities. During the first two operating years the discount is assumed to range between 15 and 20 percent, reducing to an average of 10 to 15 percent from Year 3 onwards. Room revenue after tax and before discount is anticipated to be around US\$100 per person per night.

Food and Beverage Revenue

It is assumed that within the daily per person rate, after government taxation is deducted, an average revenue figure of around US\$35 for food and US\$12 for drinks can be realistically apportioned.

Other Revenues

Within the all inclusive daily rate we assume that US\$20 per person per day is allocated to the provision of various guided nature walks/treks/climbs and other activities while a further US\$5 per person per day is anticipated to be spent over and above the inclusive rate for laundry, telephone, souvenir and other sundry purposes.

Estimated Operating Cost Assumptions

The assumption adopted for calculating operating costs for the proposed new lodge are presented in Table 1.1 below. The assumptions are derived from an understanding of the operational cost characteristics of existing high quality lodge and hotel operations around Malawi, together with recognition of the locational and market characteristics of this scale of development on this particular type of site.

Annual Operating Cost Assumptions

| Category | Percentages of Departmental Sales or Total Revenue at 2001 Values | | |
|-----------------------|--|--------|--------|
| | Year 1 | Year 2 | Year 3 |
| Food | 35.0 | 35.0 | 35.0 |
| Beverages | 40.0 | 40.0 | 40.0 |
| Other | 50.0 | 50.0 | 50.0 |
| General Admin | 7.0 | 7.0 | 7.0 |
| Marketing | 5.0 | 4.5 | 4.0 |
| Utilities | 2.5 | 2.5 | 2.4 |
| Maintenance | 3.2 | 3.5 | 3.5 |
| Staffing ¹ | 14.4 | 12.4 | 11.6 |

Source: Pre-feasibility Estimates

¹ Staffing increases from 44 employees in Year 1 to 52 in Year 3 including an ex-pat management couple.

Build-Up of Operating Revenues and Costs

The projected build-up in operational revenues and costs is shown in Tables below at 2001 values.

Estimated Build-Up in Annual Revenues - US Dollars 000's (2001 Values)

| Revenue Type | Year 1 | Year 2 | Year 3 |
|----------------------|------------|-------------|-------------|
| Rooms | 526 | 670 | 769 |
| Food | 230 | 276 | 299 |
| Beverage | 79 | 95 | 102 |
| Other | 164 | 197 | 214 |
| Total Revenue | 999 | 1238 | 1384 |

Source: Pre-feasibility Estimates

Estimated Build-Up in Annual Costs - US Dollars 000's (2001 Values)

| Cost Type | Year 1 | Year 2 | Year 3 |
|--------------------|------------|------------|------------|
| Food | 81 | 97 | 105 |
| Beverage | 32 | 38 | 41 |
| Other | 82 | 99 | 107 |
| General Admin | 70 | 87 | 97 |
| Marketing | 50 | 55 | 55 |
| Utilities | 25 | 31 | 33 |
| Maintenance | 32 | 43 | 48 |
| Staffing | 186 | 200 | 210 |
| Total Costs | 558 | 650 | 696 |

Source: Pre-feasibility Estimates

Summary Statement of Estimated Profit and Loss

The projected summary statement of estimated profit and loss for the first three years of operation are show in Table 1.4 at 2001 values.

Summary Statement of Estimated Profit and Loss (2001 Values)

| | Year 1 | Year 2 | Year 3 |
|---|--------|--------|--------|
| Average Annual Room Occupancy (%) | 50 | 60 | 65 |
| Average Room Rate (US\$) | 144 | 153 | 162 |
| Total Revenue (US\$000's) | 999 | 1238 | 1384 |
| Total Costs (US\$000's) | 558 | 650 | 696 |
| Gross Operating Profit (US\$000's) | 441 | 588 | 688 |
| Gross Operating Profits as % of Total Revenue | 44 | 47 | 50 |

Source: Pre-feasibility Estimates

Capital Costs and Estimated Cash Flow

Capital Costs

The estimated overall costs of construction and development of the proposed eco-tourism lodge at Likhubula Falls have been based upon:

- An assessment of infrastructure requirements;
- Translation of market requirements into project specifications; and
- Unit costs derived through discussions with local architects, engineers and contractors.

Estimated Project Costs

The estimated construction and development costs for the proposed eco-tourism lodge at Likhubula Falls are assumed to be as follows:

Breakdown of Project Costs

| | |
|--|---------------------------|
| Infrastructure Costs | US Dollars (000's) |
| Access Road Improvements | (100) * |
| Mains Electricity Connection | (70) * |
| Potable Water Infrastructure | 300 |
| Sewage Treatment Plant | 60 |
| Telecommunications | 50 |
| Sub-Total | 410 |
| Superstructure Costs | |
| 1800m ² of Gross Floor Area at \$430 m ² | 774 |
| Preliminaries and External Works | 250 |
| 10% Contingency | 102 |
| Furnishing/Fittings at 10% of superstructure costs above | 113 |
| Sub-Total | 1239 |
| TOTAL COSTS | 1649 |

Source: Pre-feasibility Estimates

*Note: * It is assumed that Government will bear the cost of providing these basic infrastructure requirements.*

Project Financing

It is assumed that the construction and development project for the eco-tourism lodge at Likhubula Falls will be undertaken by private sector investors and that consequently the hotel itself will be managed by those same or other specially contracted parties. This being the case, it is therefore further assumed that the project will be funded utilizing a mix of equity and debt finance.

The following funding arrangements have been assumed:

- Equity finance: 40 percent of project costs;
- Long term debt finance: 60 percent of project costs; and

- Loan finance will be for ten years at a rate of interest of 10 percent with an initial moratorium of two years on the repayment of capital and interest. It is assumed that the project will take two years to build and that the equity finance will be drawn down in the first year with loan financing commencing in the second year. Finance costs of the capital moratorium will be rolled-up into the project costs and repaid over the remaining eight years of the loan.

A break down of project costs between debt and equity is presented in Table 1.6.

Table 1.6: Breakdown in Project Costs - US Dollars (million) (2001 Values)

| | Percentage of Capital Costs | US Dollars (million) |
|--------|-----------------------------|----------------------|
| Equity | 40 | 0.659 |
| Loan | 60 | 0.990 |
| | 100 | 1.649 |

Source: Pre-feasibility Estimates

Gross Operating Profit

The gross operating profit figures are those derived from the estimated operating figures for the proposed eco-tourism lodge at Likhubula Falls and are set out in Table 1.7

Table 1.7: Estimated Gross Operating Profit for an Eco-Tourism Lodge at Likhubula Falls - US Dollars 000's (2001 Values)

| Year 1 | Year 2 | Year 3 and ongoing |
|--------|--------|--------------------|
| 441 | 588 | 688 |

Source: Table 1.4

Adjustments to Gross Operating Profit

The following deductions from gross operating profit have been made to calculate the surplus available for debt service, taxation and profits.

Insurance

Insurance has been taken as one percent of the costs of superstructure and is estimated at US\$0.012 million, per annum.

Replacement of Fixtures, Fittings and Equipment

Replacement of FF&E has been taken as the following percentages of total operating revenue:

| | | |
|--------------------|---|-----------|
| Year 1 | - | 1 percent |
| Year 2 | - | 2 percent |
| Year 3 and ongoing | - | 3 percent |

Taxation

The statement of estimated cash flow includes an assessment of corporate taxation liability at an assumed rate of 25 percent. It has been assumed, however, that the project will benefit from a tax-free status for a period of seven years in accordance with the recommendations of the National Tourism Development Plan (Chapter 1, Section 6.4).

Terminal Value

The terminal value for the project after twenty years is taken as being a multiple of eight times the surplus after tax in Year 20.

Estimated Project Cash Flow

The project consolidated statement of cash flow for the proposed eco-tourism lodge at Likhubula Falls has been prepared as part of the market and financial pre-feasibility evaluation of the overall project. Table 1.8 shows the detailed cash flow for the project based on the assumptions set out above.

Viability of the Project

The internal rate of return (IRR) of this project at constant 2001 values is an attractive 21 percent (given that the cost of borrowing is assumed to be 10 percent) which demonstrates that, although profitable, a potential investor may seek additional construction cost savings to further improve the attractiveness of the project.

The payback period of the entire development cost is estimated at five years based upon constant 2001 values. The sensitivity of the IRR to changes in key variables as presented in Table 1.9, demonstrates that the base case assumptions of 60 percent debt and 40 percent equity project financing at an interest rate of 10 percent results in an attractive IRR but if interest rates or company taxation were higher, the IRR would be lower.

Clearly, the higher the IRR the more attractive is the investment, and this is seen clearest in the base case where the development is financed with borrowings of 60 percent of capital costs, at 10 percent interest and company tax of 25 percent, but the project still offers end returns even if interest rates and company tax rates are a little higher.

Table 1.8 - Likhubula Falls Eco-Tourism Lodge - Projected Statement of Cash Flow (2001 Values US\$ million)

| Year | Gop (a) | Capital Investment (b) | Insurance Payment (c) | FF&E (d) | Capital Re-Payment | Interest Payments | Company Tax (e) | Surplus/ Deficit |
|-------|---------|------------------------|-----------------------|----------|--------------------|-------------------|-----------------|------------------|
| Build | - | (0.659) | (0.006) | - | - | - | - | (0.665) |
| Build | - | (0.990) | (0.012) | - | - | (0.100) | - | (1.102) |
| 1 | 0.441 | - | (0.012) | (0.010) | - | (0.101) | - | 0.318 |
| 2 | 0.588 | - | (0.012) | (0.025) | (0.124) | (0.103) | - | 0.324 |
| 3 | 0.688 | - | (0.012) | (0.041) | (0.124) | (0.092) | - | 0.419 |
| 4 | 0.688 | - | (0.012) | (0.041) | (0.124) | (0.080) | - | 0.431 |
| 5 | 0.688 | - | (0.012) | (0.041) | (0.124) | (0.067) | - | 0.444 |

| | | | | | | | | |
|---------|-------|---|---------|---------|---------|---------|-------|-------|
| 6 | 0.688 | - | (0.012) | (0.041) | (0.124) | (0.055) | - | 0.456 |
| 7 | 0.688 | - | (0.012) | (0.041) | (0.124) | (0.042) | - | 0.469 |
| 8 | 0.688 | - | (0.012) | (0.041) | (0.124) | (0.030) | 0.120 | 0.361 |
| 9 | 0.688 | - | (0.012) | (0.041) | (0.122) | (0.017) | 0.124 | 0.372 |
| 10 | 0.688 | - | (0.012) | (0.041) | - | - | 0.159 | 0.476 |
| 11 - 20 | 0.688 | - | (0.012) | (0.041) | - | - | 0.159 | 0.635 |

Source: Pre-feasibility Estimates

Notes:

- (a) Gross Operating Profit
- (b) Capital Investment
- (c) Insurance Payments
- (d) Fixtures, Furnishings and Equipment Replacement
- (e) Company Tax

This projected statement of cash-flow makes no provision for the possible payment of land rental or other charges which may be applicable.

Table 1.9: Sensitivity to Changes in Key Variables

| Parameter Change | IRR (%) | Pay-Back Period (years) |
|----------------------|---------|-------------------------|
| Interest at 12% | 19 | 5 |
| Corporate Tax at 30% | 19 | 6 |

Source: Pre-feasibility Estimates

4.2.0. PROJECT NUMBER 02: MANCHEWE FALLS ECO - LODGE

4.2.1. Project Background

Status of Site

The 50-meter Manchewe Falls are spectacular and the views across to them, and over to the lake, are very impressive. The natural heritage of the location is an important resource to be conserved before increased visitor numbers discover this relatively isolated and unspoiled locale. Manchewe lies between the important and increasingly visited Nyika Plateau and National Park and the challenging but exciting escarpment road to Chitimba on the lakeside and offers a tranquil and scenic half-way house between Lake and Plateau with its own unique appeal for naturalists and eco-tourism directed visitors alike.

The Falls, consisting of two parts ('eastern' and 'western') are not part of a designated area, although it is located near to the boundary of the Nyika National Park. For both historical and contemporary (Medical Missions) reasons, the nearby town of Livingstonia (approximately four kms from the Falls) is a visitor attraction. The same applies, though for different reasons, to the Lukwe Permaculture Camp which is close by the site. The virtues of this Camp are richly and rightly praised in the 'Lonely Planet Guide'. The contributions that its managers are making both to the local community

and to the restoration of the area's biodiversity justify the area's selection as a potential attraction for genuine eco-tourists.

Existing Accommodation

The site itself currently contains no accommodation, though an eco-friendly restaurant (The Lovers Nest) is under construction. This structure has a commanding view of the western Falls.

Tourists can either camp at the Falls Grocery, located in the nearby village opposite the entrance to the Falls viewing point, or the Lukwe Permaculture Camp. The latter offers camping facilities along with two raised eco-chalets and provides impressive views towards the Falls and the Lake. A third chalet is under construction.

There are two sources of modestly priced accommodation at Livingstonia: Stone House, the former center of the Mission, and a Resthouse on the northeastern side of the town.

Proposal

It is proposed to establish a single eco-cultural tourism lodge with commanding views of the Falls and mountains. The lodge is expected to comprise fifteen rooms accommodating up to thirty people at the intermediate price of around US\$100 per person per night on a full board basis. A veranda restaurant & bar, a flexible multi-purpose lounge/audio-visual/seminar area, plus service quarters will also be provided. The Lodge will be expected to cater for tourists requiring an attractive, eco-culturally interesting 'stop-over' of between one and three nights as part of one of a number of thematic adventure holidays.

4.2.2. The Existing Situation

Environmental Aspects

The area around and including Manchewe Falls and the proposed site for the possible eco-tourism lodge, are not part of a designated or otherwise protected area although the Falls are located close to the boundary of the Nyika National Park. The Livingstonia/Manchewe area is relatively remote and isolated being some 80km from Karonga and 120km from Mzuzu, the nearest major towns. The principal north/south arterial road in Malawi, the M1, bypasses the area because the tortuous hair pinned road up the escarpment to Manchewe represents a natural barrier.

Although remote and an area where little economic activity takes place, Livingstonia in particular is an important location in the cultural and religious heritage of Malawi, having been established as an important mission station by Scottish missionaries in 1894.

The town, its church and museum are thus important as both cultural and tourist resources set in a spectacular position on the escarpment over-looking the lake.

The lack of economic activity locally and the subsistence nature of local farming has led to limited degradation of the local environment and thus places considerable responsibility on those whom may develop an eco-tourism lodge here. There will be a need to develop it sensitively within the immediate physical context of the site, and also carefully in a commercial and socio logical sense bearing in mind the limited access

to markets which local villagers and subsistence farmers have but which would change as the lodge itself becomes a source of demand for local labour, goods and services.

The proposed development site has arguably the best unobstructed views of the Falls and is currently used as a public access to both the principal viewpoint and to a water collection point on the river, just above the eastern falls. However, although there are numerous local community interests to be examined, the lack of any designated interest in the woodland, vegetation, flowers and fauna on the site suggests that barring anything discovered by a full environmental impact analysis, the environmental concerns must focus on mitigating any potential damage which might result from the building and operating of an eco-tourism lodge on the site. Architecture and landscape treatment and site engineering issues are discussed in Sections 2.5 and 2.6 below.

Social/Community Aspects

The villages near this site are small and households are scattered. At the current time, very little economic activity takes place in the area. Largely, villagers are subsistence farmers growing cassava and maize as the principal crops. The area is isolated from major trading centers and, as a result, there is limited opportunity for either inward or outward migration. The community is composed mostly of the Phoka people.

