

**An Audit of public funded capital investment in tourism projects in the Eastern  
Cape Province**

**Dissertation submitted in fulfilment of the requirements for the degree**

**Master of Technology: Tourism and Hospitality Management**

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## **Student Declaration**

I, Mpho Pebane, hereby declare that the contents of this dissertation represent my own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## Abstract

This dissertation deals with an audit of community tourism projects that were invested in, in the Eastern Cape as part of government intervention to create job opportunities and contribute to the growth of the Eastern Cape economy through the tourism industry. The focus is on projects that received capital allocations for infrastructural development rather than operational costs. The study sought to achieve the following objectives:

- Determine the status quo of publicly funded capital tourism projects developed since 2004.
- Determine the modus operandi followed with regard to capital tourism projects.
- Determine the reasons for the successes or failures of these projects.
- Provide recommendations to address gaps and failures in tourism projects.

The key informants to the study were steering committees that were established to implement community tourism projects. The steering committees are represented by government officials (local, provincial and national), consultants and community trusts or any community structure that represents the broader community. The study revealed three types of community projects, namely:

- Projects that are operational – although there are projects operating, the number is insignificant and it is unlikely that they would achieve the objectives that they were built for. The overall operational status does not warrant the R500m that was invested by government.
- Projects that operated before but closed hence, referred to as ‘white elephants’ – there are a number of projects that were in business but currently closed due to poor management and lack of skills.
- Projects that were under planning during the survey – these are projects that have been under planning for a very long time.

The overall status quo of community tourism projects did not portray a positive picture that could encourage government and other potential investors to invest in tourism as the rate of success is poor. The modus operandi was found not to be intensive and rigorous from a business perspective and often critical issues on the implementation process were not emphasised. The impression created was that government was under pressure to disburse funding to project-beneficiaries within a financial year, so as to motivate for funding allocation the following financial year without evaluating the viability of projects.

There are various reasons that led to the failure of community tourism projects. Some of these reasons include poor planning, lack of supervision, lack of technical expertise such as a quantity surveyor, lack of management skills, lack of people with relevant academic qualifications, influence of tribal authority, poor infrastructure, non-availability of operators and insufficient budget.

As a way of ensuring improvement in future community tourism projects, the study proposed that there should be enforceability of the criteria for application of funding by communities. There should be a wide variety of structures that government consider for funding, including a private company and public company; however, there should be agreement that would bind these structures to deliver government imperatives. A feasibility study and a business plan were noted as two critical requirements to inform the viability of a proposed community tourism business, and these must be compulsory to avoid wasteful expenditure. Legislative compliance should not be compromised in the process of developing these projects. The appointments of qualified and experienced project managers were emphasized. The issues of education and experience were underlying priority areas to most recommendations that were made to shape the future of community tourism projects.

## **Dedication**

I wish to dedicate this study to:

- My children, siblings and nephews and hope that this study becomes an inspiration to them.
- The Eastern Cape tourism fraternity, and
- Last but not least, any student who is interested in tourism and hospitality. I hope that the study contains useful information that will empower you.

## **Acknowledgement**

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- Professors Steyn and Spencer for their patience, support and guidance,
- My wife for supporting me during my studies,
- My parents for giving me the foundation, and
- The Province of the Eastern Cape for giving me the platform to learn.

## LIST OF ACRONYMS

BCM	Buffalo City Metro
BEE	Black Economic Empowerment
BOT	Build Operate and Transfer
CBO	Community-Based Organisation
CBPT	Community-Based Partnership Tourism
CBST	Community-Based Sustainable Tourism
CIPC	Companies and Intellectual Property Commission
CPPP	Community Public Private Partnership
CPUT	Cape Peninsula University of Technology
CRDF	Comprehensive Rural Development Framework
DEA	Department of Environmental Affairs
DEAT	Department of Environmental Affairs and Tourism
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
DRDLR	Department of Rural Development and Land Reform
EC	Eastern Cape
ECDC	Eastern Cape Development Corporation
ECTMP	Eastern Cape Tourism Master Plan
EIA	Environmental Impact Assessment
EPWP	Expanded Public Works Programme
HSRC	Human Science Research Council
IDP	Integrated Development Plans
IIA	Institute of Internal Auditors
IRT	Integrated Rural Tourism
KSD	King Sabata Dalindyebo
KZN	Kwa-Zulu Natal
LRA	Labour Relations Act
MOT	Maintain Operate and Transfer
NDA	National Development Agency
NDT	National Department of Tourism
NGO	Non-Governmental Organisations
NTSS	National Tourism Sector Strategy
PFMA	Public Finance Management Act
PGDP	Provincial Growth Development Plan
PPP	Public Private Partnership
PSC	Project Steering Committee
SA	South Africa
SACAP	South African Council for the Architectural Profession
SAIA	South African Institute of Architecture
SARS	South African Revenue Services
SATSA	South African Tourism Service Association

SMME	Small, Medium and Micro Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
UIF	Unemployment Insurance Fund
UN	United Nations
UNWTO	United Nations World Tourism Organisation
WC	Western Cape
WTO	World Tourism Organisation



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# CHAPTER ONE

## BACKGROUND AND STUDY ORIENTATION

### 1.1 Introduction to the study

The Eastern Cape (EC) is South Africa's (SA) poorest province (South Africa. Human Sciences Research Council, 2011). According to the Human Science Research Council (SA. HSRC, 2011), about 27% of the province's population is unemployed. This is one of the coastal provinces bordered by the Western Cape Province on the west, Northern Cape and Free State Provinces and Lesotho on the north, Kwa-Zulu Natal on the east and the Indian Ocean on the south. The province spans 168 966 square kilometres and comprises of 44 municipalities (two metros, six districts and thirty six local municipalities). The province includes the former homelands of the Transkei and the Ciskei.



Figure 1.1: Labelled map of the Eastern Cape

Source: Eastern Cape Maps. <https://www.google.co.za/#q=ec+map>

Despite its rural and poor status, the Eastern Cape Government has identified tourism as one of the important sectors for development and economic growth in the Province. In 2003, the Eastern Cape Government embarked on the development of

the Provincial Growth Development Plan (PGDP) for a 10 year period 2004-2014 which was approved by the Executive Council of the Province. This PGDP was meant to be a blueprint for economic growth, employment creation, poverty eradication and income redistribution in all sectors including the tourism industry. The PGDP's vision was to *"...make the Eastern Cape a compelling place to live, work and invest"* (EC.PGDP, 2008:8).

This was confirmed by Premier Balindlela (2008), in her State of the Province address, when she emphasised that the *"...key driver of transformation for the EC was the PGDP. It remained the compass that guides growth and service delivery path of government, in unison with the integrated development plans of the local sphere of government"*.

The EC Province is malaria free destination and has potential to be a leading tourist destination as it possesses the 'Big 5' (Elephant, Lion, Buffalo, Leopard, Rhino) just like other popular destinations such as the Kruger National Park. The advantage of the EC is the fact that in addition to the Big 5, it boasts whale and white shark tourism opportunities, which already attract tourists and makes the EC the Big 7 destination. It has natural assets such as these that the province should capitalise on in developing and positioning the destination.

One of the challenges facing a province such as the EC is to strike a balance between development and conservation of biodiversity. Most land, particularly along the Wild Coast, has been zoned for conservation or less commercial development. Adding to this challenge is the condition of roads infrastructure to access developmental nodes. However, tourism remains a priority from the provincial and national perspectives in terms of attracting tourists, job creation and economic growth.

*"We aim to increase the number of foreign tourist arrivals to SA from 7 million in 2009 to 15 million by 2020, tourism's total contribution to the economy from R189 billion in 2009 to R499 billion by 2020, the number of domestic tourists from 14.6 million in 2009 to 18 million by 2020 and to create 225 000 new jobs by 2020"* (Van Schalkwyk, 2011).



The reality is that tourists travel to a destination for a particular purpose, hence the United Nations World Tourism Organisation (2011) defines tourism as “...the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes”. Therefore, in the absence of developed and diversified tourism facilities to host these different travelling purposes, it would be difficult to attract tourists to the EC, and it may be difficult to achieve the aim as articulated by Van Schalkwyk.

The tourism industry is a value chain process in which multiple tourism enterprises (formal and informal) participate in the tourism economy and thereby resulting in the creation of job opportunities (direct and indirect jobs). Figure 2 below indicates this tourism value chain process

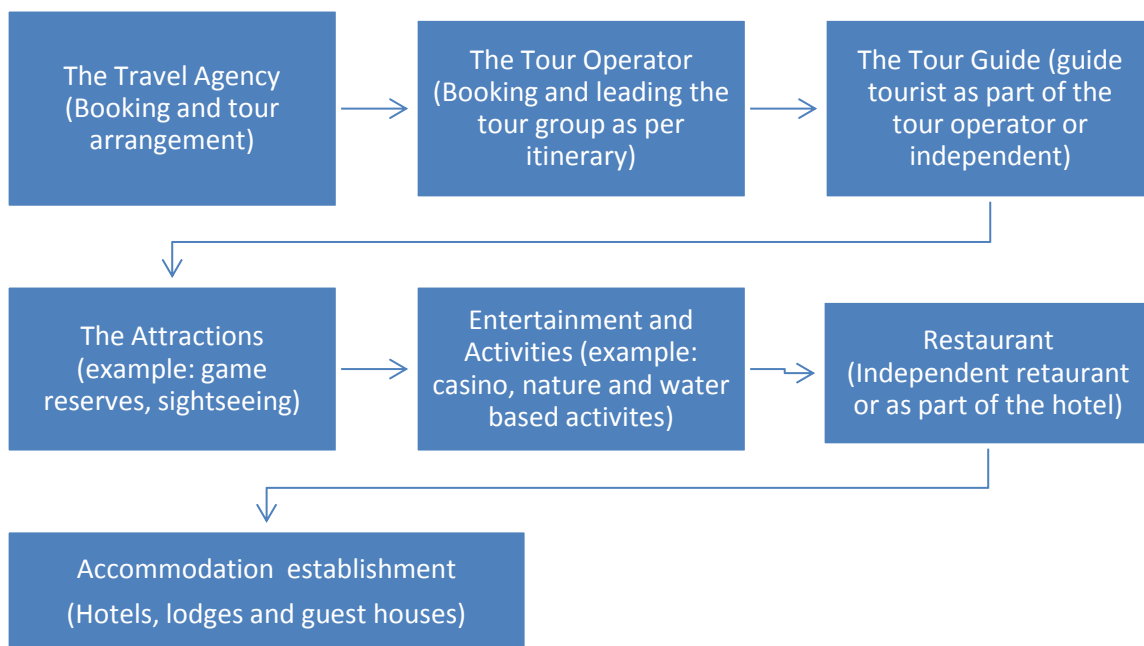


Figure 1.2: Tourism value chain process (Source: Researcher construct)

Figure 1.2 is explained as follows:

- The travel agency is the first in the value chain process as it puts together the travel plan for the tour group;
- A tour operator is then appointed to take the group. Depending on the group size, a hired vehicle could be used. Informal job opportunities such as car wash and car guard exist;

- The tour guide is sometimes independent or is part of the tour operator. Generally, a tour group will have their own tour guide, however, upon entering an attraction, for example, there will be a site guide who will take over. This site guide normally specialises at the attraction. This is an opportunity on its own as the site guide usually comes from the local area;
- Attractions such as a game reserve are usually the reason why the travel agent organises the tour for the group. There are plenty of entrepreneurial and job opportunities in a game reserve. These include game management, maintenance, dining, accommodation, security and other related opportunities;
- Entertainment, such as a casino, is likely to feature in the itinerary of a tour group. There are other possibilities that a travel agent can include which will also add to the process, either in the form of an entrepreneur or employment;
- Independent restaurants play a key role as visitors always want to taste varieties. They, therefore, contribute to the value chain process. Suppliers of the restaurant benefits directly;
- The tour package often features various types of accommodation. Hotels that are independent from attractions play a key role in the value chain process and have a wide range of entrepreneurial and employment opportunities. Often, a big hotel will have multiple sub-contracts such as restaurants services, shuttle services, security, maintenance and other services. These sub-contractors, in turn, create job opportunities. Suppliers to the hotels play a role as well and they benefit directly; and
- Through the value chain, there are always formal and informal businesses that specialise in arts and craft. These crafts businesses are often located nearby attractions and entertainment centres. They do benefit as tourists want to buy crafts as souvenirs.

Figure 1.2 seeks to demonstrate the opportunities within the tourism industry and how one tour group benefits the tourism businesses in the value chain. This figure also attests to the emphasis that is made by the PGDP and Van Schalkwyk about the significance of the tourism as there is a general consensus that tourism is a catalyst for economic growth and job creation provincially and nationally. However, these economic growth and job opportunities can only be realised if tourism

development is taking place. This drives to the purpose of this research, which is an audit of capital invested in tourism projects in the EC. The term 'audit' has been narrowly defined in financial terms. According to the Institute of Internal Auditors,

“...auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes” (IIA, 2009:2).

This definition is wide and embeds broader issues that need to be audited, other than finances. This research must be read in the context of this definition in a sense that it looks at a wide range of issues in a project including funding, administrative processes, compliances, operations and institutional arrangements.

The purpose of this study is to explore as many of the capital investments made in tourism in the EC since 2004 as possible. This is the year that marked the rebirth of EC from an economic perspective because of the PGDP. Since 2004, all the tourism investments and developments for the EC were made to address the challenges that were articulated in the PGDP, such as poverty alleviation, job creation and economic inequality. It is a decade since the year in which the PGDP was approved and subsequently implemented. The study seeks to identify, unpack and understand whether all tourism capital projects that were implemented in line with the PGDP are successful.

It is believed that this audit may identify problems that were experienced in the development processes of tourism projects. These findings will, in turn, assist to devise a mechanism to address these problems. The ultimate results are to ensure that tourism capital projects succeed, are viable businesses, operate optimally and become catalysts towards poverty alleviation, job creation and economic growth in the EC. The outcomes of the research will be shared with all spheres of government; national, provincial and local, as they are the key funders and shareholders of these capital tourism projects.

## 1.2. Rationale for the study

It has been two decades since the first democratic president of SA, Nelson Mandela, was sworn in in 1994. It was the year that prepared a new direction for SA as a liberated and democratic country. This means the EC, like other provinces has had two decades to rebuild the new SA, and to grow its economy through the development of, among other sectors, the tourism industry. After two decades of democracy, can apartheid inheritance still be used as a reason for under development? The PGDP (EC: DEDEAT, 2003:56) cites apartheid inheritance as one of the constraints towards social and economic growth. In his state of the nation address, President Zuma (2011) concurred with the PGDP that "...the legacy of decades of apartheid, under-development and colonial oppression cannot be undone in seventeen years". However, the Public Protector (Madonsela, 2012) argued that "...apartheid cannot be used as an excuse for lack of services, failure to provide basic services cannot be blamed on the past, the fact that we still had schools without textbooks, the fact that we still had mud schools had nothing to do with apartheid, but they had something to do with how we plan, who and how we procure" (Madonsela, 2012).

The reality is that the EC Government returned millions of rands to the National Treasury through underspending. "From a larger grant of R968 million, the EC Government had only spent 19%,and this impacted adversely on education as well. For example, due to this misspending, pupils in the EC continue to suffer under unacceptable conditions" (Molefe, 2012:4). This figure of the unspent budget is very high, and it is clear that funding is not a problem, and if some of this budget is used for tourism infrastructure development, the economy of the province could have grown immensely through the tourism sector. This study does not intend to establish reasons for underspending by the EC Government, but to audit the tourism projects of which capital spent is addressed in the audit process.

The rate of unemployment is very high in the EC. According to Shoba (2011),

“...Limpopo and Eastern Cape Provinces had the highest proportion of poor with 77% and 72% respectively of their populations living below the poverty income line. The poorest municipality was Ntabankulu in the EC, where 85% of its residents lived below the poverty line. Of the 10 poorest municipalities in SA, seven were located in the EC” (Shoba, 2011). “...Municipalities in the EC, Limpopo and Kwa-Zulu Natal Provinces were the country’s poorest. Unemployment rates were highest in Kwa-Zulu Natal with average jobless at 41%, followed by the EC and Limpopo each with average jobless rates of 40%” (The New Age, 2012).

The Alfred Nzo District Municipality in the EC had the highest poverty rate at 83%. However, contrary to what one might expect, only 34% of the 831 043 people living in Alfred Nzo were on social welfare. Buffalo City, in the EC, which was declared a metro after the municipal elections in May 2011, had a high poverty rate of 70% (The New Age, 2012). The poverty rate was expected to decrease as a result of the number of jobs that were targeted for creation through the tourism industry.

According to Van Schalkwyk (2011), the tourism industry targeted to create 225 000 jobs by 2020. This means each province is expected to create an average of 25 000 jobs as a contribution to the national target. This is echoed by President Zuma (2011), in his state of the national address, “We have declared 2011 a year of job creation through meaningful economic transformation and inclusive growth”. Rural development and creation of decent work are some of the focuses that are highlighted by Zuma (2011) in the State of the Nation Address. This study came at the right time because, during the audit of capital tourism projects, the number of jobs created was examined. This provided lessons, insights and recommendations on how to fast-track tourism development to be able to meet the target by 2020.

According to South African Tourism (SA, 2011:72), “the Western Cape (WC) and KZN were rated the top destinations in terms of both domestic and international visitors in SA”. This means that these provinces have developed tourism products and experiences that can host and retain visitors to experience tourism. The EC has coastal and inland areas and is located between the WC and KZN; however, the question is: why are these two provinces doing well and the EC not? Tourism

infrastructure development is the fundamental foundation before a province can attempt to market and position itself. This study critically looks at tourism infrastructure that is required by capital tourism projects as critical components of destination development with special emphasis in the Eastern Cape Province of South Africa.

It is envisaged that this audit will serve as a framework for future audits and ongoing monitoring of these projects and the tourism industry in general. The vision of the National Tourism Sector Strategy (NTSS) was "...to be a Top 20 tourism destination in the world by 2020" (SA.NDT, 2011:9). The EC is expected to contribute through tourism to ensure that the 2020 vision is realised. The study is opportune as it allows the EC Government to be vigilant and possibly utilise this study as a framework for ongoing auditing of the tourism development projects, to ensure that they are successful and contribute to the achievement of the 2020 vision.

Rural tourism development is an imperative of the national government hence the NDT has developed a rural tourism strategy which seeks to focus on fast-tracking the development of the sector. This study should be viewed as a contribution towards rural tourism as EC is a rural province, and most of the capital tourism projects are located in deep rural areas. This study is a contribution in a sense that it looks at existing projects, models and processes for future capital tourism projects.

### **1.3. Problem statement**

The EC Government, in partnership with the national government and other agencies, has invested over R500m towards the development of tourism projects as part of an effort to fast-track economic growth and job creation through the tourism industry. However, despite this investment, most capital tourism projects are not operational. Therefore this research is undertaken to establish whether government received value from the R500m investment. It is the aim of the researcher to identify lessons that could build knowledge to approach future tourism projects differently and to improve the success rate.

#### **1.4. Research aim**

The aim of this research is to investigate public funded capital tourism projects developed since 2004 in the Eastern Cape Province so as to ascertain the contribution of these projects to economic development in the EC.

#### **1.5. Research objectives**

The following objectives for the study are to:

- Determine the status quo of public funded capital tourism projects developed since 2004.
- Determine the modus operandi followed with regard to capital tourism projects.
- Determine the reasons for the successes or failures of these projects.
- Provide recommendations to address gaps and failures in tourism projects.