Compatible Activities

- **Protection of the forest by the Community:** The Village Natural Resources Management Committee protects the forest around the site and maintains the site itself. The community's involvement could ensure sustainability of the project and reduce incidents of theft and vandalism.
- **Restaurant and grocery shop:** A family is running a grocery shop near the site, which is helping to cater for the needs of visitors to the site. A small restaurant, which at the time of the visit was being renovated, could offer traditional Malawian dishes to tourists wishing to sample local dishes.
- **Health Facilities:** There is a mission clinic and an ambulance at the Livingstonia Mission. Tourists requiring medical attention can be driven to the clinic within minutes. Whilst the site could pose possible danger to visitors, to-date, there have never been any accidents at the Falls.
- **Vegetable growing:** The villagers grow vegetables such as cabbages and tomatoes, and fruits such as bananas, which could be sold to the lodge.
- **Traditional dances:** Vimbuza is a traditional dance that is very popular in the area and it attracts tourists because of the many beliefs and myths surrounding it. Arrangements can be made to entertain tourists in the community.

Conflicting Activities

- **Cultivation near river:** Agricultural activities, especially dimba (wetland) cultivation, upstream of the Falls could result in siltation and reduced flow of the river particularly during the dry season. The Ministry of Agriculture would be involved in discouraging the farming community from cultivating close to the river and on very steep slopes, to control soil erosion and contamination of the water.

Potential Negative Impacts

- **Immigration:** The success of the project is likely, in the long run, to attract people to settle permanently near the site. Primarily, these would be people from nearby villages. For a community that has been relatively isolated and maintained much of its traditional way of life, this could give rise to some social disruption. Furthermore, unless measures are taken, the site could lose its quiet, isolated character. A fairly, large area surrounding the site will need to be protected from encroachment.

Potential Positive Impacts

- **Employment and income generation:** The project will create direct employment opportunities for some of the community members. It will also create opportunities for the people to generate income by providing ancillary services. For the community near the site, this will be a major opportunity given that there are very few other ways of generating income in the area.
- **Livingstonia Mission:** It is expected that the historic Mission will benefit from an increased number of visitors and from the sale of food and beverages and handicrafts.

4.2.3. Project Location

The site is located on the eastern/north eastern side of the Falls. It is bounded on the western side by a very steep rock face (partially vegetated with trees and shrubs). To the north west there are views of gently rolling farmland with a distant backdrop of mountains.

Immediately to the south of the site is the main dirt road running through the village. Woodland (providing good tree and shrub cover) separates the site from this road. The same applies to the east and the north.

The eastern physical boundary of the site is formed by a track immediately adjacent to a cluster of village houses. This track also forms the northern physical limit of the site.

Approaching by the path from the south, there are stone/concrete steps leading down to a small 'header' pool fed by an attractive miniature cascade immediately above the 'eastern' Falls. The steps are steep, there is no hand rail and the pool itself is unprotected. Although there have been no reported injuries or fatalities associated with this access to views above the Falls (the Falls themselves are invisible from this

point), visitors are currently exposed to considerable danger, especially when conditions are slippery during the rainy season. The same is true of the main viewing area, in front of the Restaurant under construction. There is no form of protection against visitors either slipping or tripping on the edge of the escarpment. This would clearly be an essential requirement of the development.

The western edge of the path running north to the viewing area and beyond (leading to Permaculture) has been marked in an eco-friendly way with tufts of indigenous grass. These, although helpful as day-time markers, afford no actual physical protection.

Site Description

The site provides spectacular views and sounds of the 'western' Falls (even during the dry season). When walking northwards further along the path, tourists are also able to gain views of the 'eastern' Falls. The surroundings are well vegetated with native trees and shrubs. The bird life is reported to be rich.

There is sufficient land available on the site to provide accommodation for up to 30 eco-tourists and the associated service buildings. The area around is well endowed with natural building materials: timber, stone, boulders, thatching grass etc.

The land-form, from the escarpment viewing platform at the western limit of the site to the eastern physical limit of an informal track, is steeply sloping (in an easterly direction). Although sloping the site has been semi-terraced from west to east, so as to provide building 'platforms'.

A 'primitive' /ready-made viewing point already exists, together with a rudimentary rustic bench. Considerable up-grading of and protective barrier provision at this feature is required for it to be regarded as a safe quality facility.

The site, in providing a stop over of one to three nights, for eco-tourists offers many points of interest in addition to the Falls and Livingstonia.

There are attractive walks down to the areas below and behind the Falls. The Permaculture property, managed by a committed, professional conservationist, has a series of displays and features, likely to be of great attraction to visitors interested in sustainable life-styles, relating both to Africa and the wider world. In addition there is the Manchewe Tree Nursery, the Manager of which is heavily involved in the Livingstonia Environmental Rehabilitation and Conservation Project.

On leaving the Falls area, visitors have a wide choice of other eco-tourist destinations: the Nyika Plateau and National Park to the west; the Karonga Caves on the north western shores of Lake Malawi and the associated dinosaur museum in the making; and Nkhata Bay, Chintcheche, Senga Bay etc to the south.

Against these attributes it has to be recognised that the site has distinct constraints, namely:

- due to the proximity of village property, tourists staying at the site would not enjoy quite the degree of exclusivity expected when staying

in more up-market eco-tourist accommodation which tends to be located on generously proportioned sites;

- the safety hazards associated with the steepness of the site;
- there is presently nowhere for tourists to swim, other than in Lake Malawi at the foot of the escarpment;
- the site and its surroundings have insufficient features of interest to attract tourists to stay for more than between one and three nights.
- there is an existing construction project (restaurant) currently on the site. It might prove very difficult to interest the owner to modify and up-grade his current plans and effectively to transform it into a larger eco-tourism facility. Although he could be invited to participate on a joint venture basis, this may not be as appealing as being the sole owner of an albeit less ambitious eco-friendly venture. The time required to integrate the interests of all the necessary stakeholders could be problematic.

4.2.4. Existing Services

Access

The Manchewe Falls site is located 13Km off the M1, Mzuzu- Karonga Road which is 150Km Northwards from Mzuzu. Travelling from Mzuzu, the site is reached via either Chitimba (approximately 143 kilometres) or Phorasi Village (113 kilometres). The former route entails a steep climb of 11 kilometres up the escarpment from Chitimba. It is a comparatively rough tortuous track, involving the negotiation of nineteen hairpin bends.

The journey is scenic, but not without risks. Each of the routes involves a travel time of between 2 hours 15 minutes and 2 hours 45 minutes. The access road is in natural gravel material and the surrounding rock is mainly quartzite and predominantly peridotite.

Existing Situation

The site is in overgrown natural forest and the falls are located at a place very difficult to view from any near vantage position. Access to the view point of the falls is along a 1.5km ragged footpath. The falls are generated by two streams which have sources from within the Nyika National Park and are separated by a ridge. The proposed site for the development is mainly on steep slopes which will require appreciable quantities of earthworks before any structures are constructed.

The site is close to services like electricity and telephone, however there is no piped water supply.

4.2.5. Proposed Project

Description

The proposed project is designed to fit into the strategic planning framework laid down in the Malawi Tourism Master Plan which identifies the eco-tourism sector as a major opportunity for Malawi's tourism resources to attract international visitor markets.

Manchewe Falls represents a major natural attraction in the north of Malawi which given its spectacular setting and relatively remote location has left the locale essentially natural and unspoiled.

Manchewe benefits also from its proximity to the Nyika National Park on one side and the picturesque escarpment with its challenging road on the other, each of which has considerable appeal for a wide range of eco-tourist visitors.

In addition, the Manchewe Falls is also adjacent to Livingstonia, a late Victorian/Edwardian township established by Scottish missionaries at the end of the 19th century which is a major cultural heritage attraction in its own right. A lack of comfortable accommodation in this region has been a drawback to improving visitor numbers in this area and the opportunity to tie Manchewe into eco-tourist circuits being developed on Nyika Plateau and the coast provides a sounder product than simply offering Manchewe/Livingstonia on its own.

Given the relative remoteness (which of course also enhances the appeal of the area) of Manchewe and the limited range of suitable sites for development suggests that the scale/quality of the project should be less ambitious than other of the priority projects chosen in this study.

The identified site is overall somewhat smaller than other project sites in this study and the views across to the falls themselves are also limited by existing tree cover/vegetation on the edge of the escarpment. These site characteristics thus require an altogether smaller scale but denser built approach to the planned eco-tourism lodge proposals.



Figure 2.4
Concept Development Plan

Summary of Accommodation

The design concept consists of a single two-storey structure with fifteen double rooms having the capacity to sleep up to thirty people. The building is designed in such a way that it is naturally integrated into the existing landforms, following the gentle slopes. The ground floor accommodates a multi-purpose lounge/restaurant/meeting room, kitchen, offices, and a viewing deck/bar. The viewing deck providing views of the 'western' Falls and the Lake to the northeast, is provided with hard wood timber balustrades for protection. The ground floor also accommodates six guest bedrooms. First floor accommodates nine guest bedrooms and rooms for other required services. Gross floor area will be some 1000m².

4.2.6. Architectural and Landscape Treatment

The building would be designed in the style of a quality eco-lodge facility, reflecting local idioms and making use exclusively of local building materials. The design would take advantage of the rudimentary terraces (currently sloping) that exist on site. This would require that the terraces be leveled and enlarged, thereby enabling the visual interest of the building to be enhanced through differences in roof lines, elevation levels etc. In that way, the building would be naturally integrated into the existing landforms.

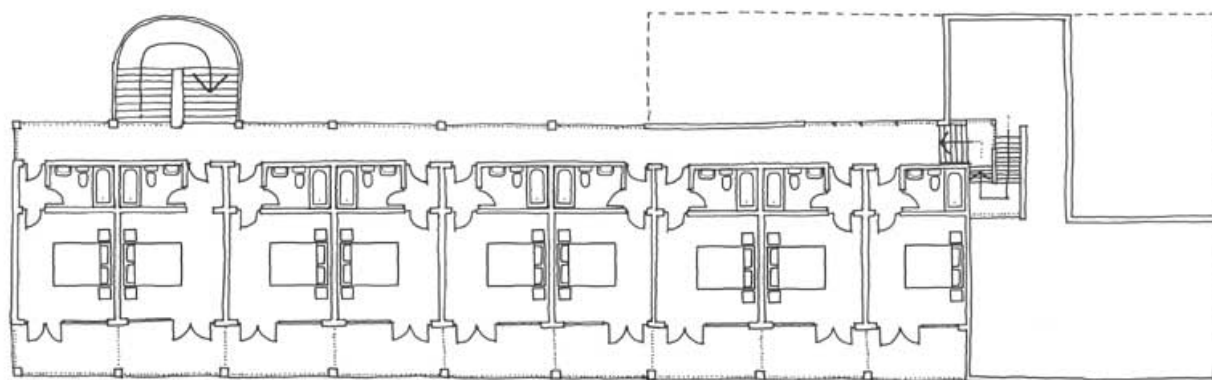
In addition to completion of the terracing and making the site safe in a visually compatible way (e.g. low level timber guard rails/fence and some form of safety net below the verandah), the prime landscaping task will involve the planting of native species of trees, shrubs and climbers. The main aim of the planting will be to soften the impact of buildings, especially corners and roof lines so that they sit naturally in the landscape. Particular attention needs to be paid to the provision of improved shade in the viewing area, using carefully located so as not to impair the views. The tree species will be selected such that continuity of cover is achieved and sustained. There may be a case to use bamboo as a means of providing quick growing cover. This can be removed later once the desired 'climax' species have become established.

Off-site, but as an integral part of the visitor experience, it will be necessary to make circuitous paths so that visitors can explore and appreciate the visual and ecological diversity of the area around the Falls, not to mention to the caves behind the Falls themselves. This will involve establishing a choice of high, intermediate and lower contour walking routes. The landscape treatment will also involve the design/choice of site furniture for the viewing area. This should involve the participation of local 'craftsmen'.

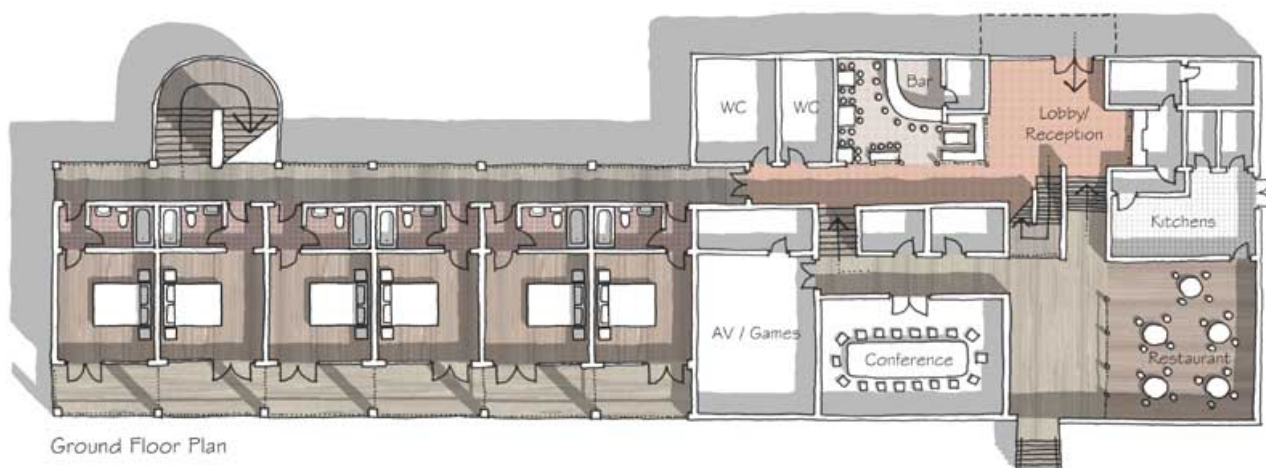
The buildings and terraces will be constructed using boulders, local stone (both undressed and dressed), timber and thatching grass as appropriate. The gentle convex shape of the veranda will have differing heights, so as to avoid the imposition of a monotonous line. Dressed stone steps will lead down to the viewing area from both ends of the verandah.

The provision of surface water drains and culverts will be very important on this steeply sloping site, especially in locations where the terraces grade into the existing land form. Presently drainage is by open gullies, such that there is evidence of considerable gully erosion. Furthermore during the rainy season, the surface run-off will make the

paths slippery. It will be necessary to provide tiled drains, culverted to a series of run-off points. A 'herringbone' design should be adopted where possible.



First Floor Plan



Ground Floor Plan



Elevation

Figure 2.5
Lodge Elevation and Floor Plan

4.2.7. Site Engineering Issues

Access

The main access road can be improved by way of grading without importation of material if the site is accessed from the Chiweta side, however if access is from Phorasi side there will be need for spot gravelling of rainy season trouble spot areas of some road sections. The former would require grading for about 13km in tortuous terrain and the latter would require approximately 2500m³ of gravelling. The access footpath would be widened by hand reshaping. The site will require initial clearance and benching to levels with an estimated cut/fill volume of earthworks of 1000m³ and a site clearance of 100m² area.

Water

There being no piped water supply source close to the site, the sinking of a borehole is recommended. The borehole will feed into an elevated overhead tank which will be gravitating to units around the development. The capacity of the tank will be 15m³. There will be no need for chlorination as a major requirement but the water can be treated at times.

Power

Electricity will be provided by provision of an independent 11MVA pole mounted substation. The proximity of the existing 11KVA line from the National Grid would definitely lower the installation costs but the provision made in this report assumes to take account of economic and market behaviors.

Sewage and Solid Waste Disposal

Sewage Disposal

The possibility of having a water borne sewerage disposal system for the site has to be properly analysed as there will be need for financial inputs so as not to be in conflict with the environment. Therefore, for the purposes of this initial estimate it is recommended that a septic tank on a high and flat area be considered with a dispersal chamber and the soak-away legs situated away from the site on sloping ground. The resulting sludge could then be removed to a selected site where a sludge pond would be constructed. The costs of construction include septic tank with concrete base slab, brick wall, concrete roof slab, dispersal chamber and PVC pipe soak ways.

Solid Waste Disposal

Domestic solid waste can be disposed of in a number of bins which can be procured from local smiths. The collected waste would be sorted and incinerated at a built incineration pit.

Telecommunication

The site is situated close to the Livingstonia Mission site which is served by a wire telephone line. The development would tap from the existing line. The costs take into account line charges, transport, provision and installation of poles and insulators and overheads and profit.

4.2.8. Market Potential and Estimated Room Occupancy

Market Potential

The Manchewe Falls area possess no UNESCO or World Heritage status nor is it even part of a designated national park to draw the eco-tourist market on the strength of its importance for bio-diversity. But what it does possess is an intrinsically attractive pair of waterfalls some 50 meters high in a spectacular position on the edge of an escarpment between the Nyika National Park and Lake Malawi.

This relatively remote and unspoiled location is not only close to stunning views down the escarpment to the Lake and atop a dramatic and challenging hair-pinned road which gives access between the two but it is also adjacent to Livingstonia, the Victorian township established by Scottish missionaries at the end of the 19th century, which is one of Malawi's most important, if little visited, cultural heritage sites and museums. Thus, the Manchewe Falls area offers a natural, attractive and culturally diverse location with considerable appeal as a restful link between hiking/trekking activities on the Nyika Plateau and beach/water-sport opportunities on the lake. In addition, within a year or so a new dinosaur museum will open near Karonga displaying both hominid and non-hominid finds from this section of the Rift Valley. Currently the area has limited visitor numbers because of access constraints and the remoteness of the location from other established visitor routes but it could well become an important point on a new circuit linking the various features described.

A trekking/hiking/horse riding link between Livingstonia and Nyika National Park is already in existence but poor quality accommodation in Livingstonia is no match for the high standards now available at Chelinda camp and lodge on Nyika. Improved accommodation at Manchewe could tie in with Chelinda and become a meaningful option in the north of Malawi linking with the other proposed lodges at Kande Beach and the Maleri Islands for example. Already the small campsite and simple eco-cabin accommodation at Lukwe Permaculture Camp, a successful sustainable eco-friendly demonstration project, is attracting increasing numbers of visitors, many of whom come to study sustainable techniques in practice.

This location will attract international visitors for a few days as part of a wider Malawi tour or in combination with Zambia and/or Tanzania to the west and north respectively but will need the marketing support of the Department of Tourism to recognize the potential or the area given the investment committed to the dinosaur museum and the much needed investment required to rescue Livingstonia from crumbling away. Much can be gained from mutual recognition of the benefits of collaboration in such circumstances.

Preliminary Room Occupancy Projections

The developable site at Manchewe is small in area resulting in a smaller scaled eco-lodge project. This limited site in a relatively remote area also requires greater caution, being a less proven but nonetheless exciting location. Occupancy levels cannot be expected to reach similar levels as forecast for the lakeshore/islands and Mount Mulanje, despite the smaller sized operation and it is believed that the eco-tourism lodge at Manchewe Falls could attract the following levels of room occupancy in its first three years of opening and ongoing:

| | | |
|--------------------|---|------------|
| Year 1 | - | 40 percent |
| Year 2 | - | 50 percent |
| Year 3 and ongoing | - | 55 percent |

4.2.9. Basis of Financial Projections

Published Tariffs

In view of the more modest sized site and comparatively poorer market prospects at this possibly pioneering location, it is considered that an altogether less ambitious but nonetheless comfortable and eco-friendly project, using local styles and building materials is appropriate. The commensurately appropriate room rates are considered to be around half those charged by Mvuu Lodge.

Thus, the proposed tariff is US\$100 per person per night including all meals, guided excursions and taxes but excluding drinks. In line with current market practice, it is considered necessary to adopt a policy of limited discounting of the proposed room rate. This reflects a need for a degree of price flexibility in recognition of the likely seasonality of demand for the eco-tourism lodge and to take account of promotional and related activities. During the first two operating years the discount is assumed to range between 15 and 20 percent, reducing to an average of 10 to 15 percent from Year three onwards. Room revenue after tax and before discounts is anticipated to be around \$48 per person per night.

Food and Beverage Revenues

It is assumed that within the daily per person rate, after deduction of government tax, an average revenue figure of around \$25 for food will be achieved. In addition, it is considered that the guests will spend around \$10 per day on various drinks over and above this inclusive daily rate.

Other Revenues

Within the inclusive daily rate we assume that \$10 per person per day is allocated to the provision of various guided nature treks, walks and other excursions while a further \$5 per person per day is expected to be spent over and above the inclusive rate for laundry, telephone, souvenir and other sundry purposes.

Estimated Operating Cost Assumptions

The assumptions adopted for calculating operating costs for the proposed new lodge are presented in Table 2.1 below. The assumptions are derived from an understanding of the operational cost characteristics of existing high quality lodge and hotel operations around Malawi, together with a recognition of the locational and market characteristics of this scale of development on this particular type of site.

Build-Up of Operating Revenues and Costs

The projected build-up in operational revenues and costs is set out in Tables 2.2 and 2.3 respectively, at 2001 values.

Table 2.1 - Annual Operating Cost Assumptions

| Category | Percentages of Departmental Sales or Total Revenue at 2001 Values | | |
|-----------------------|--|--------|--------|
| | Year 1 | Year 2 | Year 3 |
| Food | 35.0 | 35.0 | 35.0 |
| Beverages | 40.0 | 40.0 | 40.0 |
| Other | 50.0 | 50.0 | 50.0 |
| General Admin | 7.0 | 7.0 | 7.0 |
| Marketing | 7.2 | 6.5 | 6.0 |
| Utilities | 3.5 | 3.5 | 3.3 |
| Maintenance | 3.2 | 3.5 | 3.5 |
| Staffing ¹ | 23.0 | 20.0 | 18.0 |

Source: Pre-feasibility Estimates

¹ Staffing increases from 22 employees in Year 1 to 28 in Year 3 including an ex-pat management course.

Table 2.2 - Estimated Build-Up in Annual Revenues - US Dollars 000's (2001 Values)

| Revenue Type | Year 1 | Year 2 | Year 3 |
|---------------|--------|--------|--------|
| Rooms | 151 | 201 | 234 |
| Food | 99 | 123 | 136 |
| Beverage | 39 | 49 | 54 |
| Other | 59 | 74 | 81 |
| Total Revenue | 348 | 447 | 505 |

Source: Pre-feasibility Estimates

Table 2.3 - Estimates Build-Up in Annual Costs - US Dollars 000's (2001 Values)

| Cost Type | Year 1 | Year 2 | Year 3 |
|---------------|--------|--------|--------|
| Food | 35 | 43 | 48 |
| Beverage | 16 | 20 | 22 |
| Other | 30 | 37 | 41 |
| General Admin | 24 | 31 | 35 |
| Marketing | 25 | 29 | 30 |
| Utilities | 12 | 16 | 17 |
| Maintenance | 11 | 16 | 18 |
| Staffing | 81 | 88 | 92 |
| Total Costs | 234 | 280 | 303 |

Source: Pre-feasibility Estimates

Summary Statement of Estimated Profit and Loss

The projected summary statement of estimated profit and loss for the first three years of operation are shown in Table 2.4 at 2001 values.

Table 2.4 - Summary Statement of Estimated Profit and Loss (2001 Values)

| | Year 1 | Year 2 | Year 3 |
|---|--------|--------|--------|
| Average Annual Room Occupancy (%) | 40 | 50 | 55 |
| Average Room Rate (US\$) | 69 | 73 | 78 |
| Total Revenue (US\$000's) | 348 | 447 | 505 |
| Total Costs (US\$000's) | 234 | 280 | 303 |
| Gross Operating Profit (US\$000's) | 114 | 167 | 202 |
| Gross Operating Profits as % of Total Revenue | 33 | 37 | 40 |

Source: Pre-feasibility Estimates

4.2.10. Capital Costs and Estimated Cash Flow

Capital Costs

The estimated overall costs of construction and development of the proposed eco-tourism lodge at Manchewe Falls have been based upon:

- An assessment of infrastructure requirements;
- Translation of market requirements into project specifications; and
- Unit costs derived through discussions with local architects, engineers and contractors.

Estimated Project Costs

The estimated construction and development costs for the proposed eco-tourism lodge at Manchewe Falls are assumed to be as follows:

Table 2.5 - Breakdown of Project Costs

| Infrastructure Costs | US Dollars (000's) |
|--|--------------------|
| Access Road Improvements | (250) * |
| Mains Electricity Improvements | (100) * |
| Provide for Water Supply | (250) * |
| Sewage Treatment Plant | 150 |
| Telecommunications | 50 |
| Sub-Total | 200 |
| Superstructure Costs | |
| 1000m ² of Gross Floor Area at \$450 m ² | 450 |
| Preliminaries and External Works | 118 |
| 10% Contingency | 56 |
| Furnishing/Fittings at 10% of superstructure costs above | 62 |
| Sub-Total | 686 |
| TOTAL COSTS | 886 |

Source: Consultant's Estimates

** It is assumed that Government will bear the cost of providing these basic infrastructure requirements in this remote location.*

A break down of project costs between debt and equity is presented in Table 2.6.

Table 2.6 - Breakdown in Project Costs - US Dollars (millions) (2001 Values)

| | Percentage of Capital Costs | US Dollars (million) |
|--------|-----------------------------|----------------------|
| Equity | 40 | 0.354 |
| Loan | 60 | 0.532 |
| | 100 | 0.886 |

Source: Pre-feasibility Estimates

Gross Operating Profit

The gross operating profit figures are those derived from the estimated operating figures for the proposed eco-tourism lodge at Manchewe Falls and are set out in Table 2.7

Table 2.7 - Estimated Gross Operating Profit for an Eco-Tourism Lodge at Manchewe Falls - US Dollars 000's (2001 Values)

| Year 1 | Year 2 | Year 3 and ongoing |
|--------|--------|--------------------|
| 114 | 167 | 202 |

Source: Table 2.4

Adjustments to Gross Operating Profit

The following deductions from gross operating profit have been made to calculate the surplus available for debt service, taxation and profits.

Insurance

Insurance has been taken as one percent of the costs of superstructure and is estimated at US\$0.007 million, per annum.

Replacement of Fixtures, Fittings and Equipment

Replacement of FF&E has been taken as the following percentages of total operating revenue:

| | | |
|--------------------|---|-----------|
| Year 1 | - | 1 percent |
| Year 2 | - | 2 percent |
| Year 3 and ongoing | - | 3 percent |

Taxation

The statement of estimated cash flow includes an assessment of corporate taxation liability at an assumed rate of 25 percent. It has been assumed, however, that the project will benefit from a tax-free status for a period of seven years in accordance

with the recommendations of the National Tourism Development Plan (Chapter 1, Section 6.4).

Terminal Value

The terminal value for the project after twenty years is taken as being a multiple of eight times the surplus after tax in Year 20.

Estimated Project Cash Flow

The project consolidated statement of cash flow for the proposed eco-tourism lodge at Manchewe Falls has been prepared as part of the market and financial pre-feasibility evaluation of the overall project.

Table 2.8 shows the detailed cash flow for the project based on the assumptions set out above.

Viability of the Project

The internal rate of return (IRR) of this project at constant 2001 values is only eight percent. The payback period of the entire development cost is estimated at twelve years based upon constant 2001 values. With an interest rate of 10 percent, an eight percent IRR is not attractive and a reduction in project costs or an increase in equity investment to say 50 percent, may be necessary to improve returns.

The sensitivity of the IRR to changes in key variables as presented in Table 2.9 demonstrates that the base case assumptions of 60 percent debt and 40 percent equity project financing at an interest rate of 10 percent results in an IRR which suggests this may be a marginal investment opportunity.

However, if interest rates or company taxation were lower, this IRR would be higher. Clearly, the higher the IRR the more attractive is the investment, and this is seen clearest in Table 2.9.

Table 2.8 - Manchewe Falls Eco-Tourism Lodge - Projected Statement of Cash Flow (2001 Values US\$ million)

| Year | Gop (a) | Capital Investment (b) | Insurance Payments (c) | FF&E (d) | Capital Re-Payments | Interest Payments | Company Tax (e) | Surplus/Deficit |
|-------|---------|------------------------|------------------------|----------|---------------------|-------------------|-----------------|-----------------|
| Build | - | (0.354) | (0.003) | - | - | - | - | (0.357) |
| Build | - | (0.532) | (0.007) | - | - | (0.060) | - | (0.599) |
| 1 | 0.114 | - | (0.007) | (0.003) | - | (0.061) | - | 0.043 |
| 2 | 0.167 | - | (0.007) | (0.009) | (0.077) | (0.062) | - | 0.012 |
| 3 | 0.202 | - | (0.007) | (0.015) | (0.077) | (0.054) | - | 0.049 |
| 4 | 0.202 | - | (0.007) | (0.015) | (0.077) | (0.046) | - | 0.057 |
| 5 | 0.202 | - | (0.007) | (0.015) | (0.077) | (0.039) | - | 0.064 |
| 6 | 0.202 | - | (0.007) | (0.015) | (0.077) | (0.031) | - | 0.072 |
| 7 | 0.202 | - | (0.007) | (0.015) | (0.077) | (0.023) | - | 0.080 |
| 8 | 0.202 | - | (0.007) | (0.015) | (0.077) | (0.016) | (0.021) | 0.066 |
| 9 | 0.202 | - | (0.007) | (0.015) | (0.080) | (0.008) | (0.023) | 0.069 |
| 10 | 0.202 | - | (0.007) | (0.015) | - | - | (0.045) | 0.135 |

| | | | | | | | | |
|---------|-------|---|---------|---------|---|---|---------|-------|
| 11 - 20 | 0.202 | - | (0.007) | (0.015) | - | - | (0.045) | 0.135 |
|---------|-------|---|---------|---------|---|---|---------|-------|

Source: Pre-feasibility Estimates

Notes: Gross Operating Profit

(a) Capital Investment

(b) Insurance Payments

(c) Fixtures, Furnishings and Equipment Replacement

(d) Company Tax

This projected statement of cash-flow makes no provision for the possible payment of land rental or other charges which may be applicable.

Table 2.9 - Sensitivity to Changes in Key Variables

| Parameter Change | IRR (%) | Pay-Back Period (years) |
|---------------------|---------|-------------------------|
| Interest Rate at 8% | 9 | 10 |
| Company Tax at 20% | 9 | 11 |

Source: Pre-feasibility Estimates

4.3.0. PROJECT NUMBER 03: KANDE BEACH ECO - LODGE

4.3.1. Project Background

Status of Site

The proposed eco-tourism development site in Kande Bay is one of a string of long sandy beaches along what is called 'the Chintheche Strip'. It is not designated as being within either a Protected Area or any type of Conservation Area which is surprising, bearing in mind that the tourism potential of many of the shoreline sites to the south has been pre-empted by private development.

The site is one of a string of long sandy beaches along what is called 'the Chintheche Strip'.

In the interests of protecting the area against unscrupulous development, it is proposed that serious consideration be given to designating the site as part of at least an Area of High Landscape Value.

Existing Accommodation

Beyond the northern end of the site the highly successful Kande Beach Camp has evolved over the past ten years. It was established in 1993 by a former overland truck driver. The Camp consists of three independent two person beach front, simple style chalets, small scale dormitory accommodation, large beach bar, games room, barbeque area, a camp site, an ablution block and a restaurant. The development has integrated well into the life of the adjacent village. It is described in the Lonely Planet Guide (2nd Edition, 2001) as 'a legendary stop for overland trucks where beach life, good times and late night partying is the name of the game.' This site has a fully equipped diving center, where training courses are provided (US\$180 for four days). Other tourist

activities on offer include horse riding/trekking, mountain biking, canoeing, kayaking, sail-boarding, and guided walks around the local village. The latter includes spending an optional, typical evening with the village community involving an evening meal and a performance by/with local dancers.