#### **1.6. Research questions**

This research seeks to address the following questions:

- What is the status quo of capital tourism projects in the EC developed since 2004?
- What is the modus operandi used in the development of these projects?
- What are the key factors contributing to the successes and/or failures of capital tourism projects?

#### **1.7. Significance of the research**

The outcomes of this research can be significant to many stakeholders, and may be instrumental in shaping the future tourism policy and strategy review process of the EC. It is envisaged that the outcomes can influence change to the approaches in the development of tourism projects through capital funding of tourism project development. The research is not only going to benefit the stakeholders that participate in tourism development such as the NDT, the EC Department of

Economic Development, Environmental Affairs and Tourism (DEDEAT), municipalities and communities, but should also benefits consulting companies and non-governmental organisations that are involved in the implementation of these tourism projects.

The NDT and DEDEAT are responsible for funding allocation, tourism policy and strategy development, monitoring and evaluation. Therefore, the benefits from a government perspective could be to understand the challenges that are being experienced in the implementation and operation of the tourism projects. This could enable government to review the models, consider lessons from this study, and enforce them from a national perspective. Local government, as implementers of capital tourism projects, could benefit from this study because it provides solutions to challenges that they are experiencing in the project implementation.

The problems that this study addresses are critical, and could provide an integrated approach towards tourism development. All spheres of government have common objectives such as poverty alleviation, job creation and economic growth. Therefore, the outcomes of this study could be of interest to the EC Government to identify problem-areas around tourism projects, and thus ensure that tourism remains the catalyst industry in addressing government imperatives, such as job creation and poverty alleviation.

If tourism projects fail despite the capital investments made by government, it could be regarded as 'fruitless and wasteful expenditure'. Fruitless and wasteful expenditure, according to the Public Finance Management Act (PFMA) (SA. National Treasury, 1999:7), "...is expenditure made in vain, and would have been avoided had reasonable care been exercised".

### **1.8. Stakeholders in the study**

There are several direct stakeholders that are involved to ensure a holistic understanding of problems experienced in the development, implementation and operation of capital tourism projects. These stakeholders enable the research to



provide an integrated solution and informed recommendations that are based on facts and first-hand experience of the projects.

The NDT is the first critical stakeholder, as they are responsible for policy and strategy development from a national perspective. The NDT plays a key role towards funding allocations for tourism development in provinces. The NDT is also responsible for the implementation of the component of the Expanded Public Works Programme (EPWP) on behalf of the National Department of Public Works.

The study will cascade to provincial stakeholders. The DEDEAT is another key stakeholder as it is responsible for provincial tourism development and growth, provincial policy and tourism strategy. Year after year, during the opening of the provincial legislature, the Premier makes statements on a number of sectors, including tourism. Furthermore, the Member of the Executive Council (MEC) responsible for tourism makes policy statements and highlights priority tourism focus areas. It is important to examine the alignment of national and provincial tourism policies and strategies to determine whether there is an integrated approach towards tourism development.

Further to the study, the districts and local municipalities are also stakeholders. District and local municipalities are recipients of capital funding from national and provincial government for tourism development. Municipalities are expected to convince national and provincial authorities that they have viable and bankable tourism projects for investment. Local municipalities are at the forefront of implementation of capital tourism projects funded by national and provincial governments. Last, but not least, another stakeholder involved in this study is the communities. Communities are the owners and operators of these capital tourism projects, and they are involved in the implementation and operation. Overall, both local municipalities and communities are critical informants to this study. Both these stakeholders are participating in the critical stages of capital tourism projects, which are planning, implementation and operation.

## **1.9. Study methodology**

### **1.9.1. Literature search**

An overview of available literature on capital tourism projects, tourism investment, tourism planning and development, and other related sources to the topic was undertaken. These sources enabled the researcher to acquire knowledge and apply lessons that are beneficial to this topic. The literature is categorised into primary and secondary sources.

- Primary sources are those that provided knowledge on the current state of affairs of capital tourism projects in the EC. These sources include publications by national, provincial and local government such as legislation, tourism strategies, and sector plans of tourism projects and other related studies. Questionnaires and interviews also provided relevant data; and
- Secondary sources are those that provided information that is relevant to the study. These sources include the internet, journals, prescribed books, dissertations, magazines, and information these provide from neighbouring and international countries.

### **1.9.2. Methodology**

The study is exploratory and uses a mixed methodology. The instruments that are used include questionnaires and personal interviews which target government officials in provincial and local government, municipal agencies, consultants and communities as these stakeholders play a role in the development and implementation of community tourism projects. Interviews are important to obtain more insight from the target population on tourism projects.

### **1.9.3. Analysis and interpretation of research results**

Once the data was gathered from the target population, it was captured in a table format and analysed in the form of graphs to support the findings of the study. The results were interpreted numerically and as percentages.

### **1.10. Ethical considerations**

This study is a consultative process to all spheres of government, consulting companies, and communities managing capital tourism projects. This study is undertaken with caution, respect and without prejudice. The policies and rules of target populations were adhered to. Although there was not confidentiality agreement with any interviewee, the study was undertaken in a manner that the structure, presentation and outcomes do not:

- Tarnish the image and reputation of any individual or organisation.
- Expose any individual or organisation negatively to the public, and
- Disrespect or demean any individual or organisation.

The participants did not suffer any form of financial, psychological, social nor physical harm. Prior to gathering information or interviewing targeted informants, the researcher confirmed with interviewees that:

- All the information gathered would not be shared with any third party;
- The final research remained the property of Cape Peninsula University of Technology (CPUT); and
- Copies of the research would be made available to participants through the permission from CPUT.

All sources from local, provincial and national government, information gathered through interviews and other means, have been acknowledged in the reference section of the research. This is also in line with the CPUT policy. All people and organisations that provided assistance to the success of this study have been acknowledged in the acknowledgement section of the final research.

### **1.11. Structure of the research**

This study comprises six chapters. The first chapter provides an introduction and background to the study, rationale for the research, as well as the research problem, aim, research objectives and questions. The chapter also briefly describes the methodology and discusses the significance of the research and stakeholders that

were involved throughout the study. It concludes by clarifying certain basic terms, which are necessary to understand the topic.

Chapter Two examines the literature on tourism planning, tourism development, tourism sustainability, and integrated development, and alignment of tourism strategies in all spheres of government in the context of capital tourism projects.

The third chapter examines the development of tourism in the EC in general. The chapter also examines tourism capital projects, to establish whether the business plans that are the basis for funding of these capital tourism projects exist.

The fourth chapter focuses on data collection from key informants, as described under 'stakeholders'. This information is gathered by administering questionnaires to stakeholders, and interviews are used as another form of data collection from the target population.

The fifth chapter presents and discusses the results based on the information gathered. The last chapter presents recommendations to address the findings for change and improvement.

## **12. Definitions and terms**

### **Auditing**

Auditing has been defined narrowly in financial terms focusing on the financial statements of a company. In the context of this research, it refers to a process of assessing and verifying information beyond financial statements. Other factors that are included in this broad definition include processes, systems and overall operation of community tourism projects.

## **Capital investment**

This refers to money invested for capital expenditure on items such as buildings, roads, and other infrastructural aspects. It is usually made in lump-sum for capital projects as activities that will be acquired are costly. It is for working capital not day-to-day operations (The Business Dictionary, n.d.).

## **Rural tourism**

This refers to tourism that is established in rural settings and whereby the activities and facilities provide a rural experience. It showcases rural life, arts, culture, heritage thereby benefitting local communities and enabling interaction between the tourists and local communities (SA.NDT, 2011:16).

## **Tourism development**

Tourism development is defined as “a long-term process of preparing for the arrival of tourists. It entailed planning, building, and managing attractions, transportations, services, and facilities that serve tourists” (Khan, 2005:9).

## **Sustainable tourism**

Sustainable tourism refers to tourism that strikes a balance between the environment, social and economic needs to ensure that the next generation also benefits from the existing developments (United Nation World Tourism Organisation (UNWTO), 2011).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This Chapter examines available literature within the context of tourism development and investment. The Chapter unpacks various ideas and models that are applicable to the audit of tourism facilities. As a point of departure, this chapter considers in detail different approaches to tourism planning from a regional and provincial perspective, and follows with approaches of planning an individual tourism business or product. The chapter further looks into aspects that are critical to the audit of tourism projects which include rural tourism, responsible and sustainable tourism, community participation in the tourism industry, management of tourism facilities and models thereof.

#### **2.2 Understanding tourism planning**

Tourism planning is, arguably, one of the most significant influences on how tourism develops, who wins and loses, and how benefits and impacts of tourism are distributed (Dredge & Jenkins, 2007; Hall & Jenkins, 1995), as cited by Dredge and Jamal (2015:1).

“Planning is the process of identifying objectives, defining and evaluating methods of achieving them” (Stynes & O’Halloran, 2004:5). According to Inskip (1999:25) “Planning is organising the future to achieve certain objectives”, while Eagles, McCool and Haynes (2002:13) defined planning as “the process that involves selecting a desirable future out of a range of plausible alternatives, and implementing strategies and actions that will achieve the desired outcome”.

All the activities and components, namely, infrastructure, transportation, market segments, recreational facility, land use, markets, organisations and resources must be considered in the tourism planning process to ensure that the desired future is achieved in terms of tourism products and destination development.

It is evident that tourism, like other sectors, requires planning in order to achieve set objectives. Tourism in South Africa has been identified as one of the sectors for economic growth and poverty alleviation. Since 1994, tourism and environmental affairs had been under one Ministry, the then National Department of Tourism and Environmental Affairs' (DEAT). However, after the 2009 elections, a new Ministry, the National Department of Tourism (NDT) was established, focusing solely on tourism. This approach is evidence of the importance of the tourism sector from a national perspective and a need to put more focus to ensure that the sector contributes to the economic growth of the country.

In terms of the institutional arrangement, the Ministry of Tourism has taken a lead in tourism planning nationally, which provides a framework for provincial and local planning and integration of tourism. It is, therefore, expected that local tourism development is informed and aligned to the national tourism plan. The vision that drives tourism in the country is "...to be a Top20 tourism destination in the world by 2020". The aims are to:

- Increase the number of foreign tourist arrivals from to 15 million by 2020;
- Increase tourism's total contribution to the economy to R499 billion by 2020;
- Increase the number of domestic tourists to 18 million by 2020; and
- Create 225 000 new jobs by 2020 (SA.NDT, 2011:9).

These can be achieved through integrated tourism planning from national to local government. There are huge expectations from local municipalities since tourism development and implementation takes place in the local area.

### **2.3. Provincial and regional tourism planning perspectives**

There are different perspectives in tourism planning. Like any planning, tourism planning should be goal-oriented as it intends to achieve set objectives through available resources and most importantly, through consulting the communities.

According to Stynes and O'Holloran (2004:7), "...comprehensive planning requires a systematic approach, usually involving a series of steps. The process was best viewed as an iterative and on-going one, with each step subject to modification and refinement at any stage of the planning process".

Stynes and O'Holloran (2004:8) propose six steps in the planning process:

- Define goals and objectives – this step involves defining the vision for the organisations and the objectives that will be pursued;
- Identify the tourism system:
  - Resources – this system takes into consideration the human, financial and other resources that will be required to implement the project.
  - Organisation – refers to strategies that will be used to implement the project.
  - Markets – refers to the customers and stakeholders that will form part of the company's interface;
- Generate alternatives – this step encourages that there should be alternatives which the company should consider. This becomes important if the first alternative could not work;
- Evaluate alternative – in this step, different alternatives are evaluated and weighed in relation to resources that are required to implement them;
- Select and implement – best and cost-effective alternative is selected and implemented; and
- Monitor and evaluate – this step is the final and the most important one as it seeks to monitor the implementation of the project ongoing and evaluate whether the set objectives have been met (Stynes and O'Holloran, 2004:8).



Another planning process is described in the figure below:



Figure 2.1: Tourism planning process

Source: Adapted from Matatiele Tourism Plan (2011:3)

Although the planning processes appear to be different, contextually, they are similar in the sense that they both cover important aspects which should be considered in the planning process. What it means is that each district and local municipality that has identified tourism as a catalyst for economic growth should have had a plan in the context of these planning processes. The processes, essentially, should be interpreted through the following methodology:

### Situational analysis

It takes into consideration the policies and plans of other public sector bodies which have an impact on tourism and identifies the existing tourism related programmes and activities. This analysis results in assessment of the tourism resource components of the area and the preparation of their inventory. The situational analysis also plays a role in the formulation of the goals and objectives of the plan (Matatiele Tourism Plan (2011:15). Mbizana Tourism Sector Plan (2012:25) argues

that situational analysis is the point of departures and no plan could be accurate without establishing the status quo.

#### Tourism demand and supply analysis

Demand and supply analysis are processes which lead to the identification of the tourism system in terms of resources, organisation and markets. Demand examines the existing and intended visitor markets for the destination. It involves a market analysis that examines the likely tourist arrivals and characteristics, and the travel patterns and trends of the markets (Mbizana Tourism Sector Plan, 2012:27). According to Mkosana (2011:25), demand analysis is essential in establishing a benchmark and understanding the competitiveness of the destination with other tourism destinations with similar attractions.

Supply analysis examines the destination itself, including its attractions, accommodations, and facilities. The analysis should include transportation, infrastructure, human resources and other factors which have a direct or significant impact on the quality of the visitor experience. In the assessment of a new development of a previously undeveloped area, site selection is an important element and the analysis examines various locations or sites for proposed hotels and commercial building (Mbizana Tourism Sector Plan, 2012:28).

#### Tourism impact analysis

Two of the most important impacts in a tourism plan are the environmental impacts and the social-cultural (socio-cultural) impacts of development. While tourism, generally, is considered environmentally friendly, sustainable tourism development places high priority on preservation of the environment, including land use, water quality, natural scenery, and waste disposal. An important goal of tourism planning should be to protect the natural setting and avoid exploitation of the natural resources (Stynes and O'Holloran, 2004:8).

Intsika Yethu Local Municipality (2009:12) recommends "...a study of the carrying capacity of a destination which defines the environmental and physical limits and ability of the destination to accommodate a given level of visitors with the least destruction to the natural resources".

Socio-cultural impacts concern the pressures and changes that tourism might bring to the resident population in a particular destination. Tourism could have both beneficial and harmful effects on local culture as a result of the use of culture as a tourist attraction, and the direct contact between residents and tourists (Stynes and O'Holloran, 2004:18). Table 2.1 below lists some examples of impacts that could be encountered in tourism development:

Table 2.1: Examples of tourism impacts

<b>Types of tourism impacts</b>	<b>Examples</b>
Economic Impacts	Sales, revenue, and income Employment Prices
Environmental Impacts	Lands Water Infrastructure
Social Impacts:	Education Occupations Safety and security

Source: Adapted from Stynes & O'Holloran (2004:18)

Tourism impact can be positive or negative. Based on the examples listed in the above table, if there is a decline in the number of tourists due to increase in air flight tickets or rand exchange rates, this will not only affect the big hotels but also the community tourism projects because they are relying on the same tourists. These are, therefore, economic impact issues (King Sabata Dalindyebo Local Municipality, 2013:54). According to Nyandeni Local Municipality (NLM, 2012: 22), environmental impact could occur if there is no land to develop, water is polluted, and infrastructure is in bad condition. NLM (2012: 22) describes social impact as impact that could

occur if the standard of education is very low in the communities where tourism development is taking place as communities will not be able to participate in the development process due to their standard of education, and this is linked to occupation.

These impacts are critical in tourism planning, and for any community tourism project to succeed, it should have carefully assessed these impacts with an aim to develop plans with relevant interventions to manage any impact that leads to negative effects on the project. These impacts could promote or destroy a project, therefore, they are relevant to the study in the sense that they can negatively impact the community tourism projects which will, ultimately, affect the destination.

### Economic and financial considerations

In most destinations, economic development is the primary reason for tourism development. According to tourism sector strategy (SA.NDT, 2011a:20),

“...tourism is viewed as a source of visitor expenditures which would benefit the local economy, creating spending and employment while increasing the standard of living of the local population”.

However, the economic perspectives differ between the public and private sectors. The indicators of economic from the public perspectives are based on the type of visitors and spending habits; the products and services that the visitors seek; the importation costs and supply of goods required by visitors; the costs relating to infrastructure development; and maintaining an adequate work force with the required skills and training for the industry. The economic effects of tourism include changing work and consumption patterns, standards of living, and social roles and practices (Mkosana, 2011:30). From the private sector's point of view, financial risk and profitability are the primary concerns, including the sources of capital for the planned project, wage rates for the local labour force, extent of foreign ownership or control, and availability of private sector funds for investment, concludes Mkosana (2011:31).

## Action plan and recommendations

The action plan (also known as an implementation plan) and recommendations is the final step in the planning process. It generally includes a summary and analysis of all the data used in the planning process and strategies, guidelines, recommendations, and schedules for development. This step identifies the selected priorities for development and stipulates timeframes for implementation. It also covers project feasibilities, monitoring and evaluation of progress, successes and whether the objectives are met (Nkonkobe Economic Development Agency, 2013:28).

### **2.4 Tourism business or product planning**

“...A business plan is the framework that sets out ideas and provides a detailed plan of action that generates immediate tourism business”, South African Tourism Service Association (SATSA, 2005).

The first step towards establishing a viable tourism operation is planning. A clearly defined, properly researched and evaluated project has a much greater chance of success. The following are benefits in developing a business plan:

- A business plan demonstrates whether a business idea will be a viable concept;
- Demonstrates whether the business will be sustainable over a period of time;
- Ascertains investors and lenders debt repayment and return on investment; and
- Ensures compliance with regulations and regulatory authorities (SATSA, 2005:3).

It is clear from these definitions and benefits that a business plan is an important step in the development of a successful business. Like the destination plan, it is clear that a business plan is important for prospective tourism entrepreneurs due to the benefits mentioned above. SATSA has warned prospective entrepreneurs on reasons that could cause tourism businesses to fail.

According to SATSA (2005), "...80% of new businesses fail within the first two years due to:

- Lack of adequate planning and preparation especially in predicting market demand.
- Inadequate management skills; and
- Insufficient capital to launch the business and carry it through the development phase".

Planning for tourism business is as fundamental as planning for the destination. The following elements constitute a framework for planning of a specific tourism product:

#### Location

Before any tourism facility can be developed, assessment and analysis of the location is critical to ensure that the facility is ideally located for the intended target market. As part of the location, several aspects must be given attention, such as infrastructure, landscape and climate. Availability of infrastructure should not be the determinant factor for the location, but the location must have proper analysis (Mkosana, 2011:42). Location is discussed further in this chapter.

#### Infrastructure

Bulk infrastructure in the form of water and power supply, road access, waste disposal, and sewer systems must be investigated. These components of infrastructure as outlined in Matatiele Tourism Sector Plan (2012:8) are elaborated as follows:

- Water supply – the ideal source that would supply the envisaged development. Whichever source, that is, borehole, dam, river stream must be adequate and purified to cater for tourists throughout the year. Mechanism to harvest rain water should be implemented if need arises;
- Power supply – available electricity must be assessed to ensure capacity to supply the intended tourism business. Further assessment should include the distance to existing electricity sources and cost to supply electricity.