Along the beach frontage to the camp, several water sports vessels are stationed and regularly used. The nearby horse riding center has recently been established, based on 12 horses from Zimbabwe. They are available for hire/local guided forest trails at US\$30 per half day and US\$20 for 1.5 hours.

Trucks stay for an average of three nights and an average there are three trucks at any one time. More trucks come from Nairobi and Dar-es-Salam than from Cape Town. Some independent travelers come either individually or in small groups in their own vehicles. The period from August to January is reported to be the high season. In the low season, April to June/July, the winds are strongest.

Waste water is collected in a septic tank. The liquid effluent goes to soak ways, shortly to be located in reed-beds. Solid waste is minimised through the purchase of returnable bottles and the re-cycling of beer cans. Only tins are disposed of to a landfill site.

To the west and southwest lies Kande Village, a comparatively large settlement whose inhabitants are involved in farming, fishing, crafts and servicing tourists.

At the entrance to Kande Beach, just to the south of Kande Beach Camp, a new house is under construction. This is owned by one of the staff members of the Beach Camp. Currently the foundations have been laid and a dozen or so citrus trees have been planted.

To the west of the beach behind the dunes are a series of graveyards, most of which are currently used by the villagers. The graves vary significantly from elaborate head stones and pediments to modest timber crosses. Many of the former are carefully inscribed. These grave-yards are regarded as sacred by the villagers and therefore represent 'no-go' areas as far as tourism development is concerned.

Approximately 560 meters to the south of the main entrance to Kande Beach from the village, a fishing village exists. This consists of a collection of rudimentary timber and thatching grass structures.

An additional development exists further to the south (approximately 730 meters from the Kande Beach Camp. This is the Scripture Union Chalet Block and Camp Site, equipped with toilet block and barbeque area. A goat 'stable'/house has been constructed adjacent to the western side of the site.

Throughout the length of the beach there is evidence of activity by local villagers tending their nets and boats, off-loading the previous night's catch, washing clothes, collecting water, bathing and generally socialising. However, these activities tend to be more concentrated at the northern and southern ends of the beach, adjacent to inland villages.

Proposal

Consistent with the development concept proposed in the National Strategic Tourism Master Plan, the proposal entails the identification of a site for the construction and sustained management of approximately thirty 'up-market' eco-tourist lodges and associated service structures.

It is envisaged that such lodges would attract tourists interested in participating in a variety of eco-tourist and activity holiday packages. These would include bird watching, walking and trekking, mountain-biking, horse riding, the full range of water sports, as well as enjoying the traditional relaxation associated with beach locations. Some of these packages are likely to entail 'twinning' with other eco-tourism centers and activity holidays located elsewhere in Malawi. These include, for example, the facilities provided by Mvuu Lodge in Liwonde National Park, some of the more up-market lodges located in the Forest Reserves and Nyika National Park and other of the proposed eco-tourism developments proposed in the Tourism Master plan. It is possible that this 'twinning' may extend to eco-tourism centers located in other parts of sub-Saharan Africa such as Zambia, Botswana, South Africa and Namibia.

4.3.2. The Existing Situation

Environmental Aspects

Kande Beach possesses no designation in terms of protected status and thus the development approach compatible with an eco-friendly project which is necessarily sensitive to visual, physical and operational impacts already takes account of many likely recommendations to be found in a full environmental impact study. The eventual developers themselves will be required by the Ministry of Tourism and the appropriate regional authorities to conduct such an appraisal and to demonstrate that their proposals correspond to the approach adopted in this pre-feasibility study to mitigate any further issues identified by the specialist environmental report.

It may be perhaps that certain flora or fauna represented on site require habitat protection. However, such investigations were not possible in the consultant's visit to this site and would in any case require specialist knowledge of the Chintche strip environment to establish such a position.

Social/Community Aspects

The neighbouring community is close to the main road and consists primarily of subsistence farmers and fishermen. The majority of people in the area are Tonga.

Land Ownership Issues

At this site, the general view of the community is that the lake and the beach belong to everyone including the villages since they have been using both from time immemorial. However, they welcomed the project but desired an assurance that their access to the lake and to a lesser extent the beach itself would not be seriously curtailed. Access to the lake is considered more critical to the local people than access to the beach since the lake is at the center of their life.

Compatible Activities

- **Curio selling:** Young men from the local community sell curios to tourists along the beach. They noted that the peak period for tourists and curio sales is from July to December. In practice, these vendors can and do act as unofficial 'watchmen' who notice and report strange and suspicious faces.
- **Horse transport:** There is a possibility of using horses to transport tourists and their luggage from the main road through the access road to the lodges especially during the rainy season. There is a stable of about 12 horses not far away from the site. However, guides and porters were opposed to this concept, which they felt would mean the loss of some potential income.
- **Fishing activities:** Many of the villagers are fishermen who could supply the lodges with fresh fish as they do to other lodges and a nearby campsite.
- **Health facility:** There is a health clinic on the road to Nkhata Bay District headquarters, at Chintheche, a short drive from the site.

Conflicting Activities

- **Graves near the site:** There are a number of graves along the beach although not adjacent to the proposed site. Community members pointed out that the project is welcome as long as the graves were treated with respect.
- **Use of the beach by the community:** Villagers use the beach on a daily basis when they have to access the lake. It is important that some beach area is reserved for the local people. In view of the length of the beach area, this does not present a major problem.

Potential Negative Impacts

- **Pollution of the lake:** Since the disposal of solid waste could pollute the lake waters and pose a health hazard for the villagers as well as the tourists, measures will need to be taken to ensure that all wastes are carefully disposed of.

Potential Positive Impacts

- **Employment and income generation opportunities:** As is the case at the adjacent Kande Beach campsite where both men and women from the local community are employed, employment and income generation opportunities will be created. At this site, villagers benefit from interaction with tourists staying at the campsite, who have their laundry done by the villagers for a small fee. In addition, the local fishing industry will not only support the tourism industry but be supported by it. The villagers will have the opportunity to sell fish, vegetables and rice to the lodge. It is not likely that this relationship will create or aggravate the problem of food insufficiency in the local

community but will help to develop a good relationship between the community and the lodge.

4.3.3. Project Location

A potentially suitable location has been identified some 1.4kms to the south of the main entrance from the village to Kande Beach. From this point the beach frontage of the potential site extends for approximately 175 meters in a southerly direction. Beyond these points development constraints exist: a former graveyard to the north and a fishing settlement further to the south. Because of these, it is recognised that strong 'buffer' strips of both existing vegetation and new planting will be required.

Site Description

The site covers a predominantly flat oval shaped area behind a continuous sand dune. The area extends approximately 75 meters from east to west and over 100 meters north-south. The latter dimension could extend to as much as 160 meters before 'buffering' is required.

The top of the dune is estimated to be between 10 and 15 meters above the Lake level at the time of the inspection. From that vantage point there are extensive, spectacular views of the Lake, Kande Island and the Mountains to the south. To the west another range of mountains provides a naturally dramatic backdrop at sunset.

To the west of the proposed site the land falls away (there is a natural terrace) by some 2-3 meters in height to a long flat area. It is understood that this latter area becomes marshy during the rainy season. Indeed, at the time of the major rise in Lake levels during the 1978 rainy season it served as a natural flood relief area. That aside, the land was firm and level at the time of inspection, suggesting itself as a potential landing strip for use during the main eco-tourism season.

Within the flat area behind the dune some good cover/potential screening is provided by existing mature trees. In some locations, nearest to the dune, cover is also afforded by natural 'cells' and miniature sand valleys/hollows. All of these features offer the opportunity to screen/soften the impact of the proposed lodges and associated structures by creating individual discrete intones.

In summary, the possible site constraints are as follows:

- the existence of the graveyards, both currently and formerly in use;
- the noisy night-time activities at the Kande Beach Camp site;
- the heavy use of some sections of the beach;
- the need for additional mature trees;
- the potential intrusion by village and Scripture Union members.

The first three of these constraints have been fundamentally overcome, however, by identifying a site some distance from the location of such issues and they are now significantly outweighed by the site assets:

- the dune and beach are in good condition and offer pristine views
- members of the local community and other beach users (Kande Beach Camp

- visitors) are very friendly
- the mature vegetation and landforms which offer the provision of screening
- and shade for the proposed lodges and other buildings
- the flat area which could accommodate construction of a naturally shaped swimming pool for exclusive use by lodge tourists
- the landscape framework provided by the mountains to south, west and east
- the existence of a potential adjacent landing strip
- the interest afforded by the village cultural activities and by some of the Kande Beach Camp facilities, including water-sports and the nearby horse-riding stables.
- the other visitor attractions in the locale such as the Bandawe Mission museum.

4.3.4. Existing Services

The Existing Situation

The proposed site is 600 meters south of the existing Kande Beach Camp. The site is generally overgrown with creeping bushes and the soils are generally deposits of sand with occurrences of isolated sand dunes. The general terrain is mainly flat and would not require any major earth works. There is a 2km by 60 meter open ground west of the proposed site ideal for an airstrip.

Access

The proposed site for the up market tourist lodge development is located about 60 km on M5, south of Nkhata Bay Boma which is about 50 km from the northern regional city of Mzuzu.

The Kande Beach site is accessible by road and is about 3 km from the M5. The access road is in built up sand and the road is low lying and difficult to drain. The proposed road to the site will pass through existing local villagers' homesteads, although this route largely utilizes the road already used by vehicles arriving at the existing Kande Beach Camp.

4.3.5. Proposed Project

Description

It is proposed that initially the eco-tourism development should be located on the site identified behind the dunes immediately adjacent to Kande Beach. Kande Beach is an attractive stretch of lakeshore within the 25kms of shoreline known as the Chintheche strip. The site topography, vegetation and extensive views in most directions offer a combination of features suitable for an up-scale eco-tourist lodge with beach front ambience.

The site affords access to above and below water recreation activities and is well situated for the development of trekking/riding trails into the nearby mountains providing a variety of natural habitats for special interest eco-tourist visitors to explore.

Kande Beach provides an elegant and relaxing breadth and contrast to the more physically rigorous demands of eco-tourism pursuits focused around mountainous, diving or wildlife safari activities and as such offers a perfect complementary site to the other Prioritised Tourism Development project locations.

Summary of Accommodation and Eco-Tourist Structures

A thirty roomed eco-tourism development is proposed for this site. These are to be distributed according to site topography on either side of the main facilities communal building and pool, which will be seen as a focal point. Individual lodges will be raised on stilts to facilitate the Lake view, and will be designed as twin/double bedded units.

The main building is designed in such a way that the viewing deck facilitates views both across the lake in one direction and over to the mountains in the other. This site is also designed to incorporate a swimming pool with a free form shape.

Gross floor area of this development will be some 2200m².

The principal buildings and structures envisaged for the development are as follows:

- A multi-purpose structure incorporating a restaurant/bar/lounge with a conference/meeting room located at dune height overlooking Kande Beach, the Lake and Kande Island. One of its main functions would be to serve as an interpretive center for visitors, especially in the evenings and during bad weather. The visual impact of this building should be softened as much as possible by using a design treatment which incorporates local styles and materials, existing vegetation, sand contouring and fixing, plus new planting.
- Thirty independent, grade separated lodges, constructed of natural materials, local stone, timber, reeds and thatching grass or wooden tiles, incorporating tented sleeping accommodation. These lodges should be sited and if necessary elevated to tree canopy level so as to provide spectacular sun-rise and day-time views of the lake.
- Lodges to accommodate the Eco-Tourism Manager and resident staff, again carefully sited so as to be largely invisible from all other buildings and major scenic viewpoints.
- A swimming pool in the landscaped setting to the lodges, the free-form shape of the pool perhaps to simulate Lake Malawi.
- Possibly bird hides plus simple shade structures carefully sited in the seemingly naturally landscaped grounds, using only native species of trees, climbers, shrubs and ground cover plants.
- Possibly viewing platforms constructed at strategic high points and locations on the site.
- A barbeque area in the grounds.
- Planting using native trees and shrubs to provide buffers in relation to the graveyard, the possible landing strip and other intrusions from the north and south.

- The construction of a circular network of gentle footpaths (plus steps where necessary), leading tourists from their lodges to/ from the restaurant, the viewing points and main walks.

4.3.6. Architectural and Landscape Treatment

The communal restaurant/viewing building with meeting facilities should have two verandas, one facing in an approximately 140 degrees arc from north-east to south east, the other facing west to enjoy the sun setting behind the mountains. The front and rear elevations of this building should be set at an angle to the beach and have a step-wise configuration when viewed in plan.

The planning, sitting, construction and landscaping of the proposed lodges and associated structures should be undertaken so as to appear as natural as possible. Each lodge should if possible have two verandas, one facing in an approximately 140 degrees arc from north-east to south east, the other facing west to enjoy the sun setting behind the mountains.

The front and rear elevations of this building should be set at an angle to the beach and have a step-wise configuration when viewed in plan, where enabled by site topography. This natural appearance means that use will be made exclusively of natural materials and local mainland building styles. The buildings will be constructed of boulders, timber and thatching grass available locally.

Where verandas and viewing points are to be located, special care will be taken to ensure that the buildings/structures do not intrude upon views from elsewhere on the site or from the Lake. This will mean that the views provided will be filtered by the canopies of mature trees and enjoyed in dappled shade. The achievement of this effect will require very sensitive tree-surgery, involving the restrained pruning and/or removal of selected branches. This will require that each of the viewing verandas/look-outs is visually surveyed from each of the other main site and Lake vantage points at each stage of the 'pruning process'. Accordingly, the preparation of the landscape plans for each of the structures will need to be preceded by detailed topographical and vegetation surveys. Only minimal felling of any existing vegetation should be permitted.

A Landscape Management Plan should be prepared specifying all of the trees, vegetation and features that are to be respectively protected and established by the development proposals.

New planting will be proposed, wherever necessary, in order to integrate the buildings/structures naturally into the landscape. Use will be made exclusively of native species, which already occur on the site. It is envisaged that maximum use will be made of climbers and shade trees to soften the impact of buildings. For the same reason in designing and constructing the buildings, non-reflective surfaces and bright/light colours will be avoided.

The site is of a sufficient size that, if necessary or appropriate at a later stage, additional lodges could be sited and constructed with the same care and attention to detail as is proposed for the initial development.

4.3.7. Site Engineering Issues

Access Road

As the road is low lying there is need to raise it to improve drainage. This would be done by importation of suitable fill material and gravel base course. The wearing surface would require to be sealed with a bituminous concrete.

The road side drainage would require drain lining on both sides of the road and installation of access culverts at several places would be required.

As there is an anticipation of water canalization which will increase water velocities during storm periods there is need for construction of check-dams across selected places of the drain.

Improvement to the quality of the existing road is likely to result in increased vehicular traffic speeds hence there will be a need for construction of speed barriers at selected points across the access road as the road passes through an established village.

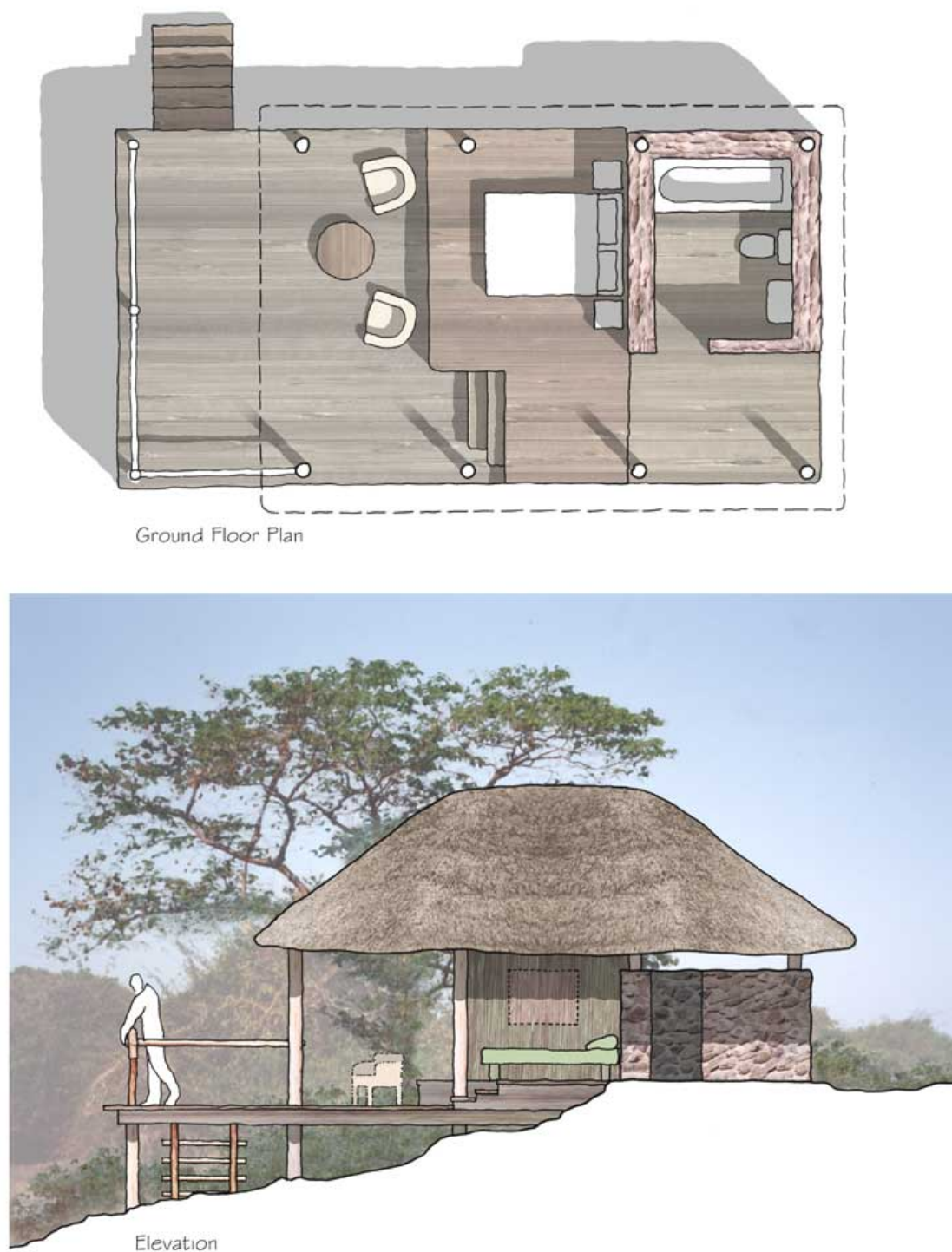


Figure 3.4
Typical Lodge Elevation and Floor Plan

Any homesteads affected by the construction of the proposed access road would require compensation for them to relocate; the estimated number of homes affected is about twenty.

Possible Airstrip

The proposed site for the possible airstrip is in a low-lying flood-prone area, however occurrence of floods in the area are remote. The site is overgrown by low lying grass and improvements to it would require grading of the proposed strip which will be a 10m wide, 1.5km long with turning circles of 50m radii on both ends.

Possible development will require removal of 200mm of existing unsuitable material and importation of similar quantity of lateritic gravel. The running surface shall be dressed with a 50mm thick hot rolled prepared premix asphalt. The side storm water drain can be 'V'-Shaped earth drains to run on both sides of the airstrip into the Lake.

Car Park

A parking area is proposed in between the site and the possible airstrip. The car park is anticipated to accommodate twenty vehicles at a time. The initial earthworks will involve site clearance of shrubs and removal of unsuitable material and shall be 40m by 5m on 150mm natural gravel and shall be surfaced with a suitable bituminous. The side boundaries should be lined a concrete kerb.

Power

Power can be tapped from the National Distribution Grid on an 11Kv line which runs close to the site. Installation of the electricity facility will be facilitated by the Power Utility ESCOM who have an office about 8km North of the proposed site at Chintheche.

Water

The site is not served by a piped water supply system. It is proposed therefore that extraction from the lake would be a viable solution which will have to be compared with installation of a borehole. The anticipated occupancy at a single unit time is estimated to be seventy-five heads per day and the estimated consumption would be 125 litres per capita per day, (*Courtesy of Northern Region Water Board*). This will therefore require 9375 litres per day. Therefore an overhead tank with a capacity of 15m³ will adequately cater for all domestic usages.

As there will be need for extraction from the lake, there will be a requirement for installation of a ten horse power raiser pump complete with delivery and a strainer fitted suction hose. The delivery hose will feed into a 100mm galvanized iron rising pipe, which will feed into the overhead tank sitting on 100mm thick concrete slab on cross shaped brick columns on a 200mm thick concrete foundation. The water will feed various plumbing units from a 75mm outlet pipe from the overhead tank.

Prior to distribution the water will be treated with chlorine at recommended dosages.

The pump will be housed in a 2mx2m pump house to be located at a suitable distance from the site so as to avoid noise pollution.

Telecommunications

The site can comfortably accommodate a wire phone system, however going by the present trend of vandalism a cordless telephone would be ideal since all the facilities would be located within the environs of the proposed site.

The installation of the cordless telephone requires purchase of a line from Malawi Telecoms and purchase of the Cordless phone equipment from other providers. The single line can then be distributed to various units within the development.

Sewage and Solid Waste Disposal

The ideal mode of disposal would be water borne system to avoid underground water seepage which would pollute the lake. The system shall involve construction of a septic tank and dispersal chamber at a fair distance from the development. The sludge will then be disposed of in a selected site where a 50m long, 30m wide and 1.5m deep sludge pond shall be constructed. The sludge pond will be located in the nearby bush West of the site. The cost of the sewerage facility will involve bulk earthworks, building and plumbing works.

Provision of ten iron sheet made collection bins will cater for solid domestic waste. The waste can then be heaped, sorted and incinerated at a built-up incineration pit. The cost for putting up such facilities will require purchase of the bins from local tinsmiths and construction of the incineration pits by nominated contractors.

4.3.8. Market Potential and Estimated Room Occupancy

Market Potential

Kande Beach's location at the northern end of the 'Chintheche Strip' places it on one of the most accessible, attractive and established stretches of the 25 kilometre strip. The quality of the location has led to the establishment of a number of small scale beach camp and cottage developments over the last decade or so, offering mainly a good quality, value for money accommodation product.

The Chintheche Strip not only hosts highly regarded overlander and mid-market accommodation but also includes the much higher quality Chintheche Inn, a ten bedroom bungalow style lodge operated by Wilderness Safaris, the up-market southern African safari specialist who also operate Mvuu lodge in Liwonde National Park. The area has thus developed and established a popular reputation across a range of market sectors for its natural attractiveness and the breadth of lakeside and mountainside leisure opportunities.

Occupancy levels have been hit in the last couple of years as a result of the washing away of the bridge over the Dwangwa River which carried the main Chintheche to Salima road, however a European Union funded project will construct and open a new bridge by mid 2003 allowing occupancies to recover their former strength.

It is anticipated that the market for this proposed eco-tourism lodge product will be drawn primarily from internationally located residents, but also from the Malawi resident, diplomatic and ex-pat communities.

Preliminary Room Occupancy Projections

Indicative annual room occupancy for the Chintheche Inn before the loss of the Dwangwa bridge was between 60-70 percent suggesting the levels of occupancy which could be achieved once the replacement bridge was in place. The proposed development, while to some extent competing with the Chintheche Inn, will more realistically complement it through the provision of a more exclusive style of eco-tourism lodge accommodation not currently available in the region.

It is considered that the small number of rooms proposed in the new development can achieve similar levels of occupancy to the Chintheche Inn over a three year period given the adoption by the Department of Tourism of a development strategy focusing upon the eco-tourism potential of Malawi and the opportunity it has to draw from the large eco-tourism markets already attracted to neighbouring southern African destinations.

It is anticipated that the Kande Beach eco-tourist lodge will attract the following levels of room occupancy in its first three years of operation and ongoing:

| | | |
|--------------------|---|------------|
| Year 1 | - | 50 percent |
| Year 2 | - | 60 percent |
| Year 3 and ongoing | - | 65 percent |

4.3.9. Basis of Financial Projections

Published Tariffs

In view of the planned nature, style and quality of the proposed eco-tourism lodge at Kande Beach, it is considered that the published tariff for the development should be similar to that currently charged at Mvuu Lodge in Liwonde National Park, the premier lodge accommodation currently available in Malawi.

The proposed tariff of US\$200 per person per night will, similar to Mvuu Lodge, represent an all inclusive daily rate covering all meals and drinks, three game drives/activities and government taxes.

In line with current market practice, it is considered necessary to adopt a policy of limited discounting of the proposed room rate. This reflects a need for a degree of price flexibility in recognition of the likely seasonality of demand for the eco-tourism lodge and to take account of promotional and related activities. During the first two operating years the discount is assumed to range between 15 and 20 percent, reducing to an average of 10 to 15 percent from year three onwards.

Room revenue after tax and before discounts is anticipated to be around US\$100 per person per night.

Food and Beverage Revenues

It is assumed that within the daily per person rate, after government taxation is deducted, an average revenue figure of around US\$35 for food and US\$12 for drinks can be realistically apportioned.

Other Revenues

Within the all inclusive daily rate we assume that US\$20 per person per day is allocated to the provision of various guided land and water-based excursions and other activities while a further US\$5 per person per day is anticipated to be spent over and above the inclusive rate for laundry, telephone, souvenir and other sundry purposes.

Estimated Operating Cost Assumptions

The assumptions adopted for calculating operating costs for the proposed new lodge are presented in Table 3.1 below.

The assumptions are derived from an understanding of the operating cost characteristics of existing and high quality lodge and hotel operations around Malawi together with a recognition of the locational and market characteristics of this scale of development on this particular site.

Table 3.1 - Annual Operating Cost Assumption

| Category | Percentages of Departmental Sales or Total Revenue at 2001 Values | | |
|-----------------------|--|--------|--------|
| | Year 1 | Year 2 | Year 3 |
| Food | 35.0 | 35.0 | 35.0 |
| Beverage | 40.0 | 40.0 | 40.0 |
| Other | 50.0 | 50.0 | 50.0 |
| General Admin | 6.5 | 7.5 | 7.8 |
| Marketing | 5.0 | 4.5 | 4.0 |
| Utilities | 2.5 | 2.5 | 2.4 |
| Maintenance | 3.0 | 3.5 | 3.6 |
| Staffing ¹ | 11.5 | 10.0 | 9.5 |

Source: Pre-feasibility Estimates

¹ Staffing levels increase from 65 employees in Year 1 to 77 in Year 3, including an expat management course.

Build-Up of Operating Revenues and Costs

The projected build-up in operational revenues and costs is shown in Tables 3.2 and 3.3 respectively, at 2001 values.

Table 3.2 - Estimated Build-Up in Annual Revenues - US Dollars 000's (2001 Values)

| Revenue Type | Year 1 | Year 2 | Year 3 |
|----------------------|-------------|-------------|-------------|
| Rooms | 788 | 1005 | 1153 |
| Food | 345 | 414 | 448 |
| Beverage | 118 | 142 | 154 |
| Other | 246 | 296 | 320 |
| Total Revenue | 1497 | 1857 | 2705 |

Source: Pre-feasibility Estimates

Table 3.3 - Estimates Build-Up in Annual Costs - US Dollars 000's (2001 Values)

| Cost Type | Year 1 | Year 2 | Year 3 |
|--------------------|------------|------------|------------|
| Food | 121 | 145 | 147 |
| Beverage | 47 | 57 | 62 |
| Other | 123 | 148 | 160 |
| General Admin | 97 | 139 | 162 |
| Marketing | 75 | 83 | 83 |
| Utilities | 37 | 46 | 50 |
| Maintenance | 45 | 65 | 75 |
| Staffing | 173 | 186 | 195 |
| Total Costs | 718 | 869 | 934 |

Source: Pre-feasibility Estimates

Summary Statement of Estimated Profit and Loss

The projected summary statement of estimated profit and loss for the first three years of operation and ongoing is shown below in Table 3.4 at 2001 values.

Table 3.4 - Summary Statement of Estimated Profit and Loss (2001 Values)

| | Year 1 | Year 2 | Year 3 |
|---|--------|--------|--------|
| Av. Annual Room Occupancy (%) | 50 | 60 | 65 |
| Av. Annual Room Rate (US\$) | 144 | 153 | 162 |
| Total Annual Revenue (US\$000's) | 1497 | 1857 | 2075 |
| Total Annual Costs (US\$000's) | 718 | 869 | 934 |
| Gross Operating Profit (US\$000's) | 779 | 988 | 1141 |
| Gross Operating Profit as % Total Revenue | 52 | 53 | 55 |

Source: Pre-feasibility Estimates

4.3.10. Capital Costs and Estimated Cash Flow

Capital Costs

The estimated overall costs of construction and development of the proposed eco-tourism lodge at Kande Beach have been based upon:

- An assessment of infrastructure requirements;
- Translation of market requirements into project specifications; and
- Costs derived through discussions with existing lodge operators and analysis by the architectural and engineering specialists on the consultancy team.

Estimated Project Costs

The estimated construction and development costs for the proposed eco-tourism lodge at Kande Beach are assumed to be as follows:

Table 3.5 - Breakdown of Project Costs

| | |
|--------------------------|--------------------|
| Infrastructure Costs | US Dollars (000's) |
| Access Road Improvements | (300) * |

| | |
|--|-------------|
| Mains Electricity Connection | (100) * |
| Mains Water Connection | 350 |
| Sewage Treatment Plant | 150 |
| Telecommunications | 100 |
| Compensation for Relocation of Locals | 300 |
| Construct Airstrip and Car Park | 500 |
| Sub-Total | 1400 |
| Superstructure Costs | |
| 2200m ² of Gross Floor Area at \$450 m ² | 990 |
| Preliminaries and External Works | 319 |
| 10% Contingency | 196 |
| Furnishing/Fittings at 10% of superstructure costs above | 150 |
| Sub-Total | 1655 |
| TOTAL COSTS | 3055 |

** It is assumed that Government will bear the cost of providing these basic infrastructure requirements.*

Project Financing

It is assumed that the construction and development project for the eco-tourism lodge at Kande Beach will be undertaken by private sector investors and that consequently the hotel itself will be managed by those same or other specially contracted parties. This being the case, it is therefore further assumed that the project will be funded utilizing a mix of equity and debt finance.

The following funding arrangements have been assumed:

- Equity finance: 40 percent of project costs;
- Long term debt finance: 60 percent of project costs; and
- Loan finance will be for ten years at a rate of interest of 10 percent with an initial moratorium of two years on the repayment of capital and interest. It is assumed that the project will take two years to build and that the equity finance will be drawn down in the first year with loan finance commencing in the second year. Finance costs of the capital moratorium will be rolled-up into the project costs and repaid over the remaining eight years of the loan.

A break down of project costs between debt and equity is presented in Table 3.6.