Alternative sources of energy should be investigated and implemented as part of sustainable development;

- Roads – roads must be assessed to determine accessibility. An ideal site for development could be unfavourable due to lack of access, instead roads must be built to provide access to all identified developments;
- Waste disposal – the municipality must have a designated site for waste disposal which would be used by tourism development; and
- Sewer system – the bulk sewer must be able to cater for current and future development (Matatiele Tourism Sector Plan, 2012:8).

### Stakeholder consultation

Affected and interested stakeholders should be consulted as part of the tourism planning process (Mkosana, 2011:46). Consultation is applicable in the broader destination and single product development. It ensures buy-in and support from stakeholders, and subsequently simplifies the implementation process. According to Mkosana (2011:46), if communities are consulted to an extent that they understand the intended tourism project, they take ownership and become ambassadors for the project, and this prevents any negative impacts such as stealing and vandalism. It is also important that consultation should not be confused with training. A community may have been consulted on a particular project to solicit their input and to ensure that they participate in the process; however, this does not necessarily mean that the knowledge acquired during consultation would make them qualified operators of the facilities. Different models of consultation are further explored in this chapter.

### Demand analysis

Demand refers to the potential market that will use the tourism facility to be developed. There is often a generic demand analysis of existing and potential markets for a destination; however, there is also a need to assess demand for a specific product to justify the development. Demand for a tourism project must be undertaken by screening products that are similar in the area where development takes place, comparing its standards and services, unique selling points, location,

target markets and other characteristics that should enable the intended product to position itself (Matatiele Tourism Sector Plan, 2012:120).

### Environmental Impact Assessment (EIA)

In line with the National Environmental Management Act (Act No. 107 of 1998), an EIA should be facilitated by project developers to obtain approval if the site is located in environmental sensitive or protected area. EIA is the mandate of the National Department of Environmental Affairs and is done through the Provincial Department of Environmental Affairs. When planning a community tourism project that requires an EIA, planners should be cautious with the implementation plan as this is a lengthy process which could take up to a year. EIA involves a lengthy public participation process; and there must be evidence that affected communities and other parties were consulted and given a reasonable opportunity before approval could be granted by the competent authority. Most community tourism projects that are surveyed in this research were subjected to EIA, hence it is important that a process involving EIA is explained.

### Institutional arrangement

Institutional arrangement refers to a vehicle that could be suitable to manage the proposed community tourism project. There has to be a formally established entity that is in charge of operating the project. There are a few options which are common in communities which are discussed in this chapter. The establishment of an entity also presents opportunities to access more resources from government departments and other agencies. According to Mkosana (2011:47), as part of the establishment of the community entity, focus has to be placed on the relationship with other existing structures on a local and regional level. Another focus is the applicability of the structure to the intended entity. For example, a non-profit organisation would not be a recommended structure on a community tourism project that intended to make profit (MTSP, 2012:131).



## Financial analysis

Costing of the development of the tourism facility and financial projections to determine the potential income to be generated over a period of time is needed. Once costing for construction has been established, another aspect, probably the most fundamental, is to analyse and undertake financial projections and analysis to determine the period within which the break-even point is likely to be achieved, including the profitability of the project. The financial analysis report is not only essential for the project, but also to create interest with government departments and other potential investors to consider the project (Mkosana, 2009:15).

## Skills assessment

The lack of adequate skilled local tourism workforce is one of the factors that hamper the development of a strong national tourism industry in many developing countries. As the industry grows in these countries they come to rely on imported labour to fill skilled employment positions (Kaplan, 2004). Skills assessment is important when planning a community tourism project, as it enables the planners to detect skills shortages in advance of the project, so that identified individuals can be capacitated parallel to construction of the project. This exercise is not about understanding whether people are qualified or not, and what their qualifications are. It has to be a comprehensive exercise that depicts the full picture of current skills, the types of training they went through, the extent of the training they attended, the relevance of the training to the project and other labour aspects (Mkosana, 2011). The importance of skills assessment enables facilitators to capacitate the community individuals with relevant training that would add value to the project and direct the training at the right level (Eastern Cape Parks and Tourism Agency, 2012)

## Implementation plan

Implementation is a schedule of priorities that serves as a guideline for the implementation of the project in line with the time frames, budget and other resources. For the community tourism project, the implementation plan stipulates the process, activities, role players, resources and time frames within which activities are

carried out and, most importantly, the time frame for delivery of the project (Mkosana, 2011).

## **2.5. Key principles in tourism product development**

The community tourism projects that are being explored in this study are located in rural areas and are classified as tourism products. According to Saarinen and Lenao (2014), these products must be established in the principle of 'integrated rural tourism' (IRT). IRT is viewed as a solution as each tourism project must be developed within a framework to overcome the problems between rural populations, rurality and tourism (Saarinen & Lenao, 2014).

The Matatiele Tourism Sector Plan (MTSP, 2012:18) notes five principles which are applicable in the development of the destination or single tourism product, and these are:

- 'Be authentic and indigenous by reflecting the unique attributes of the destination or product'. Community tourism projects are located in unique, historic and environmental sites. This principle means that the project should be aligned and portrays the attributes that identify the project;
- 'Have the support of the host community'. The communities are at the centre of the development; they are not just hosts, but owners and patriots of the project;
- 'Respect the natural and socio-cultural environments by not damaging these in any way'. The development of community tourism projects should embed the principles of sustainable development through the preservation of natural and cultural assets for future generations. This principle is critical and relevant to the community tourism projects that were investigated;
- 'Be differentiated from competitors'. This principle is about differentiating one community tourism project from the other. This principle is important as it provides for community tourism projects to identify their positioning strategies from those of competitors; and
- 'Be of sufficient scale to make a significant economic contribution, but not so large as to create high economic leakage'. Most projects that were investigated seem to have mastered this principle as their economies of scale are sufficient for the location where the projects are located. However, it is not easy to determine whether there are economic leakages due to the fact that most projects are not operating. The

assumption that could be made is that economic leakages are unlikely due to the size of the projects. Also, most projects are centered on local produce and supply, which means that all raw materials are sourced from local suppliers within the communities (Matatiele Tourism Sector Plan, 2012:6).

These principles are important and relevant to the study as community tourism projects are products that contribute to the destination. Therefore in developing community tourism projects, these principles must be applied. The first principle speaks to project identification and branding thereof. The second principle is about involving and working with local communities. The third principle encourages the developers to respect and maintain the environment where the development will be taking place. The fourth principle talks to the market segmentation and product positioning. The final principle is about putting a development in place that is reasonable in size and that contributes to economic growth of the area.

Figure 2.2 below represents a classic process which could be followed for the development of a tourism business.

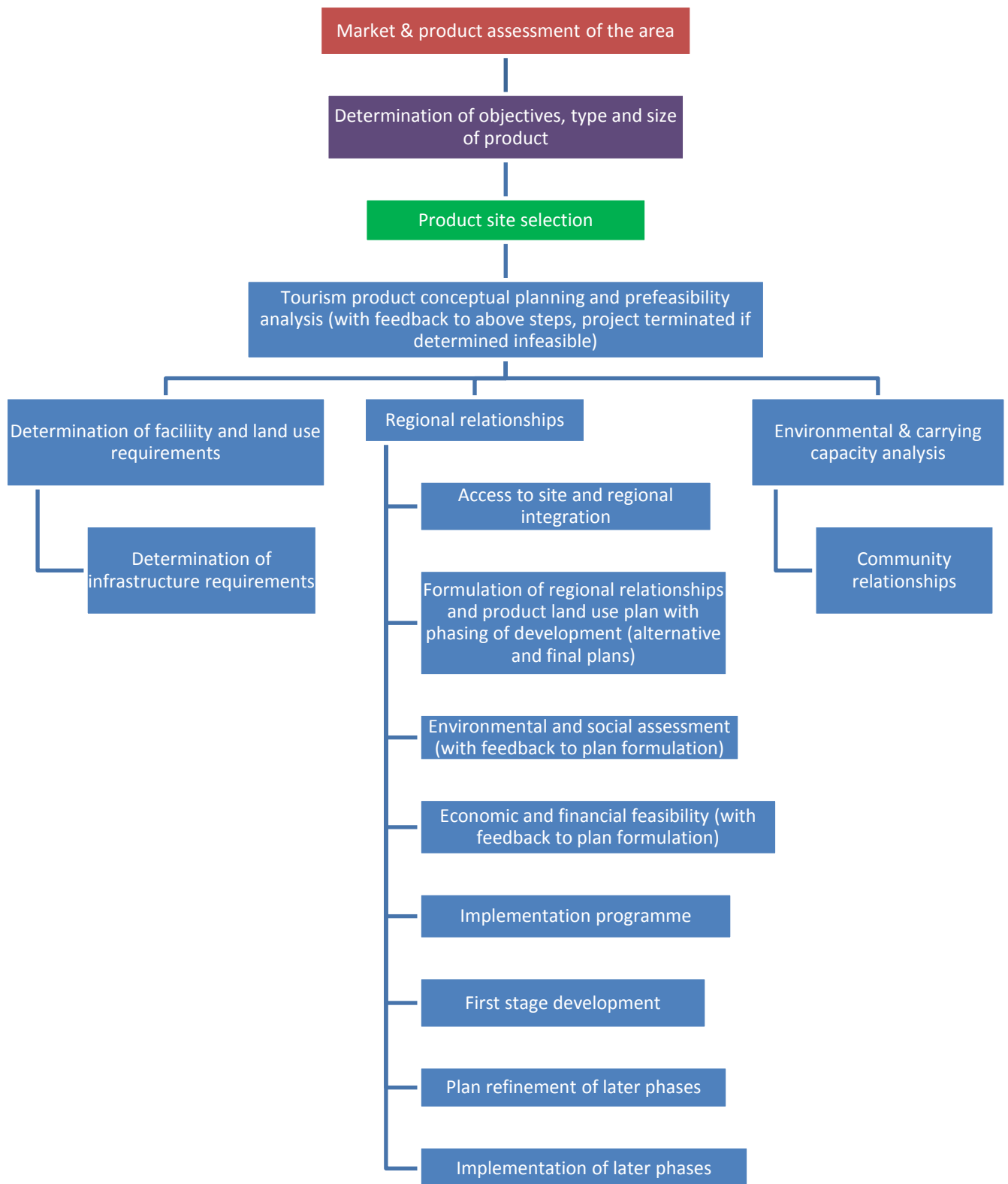


Figure 2.2: Tourism product planning process

Source: Adapted from Inskeep (1999:202)

The process suggests the following:

- Market and product assessment of the area – this assessment includes the target market that would consume the end product, and assessment of other existing products to determine the level of competition. The assessment also includes a SWOT analysis;
- Determination of objectives, type and size of a product – objectives are what the business intends to achieve. Product site selection - this is the most important step and it involves the identification of the location for the project;
- Tourism product conceptual planning and prefeasibility analysis – this step refers to the business plan that provides a direction and a compelling argument for the development;
- Determination of facility and land use requirements – this step refers to the design of facilities that will be built in line with the land use requirements of the local authority;
- Determination of infrastructure requirements - this step is a backbone of every community tourism development as it seeks to identify the available infrastructure and determine the required infrastructure;
- Environmental and carrying capacity analysis – the importance of this step is to comply with environmental regulations and manage negative impacts that could damage the environment;
- Community relationship – this refers to the relationship between the product and the surrounding community;
- Regional relationships – this aspect involves a relationship between the community tourism project and other projects on a regional level and marketing agencies regionally;
- Access to site and regional integration – access refers to various aspects such as roads network and its condition to accommodate different sizes of vehicles, and infrastructure;
- Environmental and social assessment – this aspect involves assessment of the environment within, and in surrounding areas, to assess whether it is conducive for development. The social part of assessment involves creating awareness from communities to enhance their participation in the tourism development process;

- Economic and financial feasibility – this is one of the most important aspects in the development of tourism projects. This aspect involves critical analysis whether there is economic and financial justification to embark on the project;
- Implementation programme – this is a programme of action which highlights all activities that are carried-out in in line with timeframes;
- First stage development – this step entails the actual development of the community tourism projects;
- Plan refinement of later phases – this step reviews the progress made and amendments that should be affected in preparation for next phases; and
- Implementation of later phases – this step is an expansion of the development to cover other phases in line with the broader project plan.

In summary, Figure 2.2 is very critical and highlights essential steps that must be considered when developing community tourism projects. It is for this reason that the process is explained clearly, and it is envisaged that community tourism projects have followed this process, certainly those that are investigated.

## **2.6. Analysis of tourism planning perspectives**

There are different tourism planning models from different perspectives that have been documented in this chapter. The tourism planning models are meant to assist regions and countries that have identified the tourism industry as one of the economic activities. These are perspectives that would assist regions to lay a foundation and direction in pursuit of the potentials of a tourism industry. The approaches and processes are different; however, the fundamentals are similar in a sense that they are all pursuing set objectives within a defined framework. The commonalities of these perspectives are planning, setting of objectives, undertaking situational analysis, development of a plan, implementation and evaluation as explained by Moscardo (2010). According to Moscardo (2010), there is no sign of change into over thirty different models of tourism planning since 1986. However, one critical aspect identified is that “tourism development is necessary and desirable no model includes an option for making a choice about whether or not to proceed

with tourism or an option in which tourism is evaluated against other development options”.

This literature also presented different perspectives for planning an individually owned tourism business or product. A lesson from this literature is that a regional or national tourism plan is a key source that guides an individual tourism business. A tourism business plan is guided by the generic regional or provincial tourism plan. There are different views on how to develop a tourism business. However, different approaches have common emphasis on issues such as target markets, business feasibility and viability, business finance, and other resources. These perspectives have, thus, provided a clear relationship between a general tourism plan which focuses on a region or country, and a tourism product plan which is business specific. One observation on the approach adapted from Inskeep (1999) is the fact that it is comprehensive from a business perspective, and most aspects are relevant to the capital tourism projects of the Eastern Cape. It is assumed that, regardless of the business plan and the approach and analysis, the best measurement would be the success of the community tourism projects operating, and their ability to sustain over a long term.

## **2.7. Selecting a site for business development**

One of the critical gaps that was identified on both models of establishing tourism business was site selection. With the exception of Inskeep (1999), the other sources have overlooked site selection as the fundamental and probably the most determinant factor for success of the businesses. Smith (2002:132) pointed out that:

“...the emphasis on location was important because changing a site once a business was established was difficult and expensive and because the process of site selection could significantly influence a business’s profitability, perhaps even its survivability”. Smith (2002:139) recommends that: “...prospective developers should ask the following questions which would form a checklist of information that should be collected for selecting a site for a hotel in an urban area”.

- Would a hotel be in conformance with existing zoning regulations and deed restrictions? If not, can a variance be obtained? This question is important and relates to bi-laws that have been passed by the local council to regulate such developments. The intended community tourism project has to comply with municipal bi-laws and other regulations that govern such establishments. If the bi-laws are not creating a conducive environment for the establishment of a hotel, the community must propose an alternative;
- Is it possible to obtain a liquor licence for this location? This question is similar to the above as it relates to aspects that are regulated by bi-laws. It is of the utmost importance to verify information such as liquor laws, as this is a complimentary service in accommodation establishments, and facilities that do not trade liquor are unlikely to attract tourists;
- Can adequate parking be provided on-site? This question relates to the size of the facilities and configuration of the architectural designs. This question is slightly irrelevant to the community tourism projects which are implemented in the Eastern Cape in the sense that most projects are in rural areas and the space has not been a problem. However, its relevance serves to ensure that the number of parking places provided matches the number of visitors expected;
- Is there a suitable structure on site or will new construction be required? What is the approximate cost of renovations or construction on this site? What is the purchase price or the terms of a long-term lease? These questions are important as they investigate a viable option between building and renting an existing business. However, in the case of community tourism projects, renting may not be an option as one of the aims for funding the development is creating jobs during construction. This is viewed as one of the approaches to transfer skills to community people, to ensure their involvement in the construction of the intended project;
- What are surrounding land uses? Is the neighbourhood attractive and safe? What are likely trends in land use and social environment? Are neighbouring businesses or residential tenants likely to resist hotel development in a city council? These questions are an indication that consultation should not be limited to the community that intends to operate



the facilities but should be escalated to other businesses in the surrounding area as they are classified as affected parties;

- Are there any other hotels nearby? What is their quality, size and clientele? These questions relate to assessment of demand and supply which must be critically analysed in order to position the new tourism business;
- What is the distance to the airport and harbour servicing the city? The airport is a major source of expected tourists, however, in terms of the community tourism projects, it is important to measure the distance to the harbour and other major routes that are linking the province;
- How accessible is the site from major visitor-generating institutions such as business complexes, government offices, tourist attractions, sport and cultural facilities, and military bases? These are critical features as they bring the market sources which would benefit the tourism businesses, and complement the business in terms of attractions, sports facilities, and shopping facilities which tourists would explore while on holiday; and
- What is the pattern of traffic flow around the site: one-way streets, congestion, patterns of entrance and egress from the parking lot? Ideally, as part of the development of community tourism projects, it is recommended that a detailed traffic study be undertaken on major routes linking the facility. This study must be undertaken before construction, as it builds a case of whether there would be sufficient market to sustain the business.

This checklist does not focus on urban tourism development only, but also on rural tourism development, therefore, it is important and relevant in community tourism projects. From the community tourism projects that were researched, none of the projects seemed to have undertaken a full comprehensive checklist to determine their location. This has probably in part contributed to most of the projects that have failed.

## 2.8. Rural tourism

Rural tourism is a global phenomenon but little is known about this tourism product in developing countries (Page & Getz, 1997). It is generally constructed around the built or natural environment, and includes programmes such as cultural festivals and traditional activities that often re-enact the past or provide a flavour of the traditional local or rural culture and its history (Mafunzwaini & Hugo, 2005). According to Mafunzwaini and Hugo (2005), the reasons why rural tourism is distinctive are as follows:

- Located in rural areas
- Functionally rural, that is, built upon the rural world's special features of small-scale enterprise, open space, contact with nature and the natural world, heritage, traditional societies and traditional practices
- Rural in scale, in terms of both buildings and settlements
- Traditional in character, growing slowly and organically, and connected with local people
- Representative of the complex patterns of the rural environment, economy, history and location

As a key source of information the Comprehensive Rural Development Framework (CRDF), (SA.COGTA, 2009) defined rural areas:

“...as the sparsely populated areas in which people farm or depended on natural resources, including village and small towns that were dispersed throughout these areas. In addition, they included large settlements in the former homeland, created by apartheid removals, which depended for their survival on migratory labour and remittances”.

The false dichotomy of the meaning of rural has created so much ambiguity; nonetheless, the NDT's rural tourism strategy development process was guided by the definition of the CRDF. Most of the tourism businesses that form part of this study are located in remote and rural areas of the Eastern Cape. Page and Getz (1997) warned tourism developers on challenges confronting rural tourism businesses. These challenges include:

### 2.8.1. Financing rural tourism enterprises

Community tourism development requires relatively high capital investments, and it may be difficult for communities to obtain loan from lenders. Communities have no valuable assets that could be used as security to obtain loans. It is doubtful whether there is a community that could afford development if they are to raise their own capital; hence, all community projects have to be funded through government grant.

According to Mahony and Van Zyl (2002), rural tourism must be assessed based on its economic and financial impacts of the investments, impact on local employment, impact on small business development, collective, economic benefits generated by the initiative and the economic participation of previously disadvantaged individuals in the initiative.

### 2.8.2. Higher costs

Remoteness and normal rural conditions, such as the distance between settlements and businesses, could impose many additional costs on rural businesses, including the need for independent utilities and services, provision of staff accommodation, access improvements, and general communication. Most projects are confronted by cost escalations due to various reasons such as access roads which have to be built to transport materials (Page & Getz, 1997).

### 2.8.3. Profitability

Many rural tourism businesses fail to achieve acceptable profitability, and this makes it difficult to attract loans and investors and causes entrepreneurs to invest a great deal of their own land and time (Page & Getz, 1997; Mkosana, 2011). This is the case with all the community tourism projects driven by community structures.

### 2.8.4. Labour and training

Rural locations have challenges of experienced facilitators who can facilitate adequate skills needed to communities. There is also absence of successful

businesses that could be exemplary and transfer skills to emerging ones. While there are a high number of people who are jobless, most, if not all of them, require training (Page & Getz, 1997; Mkosana, 2011).

#### 2.8.5. Organisation of the sector

Tourist organisations are a vital link in the development of a market profile for an area, promoting qualities, attractions and products. However, such organisations are often dominated by cities, leaving rural tourism operators without an adequate voice or support mechanism. Government has attempted to facilitate establishment of different community structures that could represent the broader communities however, in most cases, the structures are defunct (Cape Town Routes Unlimited, 2006).

#### 2.8.6. Accessibility

Remoteness could be a major attraction on its own, but, it not only imposes additional costs upon rural tourism, but affects the arrival of tourists, the organisational capacity of operators, and the means of access to services and attractions (Mkosana, 2011). Therefore, there has to be a balance from planning perspectives in such a way that there is proper access to accommodate various modes of transport, while at the same time ensuring that the remoteness is maintained.

#### 2.8.7. Infrastructure

Rural areas often require huge government investment in basic infrastructure, including roads, airports, water supply, sewage treatment, electricity and telecommunications. The White Paper on the Development and Promotion of Tourism in South Africa (SA.DEAT, 1996:20) contends:

“...prime tourism attractions were not located in the city centres but they are in rural areas. Tourism allowed rural areas to share in the benefits of tourism development, promoting more balanced and sustainable forms of development”. The Rural Development Framework stated that “...between 10 and 15 million South Africans

lived in areas that were characterized by extreme poverty and underdevelopment”. Some of these poverty stricken areas contain world heritage sites and other major attractions (SA.NDT, 2011:17).

The SA.NDT (2011: 17) adds to the above assertion: “there were a number of rural areas within South Africa that had the potential to be turned into tourism destinations, but many of these were not being developed. Such areas presented opportunities to develop new and different tourism products to address the changing requirements of the market hence the need also to recognize rural tourism as an element or part of the niche-product development”. The Eastern Cape is one of those provinces with enormous potential for rural tourism development, particularly the Wild Coast, which is world renowned, but poorly developed.

## **2.9. Responsible and sustainable tourism development**

When talking responsible and sustainable tourism most people see no difference. According to Farmaki et al. (2014), as cited by Tichaawa and Samhere (2015) states that the difference between the two concepts is that responsible tourism extends beyond the management of natural resources, with the core of the concept being the accountability of businesses, in terms of the impacts of their decisions and actions. The concept of responsible tourism has gained attention globally, and has emerged as a significant market driver (Spenceley, 2008). According to Feruzi (2012), responsible tourism can generally be taken as an umbrella term that incorporates all forms of tourism that are allegedly more considerate and sensitive to the surroundings than are others

Responsible tourism is vital for any tourism development to tackle the challenges of climate change and to ensure a sustainable industry. According to then Department of Environmental Affairs and Tourism (SA.DEAT, 1996:25), the following principles must guide the development of responsible tourism in SA:

- Tourism will be private sector driven – this principle acknowledges the private sector as a relevant operator;

- Government will provide the enabling framework for the industry to flourish – this principle refers to a guiding framework that should be followed by communities and private sectors in pursuit of the tourism industry;
- Effective community involvement will form the basis of tourism growth – this principle means that communities must be at the centre of tourism growth by deriving benefits in the form of employment and business opportunities;
- Tourism development will be underpinned by sustainable environmental practices – sustainable environment is a government imperative, and this principle emphasises that tourism development must be undertaken sustainably;
- Tourism development is dependent on the establishment of cooperation and close partnerships among key stakeholders – this principle seeks to bring all stakeholders, direct and in-direct to work together for the success of the industry;
- Tourism will be used as a development tool for the empowerment of previously neglected communities and should particularly focus on the empowerment of women in such communities – this principle acknowledges the fact that previously disadvantaged communities were not playing a role in the industry and it further seeks to ensure equality by focusing on women empowerment;
- Tourism development will take place in the context of close cooperation with other states within Southern Africa – this principle acknowledges the importance of cooperation with other countries in Southern Africa as tourism does not have borders; and
- Tourism development will support the economic, social and environmental goals and policies of the government – this principle reaffirms that the tourism sector, like other sectors, has obligation to contribute to realising the goals and policies of government.

The concept of sustainable tourism, as developed by the World Tourism Organisation (WTO) in the context of the United Nations, "...refers to tourist activities leading to management of all resources in such a way that economic, social and aesthetic needs could be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems" (WTO, 1998:50).

## **2.10. Tourism project roles and responsibilities**

The capital funding that government makes available is meant for tourism development in local communities. The municipalities and communities are critical stakeholders towards the implementation of these projects. Therefore, as part of the literature review, it is important to reflect on the responsibilities of municipalities and communities in tourism project development.

### **2.10.1. The roles and responsibilities of municipalities**

Tourism is the responsibility of municipalities at the local level. This is confirmed in the South African Tourism White Paper (1996) where, at the local government level, specific provincial functions of policy implementation, environmental planning and land-use, product development, marketing and promotion, are proposed. According to this White Paper (SA.DEAT, 1996:43), the following are specific functions of the local government pertaining to tourism:

- “Responsible land-use planning, urban and rural development” – the municipality must have an integrated land plan that identifies and zones areas for development. The zonation of the tourism industry must be part of the integrated planning;
- “Control over land-use and land allocation” - as part of the land plan, the municipality should indicate the mechanism for controlling the land-use and allocation for residential and commercial development. A bi-law should be considered to regulate the issues of land;
- “Provision and maintenance of tourist services, sites and attractions, for example, camping and caravan sites, recreational facilities (parks, historical buildings, sports facilities, theatres, museums) and public services” – infrastructure provision and services thereof is the responsibility of the municipality as this encourages developers and investors to invest in the areas where the municipality plays an active role. Community tourism projects require infrastructure as a foundation for development;

- “Provision of road signs in accordance with nationally established guidelines” - most community tourism projects are located in rural areas that have no signage. This is direct responsibility as it seeks to ensure that visitors are directed to reach the tourism business and other experiences;
- “Market and promote specific local attractions and disseminate information in this regard” - the community tourism projects have a direct responsibility to market their businesses; the municipality has a responsibility to market the municipal areas as a destination, which, in turn, benefits the individually owned businesses;
- “Control public health and safety” – health and safety are aspects that can have a negative impact on tourism businesses and the entire industry within the municipal area. Therefore, the municipality must have a health and safety plan to manage any possible risk that can affect tourism businesses;
- “Facilitate the participation of local communities in the tourism industry” – tourism is government-led and community-based. Therefore, this facilitation will ensure that communities are trained and understand the tourism industry so that they play a meaningful role;
- “Own and maintain certain plant, for example, ports and airports” – most community tourism projects are located in areas where there are airports and ports, such as East London, Mthatha and Port St Johns. Most ports and airports fall under the responsibility of national government, therefore the municipality may not necessarily own facilities, but there has to be a sense of partnership and involvement to use these resources to improve the state of tourism;
- “License and regulate compliance for tourist establishments” – licensing of liquor, health certification and other compliances is under the responsibility of the municipality, or the municipality should facilitate to ensure compliance by the private sector accordingly;
- “Support communities and tourism organisations” – the municipality must have a support programme with financial and non-financial resources to support interested individuals to establish sustainable tourism businesses and for tourism organisations to facilitate marketing support for tourism businesses;



- “Provide adequate parking to cater for expected arrivals” – if there is adequate parking and infrastructure to accommodate coaches and other modes of transport, this will attract tourism, and the more chances for community tourism projects to do business. The parking for coaches should be linked to attractions and other amenities; and
- “Facilitate the establishment of appropriate public transportation services” – a public transport network is important to link attractions, accommodation and other services for tourists. Through adequate public transport networks, tourism will not only attract foreigners, but began to promote local travelling by communities.

All these responsibilities are important and necessary for local municipalities to undertake, as they not only promote tourism in general but the community tourism projects as well. It is part of the responsibility of government to ensure a conducive environment for the development of tourism businesses. From the outline of these responsibilities, it is clear that municipalities play an important role for development and growth of the local tourism industry. If these responsibilities were not carried out, it is doubtful that many community tourism projects would have been established.

#### 2.10.2. The roles and responsibilities of communities

Communities are expected to play a vital role in the development of tourism. Many communities and previously neglected groups, particularly those in rural areas that have not actively participated in the tourism industry, are located at beautiful attractions and natural resources. According to the South African Tourism White Paper (SA.DEAT, 1996:45), the roles of communities in tourism include:

- “Identify potential tourism resources and attractions within their communities” - communities have a responsibility towards tourism development, and this role seeks to encourage that development, not only being a government responsibility. Communities also have a responsibility to play a proactive role to engage government about potential resources that can be pursued to develop and grow the sector;

- “Exploit opportunities for tourism training and awareness, finance and incentives for tourism development” – financial and non-financial support are available for communities to start their own businesses; however, communities must prepare themselves and visit different institutions that offer this support;
- “Seek partnership opportunities with the established tourism private sector” – This role seeks to enlighten communities that in order to grow their businesses, they must partner with established businesses, locally and abroad;
- “Participate in all aspects of tourism, including being tourists” – rural communities have emerged in the tourism industry, and most community representatives are still grappling with the concept and definition of their role in the sector. Although the guideline roles and responsibilities have been published almost two decades ago, they still lack the understanding of the sector. It is assumed that playing a role as a tourist may take a very long time;
- “Support and promote responsible tourism and sustainable development” – this is a critical role that is expected from communities; however, the question is: what is responsible tourism and sustainable development? This is an important question before they attempt to support and ensure that responsible and sustainable tourism development is integrated in their projects;
- “Oppose developments that are harmful to the local environment and culture of the community” – for communities to exercise this role education is key so that they understand development. Communities are vulnerable and are likely to accept any form of development irrespective of impacts as long as there are jobs created for the local inhabitants;
- “Participate in decision-making with respect to major tourism developments planned or proposed for the area” – communities have been involved in the development of most tourism projects; however, the extent of their involvement and participation in decision-making remains questionable. If they are not empowered to make decisions, it is doubtful whether they made correct decisions;
- “Work toward enhancing the positive benefits of tourism and minimise the negative impacts” – communities have been striving to develop tourism with

the aim of ensuring that there are benefits across, however, the benefits have not been visible as tourism is still at its infancy stage;

- “Organise themselves to maximise the sharing of information and experiences, possibly facilitated through financial assistance by local government” – this role refers to knowledge-sharing and indicates the fact that there should be people from the communities who take leadership to educate the masses;
- “Have a representative voice in all tourism structures at national, provincial and local levels” – communities are represented at several structures in all spheres of government, but the challenge is dissemination of information and platforms to engage the masses to give feedback and listen to issues;
- “Encourage the press, particularly the radio and the print media, to proactively provide tourism information and awareness to communities” - there are many community newspapers and radio stations which communities should capitalise on to educate, but this is happening on a minimal scale in the EC. It is assumed that these newspapers and radio stations lack experience of the tourism industry. Often, these platforms require content to publicise, however, in the absence of community representatives to provide content on issues that should be communicated, they would not serve a purpose.
- “Work closely with Non-Governmental Organisations (NGOs) to educate communities concerning tourism and engender tourism awareness” – this role is similar to the one above, and it can only materialise if there is interaction between the community and local NGOs. The community can also establish their own NGO, or any structure that can educate the broader communities;
- “Make information on community tourism resources and attitudes transparent and accessible to all levels of national, provincial and local governments” – this is an important role as it seeks to sensitise communities to package resources for potential investment. However, such responsibility requires education, and it is doubtful whether communities could perform such responsibility, due to a lack of experience in tourism; and
- “Sensitise the private sector, tourism parastatals, environmental agencies and NGOs to the importance of communities’ involvement in tourism development” – tourism development is a two-way process and this role highlights the key

stakeholders that the community interact with as they are key not only on involving the communities but also to lead the development of tourism in the communities.

Although these guideline roles and responsibilities were published many years ago, it appears that tourism remains a new industry for most communities, as the progress has been insignificant. While there is eagerness for communities to play their role in developing and growing the sector, it is assumed that a great investment will be required in capacity-building to ensure that they understand these roles and responsibilities, which are a point of departure and are applicable in all municipalities that have identified tourism as a pillar for economic growth. These responsibilities are linked to the study in a sense that the research focuses on community tourism projects, and the outcomes of the research will provide an indication as to whether there is understanding of these roles and responsibilities in the EC, and in fact appropriate processes and effective actions in this regard.

### **2.11. Community participation in tourism planning**

The tourism attractions, facilities and natural resources are not only meant for tourists, but for the local residents as hosts as well. Therefore, during planning, the host community must be consulted so that they participate in, and are part of, the implementation of the tourism plans. (Stynes & O'Holloran, 2004:26). Ashly, Roe and Goodwin (1994:5) assert that involvement of a community in tourism development would achieve the following benefits:

- “Benefits to communities” – communities are empowered and knowledge is transferred for future use;
- “Benefits to conservation” – communities take ownership to conserve biodiversity and natural resources; and
- “Benefits to tourism destinations” – tourism products are developed and ultimately contribute to the sustainable development and growth of the destination.

The Intsika Yethu Tourism Strategy (2009:42) cites Shepherd and Bowler to identify four major propositions for public participation:

- “Public participation should be fair, transparent and democratic;
- Public participation should serve as a platform where communities voice their views and satisfy their needs;
- The chances for violence and vandalism are non-existence, and
- Decisions are implemented without delays”.

Another approach around community participation is that of Ngubane and Diab (2005) where they recommend a participatory model where communities are involved in undertaking activities. This approach does not only seek to transfer skills only but to ensure that tourism related activities are being implemented. Another advantage on this model is that the community agrees because they understand rather than being dictated to.

There is a general view that public participation is critical in a democratic society as it enables communities to be part of the project and support it from inception to the end. If public participation is implemented, it also saves time on the implementation of the project as protests and vandalism are unlikely. The literature on public participation is, therefore, critical as tourism projects in the study are located in communities and subject to public participation, and this is compulsory and a pre-requisite for government grants to be administered.

## **2.12. Models of tourism management**

There are several options which could be considered for management of tourism facilities and forms of partnership agreement involving communities. These options include Maintain, Operate and Transfer (MOT), and Build, Operate and Transfer (BOT)”, Massyn (2007:3) and Hicks (2008). These options are unpacked as follows:

## Option 1: Community-developed but privately operated

Option one is an example of a MOT (maintain, operate and transfer back) agreement under which Community Based Organisations (CBO) raise the finance, develop and own the lodge infrastructure, and appoint a private partner to furnish, equip, operate and market a lodge for a limited period (typically 10 years). The CBO receives land and building rent from the operator and pays the conservation entity a land management fee (Massyn, 2007:3). Figure 2.3 below illustrates the MOT arrangement:

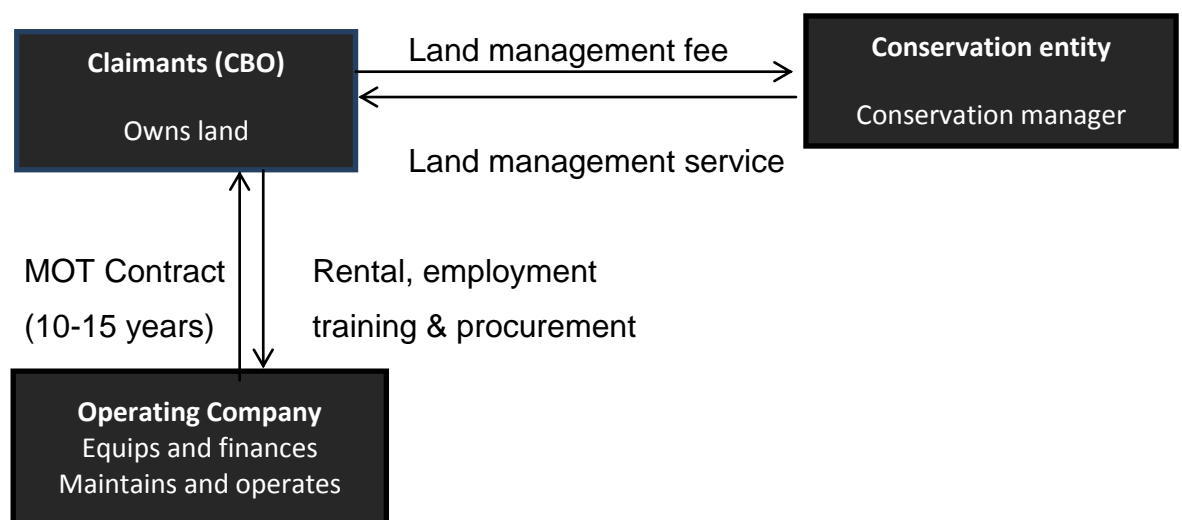


Figure 2.3: Maintain, operate and transfer arrangement

Source: Massyn (2007:3)

During the operating tenure, the private partner:

- Maintains and operates the lodge to an agreed standard;
- Markets the lodge and establishes it as a recognised standard brand;
- Pays a competitive land and building rent to the CBO;
- Implements a rigorous empowerment programme including the training and employment of community members (at all levels of the business including management), the transfer of management skills, and the procurement of goods and services from local entrepreneurs; and
- Transfers back the lodge to the CBO at the end of the operating period. The CBO then has the option to reappoint an operating company or take over the

management of the facility itself (Massyn, 2007:4). However, according to Mkosana (2011), taking over by the community will depend on their readiness from a skills point of view.

“This model is part of Community-Based Partnership Tourism (CBPT) as it focuses on setting-up the community as full owners (in control) of all aspects of the tourism project – in other words, a community-driven approach that subsequently involves the private sector” (Giampiccoli & Mtapuri, 2012:8).