Table 3.6 - Breakdown in Project Costs - US Dollars (millions) (2001 Values)

| | Percentage of Capital Costs | US Dollars (million) |
|--------|-----------------------------|----------------------|
| Equity | 40 | 1.222 |
| Loan | 60 | 1.833 |
| | 100 | 3.055 |

Source: Pre-feasibility Estimates

Gross Operating Profit

The gross operating profit figures are those derived from the estimated operating figures for the proposed eco-tourism lodge at Kande Beach and are set out in Table 3.7

Table 3.7 - Estimated Gross Operating Profit for an Eco-Tourism Lodge at Kande Beach - US Dollars 000's (2001 Values)

| Year 1 | Year 2 | Year 3 and ongoing |
|--------|--------|--------------------|
| 779 | 988 | 1141 |

Source: Table 3.4

Adjustments to Gross Operating Profit

The following deductions from gross operating profit have been made to calculate the surplus available for debt service, taxation and profits.

Insurance

Insurance has been taken as one percent of the costs of superstructure and is estimated at US\$0.016 million, per annum.

Replacement of Fixtures, Fittings and Equipment

Replacement of FF&E has been taken as the following percentages of total operating revenue:

| | | |
|--------------------|---|-----------|
| Year 1 | - | 1 percent |
| Year 2 | - | 2 percent |
| Year 3 and ongoing | - | 3 percent |

Taxation

The statement of estimated cash flow includes an assessment of corporate taxation liability at an assumed rate of 25 percent. It has been assumed, however, that the project will benefit from a tax-free status for a period of ten years in accordance with the recommendations of the National Tourism Development Plan (Chapter 1, Section 6.4).

Terminal Value

The terminal value for the project after 20 years is taken as being a multiple of eight times the surplus after tax in Year 20.

Estimated Project Cash Flow

The project consolidated statement of cash flow for the proposed eco-tourism lodge at Kande Beach has been prepared as part of the market and financial pre-feasibility evaluation of the overall project.

Table 3.8 shows the detailed cash flow for the project based on the assumptions set out above.

Viability of the Project

The internal rate of return (IRR) of this project at constant 2001 values is an attractive 19 percent (given that the cost of borrowing is assumed to be 10 percent). Although profitable, a potential investor may seek additional construction cost savings to further improve the attractiveness of the project. The payback period of the entire development cost is estimated at six years based upon constant 2001 values.

The sensitivity of the IRR to changes in key variables as presented in Table 3.9 demonstrates that the base case assumptions of 60 percent debt and 40 percent equity project financing, at an interest rate of 10 percent, results in an attractive IRR but if interest rates or company taxation were a little higher, IRR would be slightly lower.

Clearly, the higher the IRR the more attractive is the investment, and this is seen clearest in the base case where the development is financed with borrowing of 60 percent of capital costs, at 10 percent interest and company tax of 25 percent. However, the project still offers similar returns even where interest rates and company taxation are a little higher.

This projected statement of cash-flow makes no provision for the possible payment of land rental or other charges which may be applicable.

Table 3.8 - Kande Beach Eco-Tourism Lodge - Projected Statement of Cash Flow (2001 Values US\$ million)

| Year | Gop (a) | Capital Investment (b) | Insurance Payments (c) | FF&E (d) | Capital Re-Payments | Interest Payments | Company Tax (e) | Surplus/ Deficit |
|-------|---------|------------------------|------------------------|----------|---------------------|-------------------|-----------------|------------------|
| Build | - | (1.222) | (0.008) | - | - | - | - | (1.230) |
| Build | - | (1.833) | (0.016) | - | - | (0.186) | - | (2.035) |
| 1 | 0.779 | - | (0.016) | (0.015) | - | (0.189) | - | 0.559 |
| 2 | 0.988 | - | (0.016) | (0.037) | (0.242) | (0.194) | - | 0.499 |
| 3 | 1.141 | - | (0.016) | (0.062) | (0.242) | (0.170) | - | 0.651 |
| 4 | 1.141 | - | (0.016) | (0.062) | (0.242) | (0.146) | - | 0.675 |
| 5 | 1.141 | - | (0.016) | (0.062) | (0.242) | (0.122) | - | 0.699 |
| 6 | 1.141 | - | (0.016) | (0.062) | (0.242) | (0.097) | - | 0.724 |
| 7 | 1.141 | - | (0.016) | (0.062) | (0.242) | (0.073) | - | 0.748 |
| 8 | 1.141 | - | (0.016) | (0.062) | (0.242) | (0.049) | - | 0.772 |
| 9 | 1.141 | - | (0.016) | (0.062) | (0.247) | (0.025) | - | 0.791 |

| | | | | | | | | |
|------------|-------|---|---------|---------|---|---|-------|-------|
| 10 | 1.141 | - | (0.016) | (0.062) | - | - | - | 1.063 |
| 11 - 20 | 1.141 | - | (0.016) | (0.062) | - | - | 0.265 | 0.797 |

Source: Pre-feasibility Estimates

Notes:

- (a) *Gross Operating Profit*
- (b) *Capital Investment*
- (c) *Insurance Payments*
- (d) *Fixtures, Furnishings and Equipment Replacement*
- (e) *Company Tax*

Table 3.9 - Sensitivity to Changes in Key Variables

| Parameter Change | IRR (%) | Pay-Back Period (years) |
|----------------------|---------|-------------------------|
| Interest Rate at 12% | 18 | 6 |
| Company Tax at 30% | 14 | 6 |

Source: Pre-feasibility Estimates

4.4.0. PROJECT NUMBER 04: PROPOSED BEACH RESORTS DEVELOPMENT AT LIKOMA ISLAND SITES

4.4.1. INTRODUCTION

Likoma Island on Lake Malawi, together with neighbouring Island, forms a Malawian enclave within the territorial waters of Mozambique 5 Kilometres distant from Mozambique, with which the Island maintains cultural links. The main attractions of the island are its relatively undeveloped peaceful remoteness, snorkeling and diving to watch the profusion of colourful, often endemic cichlidae or mbuna fish, and bird watching, as well as first-hand opportunities to observe an as yet unspoilt rural culture. It offers superb views of sunsets and sunrises over the Lake, as well as walking on traffic-free roads. Situated some 12 degrees south of the Equator and 34 degrees of Greenwich, Likoma is the larger of the two islands with an area of some 17sq. km.

Likoma is fairly isolated, being accessible only by ship or air. The Lake steamer, MV Ilala, calls twice per week to ferry passengers and freight to the other Lake ports in Malawi and Tanzania. Air charter from Mzuzu is available on request, and Air Malawi, the national carrier, has plans to commence a Cessna Bonanza schedule (13 passengers) in the near future subject to demand. Although the wet season may show a different story, roads within the island are narrow and basic, but adequate and well graded enough for the present complement of 4 motor vehicles and 4 motorcycles, which are not sufficient to provide internal local transport facilities.

Sewage disposal utilises septic tanks and soak ways or pit latrines. Telephones are serviced by 2 landlines serving 32 receives on an individual call system, and digital/radio receivers are being introduced on an individual basis.

Water supply is obtainable through wells in some places, but pumping or natural portage from the Lake is normal, and water should be boiled and/or filtered for drinking. The water table permits limited utilisation of well water at present, and it is noted that the Lake cycle can vary by some 6 meters over an unpredictable 40 which can equally be traced by examining of marking on the rock formations at the water's edge.

THE ULISA SITE

Ulisa on the west of the island is a mixture of sandy bay and spectacular granite rock outcrops. The water extends over 3 bays, totalling in length some 1.1 kilometres with a beach width varying from 20-60metres. The bays have a westerly aspect with full sunset views over Chizumulu Island. There is a combination of shore and rocky promontory, which can provide a base for building at different levels and angles to make full use of the view and either sun or shade as required. Access to the Ulisa area is very good being 1.5 kilometres from the main Likoma District Assembly administration and the Cathedral, and 2 kilometres from the mooring of the MV Ilala.

Ulisa 1

This bay lies between an area of crystal clear water with a 200 x 60 uninterrupted beach, and a low-density village development and treelike consisting of baobabs mangoes and indigenous trees. Forming the southern portion of the curvature of the bay is a sparsely treed, screen-faced bank sloping to a rock-lined waterline.

To the north is a heavily foliated rock outcrop and this forms the divide between Ulisa 1 and Ulisa 2. This rock outline is suited to sub-aqua sports.

Ulisa 2

This is an attractively and tropically rugged bay of contrasting beauty, consisting of intimate sand bays interspersed with formidable rock formations stretching out into the Lake. This bay and its northern enclosure have an immensely attractive character.

The total frontage is approximately 500 metres with a water width of 60 metres. Potential marshland to the southeast should be avoided for physical development likewise a graveyard evident in the village to the Northeast of the bay.

Ulisa 3

Separating Ulisa 2 and 3 is an attractive rock outcrop of approximately 10,000 square metres (1 hectare) projecting into the water. The area has great natural beauty and character. It offers topography of individual and almost self-contained split level plateaus, rock enclosures and intimate sand lined coves. This offers potential for individual chalet development with exclusive privacy yet linked to a central service/control area.

Ulisa 3 offers a pleasant 80m wide beach extending some 300m and bordered by the village/tree line area. Certain low-lying areas may be liable to become marshland during high Lake levels.

Both Ulisa 1 and 3 are utilised extensively for local net fishing and have fringe development, whereas the central bay, Ulisa is less utilised being mainly rocky.

Apart from the assets of beaches, rocky outcrops, majestic sunset views over Chizumulu Islands and the lake in general, the site has immense potential for sub-aqua pursuits, sailing and fishing, walking/sightseeing, as well as boasting historical interest and the warmth and friendliness of the people.

4.4.2. ENVIRONMENTAL CONSIDERATIONS APPLICABLE TO THE LIKOMA ISLANDS SITES.

Impacts on the sites

Water quality - Drinking

Although at both sites most of the village area slopes away from the Lake, there may be some leaching of wastes to the Lake. Water testing is advised mainly to check for faecal coliform content and biological oxygen demand. Water will need to be pumped from the Lake and purification of drinking water will be needed.

Water quality - Bathing

Water testing will show safety levels, but snorkeling and diving activities by their nature take place outside of danger Zones. Although bilharzia is not expected to be a problem at this site, regular checks are needed, and guests should be informed about prophylactic measure available.

Lake levels

Lake levels cannot be accepted as static, since levels have changed considerably during the last century and are currently below the highest level reached in 1980. Any structures should be set above this level.

Weather conditions

Although there is normally no perceptible tidal change and the Lake water is usually clam, storms can be expected to produce large waves and a mild but temporary surge, so permanent structures should be sited above the storm swash level. Observations of local conditions should be made over a full year's cycle and compared with available recorded data.

Impacts during construction

Site clearing

As nature is the primary resource for the tourism industry, net loss should be zero, and the site should be disturbed as little as possible. Minimum cutting and removal of trees will be observed, and replanting should replace those removed and enhance the natural tree area. Displaced topsoil should be retained for landscaping, and not removed and dust caused by the development process should be minimised though watering.

Construction workers

Any imported workers should be housed in the near by community, and any essential structures (watchman's hut, latrine cubicles) during the construction period should be minimal and low impact and should not include family accommodation.

Water Quality

As the Lake a) is the only supply of water for the population, and b) supplies the fish that comprise a large part of the local livelihoods, no effluent (liquid run-off) from construction activities must be allowed to pollute the Lake during building.

Solid Wastes

Dust caused by building activity must be kept to a minimum as the site is close to a village community. A development plan will need to identify clearly what disposal arrangements will be made for solid wastes produced during activities. This includes human wastes from the building crew. No solid waste may be left on site or dumped in the Lake or any watercourse.

Noise Pollution

The close proximity to the village community demands that noise levels be kept low, including the use of battery operated radio/stereos.

4.4.3. Impacts from Management of the Facility

Waste Management

As there is no waste management infrastructure this must be managed by the facility.

Biodegradable wastes

Biodegradable kitchen wastes can be composed and used for fertilising vegetable or garden beds.

Sewerage

Septic tanks and soak ways will be needed, using the most environmentally friendly techniques possible with secondary and even tertiary level. It should be possible to use grey water from the secondary level for garden irrigation. On no account must any effluent drain directly to the Lake. Used water from kitchens and bathrooms should also be piped into the septic system. The system needs to be as efficient as possible as there is no facility to rely on.

Non-biodegradable wastes garbage

Careful arrangements are needed for non-biodegradable wastes. There is a small recycling market for plastic and glass bottles, but this needs further investigation in Likoma. All trash should be compacted as far as possible, by pounding if necessary and buried in designated covered pits. An area should be identified for digging a number of these pits over the probable life of the facility.

Power supplies

There is an existing mains electricity supply in the Island provided by ESCOM.

Gardens

Indigenous species should be used for reforestation of the area and shade, and a small woodlot established to provide wood for occasional barbecues. As this is not a protected area exotic species may be planted, and a variety of flowering and scented species will provide a pleasant ambience and attract birds. Vegetables and fruit trees will add to the facility's cuisine.

Cooling

Air conditioners are inadvisable because a) they use too much power, and b) create too much extra noise. Solar power can be used for small well directed electrical fans and it is essential to design buildings for good ventilation to catch the breezes, and to use materials which do not retain heat.

Aesthetics

In keeping with the eco-friendly aims, buildings should not rise substantially higher than the tree line and utilise ethnic designs, and should be painted in colours which blend with nature. Materials used should be in harmony with the surroundings, whether the natural stone of the area, or the burnt bricks produced in the vicinity; there should be no unpainted metal roofs. Building and gardens linked closely with the view and the natural world are preferable, so building lines should be masked or softened by foliage. Staff and their families should live in the community, so there is no need for staff accommodation other than a small night staff.

Peach vegetation

Beach vegetation performs the function of anchoring the dunes. It should not be removed unless to provide a prickle-free pathway for bare feet. The alternative is a boardwalk above the level of the dune, but this method may not be necessary here.

Monitoring

A team drawn from relevant Ministries, the Likoma District Assembly and the local community will perform monitoring of environmental impacts.

4.4.4. SOCIAL IMPACTS ON THE LIKOMA SITES**Local communities**

Due to the high population density it is not possible to build a facility far from the village, and access will be through the village, but Likoma residents have not yet acquired the habit of insistent vending and hustling common to other areas. Visitors should be warned not to encourage it, and discussions held with the local community to forestall it.

Beach use

There is no such thing as a private beach, so beaches must be shared with local fishermen and an atmosphere of mutual respect forged. Zoning, even if informal, of beach activities may be advisable, by agreement with the community.

Employment

The greatest benefit from tourism projects will be the employment they generate, and care must be taken to employ persons from the surrounding village as far as possible. For each wage paid an extended family will benefit, and some of the wages will be spent locally, thus increasing local cash flows. Especially important is the purchasing of local produce. Eggs, fish, tomatoes, onions, some vegetables, mangoes can all be produced without, even though the supply may be seasonal. Sources of carpentry, and other construction trades can be found locally, or trained to suit. Craft items, baked goods and tailoring (e.g. for sewing drapes) are available locally.

Dangers, health and hazards

The main dangers to visitors from disease are malaria and dysentery or other intestinal afflictions, with a possibility of bilharzia. Screened windows and nets are needed, and visitors should be warned to take precautions. There is a slight danger of crocodile attacks, although these are more common for bathers before dawn, so warnings and precautions are needed.

As there is little which can be called an emergency service, apart from the Police presence, an ambulance and the central hospital, hotel staff should be thoroughly briefed in all emergency procedures, and fire extinguishers should be kept charged and available. A comprehensive first aid kit and at least one staff member with training in injury management should be available. The hospital staff usually includes a doctor and medical assistants who can cope with most regular emergencies. In more serious emergencies a radio message can be sent for a private plane to evacuate the patient to mainland facilities.