### Option 2: Privately developed and operated (BOT)

Option two is an example of a BOT (build, operate and transfer back) arrangement in terms of which a CBO appoints a private partner to finance, equip, develop, operate and market the lodge. According to Massyn (2007) and Hicks (2008), a BOT agreement of this sort is for a longer period than an equivalent MOT because the private partner invests a larger amount of capital and therefore expects a longer period to recover its investment and make a commercial return:

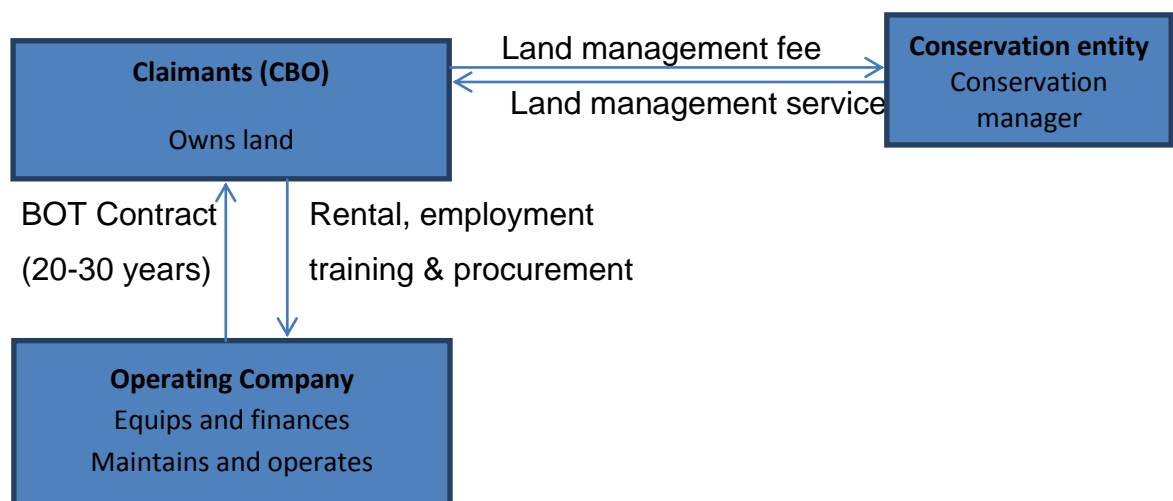


Figure 2.4: Built, operate and transfer arrangement

Source: Massyn (2007:5)

## Comparative evaluation and recommendation

The key differences between the two options are:

- Under option one, the community raises and invests the capital required to develop the lodge. This means the community owns not only the land but also the lodge infrastructure. The advantages of this arrangement are: (a) the community receives a higher income because it can charge both a land and a building rent, and (b) the operating contract is for a shorter period because the private operator invested only the cost of the furnishings, equipment and operating capital and therefore requires a shorter period to make a fair return. The main disadvantage is that the community is exposed to the capital risk associated with the development; and
- Under option two, the private partner raises and invests the capital. The advantage of this arrangement is that the community is not exposed to any capital risk. However, the community receives a lower income because it can only charge land rental. The operating agreement is also typically for a longer period because the operator requires a reasonable period to make a return on its large capital investment in the lodge infrastructure (Massyn, 2007:5).

## Development on state land

Three partnership options are available on state land and they are: lease agreement, privately developed and operated, and a public private partnership. The options are further discussed below:

### Option 1: Lease agreement (MOT/BOT)

The difference is that the state (or conservation entity) provides a long-term 'head lease' to a CBO at a nominal rent. The CBO then leases the site to a private partner for a shorter period using either a MOT (Option 1) or a BOT (Option 2):



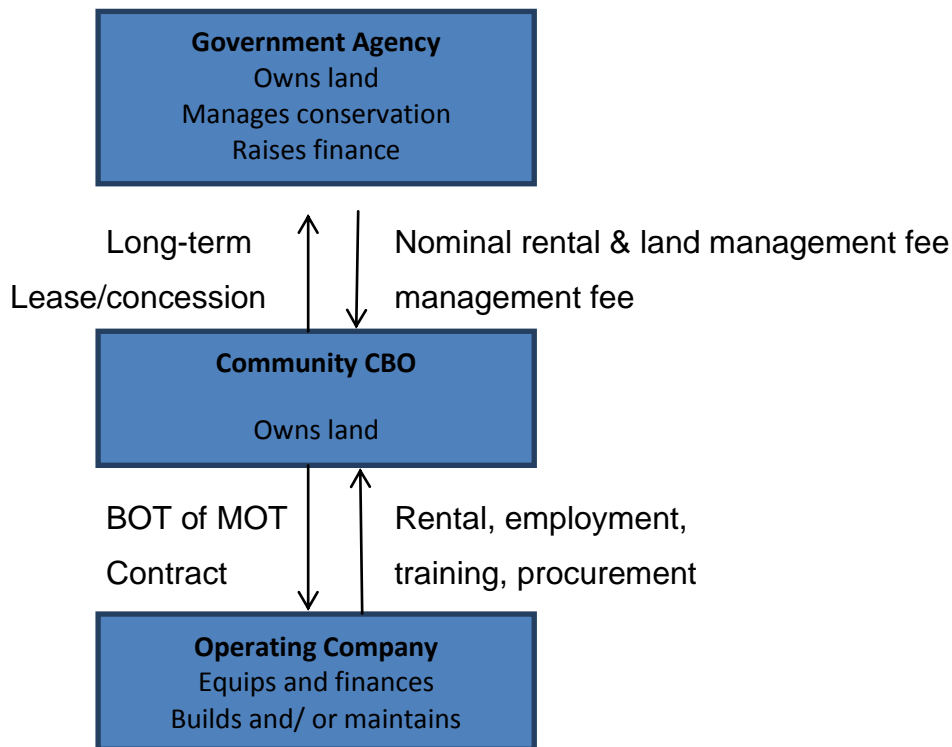


Figure 2.5: Short term contractual management

Source: Massyn (2007:6)

#### Option 2: Public private agreement

The second option is for Government to outsource the development, maintenance and operation of the lodge directly to the private sector under the Treasury’s Public Private Partnership (PPP) regulations but with strong community empowerment obligations designed to ensure that local communities secure employment, training and procurement benefits.

This arrangement is illustrated in the following diagram:

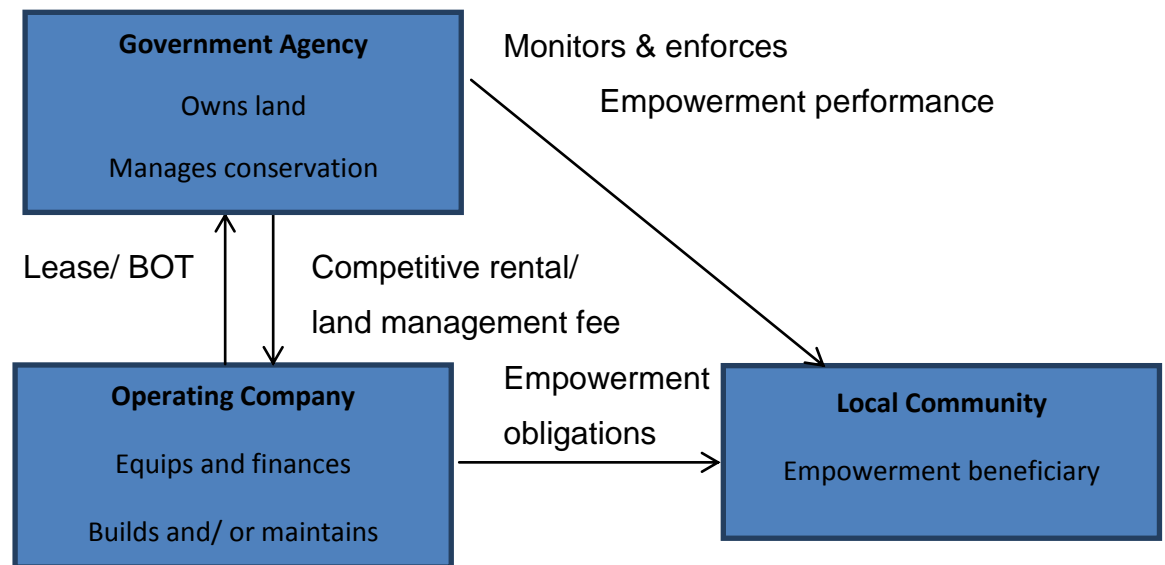


Figure 2.6: Public Private Partnership Arrangement

Source: Massyn (2007:7)

Comparative evaluation and recommendation:

The advantages and disadvantages of the first two options are broadly similar to those described above for community-owned land. Option two has the advantage that the community is not exposed to any risk. It also avoids the high transaction costs and institutional problems typically associated with community ownership. It relies on the state to structure, monitor and, if necessary, enforce the empowerment performance of the private partner. The disadvantages of the option include the fact that the community does not share in the ownership of the lodge, does not receive any direct income, and relies on a third party (government agency) to structure and monitor its empowerment benefits (Hicks, 2008).

As in the case of the community-owned land above, option two is generally recommended, provided the conditions highlighted above are in place. The third option (described below) is not generally recommended because it relies on a more paternalistic approach with relatively low empowerment yields. If, however, local communities suffer from severe capacity deficits and the transaction costs

associated with options one and/or two are considered too high, option three may be considered (Massyn, 2007:7).

### Option 3: Community public private partnership

Under option 3, the government department (national or provincial) outsources not only the conservation management but also commercial development to a government agency. The government agency then appoints a private partner to develop, maintain and operate a commercial lodge (or lodges) with strong community empowerment obligations (Mkosana, 2011). This arrangement is illustrated in the following diagram:

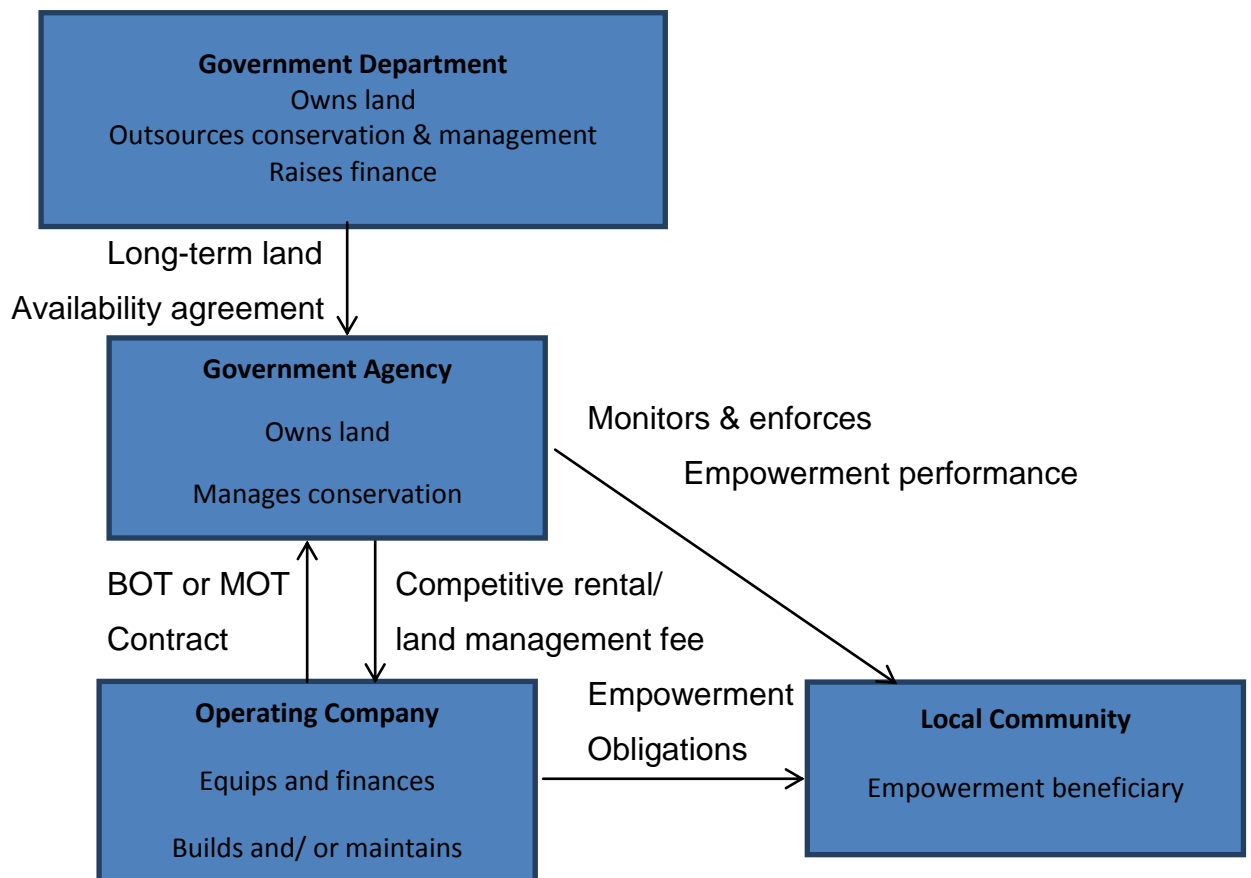


Figure 2.7: Community Public Private Partnership

Source: Massyn (2007:8)

Comparative evaluation and recommendation:

The advantages and disadvantages of the three options are broadly similar to those described above for state-owned land. As in that case, option two is generally recommended but option one may be appropriate if reasonably price capital is unavailable, and option three if capacity deficits are particularly high at the local level (Massyn, 2007:9).

One of the objectives of the study is to determine the reasons for success and failure of community tourism projects. Operation is a key factor in the success or failure of community projects, therefore, it is important to identify and discuss various models that are possible to operate community tourism projects. Despite the prevalent land claims in the Eastern Cape, all these models are applicable depending on the status of the land.

### **2.13. Summary**

From this literature review, it is apparent that planning is the fundamental point of departure for the development of any tourism initiative; hence the chapter contextualises and discusses different models that could be adopted as part of the auditing process of capital tourism projects. The regional and provincial plans are high-level models; however, they are important to guide the development of tourism businesses. The models for tourism business planning are important in this auditing process. One of the many lessons from this literature is that these models for tourism business planning have commonalities as they all have objectives to be achieved, programmes of action, implementation and evaluation.

The chapter also provides an insight into rural tourism and challenges that are hindering the growth of rural tourism such as infrastructure, accessibility, labour and training. Another lesson which is critical and relevant to this research is the different management models of tourism facilities and sustainability of tourism facilities. Management of facilities and sustainability is one of the criteria in the audit process. The literature review also explores the roles and responsibilities of local government and communities in the tourism industry. The tourism projects that are investigated

are located in communities, and both the communities and municipalities are responsible for these projects. Therefore, understanding the responsibilities of these stakeholders within the context of tourism development is significant.

The success of tourism businesses depends on a viable operational model, therefore, this chapter concludes by analysing and comparing different operational models that could be used as the solution for the community tourism projects that are implemented in the Eastern Cape. In Chapter Three, attention is paid to tourism planning in the study area, the Eastern Cape Province of South Africa.

## CHAPTER THREE

### TOURISM PLANNING IN THE EASTERN CAPE

#### 3.1. Introduction

In Chapter Two; theories and methodologies of tourism destination planning, as well as tourism product planning are discussed. This chapter deals with tourism planning in the Eastern Cape Province, and the South African tourism plan is taken into consideration as the provincial tourism plans and strategies are informed by the national plan. This chapter identifies and summarises the status quo of each capital tourism project that formed part of the study, and also looks into different funding application processes which are used for funding capital tourism projects. Further, the chapter discusses factors that are taken into consideration during the actual implementation of capital tourism projects.

#### 3.2. Tourism planning in South Africa

The National Tourism Sector Strategy (NTSS) serves as a guiding document which underpins provincial and local tourism plans. The NTSS (SA.NDT, 2011:12) focusses on the following priorities:

##### Priority 1: Tourism growth and the economy

- To grow the tourism sector's absolute contribution to the economy;
- To provide excellent people-development and decent work within the tourism sector;
- To increase domestic tourism's contribution to the tourism economy; and
- To contribute to the regional tourism economy.

##### Priority 2: Visitor experience and the brand

- To deliver a world-class visitor experience;
- To entrench a tourism culture among South Africans; and

- To position South Africa as a globally recognised tourism destination brand.

### Priority 3: Sustainability and good governance

- To achieve transformation within the tourism sector;
- To address the issue of geographic, seasonal and rural spread;
- To promote 'responsible tourism' practices within the sector; and
- To unlock tourism economic development at a provincial and local government level.

Provincial tourism departments, agencies and the private sector are expected to work as a collective to ensure that the priorities above, as reflected in the NTSS, are achieved. Community tourism projects are funded to play their role towards fulfilling these priorities. It is, therefore, expected that progress evaluations of these priorities will also include community tourism projects researched.

The NTSS is expected to provide guidance in a provincial and local sphere. Nationally, there are also policy statements which are aimed at setting a tone for tourism planning at provincial and local levels. The New Growth Path (SA.DED, 2009) and the White Paper on Tourism (SA.DEAT, 1996) are among the policy documents for tourism development and promotion.

In line with fast tracking the development of tourism in South Africa, the National Department of Tourism (NDT) has established a dedicated business unit which is responsible for funding tourism projects as part of the Expanded Public Works Programme (EPWP). While the fundamental objective of the programme is to create jobs through tourism-related infrastructure projects, it also seeks to develop tourism-related projects that contribute to the growth of the tourism industry. Annually, provinces, municipalities, communities and other organisations are invited to submit funding applications on tourism-related projects on a prescribed template.

### 3.2.1. Summary of NDT funding application template

The NDT is a key funder of tourism projects and uses the template attached in Appendix A. The template comprises several sections which include information on the project. Prospective applicants are expected to adhere to the following eligibility criteria:

- Whether the proposed project is tourism infrastructure-related;
- Whether the proposal can depend on outstanding decisions, such as Environmental Impact Assessments (EIA);
- Whether the applicant will match the funds;
- Whether the project is labour-intensive;
- Indications of any alignment and support from local municipalities;
- Indications of land ownership where the project will be developed, and ownership of the project post-construction;
- Motivation from a business perspective on how the project will impact economically;
- Creation of jobs during and after construction; and
- Financial details where applicants indicate the budget and breakdown.

### 3.2.2. Analysis of the NDT template

The eligibility criteria of the funding application are fundamental for tourism community projects to secure funding. This means any answer that is negative automatically disqualifies applicants. It is clear that a project must be tourism-related and infrastructure-intensive so that it can create job opportunities. However, the following gaps are identified from the template:

- The fact that over 35% of the budget must be secured for wages raises questions on whether the balance will be sufficient to construct and operate the project;



- Sustainability, which is one of the fundamental requirements in terms of tourism development, is not one of the eligibility criteria. This should have been a concern from a development perspective and is contrary to the NTSS;
- On the question of operation, how will the business be operated post-construction is not covered? This question is critical so that the funder can have an idea on the probabilities of success during operations. The question is also linked to sustainability. In Chapter Five, several projects that are not operating due to the unavailability of operators or operational models are identified. From the outcome, it is evident that an operator is compulsory for the success of the business;
- Another gap is the financial information. The funder's requirement is indicative of a project budget; however, there is no request for information such as financial projections based on envisaged target markets, occupancy forecasts and break-even analysis. This information is important for determining the viability of the business and to attract other investment partners; and
- The template does not provide a comprehensive business plan which is important for funding considerations and attracting potential investment partners.

The aspects mentioned above are important from a business perspective, and if not addressed during the business proposal, can portray the business at high risk, and the shareholders can lose on their investment. If the operational model of the proposed business is not clearly defined, it is a risk, and the funder should be concerned about funding a business without a proposed operational model.

In the absence of a comprehensive business plan, which should be a guiding tool for the funder to provide funding, the chances for the business to succeed and sustain its operations are questionable. Therefore, unavailability or lack of a business case will demotivate the NDT and other potential funders, as this could appear to be fruitless expenditure.

### 3.3. Tourism planning in the Eastern Cape Province

The Provincial Growth Development Plan (PGDP) is the overarching compass that provides direction on the economic planning of the Eastern Cape in all sectors. Each department in the Eastern Cape Government has a mandate to carry out and achieve the goals of the PGDP. The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), one of the provincial departments that is mandated for a number of sectors including the tourism industry, is responsible for spearheading development and growth of the provincial economy. For the tourism industry, the guiding plan is the Eastern Cape Tourism Master Plan (ECTMP).

“The focus on product development is mainly on enhancing, expanding and diversifying the Eastern Cape tourism products to improve and promote efficiency, increase investment and enhance the quality of life” (ECTMP, 2008:43).

The EC has identified two objectives in the ECTMP to guide the development of the tourism industry. These objectives are:

- “Enhance capacity to strengthen and integrate tourism product development throughout the province” – this objective can be achieved by capacitating the communities and people involved in the planning and implementation of tourism projects. Strategic partnership and collaboration is key to the fulfilment of this objective. The objective also suggests that there should be an integrated framework that guides the development of tourism products; and
- “Improve and increase the value and volume of the products offering in the province to showcase its unique and manifold tourism assets” – this objective suggests developing and diversifying tourism product experiences to ensure that there are diversified and equitable products offerings. The objective also suggests the focus will not only be on quantity of tourism products offering but also quality as to ensure that the standard offered is recognised and position the destination.

While equitable spread is important in a democratic dispensation, it must be noted that, as much as tourism has been identified as a catalytic economic sector, it cannot

benefit every individual, and not all areas or municipal wards have tourism potentials. Therefore this objective could raise hopes that may not be fulfilled.

Similarly to the NDT, DEDEAT has established its dedicated unit called the Local and Regional Economic Development Fund. The objective of this unit is to fund projects with potential to stimulate economic growth in the province in all sectors, including the tourism industry. Every year this unit invites community organisations to apply for funding of potential projects. DEDEAT had also developed a template different from NDT.

### 3.3.1. Summary of DEDEAT funding application template

The template which the DEDEAT uses for funding applications is contained in Appendix B. The template is a business format in the sense that applicants are not compelled to submit business plans; however each completed form would be the basis for evaluation and funding of an initiative. The following points summarise the criteria for funding applications from the template:

- “The objectives of the project” – this refers to the objectives that the project intends to achieve. The expectation would be that the objective should be aligned to the funder’s objectives. In other words, the development of the project should assist the funder to accomplish its objectives;
- “Partners, roles and their contributions to the project” – it is expected that applicants should state who are the partners already secured for the project, and if there are partners, what are their roles and contributions. There have been assumptions that since community projects were implemented on the local level, the local municipality should be a partner. Therefore, from the perspective of DEDEAT, this is important to analyse potential risks;
- “Project implementation plan” – the implementation plan is important as it will determine the duration for which the funder should commit financial resources. This information is important particularly from a public sector point of view to secure the funding for the duration of the project;

- “Performance management plan” – the applicant has to indicate how the performance of the project would be managed. This performance management includes regular progress reporting to shareholders;
- “Jobs and other impacts to be created by the project” – the funder expects the applicant to indicate the number of jobs that would be created. These jobs include during construction and post construction (temporary and permanent). Other impacts include issues such as a number of small businesses that could be created, outsourcing opportunities and capacity-building of local people;
- “Risks and mitigation” – the funder expects that the applicant should clearly elaborate the possible risks that could occur and would be mitigated. This is not about mere listing of risks, but also rating them and assessing probabilities for occurrence. The risk management information is important to the funder to decide whether to fund or not;
- “Implementing capability, management and governance” – the information required concerns the project management teams and their skills related to the project. The expected information is also administrative and governance of the project;
- “Financial implications over a period of three years” – DEDEAT, as a government department, could commit financial resources on a project for a period of three years. This information is important to determine whether what was required by the applicant was in line with public sector financial threshold in terms of years of commitment. This means that if the applicant requires funding for over three years, the project should be reviewed so that it is implemented within three years;
- “Project cash flow” – this is a comprehensive budget breakdown with progress payments, disbursements, salaries, professional services and other activities associated with the project; and
- “Sustainability plan and supporting documentations” – the information required in this section is an example that government expects to fund the project for the purpose of construction. Therefore, it is important that the applicant incorporate in the application a sustainability plan. This has been a gap in the projects that were researched, and is discussed in Chapter Five.

### 3.3.2. Analysis of DEDEAT funding application template

The template is very comprehensive and covers critical aspects for a business plan; however the following are challenges concerning the template:

- The expected applicants are community businesses. No municipalities or government agencies are allowed to apply. A challenge is that the template is too technical for rural communities as most communities have communication-skills problems. This became a disadvantage to communities as they could not access the funding because of an inability to complete the template accurately, and from a business perspective. It is also a disadvantage to the funder as they would not receive quality funding proposals due to a lack of skills in the communities;
- Another gap is the fact that the template does not request a marketing plan from applicants, which is fundamental in any business, and could make or break the business if there is no clear definition of the market segment; and
- There is also a gap in terms of operational models; instead, the focus from the funder is on skills of management that would be accountable for the execution of the funds. There should be skilled team members that could be implementing the project and responsible for operating the project post construction.

### 3.4. Land issues in the Eastern Cape

Although the Eastern Cape is one of the provinces where tribal authorities play a prominent role with regard to development issues, there are various institutions that own land. The following are stakeholders that own land:

- Tribal authority – on behalf of communities for various purposes such as human settlement, grazing and agriculture;
- Local municipality – for purposes such as human settlement, agriculture and to establish an enabling environment for local economic development thus creating jobs and growing the economy within the municipal area; and

- National government departments – there are national government departments that own land for specific purposes. These departments include:
  - The Department of Forestry – the purpose is to manage and expand forestry in communal land that has opportunities for forestry.
  - The Department of Water Affairs – for conservation and management of water resources.
  - The Department of Environmental Affairs, through its agency, the South African National Parks, owns three big National Parks, namely Tsitsikamma, Addo Elephant and Mountain Zebra;
- Provincial government departments – the provincial departments that own land include:
  - The Department of Economic Development and Environmental Affairs – this department manages protected areas for the purpose of biodiversity conservation.
  - The Department of Public Works – the land under the ownership of this department is usually for the purpose of service delivery such as building schools, clinics and other services. This Department also serves as a land custodian for other departments; and
- Private sector – There are several private sector organisations that owns land, mostly in the former Ciskei, and the dominating purposes are for agriculture and eco-tourism.

Land claims are prevalent in land under the ownership of provincial and national government departments. It is arguable that the actual ownership of this land lies with the tribal authority, and these departments are managing the land in line with their specific mandates. It is also suggested that the reasons why land claims are rife is because communities are not benefiting from their own land. Figure 3.1 indicates the land claim map of the EC:



Figure 3.1: Land claim map of the Eastern Cape

Source: Adapted from Eastern Cape Maps <https://www.google.co.za/#q=ec+map>

The areas circled in black indicate parks under the management of South African National Parks. The red line indicates the boundary of the former Ciskei and the former Transkei. Although there are land claims in the Ciskei, it is more prevalent in the former Transkei. The areas in green indicate conservation land under land claim as registered with the Land Claims Commission. Land claim have been settled in two of these areas, Dwesa and Mkambati. There are other areas that have land claims that are being managed for conservation and forestry purposes.

However, irrespective of land claims, there is an agreement between the Departments of Environmental and Land Affairs that land claims involving conservation land shall be maintained as such. If a land claim is settled, it shall not be used for grazing, housing development, agriculture or other activities that could destroy biodiversity. The land claimants shall conserve the land and derive benefits from natural resources, and this shall be done sustainably. Mkambati is a classic example - the land claim was settled in 2002; however, a decade later it is still

managed as a nature reserve, and the community is involved in playing a role in the conservation of the reserve.

### **3.5. Status quo of tourism projects in the Eastern Cape**

A preliminary investigation indicates that there are many capital tourism projects that were invested on by government, yet these projects seem not to be working. The following Table 3.1 summarises these projects as part of a preliminary investigation through primary and secondary sources. The summary includes the project name, local municipality in which the project is located, the value of funding received, year in which the project was funded, the organisation which funded the project, scope of the funding, and status of the project.



Table 3.1: Summary of tourism projects status quo in EC

No	Name of project	Location (Municipality)	Nearest Town	Name of funder	Funding received	Year funding received	Funded activities and project status quo
1	Mtentu Tented Camp	Mbizana Local Municipality	Bizana	Ntsika Development Agency	R1m	2006	The purpose of the funding was to build tented camps with a conference facility. The project was completed and operated for a while until it was closed in 2010. The facilities have been empty as furniture and equipment had been stolen. A faction of the community tried to resuscitate it but failed due to infighting.
2	Tyolomngqa tourist facilities	Buffalo City Metro (BCM)	East London	NDT	R9.5	2006	The purpose of the funding was to build tourist chalets and conference facility. The project has not been completed and is not operating. The consultant who was responsible for the project was fired, and the funder had embarked on a process of appointing another consultant to complete the project.
3	Mthamvuna tented camp.	Mbizana Local Municipality	Bizana	DEDEAT	R4m	2007	The purpose of the funding was to build chalets and conference facilities. The chalets and conference facility had been completed but not operating due to unavailability of an operator. The municipality has been looking for an operator on behalf of the trust, however, the effort yielded no results after an expression of interest was issued to the public as the facilities are still not operating.
4	St Mathew Tourism project	Amahlathi Local Municipality	Keiskam mahoek	NDT	R19 000 000	2009	The purpose of the funding was to build conference facilities, self-catering chalets and restoration of an old house. The project has been completed but not operating due to unavailability of an operator. Furnishings and fittings were still outstanding. Refer to pictures on page 66. ECDC advertised for an operator, but efforts yielded no results. Annexure C contains an advert that appeared in the Daily Dispatch (2012:14).

5	Mbodla Eco-Tourism (under Mhala Development Trust)	Ngqushwa Local Municipality	Peddie	National Development Agency (NDA)	R2.7m	2010	The purpose of the funding was to build tourist chalets, information centre and conference facility. The tourist chalets and information centre had been built but not completed, hence not operating, and the budget had been exhausted. The incomplete areas included access road to the facilities, power connection, water supply, furnishing and fittings. There were four chalets built, no clarity was obtained regarding what the original plan was as the project plan could not be obtained.
6	Bawa Falls.	Mnquma Local Municipality	Butterworth	DEAT	R8m	2006	The purpose of the funding was to build a tourist lodge and conference facility. Facilities had been completed and operated for a while, but they have been closed since 2011 due to community infighting and subsequently subjected to vandalism and neglect. The windows, toilets, frames, taps, doors and other accessories have been broken and stolen. Refer to photo on page 76.
7	Nkanya Eco-Lodge	KSD	Elliotdale	ECDC and DEDEAT	R4M	2011	The purpose of the funding was to build the first eco-lodge on the Wild Coast. The development entailed building of lodges, conference facilities, and restaurant and entrainment area. Buildings of the facilities were halted due to lack of budget. The professional team could not continue to build due to outstanding fees. Annexure D contains an article published in the Daily Dispatch (2014:10) on this project.
8	Ndlambe Tourism Infrastructure and Heritage	Ndlambe Local Municipality	Port Alfred	NDT	R10 450 000	2010	The purpose of the funding was to build chalets and conference facility. The project has not been completed and is not operating. However, the project-managing firm had advertised for PPP to manage and run the facilities. Annexure E contains an advert issued in the Sunday Times (2014:11).

9	OR Tambo Tourism Chalets	Mbizana Local Municipality	Bizana	DEDEAT	R10m	2006	The purpose of the funding was to build chalets, a restaurant and craft facility at Mthamvuna (a boundary of the EC and KZN). The intention of the facilities was to integrate these into OR Tambo Heritage Route. The project was completed but never operated due to unavailability of an operator. The project has been neglected and subjected to vandalism. The grass and trees are overgrown around the facilities, and the access road is eroded, windows and doors broken and stolen. Refer to photos on page 78.
10	Hluleka tourism chalets	Nyandeni Local Municipality	Libode	DEAT	R27m	2005	The purpose of the funding was to develop tourist chalets and bulk infrastructure (water supply, sewer system, power supply and road inside the reserve). The project has been built inside Hluleka Nature Reserve which is one of the reserves under the management of Eastern Cape Parks and Tourism Agency (ECPTA). Although the project was completed in 2008, it only started to operate in 2010. The operator is the ECPTA, which is a government agency.
11	Mthatha Dam Tourism Facilities	King Sabata Dalindyebo (KSD) Local Municipality	Mthatha	National Department of Environmental Affairs and Tourism and Department of Roads	R54.5m	2005	The purpose of the funding was to develop Mthatha Dam as a tourist resort. To date, the conference facilities have been completed as part of phase one but not operating yet. The project had no budget to build lodges. The road to access the facilities was still under construction. The project was delayed due to a land claim. The project received funding without knowledge of the land claim, which was triggered during community consultation processes. The project could not start until the land claim process was completed.
12	Amabaca Craft Centre	Umzimvubu Local Municipality	Mount Frere	NDT	R9m	2008	The purpose of the funding was to build a craft centre, curio shop, conference centre, and restaurant and tourist accommodation. The facilities were completed and operated by a co-operative.

13	Goxe tourism development	Umzimvubu Local Municipality	Mount Frere	National Department of Tourism	R13m	2009	The purpose of the funding was to build tourist chalets. The project was allocated insufficient funds, and the funder expected the district municipality to cover the difference, however year after year the municipality could not cover the difference. Another challenge was terrible road conditions to the intended facilities. The municipality was in the process of sourcing additional budget which could see the establishment of the projects through.
14	Mehlodong Hiking Trail	Matatiele Local Municipality	Matatiele	DEAT	R8m	2002	The purpose of the funding was to build hikers huts and associated infrastructure on the hiking trail. The project was completed and operated by a Community Trust.
15	Grahamstown Caravan Park, known as Makana Resort	Makana Local Municipality	Grahamstown	NDT	R14.25m	2008	The purpose of the funding was to build chalets, conference facility, bar and restaurant. The facilities had been completed and contracted to a private company for operation. This was the only community tourism project contracted to the private sector.
16	Magwa Falls Tourism Development	Ingquza Hill Local Municipality	Lusikisiki	NDT	R3.5m	2006	The purpose of the funding was to build conference and restaurant facilities. Phase one of the project has been completed but not yet operational. The community is seeking funding for further development.
17	Qaukeni Great Place Cultural Village	Ingquza Hill Local Municipality	Lusikisiki	NDT	R 20,5m	2008-2012	The purpose of the funding entailed construction of the cultural village, guest accommodation (Royal Home) museum, site preparation and general infrastructure at Qaukeni Great Place. The project was 90% complete, and was not operating since its budget had been exhausted. Efforts were underway to source additional funding.

18	Bumbane Cultural exhibition centre	Engcobo Local Municipality	Ngcobo	NDT	R 4,75m	2010-2012	The purpose of the funding was to construct a multipurpose centre consisting of community hall, boardroom, three (3) offices, kitchen and ablutions, installation of an entrance gate, construction of a guard house, landscaping of family grave yards, erecting fence to enclose family grave site, constructing Kings Grave site, creating a dedicated walkway. The project has not been completed and is not operating.
19	Manqondo Tourism Information Centre	King Sabata Dalindyebo	Mqanduli	NDT	R 4,75m	2008-2012	The purpose of the funding entailed construction of tourism information centre and installation of signage. The project comprised of internet cafe, administration office, display area, conference facility (to accommodate 50 delegates) and provision of signage to Coffee Bay and other related tourism routes. The facilities are completed but not operating due to non-availability of an operator. The information office and conference facilities were operating on an <i>ad hoc</i> basis.
20	Port St John's Waterfront	Port St Johns	Port St Johns	NDT	R 10,45m	2009-2011	The purpose of the funding entailed the development of facilities along the banks of Mzimvubu River in the town of Port St John's. The facilities that were planned to be built alongside the waterfront included two curio shops with display areas, restaurant, fishing gear shop and cane shop. Four years later, the project has not been built due to unresolved land issues.
21	Beach Public Facilities and Boat Launching Site	Port St Johns	Port St Johns	NDT	R 5,2m	2007-2012	The purpose of the funding entailed the provision of beach facilities which included a jetty for boat and canoe launching purposes, walkway to provide access through swamp area to beach and cottages, accommodation unit, camp sites with ablution facilities, office building, and gazebo and security office. The project has not been completed and is not operating.

22	Wonkumuntu Tourism Project	KSD Municipality	Mthatha	NDT	R 9,5m	2010-2013	The purpose of the funding was to construct a conference facility, earthworks, storm water reticulation, sewerage reticulation, and water reticulation, paved pathways, parking bays, land rehabilitation, gabions and gravel road. The project has not been completed and not operating.
23	Mbashe, Coffee Bay , Mvezo, Nelson Mandela Museum Phase 2	KSD	Mthatha	NDT	R 28,5m	2012-2013	The purpose of the funding was to build a perimeter fence for the site, construction of veranda on the multipurpose centre, earthworks, <i>lapa</i> , kitchen and bar, manufacture of furniture and procurement of equipment for the craft node, construction of accommodation facilities (backpackers and self-catering), upgrading of electricity & installation of lightning protection, sewer reticulation, bulk water reservoirs and construction of new internal roads, pedestrian walkways, resuscitation of old gravel road and general landscaping. The project has not been completed and is not operating.
24	Establishment of Chalets at Nyandeni Great place	Nyandeni	Libode	NDT	R 7,6m	2010-2013	The purpose of the funding entailed construction of dining and entertainment area, construction of chalets, construction of walkways, sewer reticulation, water reticulation and bulk electricity. The project has not been completed and is not operating.
25	Mthatha Airport Information Centre	KSD	Mthatha	NDT	R 9,5m	2011-2014	The purpose of the funding was to build a visitors' information centre at Mthatha for the King Sabata Dalindyebo Local Municipality. The structure was a single story building on a triangular shaped site corner of N2 & R61. The project has not been completed and is not operating.
26	Biko Heritage Trail	BCM	King Williamstown	NDT	R10 162 348	2010	The purpose of the funding was to build a hiking trail and associated infrastructure as part of the heritage route. The project has not been completed.

27	Kiwane Campsite	BCM	East London	NDT	R19m	2010	The purpose of the funding was to build a campsite, infrastructure, conference facility and restaurant. The project has not been completed.
28	Ndabankulu Cultural Heritage	Ntabankulu Local Municipality	Ntabankulu	NDT	R6, 65m	2006	The purpose of the funding was to build a cultural village and arts and craft centre. The project has not been completed and is not operating.
29	Aliwal Spa	Maletswai Local Municipality	Aliwal North	NDT	R19m	2010	The purpose of the funding was to build a lodge and upgrade the spa. The project is not been completed.
30	Bulhoek Massacre Heritage Site	Queenstown	Lukhanji	NDT	R9, 5m	2010	The purpose of the funding was to build to lodge and conference facilities. The project has not been completed and is not operating.
31	Hamburg Arts Colony	BCM	East London	NDT	14, 25m	2008	The purpose of the funding was to build an arts and craft hub with restaurants and meeting facilities. The project has been completed and operating.
32	Cebe Campsite	Mnquma	Centani	NDT	R9, 5m	2010	The purpose of the funding was to build a campsite and provision of associated bulk infrastructure such as water, sewer system and access road. The project has not been completed.
33	Ubuntu Craft Centre	Nelson Mandela Bay Metro	Port Elizabeth	NDT	R1 m	2010	The purpose of the funding was to build a craft and arts centre. The project has not been completed and is not operating.
34	Vusubuntu Cultural Village	Emalahleni Local Municipality	Lady Frere	NDT	R5, 7m	2010	The purpose of the funding was to build a cultural village. The project has not been completed hence not operating.
35	Motherwell Eco Tourism Development	Nelson Mandela Bay Metro	Port Elizabeth	NDT	R5, 7m	2009	The purpose of the funding was to build chalets and recreational facilities. The facilities have not been completed and are not operating.
36	Ntsizwa and Mvenyane Hiking Trail	Umzimvubu Local Municipality	Mount Ayliff	NDT	R13 332 585	2010	The purpose of the funding was to develop a hiking trail with associated infrastructure such as overnight huts and recreational facilities. The project has not been completed and is not operating.