Transport

As the 4-wheel drive vehicles of the Police, the army and the hospital ambulance are the only 4-wheeled vehicles on Likoma, any tourism facility will need its own vehicle. It is advisable to keep use of this vehicle to a minimum, as traffic will place more stress on the roads and create dust and noise. If two new facilities are established it is not out of the question for either a sharing arrangement between the two new facilities and the one already established, or a hire vehicle operated by an independent entrepreneur. As distances and gradients are not great, bicycles can be rented to visitors anxious to explore, either by the hotel or a local entrepreneur. Boat transport may be a more efficient way of moving supplies brought by the MV Ilala

Crime

There is little crime on Likoma, and it is mainly attribute to disputes under the influence of alcohol.

Enclavism and social interaction

The creation of too closed a tourism enclave is undesirable. The local people are modest and likely to intrude unless encouraged, but would resent outright exclusion. The objective of nature tourism also includes that of social benefits to the local community. This means more than employment, and should also be manifested in other ways.

One means is by tourist purchase at local stores, bars and restaurants. This is not easy as there is little to offer, but tourists should be encouraged to spend at least one day in the main town area to visit the waterfront and Cathedral, buy fruit, and to eat at least one lunch (Nshima and fish, perhaps) at one of the four local restaurants, one of which is a Women's Co-operative. There is also a cooperative bakery producing bread and scones. Every few kwacha spent circulates in the local economy and is preferable to charitable handouts. Handicraft is not offered for sale although a modest amount of pottery and woven sleeping mats can be found.

The hotel management should also seek to encourage visitors to attend the local churches, and festival occasions, such a dance events sponsored by the mission and the

traditional malipenga dance festivals. A paternal interest in village welfare will provide symbiotic benefits for all. For example the flowing water at the hotel will be much admired, and the hotel can follow the example of Kaya Mawa and provide a water tap in the nearest village, seedlings of fuel wood and fruit trees, vegetable seeds, as well as humanitarian help in emergencies.

Elevated storage tanks fed by pumped water, then filtered and gravity fed to the community should perhaps be considered as a natural extension of tourism development proposals.

Ownership of the Land

Although, as stated above, these sites are on traditional lands owned by the community as whole and allotted to individuals under the jurisdiction of the chief, the District assembly and the Government Malawi allot leases for development. Lease agreements will need to be negotiated through the Ministry of Tourism, Parks and Wildlife, and should contain mechanisms for community co-management. This can take the form of co-agreements for part of the lease rental to be paid to the community, and should also make provision for rights of way, agreements about zoning beach use, or any other matters of mutual interest. The ideal end situation is a joint agreement between the government and District Assembly, the developer and the community. However, in order to be able to collect and disburse money some legal instrument such as a Community Trust is needed. A close relationship with community groups (village headman, village development committee. Village Natural Resources Management Committee) is recommended to work out mutual benefits for both the hotel and the community. A facilitator may be needed to assist in working with local communities to address conflicts of use, to identify areas of mutual benefit, such as supply sources and to promote the formation of legally registered Community Trust.

4.4.5. LIKOMA'S TOURISM ASSETS

Tourism opportunities within easy distance of either Chiponde or Ulisa include

- Lake bathing
- Boat rides
- Tranquility and the feeling of remoteness
- Viewing of otters on an offshore island
- Bird watching, including Fish African Eagles, Kingfishers, Cormorants and the rare Crimson-rumped Waxbill and Fischer's Finch Lark.
- Snorkeling and diving sailing
- Dinghy sailing
- Fishing, by hotel boat or native fishing by dugout canoe
- Dhow rides, possibly to Chizumulu Island
- Visits to the town and Cathedral
- Walking
- Hikes in the Forest area. Forestry Department has some trained guides.
- Bicycle rides to other beaches
- Trip by MV Ilala to other parts of Malawi and Tanzania

- Cultural experiences of village life including meals cooked and served by the local community

4.4.6. OTHER EXISTUNG TOURISM FACILITIES ON LIKOMA ISLAND

- Kaya Mawa, an 8 room mid-to upper range facility in the south of the island
- Mango Drift, a camp with tented and dormitory on the eastern side of the island
- 2 resthouses of backpacker standard in or near the town
- A small resthouse which belongs to the Anglican Mission
- Restaurants near the town and the Ilala mooring.

4.4.7. INFRASTRUCTURAL DEVELOPMENT NEEDS

Cooperation between existing and proposed hotel facilities could bring about improved access facilities such as better air service and speedboat access.

Suggested Government intervention to assist the development of (a) Likoma Island (b) tourism in the island would be

1. Upgrading of the airstrip to an all-weather surface and the provision of a very basic structure to shelter waiting passengers. However the tourism hotels could cooperate to provide the shelter.
2. Incentives for provision of alternative boat/ferry/charter boat transport to the Island

ESTIMATED COSTS FOR A 24 - BED ECO-LODGE

| | | |
|--|---------|---------|
| 1. <u>Buildings</u> | | |
| | US \$ | US \$ |
| Facilities block 500m ² @ \$300/m ² | 150,000 | |
| Accommodation Units - 2 bed rondavels 8 x 40m ² @ \$250/m ² | 80,000 | |
| 4-Bed self catering chalets 2 x 95 @ 25/m ² | 47,500 | |
| 8 tent platforms 8 x 36m ² @ 100/m ² | 28,800 | |
| Ablution 45 m ² @ 100/m ² | 4,500 | 310,800 |
| 2. <u>Infrastructure & Services</u> | | |
| Landscaping | 2,500 | |
| Basic solar lighting system | 20,000 | |
| Water supply system | 10,000 | |
| Sewage system | 20,000 | |
| Satellite telephone system | 5,000 | |
| Road upgrade/trails | 5,000 | 62,500 |

| | | |
|-------------------|---|------------------|
| Total Cost | | \$373,300 |
| Excluded: | Land lease costs Legal & Administration fees Professional fees Furniture & Equipment | |

4.4.7.1. LIKOMA ISLAND LODGE (24 BEDS) MARKET ADVANTAGES, IDENTIFIABLE MARKETS, MARKETING POSSIBILITIES

PRODUCT ADVANTAGES

- Relative inaccessibility ('remote exoticism', exclusivity) only by lake steamer or private charter
- Within Lake Malawi but adjacent to Mozambique in Mozambican territorial waters. Malawi, Mozambique (Zambia) 'Growth Triangle' economic emphasis suggests possibility of future facilitation of links from nearby Mozambique and Lake Malawi marine transport in general.
- Strong connections with the history of Malawi's development and the UMCA Mission.
- Sport fishing freely available
- Freshwater aquarium fish (cichlidae, mbuna) in the waters off the island with great attractions for divers and underwater photographers.
- Starkly beautiful lake/island scenery
- Unique sunrises/sunsets over the Lake
- Sheltered waters and existing nearby jetty (2 Km) allow the possibilities of tourist cruise and yacht passenger stop-offs

4.4.7.2. IDENTIFIABLE MARKETS FOR AN ECO-TOURIST AND EXOTIC EXPERIENCE ON A REMOTE TROPICAL ISLAND IN AN INLAND SEA. ESTIMATED OCCUPANCY FIGURES ARE GIVEN FOR THE TWO YEARS.

Domestic - expatriates and Malawians by air/or steamer (40%)

Regional - Southern African, Mozambican and Tanzania residents (35%)

Long haul - Europe, North America and the Far East (25%)

An identifiable market bias will develop swinging away from domestic and regional toward greater long haul (and higher-spending) tourist occupancy (gaining as much as a 50% share of total occupancy by the fifth year).

4.4.7.3. THE MARKETING POSSIBILITIES (Years one and two only) General (all Markets)

- Photography (including aerial work when the island becomes very appealing in its blue waters setting) of the Lodge and the other island attractions (scenery, fish, sun effects) - to create a controlled library/archive (transparencies and negative film/prints).

- Historical research on Likoma and the UMCA for archive creation purposes – the first missionary explorers' reports in the 1860's and seventies to the establishment of the mission in 1885 and its withdrawal in the nineteen seventies.
- Descriptive and promotional brochure (1p A4 folding, full colour)
- Video and/or film on Malawi, Lake Malawi, the Island and the Lodge (massive low cost trade exchange possibilities)
- Internet website, photographs and details of reservations networks and on-line booking
- Inclusion within all comprehensive descriptive brochures printed by DOT and MTA
- Inclusion in all commercial guides to Malawi (Bradt, Lonely Planet, Central Africana)

Domestic

- First year promotion to local markets encouraging word of mouth endorsement and VFR visits.
- Joint local offers advertising including air charter links with existing and new Park Lodges, especially Nyika/Chelinda
- Marketing links (sailstay cruises) with the newly privatised Malawi Lake Services and its passenger vessels plying the Lake with mooted large "ocean going" yachts, catamarans and cruise vessels for which a call at Likoma would be mandatory.
- Launch special interest short stay holidays (escorted and non-escorted, parties and individuals), principally bird watching, diving, fishing and photography.
- Features in local papers and magazines
- Maximum links to/from all Malawi portal sites, Home pages of Malawi's Internet service providers

Regional

- Appointment of a marketing representative in Johannesburg for South African marketing with experience of Mauritius and Indian Ocean island marketing recommended
- Joint marketing with the MTA - tourism fairs (INDABA), stocking representative offices with videos, literature and photography
- Clinically selected invitations to exclusive regional tour operators in South Africa and a lesser effort in East Africa among safari tours specialists. Joint marketing of any subsequent tours created is recommended in the first year. The aim in all cases is maximum usage/inclusion within their brochure offerings
- Classified advertising and editorial in regional in-flight magazines. SAA, Kenya Airways, Air Malawi, air Zimbabwe and others flying into Malawi.
- Maximum number of Internet links from tourism and environmental websites in and on Southern Africa.

- Establishment of regional marketing links with neighbouring countries and especially with Zambia and Mozambique based on geographical proximity and shared target markets/product standards.

Intercontinental

- Joint participation and marketing with the MTA including a presence at major tourism fairs and congresses (WTM< ITB, ABTA and ASTA)
- Editorial and advertorial features within well-chosen supplements in travel trade newspapers/magazines and a very small number, again very well selected, consumer media travel supplements on Africa in particular.
- Educational visits arranged with DOT and MTA for environmental and travel writers from the UK and Germany, Holland - for specialist media like Travel Africa
- Educational visits (with in flying airlines, DOT and MTA) for travel agents and tour operators from North America, UK, Germany, Scandinavia and Holland.

4.5.0. PROJECT NUMBER 05: FIVE STAR HOTEL/CONFERENCE AND EXHIBITION CENTER- LILONGWE CITY

4.5.1. BACKGROUND

The Malawi's tourism sector is undergoing major reforms as it strives to meet the challenge of attracting visitors that visit the very competitive Southern Africa region, through the provision of diversified tourism products and services of acceptable quality. During the few past years, several investors have invested in the hotel and other accommodation sectors but the potential to encourage and drive specific investment towards meetings, incentives, conferences and exhibitions (MICE) has been largely ignored. In the case of Malawi, two components of the MICE market, meetings and conferences, are the ones that have not been realised to their full potential.

In Malawi, meeting and conference facilities of various quality and capacities are usually available at established hotel units and resorts. There are a few accommodation facilities in the cities of Lilongwe, Blantyre and the lakeshore resort area of Mangochi that provide meetings and conference facilities at a smaller scale. The available meeting and conference facilities, apart from being limited in their capacities also lack the necessary modern equipment that is required during conferences of today. In the commercial city of Blantyre, the available stand alone conference facility, the Chichiri Conference Centre was not purposely designed to host international meetings and conferences, and as does not have the necessary fittings and equipment to match the title that it currently enjoys.

The seat of government, Lilongwe, lacks adequate facilities to host both local and international conferences at a larger scale. According to government sources, many large international conferences that should have been hosted by the government of Malawi, have sometimes been shifted to other venues in other countries due to lack of suitable conference facilities. Lack of a good conference facility suitable equipment

has subsequently led to few or no big international conferences and meetings being held in Malawi, thereby losing out in revenues and job creation that come about due to such activity. In addition, the conference market in the country over the years has refused to grow and Malawi as a country has lost an opportunity to establish herself as an alternative venue for conferences and meetings in the southern part of Africa and beyond. Against this background, it has become necessary that investment be deliberately be driven towards the development of up market conference facility to fill the present gap and unlock the potential of hosting conferences at a much larger scale.

4.5.2. The Demand for Conference Facilities in Malawi

If the present demand for conferences is to be calculated, a separate market study will have to be undertaken to establish some kind of quantitative measure of the significance of conference business in general (e.g. how many events take place each year, what percentage of room occupancy is accounted for by conferences, what percentage of revenue is accounted for by meetings and conferences). However, the demand for conferences may not be not only be determined by the number of conferences held in a particular year and other economic calculations, but also by the supply side of good conference facility, accommodation and eating facilities. The simple logic is that bigger conferences will not be held in Malawi if facilities are not available. Malawi is therefore losing out to other competitors on possible hosting of bigger conferences due to the lack of suitable conference, accommodation and eating facilities.

According to the Ministry of Foreign affairs and International Cooperation and other government Ministries, Malawi as a country has to sometimes decline to host large conferences, which could bring in the much needed income and job creation, due to the lack of appropriate conference facility. Malawi has had difficulties in hosting large conferences for SADC member states and the African Union and others due to the same problem. Some leading Conference Organisers in the MICE market within the SADC region have had difficulties to included Malawi as one of the favourite conference venues due to the lack of good facilities.

4.5.3. Recommendations on Conference Facility in Malawi

The opportunity for the development of conference tourism in Malawi is real. The previous chapters have discussed elements that are hampering the growth of conference tourism and the MICE market and one critical element that stands out is the lack of a conference facility with larger capacity, modern conference facility and nearby accommodation and eating facilities to support it. Arguably, one option that is to be considered to secure the market for meetings and conferences is the construction of a medium sized International Conference Centre. The indicative capacity of the proposed ICC should be able to sit anything between 1,000 to 2,000 delegates, with all modern conference equipment fitted. However, the exact capacity could be determined after a thorough market study. It is also proposed that smaller meeting/breakaway rooms be incorporated into the ICC complex facility. The suggested ICC should be flexibly designed to handle a variety of events of different sizes, sometimes simultaneously, to increase its marketability. There would also need to be the provision of catering facilities on site and possibly hotel accommodation. The final configuration of the structure should be identified following further study.

The Malawi Government or donor countries on bilateral basis or even the private sector may fund the proposed International Conference Centre Project. However studies have shown that most International Conference Centres in the region, being national assets, have been financed by either central governments, local governments or through grants from donor countries. On assumption, the construction of a National Conference centre will attract new conference markets and expand the existing ones, and will in itself act as a catalyst and encourage private sector investment in the hotel sector.

The other option is for the private sector to invest in a high value Boutique hotel with a big capacity conference centre. Boutique hotels are type of hotels that apart from providing quality accommodation, also offers other facilities such as casino and a multi purpose conference facility. Obviously, the investment of such magnitude may require government commitment through the provision of incentives such as readily available land, duty exemptions, tax breaks and others.

It must be emphasised that the final details of the form of the proposed International Conference facility investment will have to be determined from some form of market analysis. In addition, if the project is to proceed meaningfully and sustainably, a financial feasibility study will have to be commissioned to examine the viability of the project.