37	Abathembu Cultural Calabash	Emalahleni Local Municipality	Lady Frere	NDT	R11, 4m	R2008	The purpose of the funding was to expand the facilities with additional chalets and conference facilities. This project was phase two, and the budget was allocated for expansion. The expansion had not been completed, however phase one, which comprised of a cultural village, was operating the arts centre.
38	Bongolo Dam Tourism Facilities	Lukhanji Local Municipality	Queenstown	NDT	R15m	2011	The purpose of the funding was to build tourism chalets and recreational facilities. The project was under planning.
39	Mthontsi Lodge	Nkonkobe Local Municipality	Fort Beaufort	NDT	R30m	2011	The purpose of the funding was to build a lodge, conference facility and other facilities. The project is under planning.
40	Port St Johns to Coffee Bay Hiking Trail	Port St Johns and KSD Local Municipality	Port St Johns	NDT	R10m	2011	The purpose of the funding was to build overnight hiking huts as part of the 5 day hiking trail from Port St Johns to Coffee Bay. The project is under planning and has been delayed by an EIA process.

Source: Researcher's own Construct (2013)



### 3.6. Preliminary analysis of the community tourism projects

- Of the forty projects, twenty eight are under implementation and at various stages of construction. However, it is a concern that construction has been prolonged in most projects;
- Construction has been discontinued in some projects due to a shortage of funds. Therefore, the projects can neither be completed, nor operated, until additional funds are sourced to complete the construction;
- Some of the projects that had been visited appear to have been standing for over two years without completion. This means the process of sourcing for additional funding is taking too long. It also appears that while construction is on hold, these facilities continue to require funding for security, basic maintenance and general upkeep of the area;
- Table 3.1 further reflects a total of nine projects that are operating on different scales, and probabilities for growth remains questionable;
- There are three projects that are under planning. It is important to reflect on these projects to observe the period within which these projects were implemented from the date of receiving funding. The projects received funding in 2011; however, in 2013 these projects were still under planning. This lengthy process of planning raises concerns;
- The article on Nkanya Lodge (Appendix D) provides lessons for future projects. It appears that from the beginning of this project, there was no agreement in place on who should fund, how much, for how long and other important information that should have had formed part of the partnership agreement. ECDC denied that they committed to funding R7m, as expected by the project owner. As a result, this matter was being pursued through legal processes during the survey. It is assumed that this could have been avoided had parties agreed and clarified the financial commitments;
- It also appears that there is misconfiguration and imbalance of tourist facilities. The facilities in Appendix E indicate that there are five chalets (each sleeping 6 people; overall capacity is 30 people) and a conference facility that can accommodate 70 to 100 people. This means that the conference facility

can never be sold on maximum capacity as other visitors cannot be accommodated; and

- The only facility that is operated by a private operator (Makana Resort) was built on land owned by the municipality, and the municipality negotiated and entered into an agreement with an operator.

These and other projects are explored further in the survey in Chapter Five.

## Photos of Bawa Falls Tourist Chalets



Source: Photos taken by the researcher on 27 April 2013

### Discussion of the photos

The facilities have been neglected and vandalised. The photos indicate a welcome sign that is not visible due to overgrown grass and trees in the facilities, broken basin, cistern, and toilet in the bathroom, and a cracked wall in the conference facility.



Photos of St Matthew Tourist Lodge

Photo1: Lodge



Photo 2: Conference facility



Photo 3: Self-catering units



Photo 4: Land outside and adjacent to the lodge



Photo 5: Inside the lodge (kitchen)



Photo 6: Inside the lodge (bedroom)



Source: Photos taken by the researcher on 24 January 2013



## Discussion of the photos

The facilities were just completed upon visit but not operating. The photos indicate the self-catering units, the land outside, inside the bedroom and kitchen. The furnishing was incomplete in the sense that beds, curtains and other accessories were outstanding. The lodge is an old building that was refurbished, whereas the rest of the facilities were newly built.

## Photos of Tourism Facilities at OR Tambo Tourist Chalets



Source: Photos were taken by the researcher on 6 February 2013

## Discussion of the photos

The photos are similar to those of Bawa Falls in the sense that they indicate have been subjected to vandalism and overgrown trees and grass around the facilities. The driveway to the facilities has been washed away by floods, as a result vehicles were parked about 300m away during the visit. Windows have been broken and doors stolen. There was no security manning the place during the site visit, therefore, facilities were vandalised and items stolen.

### **3.7. Auditing criteria for capital tourism projects**

As part of the process of investigating the tourism projects, it is important that set criteria are defined to guide the study towards understanding the problem area and realising the objectives of the study. These criteria and other factors are incorporated in the questionnaire that was administered to respondents. The criteria include among other factors, the following:

- Development processes- while the grant funding is from government the development processes vary in all three spheres of government (national, provincial and local). It is important to look at the development processes because they form the basis for the implementation of these capital projects;
- Project business plan- a business plan is important and outlines the direction of operation. This is a critical document as it states the vision, mission, and objectives and how to conduct business. As part of this audit, each business plan that was available has been reviewed to determine its credibility; and
- Operational model- the success of any project depended on, among other factors, the relevance of the operational model. Different businesses have different operational models. These structures included Community Trusts, Public-Private Partnership (PPP), Non-Governmental Organisation, Section 21 Company, and Co-Operatives. All these structures have been unpacked and analysed to determine the relevant operational model. The following are definitions relating to these models:

- i. Community Trust – “...a community trust is merely a device which makes it possible for a group of citizens in any community to create trust funds for educational, benevolent, and charitable purposes; the principal investment is placed under the administration of a selected financial institution and the expenditures are controlled by a local committee” (Tshikululu Social Investment, 2010:8).

South Africa’s National Treasury Toolkit for Tourism provides a similar definition with the added element of localizing the beneficiary community: “...a not-for-profit trust created in terms of applicable law by volunteer members for the purpose of channelling the proceeds of various activities and investments for the common good of persons ordinarily resident within a specific town, village or settlement” (SA. National Treasury, 2005:3).

- ii. Public Private Partnership – South African law defined a PPP “...as a contract between a public sector institution/municipality and a private party, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building and operation of a project” (SA. National Treasury. n.d).
- iii. Section 21 Company – “...these are companies that are registered to provide services and do not intend to make, or to be judged by the profits that they make. These ‘Associations Not for Gain’ are often funded by donations and foreign funding. Generally, they provide services to various communities such as children's feeding schemes, organisations that take care of AIDS orphans, religious and charitable organisations” (Company and Intellectual Property Commission. n.d).
- iv. Co-operatives – “...means an autonomous association of persons united voluntarily to meet their common economic and social needs and aspirations through a jointly owned and democratically controlled enterprise organised and operated on co-operative principles” (SA.DTI, 2005:10).
- v. Non-Governmental Organisation (also known as Non-Profit Organisation) – “...incorporated for a public benefit or other object and the income and property of which are not distributable to its

incorporators, members, directors, officers or persons related to any of them except to the extent permitted by item 1(3) of Schedule 1” (SA.DTI, 2008:28) ;

- Legal status and compliance of the project- each project has been analysed on its legal status and compliance with legislation. This included registration with the Companies and Intellectual Property Commission (CIPC), South African Revenue Services (SARS), and other pieces of legislation. This is not about registration only but compliance as well, that is, whether a particular business submitted annual returns to SARS. Legal status and compliance are important factors because they impact on future funding and attracting investors;
- Jobs created- the number of jobs created is one of the fundamental yardsticks to measure the success of projects. This is one of the objectives of the PGDP. The study looked at each project, the number of jobs that have been created, and the ability of the project to sustain these jobs in the long term. According to the NTSS, (2011:10) “...SA recorded a total of 439 000 direct job opportunities in tourism and 4% growth between 2003 and 2008”. This is evidence that tourism is an important sector for job creation;
- Project viability- each project is assessed on its viability to attract tourists, attract investors, stimulate economic growth, and benefit local Small, Medium and Micro Enterprises (SMME);
- Supporting infrastructure- each project is assessed in terms of its supporting infrastructure on the location of the project, bulk infrastructure and road networks. The White Paper on Development and Promotion of Tourism (WPDPT) placed emphasis on the fact that “...rural areas lacked infrastructure and thereby limits the participation of rural communities in the tourism industry” (SA.DEAT, 1996:10). Lack of efficient transport in rural areas also hampers participation of communities in respect of participating as suppliers of services or products to the tourism industry. According to Fridgen (1996:218), transportation is an important factor in state and community tourism planning. Tourism planning and development hinge upon easy



access; therefore, planning for transportation must be part of any tourism plan;

- Transformation and Black Economic Empowerment (BEE) - projects were also been assessed on whether they have implemented the principles of BEE. These principles included: ownership, strategic representation, employment equity, preferential procurement, skills development, enterprise development and social development.
- Sustainability of the project - the United Nations World Tourism Organisation (UNWTO, 2011) defined sustainable tourism as "...tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities". Another indicator of sustainability is independence from relying on local or provincial government for operational budgets. Other aspects of sustainability include green and responsible tourism. Travel and tourism had also begun to establish its place on the green growth agenda. According to SA.NDT (2011:6), almost half of European business travellers prefer to learn about environmental and social issues of a particular destination before making a decision to explore it;
- Responsible Tourism - the NDT's Tourism Bill (SA.NDT, 2011:13) defined responsible tourism as "...tourism which: minimises negative economic, environmental and social impacts; generates greater economic benefits for local people and enhances the well-being of host communities; improves working condition and access to the industry; involves local people in decisions that affect their lives and life chances; makes positive contribution to the conservation of natural and cultural heritage, to the maintenance of the world's diversity; provides more enjoyable experiences through more meaningful connections with local people, and a greater understanding of local cultural, social and environmental issues; provides access for physically challenged people; and is culturally sensitive, engenders respect between tourists and hosts, and builds local pride and confidence";
- Quality and services - according to NDT (SA.NDT, 2011:42), "...poor quality, poor management and lack of maintenance often detract from visitors' experience, and also damaged the image of our destination". It is therefore

important that this aspect is assessed on community tourism projects that are operating;

- Roles and responsibilities - the roles and responsibilities of stakeholders involved in the community tourism project were looked at in line with the White Paper on Tourism. These roles were discussed in Chapter Two. This factor is important to determine whether stakeholders understand their responsibilities;
- Skills and abilities - of government officials, implementers, communities and other structures involved in the project process were assessed and analysed to determine relevance of the skills, and identify gaps, and recommended improvements where necessary;
- Overall operation of the project - the aim of this factor is to assess whether a particular project was completed and operating including the state of income and occupancy; and
- Location - the aim of this factor is to assess whether a particular tourism facility was located in a prime site for tourism development. This includes the issue of supporting infrastructure.

### **3.8. Summary**

The development of tourism projects is informed by the EC provincial tourism framework which is aligned to the national tourism strategy. Therefore, it is important that both national and provincial plans are analysed on how they are geared towards the development of tourism projects. It is evident that tourism is a priority from national and provincial spheres of government through the processes which are in place to support the development of tourism projects financially. The status quo of each tourism project is vital and forms the core for this chapter as it underpins this study. Projects were identified and unpacked to understand the status quo, and from this, it was learnt that a significant number of projects are not operating due to incompleteness, and unavailability of operators. These preliminary findings confirm the problem statement of this research, namely, that capital tourism projects are not operation, despite huge funding amounts. These criteria are aligned to the research questionnaires that were used to gather data from respondents. An opinion or conclusion on successes and failures of community tourism projects from this study has been made on the basis that these projects were audited within this criteria. In Chapter Four, the research methodology and the techniques used to collect the data necessary for meeting the research objectives are explored.

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY**

#### **4.1 Introduction**

This chapter reflects on the research problem, objectives statements and research questions. The chapter further explains the methodology used to undertake the research with respect to the research design and structure, the data collection methods and how this method was administered to gather information from respondents. The chapter further explains how the pilot study was undertaken, its importance, and the research sampling.

#### **4.2 Study area**

This study was undertaken in the Eastern Cape Province (EC), which comprises six district municipalities as outlined on page one of Chapter One. These districts are OR Tambo, Alfred Nzo, Joe Gqabi, Amathole, Chris Hani and Cacadu. This study audited the capital investments made by government towards tourism development in the EC province. The capital referred to funding of R1m and over, as the funds for development usually cover infrastructural development which requires capital expenditure. This capital referred to funding that was used in the EC irrespective of the sphere of government department or agency funding the project; the underlying factor was public funds. The study focused on tourism-related capital projects invested in since 2004 when the Provincial Growth Development Plan (PGDP) was implemented. However, projects that were developed prior to 2004, but received capital from government to expand or revive a particular project, are included in the sample. Any project that had received funds for the purpose of operational issues such as consumables, staff training, and furniture and fittings, was not sampled, as this was not classified as capital expenditure.

### **4.3 Reflecting on the research objectives**

As articulated in the research proposal in Chapter One, this study sought to achieve the following objectives:

- To determine the status quo of capital tourism projects developed since 2004.
- To determine the modus operandi followed with regard to the capital tourism projects.
- To determine the reasons for the successes or failures of these projects, and
- To provide recommendations to address gaps and failures in tourism projects.

### **4.4 Problem statement**

The Eastern Cape Government, in partnership with the national government and other government agencies, had invested over R500m towards the development of capital tourism projects as part of an effort to fast-track economic growth and job creation. However, despite this investment, most capital tourism projects are not operational. Therefore this research is undertaken to establish whether government received value from the R500m investment. It is the aim of the researcher to identify lessons that could build knowledge to approach future tourism projects differently and to improve the success rate.

### **4.5 Research questions**

This research sought to address the following questions:

- What is the status quo of capital tourism projects developed since 2004?
- What is the modus operandi used in the development of these projects?
- What are the key factors contributing to the successes and failures of capital tourism projects?

## 4.6 Study methodology

### 4.6.1 Qualitative vs. quantitative research methodologies

Qualitative field studies can be used in the description of groups, small communities and organisations, and it was suitable in this case as the projects under research are located within communities and as a means of collecting data communities and organisations served as informants. Quantitative methods may be more useful in hypothesis-testing research (Welman, Kruger & Mitchell, 2005:187). This research was not testing a hypothesis; however, a qualitative research method was employed in certain instances to interpret numeric data. Table 4.1 below compares qualitative and quantitative research:

Table 4.1: Comparison of qualitative and quantitative research methods

<b>Qualitative</b>	<b>Quantitative</b>
Subjective data (narrative)	Objective data (numbers)
Flexible and explorative methods (enable researcher to change data progressively).	Complex structured methods (flexibility is limited to prevent any form of bias in presenting the results)
Constraints of day-to-day events (base their results on the daily events and behaviour of people).	Abstraction of reality
Insider's perspective	Outsider's perspective
Dynamic and changeable nature of reality	Stable (focus on the casual aspects of the behaviour and collection of facts that won't change easily).
Holistic (collect a wide array of data)	Particularistic (selective and collect particular data)
Focus more on validity (objective orientated).	Focus more on reliability (same results can be achieved if study is replicated)
Small samples studied by means of in-depth methods.	Larger numbers and analysis of results is statistical.

Source: Adapted from Welman et al. (2005: 8)

The qualitative method of research was used in this study to audit the tourism projects as the research focused on small samples that fitted the phenomenon of interest rather than large random samples. Qualitative research has the following benefits:

- They are well-suited to gather detailed information as they allow opportunity for follow-up questions;
- They generate theory to enable in-depth understand of a subject matter.
- They are also appropriate for complex issues; and
- Provides opportunity for new study area (Bhattacharjee, 2012:106).

#### 4.6.2 Research techniques

The choice of the research technique used was based on the researcher's assumptions, research skills and research practices. The research made use of both qualitative and quantitative techniques. Maree (2011:70) notes five types of qualitative research techniques, and they are:

- Conceptual studies- is largely based on secondary sources such as tourism business plans, tourism feasibility studies and other existing tourism related literature to enhance the understanding of the concepts and to add to the existing body of knowledge;
- Historical research- is a systematic process of describing, analysing and interpreting the past. This technique could be used to study pre-democratic processes of funding and implementing tourism projects or when there is a change in systems and processes of funding and implementing community tourism projects;
- Action research- is a process which starts with identifying a problem, collecting data, analysing the data, taking action to resolve the problem, and evaluating the outcome of the intervention. This is applicable to this research as a problem was identified, data was collected and analysed and subsequently, recommendations were made to resolve the problem;

- Case study research- is a systematic enquiry into an event which aims to describe and explain the phenomenon of interest. The approach to implement this technique would be selecting a community tourism-related project and create a case study around it; and
- Ethnography- is associated with social and cultural anthropology. In the case of this research, this technique would require that the researcher visit the projects, stay with the people, explore the communities where tourism projects are implemented, attend steering committee meetings and other engagements associated with the projects. This involvement would provide first-hand information on the study area.

From the above list of qualitative research techniques and their descriptions, the types of techniques that are used for this study are action and ethnography research techniques. Action research technique involves the five cyclical phases (described in Figure 4.1) which are embedded in this study. These phases are: (1) diagnosing, (2) action planning, (3) action taking, (4) evaluating and (5) learning. A problem was identified, data was collected and analysed and subsequently, recommendations are made to resolve the problem. It is also believed that this research will be used as a basis to evaluate community tourism projects which is part of the action research technique. Figure 4.1 below indicate action research as described above.



Figure 4.1: Action research cycle

Source: Bhattacharjee (2012:108).



The use of ethnography as an additional technique is based on the fact that the research focused on individuals, communities and organisations that are involved in tourism projects. Selected projects were visited, and managers and communities representatives were interviewed. This technique is relevant to uncover the manner in which they took actions, accounted and managed the tourism projects.

The study also uncovers the way in which practitioners are planning, implementing and operating the tourism projects. This is related to the primary aim of ethnography as a research technique.

#### 4.6.3 Survey design

The research design used in this study is a structured survey. Structured surveys use formal lists of questions asked to all respondents in the same way as appearing in the questionnaire (Dawson, 2002:23). This was the case in this research as questions were compiled and distributed to the identified population. This study used questionnaires as a tool for gathering data due to the fact that the population is scattered throughout the province, and many of them have no access to computers and the internet, therefore, a questionnaire is a relevant tool and was administered upon confirmation of appointments with respondents.

According to Ismail (2008:175), it is necessary for a questionnaire to satisfy the following three objectives:

- “It should meet the aims of the research;
- It should reflect accurate information regarding the research study; and
- It should be executable within the time and resources available”.

There were two sets of questionnaires used in this study, one targeted tourism project planners and the other targeted tourism project operators. The tourism project planners included government officials in all spheres of government (national, provincial and local) and consultants who are involved in tourism project planning and implementation in the Eastern Cape. The operators of tourism projects included

communities as beneficiaries and other structures involved in the operation of these projects.

Unstructured interviews were also used to gather detailed information for some of the projects, as some of the respondents in the communities are illiterate, and administering the questionnaire solely would not have gathered the correct information, therefore unstructured interviews were necessary. Value was also added through interviewing the respondents in their mother tongue IsiXhosa; they were comfortable to share more information beyond the questionnaire.