4.6.0. FACTSHEETS FOR OTHER MALAWI TOURISM PROJECTS

| PROJECT NUMBER 06 | BOADZULU ISLAND ECO-LODGE- LAKE MALAWI |
|---------------------------|---|
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a series of high quality, visually and environmentally compatible tourist eco-lodges and associated structures on an exclusive Boadzulu Island under Government Concession to cater for 25 guests. - Eco-tourism niche market for this pristine environment available in European and South Africa source markets. - No infrastructure services on the unanimated group of islands |
| Project Sponsor | Private Sector |
| Est. Cost Value in US\$ | US\$457,000(Est.) |
| Est. Turnover p.a (US\$) | US\$200,000 (est.) |
| Contact person | Director of Tourism/MIPA |
| Project Stage | Pre-qualification, concessioning, development |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 20 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | Kamuzu and Chileka International Airports and the proposed Mangochi International Airport, roads to the lakeshore of Salima and Mangochi |

| PROJECT NUMBER 07 | THUMBI EAST ISLAND ECO-LODGE -LAKE MALAWI NATIONAL PARK |
|---------------------------|---|
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a series of high quality and environmentally compatible tourist eco-lodges to cater for 30 guests - .Eco-tourism niche market for this pristine environment available in European and South Africa source markets. - No infrastructure services on the unanimated group of islands |
| Project Sponsor | Private Sector |
| Est. Cost Value in US\$ | US\$1,067,000(Est.) |
| Est. Turnover p.a (US\$) | US\$665,000 (est.) |
| Contact person | Director of National Parks |
| Project Stage | Pre-qualification, concessioning, development |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 25 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | Kamuzu and Chileka International Airports and the proposed Mangochi International Airport, roads to the lakeshore of Salima and Mangochi |

| PROJECT NUMBER 08 | GAME LODGE, LIWONDE NATIONAL PARK |
|---------------------------|---|
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a series of high quality, visually and environmentally compatible tourist game-lodges and associated structures on the popular Liwonde National Park under Government Concession. - Eco-tourism niche market for this pristine environment available in European and South Africa source markets. |
| Project Sponsor | Private Sector |
| Est. Cost Value in US\$ | US\$2,650,000.(Est.) |
| Est. Turnover p.a (US\$) | US\$500,000 (est.) |
| Contact person | Director of National Parks and Wildlife |
| Project Stage | Pre-qualification, concessioning, development |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 30 to 50 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | Kamuzu and Chileka International Airports, M1 Road and Zomba roads, Nacala Railway line. |

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|-----------------------------|---|
| PROJECT NUMBER 09 | NYIKA GAME LODGE, NYIKA NATIONAL PARK PROJECT |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a series of high quality, visually and environmentally compatible tourist eco-lodges and associated structures on Nyika National Park under Government Concession. - Market for Game Lodges available locally and in European and South Africa source markets |
| Economic Sector | Tourism |
| Project Sponsor | Private Sector |
| Contact person | Director of Tourism/Director of Parks |
| Est. Capex value (\$US m) | US\$3,300,000 |
| Est. Turnover p.a (\$US m) | US\$700,000 |
| Project stage | Pre-qualification, concessioning, development |
| Current status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. Jobs created | 30 to 50 jobs when fully operational and 150 indirectly through services and curio small |
| Preferred Transported Route | Nyika Aerodrome, and Mzuzu to Nyika all weather road |

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|---------------------------|---|
| PROJECT NUMBER 10 | BOADZULU ISLAND ECO-LODGE- LAKE MALAWI |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a series of high quality, and environmentally compatible tourist eco-lodges and associated structures on an exclusive Boadzulu Island under Concession to cater for 25 guests. - Eco-tourism niche market for this pristine environment available in European and South Africa source markets. - No infrastructure services on the unanimated group of islands |
| Project Sponsor | Private Sector |
| Est. Cost Value in US\$ | US\$457,000(Est.) |
| Est. Turnover p.a (US\$) | US\$200,000 (est.) |
| Contact person | Director of Tourism/MIPA |
| Project Stage | Pre-qualification, concessioning, development |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| Preferred Transport Route | Kamuzu and Chileka International Airport and the proposed Mangochi International Airport, roads to the |

| | |
|---------------------------|--|
| | lakeshore of Salima and Mangochi |
| PROJECT NUMBER 11 | NEW GOLDEN SAND UPMARKET RESORT - LAKE MALAWI NATIONAL PARK |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a series of high quality, visually and environmentally compatible tourist eco-lodges and associated structures on the slopes of Golden Sands under Government Concession to cater for 60 guests. - Eco-tourism niche market for this breathtaking environment available in European and South Africa source markets. |
| Project Sponsor | Private Sector |
| Est. Cost Value in US\$ | US\$20,500(Est.) |
| Est. Turnover p.a (US\$) | US\$3,000,000 (est.) |
| Contact person | Director of Tourism and Director of National Parks and Wildlife |
| Project Stage | Pre-qualification, concession to be advertised again, development |
| Current Status | Pre-feasibility, costing, concept, market and financial evaluation done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 100-150 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | Kamuzu and Chileka International Airports and the proposed Mangochi International Airport, roads to the lakeshore of Salima and Mangochi |

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|-----------------------------|--|
| PROJECT NUMBER 12 | ECO-TOURISM LODGE, NKHOTAKOTA GAME RESERVE |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a series of high quality, visually and environmentally compatible tourist eco-lodges and associated structures in Nkhotakota Game Reserve under government concession - Market for Game Lodges available locally and in European and South Africa source markets - Road network need to be improved inside the park, restocking of game necessary |
| Economic Sector | Tourism Sector |
| Project Sponsor | Private Sector |
| Contact Person | Director of Parks and Wildlife |
| Est. Capex Value (\$US m) | US\$2, 000,000 |
| Est. Turnover p.a. (\$US m) | US\$300,000 |
| Project Stage | Pre-qualification, concessioning, development |
| Current Status | Pre-feasibility, costing, concept, market and financial evaluation done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 15 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Tonnage to be transported | N/A |
| Preferred Transport Route | Kamuzu International Airport, Lake transport on Lake Malawi to be improved, northern Lakeshore road to be kept in good condition |

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| PROJECT NUMBER 13 | VWAZA (GAME RESERVE) - 2ND LODGE AT LAKE |
| Project Description- | <ul style="list-style-type: none"> - Plan, design and construct a 2nd lodge with 15 rooms. - Market for additional resort available both locally and internationally - Very limited infrastructure services available. |
| Economic Sector | Tourism |
| Project Sponsor | Public/Private Sector |
| Contact Person | Director of Tourism |
| Est. Capex Value (\$US m) | 785,000 |
| Est. Turnover p.a. (\$US m) | 55,000 |
| Project Stage | Pre-qualification, concept development, land acquisition, construction |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 20 - 25 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | Mzuzu to Vwaza road via Rumphi must be upgraded and bituminised |

| | |
|---------------------------|---|
| PROJECT NUMBER 14 | VWAZA/ZARO (GAME RESERVE) - TENTED CAMP |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a 2nd lodge with 20-tented rooms. - Market for additional resort available both locally and internationally - Very limited infrastructure services available. |
| Economic Sector | Tourism |
| Project Sponsor | Private Sector |
| Contact Person | Director of Tourism |
| Est. Capex Value (\$US) | 150,000 |
| Est. Turnover p.a. (\$US) | 15,000 |
| Project Stage | Pre-qualification, concept development, land acquisition, construction |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 20-30 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | Mzuzu to Vwaza road via Rumphi must be upgraded and bituminised |

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| PROJECT NUMBER 15 | LILONGWE NATIONAL HERITAGE MUSEUM/NATIONAL ARCHIVE |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct museum in Lilongwe for tangible artifacts and exhibiting important archival material. - Museums important to a country and provides tourists with a strong attraction both internationally as well as locally. - Infrastructure services available in the city. |
| Economic Sector | Tourism |
| Project Sponsor | Private Sector |
| Contact Person | Director of Tourism |
| Est. Capex Value (\$US) | 1,000,000 |
| Est. Turnover p.a. (\$US) | 30,000 |
| Project Stage | Pre-qualification, concept development, land acquisition, construction |
| Current Status | Feasibility not done |
| Investor Type | Local Public Investment or Foreign Direct Investment |
| No. of Jobs Created | 50 - 55 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | By air via Kamuzu International Airport to Capital City |

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| PROJECT NUMBER 16 | ZOMBA PLATEAU WILLIAMS FALLS |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a forest lodge of 15 rooms with catering facilities. - Market for forest lodge on Zomba Mountain is available both locally & internationally. - Limited infrastructure services on this mountain. |
| Economic Sector | Tourism |
| Project Sponsor | Private Sector |
| Contact Person | Director of Tourism |
| Est. Capex Value (\$US) | \$687,000 |
| Est. Turnover p.a. (\$US) | \$80,000 |
| Project Stage | Pre-qualification, concept development, land acquisition, construction |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 15 jobs when fully operational and 50 indirectly through service and curio small cottage industries |
| Preferred Transport Route | Zomba Blantyre road must be upgraded. Access road on Zomba plateau also needed to be of 'all weather' type. Also access available direct from Lilongwe. |

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| PROJECT NUMBER 17 | DEDZA RAIN FOREST - ECO LODGE |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a rain forest lodge with 20 rooms in Dedza Mountain. - Market for forest lodges is available both locally & internationally. - Limited infrastructure services available in Dedza. |
| Economic Sector | Tourism |
| Project Sponsor | Private Sector |
| Contact Person | Director of Tourism |
| Est. Capex Value (\$US) | 555,456 |
| Est. Turnover p.a. (\$US) | 25,000 |
| Project Stage | Pre-qualification, concept development, land acquisition, construction |
| Current Status | Feasibility not done |
| Investor Type | Local or Foreign Direct Investment |
| No. of Jobs Created | 15-20 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | Road from M1 to Dedza Forest needs major attention as dirt and seasonal at present |

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| PROJECT NUMBER 18 | LUNYANGWA DAM ECO LODGE - MZUZU |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct an eco-lodge with 15 rooms near the dam in the forest reserve. - In addition, construct a 9-hole golf course. - Market for additional forest eco-resort available both locally and internationally - Limited infrastructure services available on this side of Mzuzu. |
| Economic Sector | Tourism |
| Project Sponsor | Public/Private Sector Development |
| Contact Person | Director of Tourism |
| Est. Capex Value (\$US) | 1,075,000 (incl. golf course) |
| Est. Turnover p.a. (\$US) | 55,000 |
| Project Stage | Pre-qualification, concept development, land acquisition, construction |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 20 - 35 jobs when fully operational and 150 indirectly as caddies and through service and curio small cottage industries |
| Preferred Transport Route | By road from Lilongwe or Mzuzu and road into dam site will have to be reconstructed into all weather road. Mzuzu airport requires serious upgrade |

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| PROJECT NUMBER 19 | DZALANYAMA RAIN FOREST ECO LODGE - LILONGWE |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a lodge with 20 rooms. - Market for additional resort available both locally and internationally - Limited infrastructure services available. |
| Economic Sector | Tourism |
| Project Sponsor | Private Sector |
| Contact Person | Director of Tourism |
| Est. Capex Value (\$US) | 550,000 - estimate |
| Est. Turnover p.a. (\$US) | 35,000 - estimate |
| Project Stage | Pre-qualification, concept development, land acquisition, construction |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 15-20 jobs when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | By road from Lilongwe Dzalanyama Forest must be upgraded & will require attention |

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| PROJECT NUMBER 20 | BEACH DEVELOPMENTS AT NGARA, NTHALO, CHIFA, KAWAYA, SANGA, MWAYA & LUZE IN NORTHERN REGION OF MALAWI |
| Project Description | <ul style="list-style-type: none"> - Plan, design and construct a lodge with 15+20+20+15+20+20+15=125 rooms. - Market for additional resort available both locally and internationally |
| Economic Sector | Tourism |
| Project Sponsor | Private Sector |
| Contact Person | Director of Tourism |
| Est. Capex Value (\$US) | US\$ 850,000 |
| Est. Turnover p.a. (\$US) | US\$ 90,000 |
| Project Stage | Pre-qualification, concept development, land acquisition, construction |
| Current Status | Feasibility not done |
| Investor Type | Foreign and Direct Investment |
| No. of Jobs Created | 15-20 jobs each x 6 = 90 to 120, when fully operational and 150 indirectly through service and curio small cottage industries |
| Preferred Transport Route | By road from Mzuzu or Songwe to these resorts and roads at present in good condition. Mains power is essential to these successes |

TOURISM INVESTMENT INCENTIVES IN MALAWI

During the 2007/08 Budget Statement, the Minister of Finance announced the following as part of the incentives for the tourism industry:

There will be a deferral import and VAT for two years on the following for the tourism sector from 40% to 100% as investment allowances:

- Buses with seating capacity of more than 45 people (this includes motor coaches)
 - All building materials
 - Industrial catering equipment
 - Motor boats, jet skis, kayaks, windsurfers and pedals
 - Linen, cutlery and similar goods for hotel use indelibly marked with hotel name
- The duty and VAT so deferred will be permanently canceled provided that the Commissioner General of the Malawi Revenue Authority is satisfied within the two-year period that the goods have been used for the stated purpose.

The Current law provides that hotels, lodges and inns should acquire the following types of vehicles:

- One passenger carrying vehicles of Tariff heading 87:02 under Customs Procedure Code 437 , where 10% import duty and 17.5% VAT applies in every five years
- Three goods carrying motor vehicles of Tariff heading 87.00 under Customs Procedure Code 438, where 10% import duty only apply every five years for the use of hotels, lodges and inns licensed under the tourism and Hotels Act

Below as some of the items that qualify for duty free status

THE FOLLOWING GOODS HAVE BEEN APPROVED BY THE MINISTER
FOR ENTRY UNDER TARIFF HEADING 100:15 WHEN IMPORTED OR
BOUGHT EX- BOND OR LOCALLY MANUFACTURED BY A DULLY
REGISTERED ORGANIZATION UNDER THE HOTELS AND TOURISM
ACT.

GOODS

Government Notice and date: 209 of 6/10/70

Flooring materials
Lighting equipment
Heating equipment and appliances
Refrigeration and air-conditioning equipment and appliances
Catering equipment and appliances
Office equipment and appliances
Radio equipment
Record players and tape recorders
Telephone equipment
Horticultural equipment and appliances
Swimming pools and fixed equipment thereof
First aid equipment
Chinaware
Glassware
Tableware
Kitchenware
Cutlery
Furniture and furnishings
Beds and bedding
Linen

G/N No. 242 of 17/11/70

Laundry machinery and equipment

G/N No. 39 of 10/2/72

Locks, hinges and similar fittings: of base metals

Sanitary ware and fittings

Tiles

G/N No. 63 of 31/3/76

Bathroom and lavatory fittings

Iron mongery (to wit, locks, keys, hinges and all other door and window metal accessories)

Safes and safe deposits

Wall clocks

Rigid plastic sheeting (Formica)

Sewerage disposal package plants

G/N No. 137 of 3/9/76

Hairdressing equipment

Mechanical cleaning appliances

Treasury Authority No. C16/1/23/IV/112 of 19/11/1996

Refrigeration and cooling equipment

Building and sanitary ware materials

Soft furnishings and fabrics e.g. curtains, bed linen, towels, etc.

Carpeting and furnishings

T/A No. C16/1/23/IV/105 of 25/6/1996

Satellite system
Split units
Cookers
Geo. coat plaster

T/A No. C16/1/23/IV of 14 September 1996

Building materials i.e. - Re-enforcement steel

- Roofing sheets
- Doors and window frames
- Grazing
- Plumbing materials
- Sanitary ware
- Concrete mixture

T/A No. C16/1/32/T/CAW/55 of 2/12/1996

Boat engines and trailers

T/A No. C16/1/32/T/208 of 2/12/1996

Irrigation equipment
Grass maintenance machinery
Golf hole cups
Bar refrigeration

ALL DURABLE ITEMS ARE SUBJECT TO POST IMPORTATION
CONTROL EXCEPT FOR THOSE THAT BECOME PART OF A
PERMANENT STRUCTURE.