“...Unstructured interviews were informal and were used to explore a general area of interest in depth and there was no predetermined list of questions to work through in this situation; however the researcher should have had a clear idea about aspects to be explored” (Welman et al., 2005:166).

The questionnaires focused on the critical aspects of tourism project planning, implementation and operation, and were made up of open and closed-ended questions. Closed-ended questions, unlike open-ended questions, are less time-consuming to administer, and the criticism levelled against open-ended statements in a questionnaire is that it is time-consuming, thus resulting in respondent fatigue as they require considerable reflection before answering; this has a demotivating effect, which often results in a poor response rate (Ismail, 2008:176).

#### **4.7. Pilot study**

The purpose of a pilot study is to:

- “Detect possible flaws in the measurement procedures;
- Identify unclear or ambiguously formulated items; and
- Notice non-verbal behaviour” (Welman et al., 2005:148).

Prior the actual research, a pilot study was undertaken using three groups of planners and two groups of operators. The questionnaires were administered to reachable tourism projects that were aligned to the study. On the planners’ side, the

projects that formed part of the pilot were the Mthamvuna Tented Camp, OR Tambo Tented Camp and Mbodla Eco-Tourism, while on the operators' side, the projects were the Hluleka Tourism Lodge and Amabaca Craft Centre. The questionnaires were administered telephonically and by email to respondents representing these projects. The reason for the telephonic survey was to expedite the finalisation of the questionnaires. These questionnaires were then analysed and subsequently revised to address the gaps emanating from the pilot study before commissioning.

#### **4.8. Sampling design**

Sampling is a process of selecting a population that will be interviewed for the research. In this study, it includes selected tourism planners and implementers in the broader population and area of study. (Bhattacharjee, 2012: 66). Probability and non-probability are the two methods of sampling. The probability method is random and non-probability method is specific (Maree, 2011: 172).

##### **4.8.1 Probability versus non-probability sampling methods**

Probability sampling is a technique in which every community tourism project has a chance of being selected (Bhattacharjee, 2012:68). The following are methods of probability sampling:

- Simple random sampling – each element in the population is numbered for easy identity;
- Systematic sampling – the population is selected at regular intervals through a defined criteria;
- Stratified sampling – this method involved dividing the population while ensuring that there is no overlapping in the groups;
- Cluster sampling – groups are clustered and selected randomly or non-randomly; and
- Matched-pairs sampling – this method involves comparison of two groups using a specific criteria.

On the other hand, non-probability sampling is a method in which some units of the population have a zero chance of being selected. In this case, the method would identify and focus on a specific project. The following are of non-probability sampling methods:

- Convenience sampling – the population is chosen because it is reachable;
- Quota sampling – this method involves segmentation of population into subgroups so as to observe a predefined quota;
- Snowball sampling – this method involves referrals from one respondent to the other, who fit the required profile, due to scarcity of respondents; and
- Expert sampling – respondents are chosen because of their level of expertise on a particular subject matter.

The sampling method used in this research is non-probability sampling. The population for this survey was difficult to find, therefore this reason provides a compelling argument for the use of non-probability sampling.

According to Maree (2011:176), researchers may consider non-probability sampling due to the following situations:

- “Not much time is available- results are needed urgently;
- The measuring instruments needs to be tested;
- Preliminary studies have to be done in the development stage of the survey;
- Not much money is available for the data capturing; and
- The population is difficult to find”.

The techniques used for this study were:

- Snowballing- described by Bhattacharjee (2012:71) as a technique where the researcher identifies a few respondents that match the criteria and asks them to recommend other potential respondents who meet the same criteria. This technique is useful, especially on projects where planning and implementation is led by consulting firms, because they knew each other and partnered in big

projects. Therefore, this technique is useful as one consultant referred the researcher to another one who did similar work in the Eastern Cape.

- Expert sampling- described by Bhattacharjee (2012:70), in this technique, the researcher identifies specific professionals to participate in the study due to their knowledge and expertise. Tourism government-related projects were planned and implemented in a Project Steering Committee (PSC) which comprises between five and ten PSC members. One member from each PSC representing each identified project was interviewed. Moreover, in terms of operation, the tourism projects were usually operated by Community Trusts, which could be up to 20 trustees and other structures. The second set of questionnaires was sampled from these structures. The targeted respondents in each project operation were staff members who occupied managerial positions, or were part of decision-making as they had better insight into the operation compare to junior employees.

#### 4.8.2 Study population and sample size

“A population is a collection of objects, events or individuals having common characteristics that the researcher is interested in studying” (Mouton, 1996:132). The first set of population for this study was government officials and consulting companies involved in tourism planning and implementation. The second set of population was community entities and other structures that were responsible to operate these tourism projects after construction and handover.

According to Kothari (1985), designing the sample calls for three decisions:

- Who will be surveyed (the sample)?
- How many people will be surveyed (sample size)?
- How should the sample be chosen (sampling)?

From these guideline questions, the following are relevant answers:

- Who will be surveyed (the sample)? The sample were planners and implementers of tourism projects and operators of tourism projects in the EC.

- How many people will be surveyed (sample size)? It was estimated that there were between 30 and 70 tourism projects that had received capital funding from government. It was anticipated that all these projects would be researched to gain a better understanding of the problem, and make informed decisions. The question of how big the sample should be in a specific survey is usually not easy to answer since there are a number of factors to consider (Maree, 2011:178). This author noted that there are three factors which largely determine the sample size:
  - Type of statistical analyses planned;
  - Accuracy of results required; and
  - Characteristics of the populations.
  
- How should the sample be chosen (sampling)? The sample was representatives from project planners and project operators; one representative per project under planners, and one representative per project under operators were selected to participate. This sample was chosen through a snowball sampling technique as described above.

#### **4.9. Administration of the survey**

The questionnaires were distributed to the target sample upon confirmation of appointments. The following three options were used to administer questionnaires:

- A total of twelve projects located within easy reach were administered by the researcher upon confirmation of appointments. Respondents were given questionnaires to complete while the researcher was waiting to collect the completed questionnaires. The presence of the researcher during completion of the questionnaire assisted the respondents in any clarification that was required. The response rate was 74,3%.
- Questionnaires were administered telephonically and by email to projects that were located far away. Bhattacharjee (2012:75) advises researchers to be careful with this form of administration as the response rates tend to be quite low, since most people tend to ignore survey requests. Questionnaires

administered through email had time-frames stipulated, and constant follow-up was made to ensure that the questionnaire was completed and returned to the researcher. The overall response rate was 74.3%, of which 35% questionnaires were returned by email and 39.3% were collected; and

- A research assistant was secured to assist in administering questionnaires in certain clusters of projects. The research assistant was trained through the entire questionnaire administration process to ensure common understanding. A total of sixteen questionnaires were successfully administered by the research assistant and the rest by the researcher.

#### **4.10. Qualitative and quantitative data analysis**

Qualitative analysis is dependent on the researcher's analytical skills and personal knowledge of the subject matter and the informants. The emphasis in qualitative analysis is to ensure that outcomes are understandable and make sense (Bhattacharjee, 2012:113). According to Maree (2011:99),

“...qualitative analysis tried to establish how participants made meaning of specific phenomenon by analysing their perceptions, attitudes, understanding, knowledge, values, feelings and experiences in an attempt to approximate their construction of the phenomenon”.

All the numeric data collected was analysed quantitatively using a descriptive analysis as the tool. The data were statistically described, aggregated and presented. The technique used to analyse the data was coding. According to Bhattacharjee (2012:113), coding is a process of classifying and categorising text-data segments into concepts or codes. The data collected was captured and categorised into different responses based on questions, thereafter, data was analysed.

#### **4.11. Validity and reliability of the study**

The research process was rigorous, and it is believed that the outcomes of the survey are valid and identified critical issues that would assist to establish a baseline,

policy development and establishment of other support mechanisms dedicated for community tourism projects. It is also believed that this research is reliable. This meant that the same results could be produced should the findings be subjected to testing or if the same research is replicated. A total of 74.3% (52 responses) validity and reliability was achieved out of 100% (70 distributed questionnaires).

#### **4.12. Ethical consideration**

All respondents were treated with respect, and the survey was undertaken with their permission. The undertaking that was made to the respondents was that the study was for academic purpose, and the aim of the study was to make improvements on the current and future community tourism projects. The researcher also undertook to provide the outcomes of the study to respondents, however, through permission of Cape Peninsula University from Technology (CPUT) as the final study remained the property of CPUT.

#### **4.13. Summary**

This research employed a qualitative method of study as it focused on small samples, and the techniques used were action and ethnography techniques. The research survey was structured and made use of questionnaires as a tool for gathering data. The questions were closed-ended; however, there were a few open-ended questions to gather more information from respondents. The sampling method used was non-probability, and the techniques used were snowballing and expert sampling. The reasons for these techniques were that the population was reached, based on referrals from one respondent to the other, and the fact that government officials had expertise on the phenomenon. Questionnaires were administered directly to respondents by the researcher, research assistant and by email, and subsequently analysed qualitatively and quantitatively through coding and descriptive methods. In Chapter Five, the data collected during the survey process is analysed and discussed.



## **CHAPTER FIVE**

### **RESEARCH FINDINGS AND ANALYSIS**

#### **5.1 Introduction**

This chapter presents the analysis of the findings from the study and is divided into two sections. Section A presents the findings and analysis of the outcomes from planners and implementers of tourism projects, while Section B presents the findings and analysis of the outcomes from operators of tourism projects. The presentation of the findings and analysis begins by recapping the questions that were asked during the administration of the questionnaires, followed by rationalising the questions. Thereafter, the results are presented in graphs and tables, and finally analysed. The chapter concludes with a summary.

#### **5.2 Questionnaires administered to planners and implementers**

A total of 70 questionnaires were distributed to interviewees involved in the planning and implementation of tourism projects in the Eastern Cape Province of South Africa (Annexure F contains the questionnaire distributed). A total of 52 questionnaires (74.3% response rate) were returned, captured and analysed accordingly; while 18 questionnaires were not returned by participating respondents. Follow-ups to receive the remaining questionnaires yielded no results. The following are some of the reasons for non-return of the remaining questionnaires:

- Respondents were very busy and had no time to complete the questionnaires;
- Some of the respondents resided in rural areas where there is poor telecommunication, unavailability of fax lines, internet, and poor cell phone reception; and
- Some of the respondents could not be reached upon follow-up; it is assumed that they had changed cell phone numbers, and there were no other means of communication.

The respondents were consulting firms, government representatives, community representatives, particularly members serving in project steering committees, and community trusts where chairpersons and secretaries had been consistently serving in these structures and gained experience on the projects.

### 5.3 Section A: Planners and implementers of tourism projects

The responses to the qualitative questionnaire are analysed as follows:

A1: What was your capacity in the project?

The rationale for the question was to understand the capacity and functions of participants in which respondents served. All spheres of government, private sector, communities and other structures had been involved in tourism planning and implementation of tourism projects, but the dynamics were different, hence it was important to understand their representation.

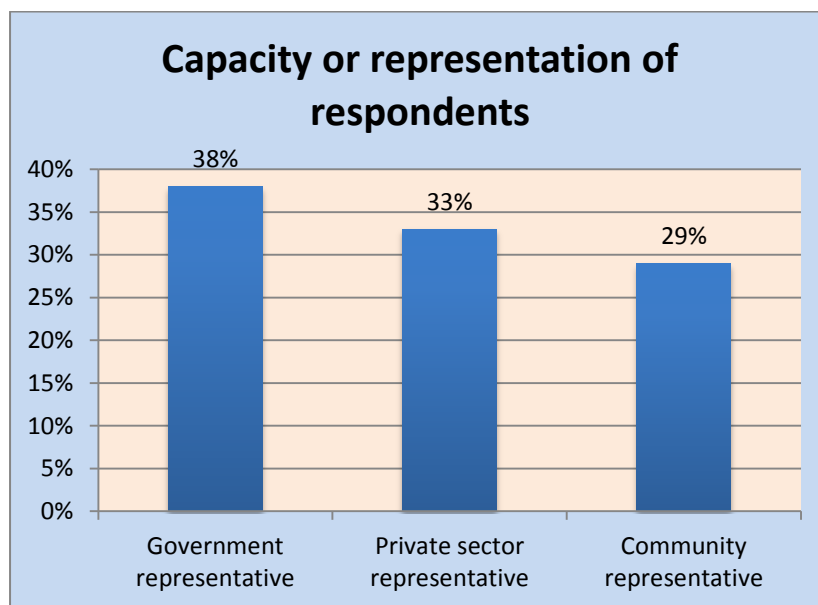


Figure 5.1: Capacity of respondents in the projects

#### Interpretation and analysis of results

The sampled 38% government representatives included officials from national, provincial and local government, and government agencies. Included in the 33% participation rate of private-sector involvement were consulting firms commissioned by government to implement tourism projects. Consulting firms were an integral part of the development of tourism projects, and government used consultants as there was no 'red tape' and bureaucracy in their procurement and administrative processes. The sampled 29% community representatives included members of

project steering committees who represented the broader communities in the development and implementation of tourism projects.

The results indicated that there is reasonable balance of representation in project steering committees that were established to implement tourism projects. Government (national, provincial and local) as funders were overseeing their investment, while the private sector was taking a lead in championing the implementation of tourism projects and ensuring that the broader private sector was represented. The results also indicated that the communities, as owners and prospective operators, were involved as they were expected to manage and monitor the projects.

A2: What was the capital funding that was allocated for the development of this project?

This question sought to understand the value allocated for tourism project-development. The budget was taxpayers' money, and it was important to determine whether this budget was being spent for the purpose allocated. Allocation of the budget would determine how important the tourism industry was for economic growth in the Eastern Cape Province.

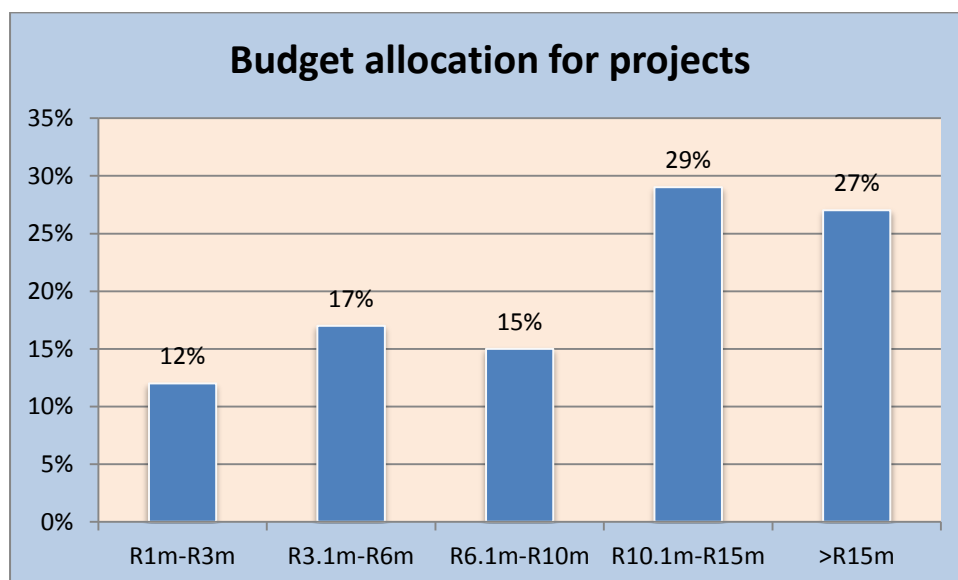


Figure 5.2: Capital funding allocated to tourism projects

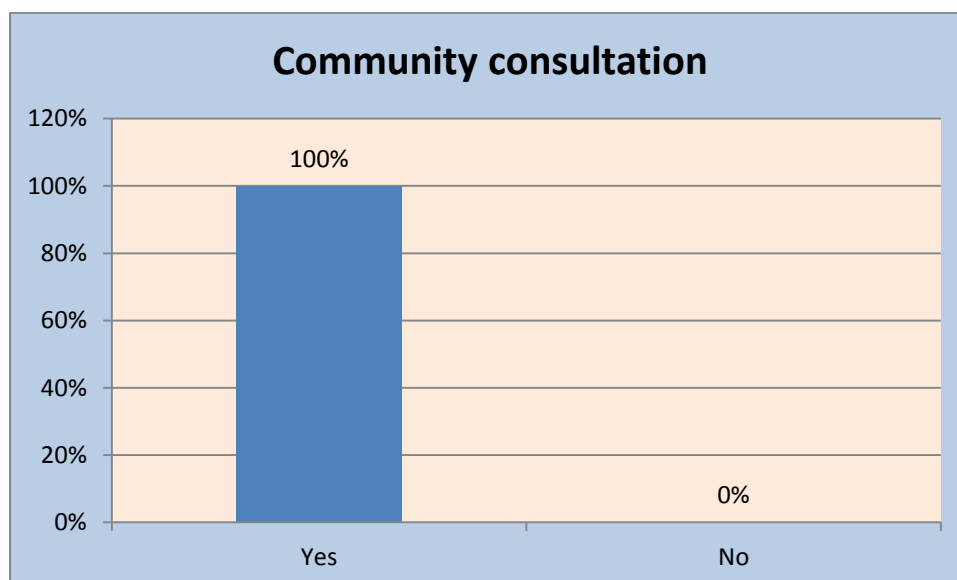
## Interpretation and analysis of results

The results indicated that 12% of projects received funding valued between R1m and R3m, 17% projects received budgets between R3.1m and R6m, and 15% projects received a budget between R6.1m and R10m. A total of 29% of projects received a budget between R10.1m and R15m, and another 27% of projects received over R15m. All these budget allocations indicate that government is taking the tourism industry seriously. In total, the Eastern Cape received over R500 million from central government to develop tourism projects in the province.

From the results, it was evident that government is prioritising tourism as a critical sector for economic growth hence the budget allocated. The question was whether this budget was utilised fruitfully for its intended purpose, which is explored as the research unfolds.

A3: Was the community consulted during the planning and implementation of the project?

This question sought to understand whether communities were part and parcel of the planning and implementation of projects as they are the backbone of the development. The funding is meant to create jobs for the communities while contributing to the economic growth through the tourism industry.



## Figure 5.3: Community consultation

### Interpretation and analysis of results

All respondents indicated that their communities were consulted in the process of planning and developing the tourism projects. Project Steering Committee (PSC) was a requirement for the implementation of projects, and each project had a PSC that was represented by community members and councillors from municipalities who served the communities.

Although communities were consulted, it is uncertain how much they were involved in identifying and deciding on their needs. Most respondents mentioned that communities were consulted as follows:

- Workshops were facilitated for communities as part of equipping them in the planning and implementation processes;
- On every PSC, there were two members from each village who had been identified to represent the village. The expectation was that these representatives would report back to the village; and
- Consultation meetings were held with the traditional leaders who were responsible for the villages.

Although these platforms were arranged for consultation, the frequency and quality of consultation was unknown; however, the common approach and recommendations from funders was that consultation should cover the intended milestones of the project being implemented. In fact, it was the PSC which included the community representatives that should approve each project milestone. Therefore, the assumption was that because the community was involved in the approval of the milestone, they had understood the milestone and this was a form of consultation.

Despite these consultations, there were communities that felt that they did not play a meaningful role in the project due to a lack of knowledge of the tourism industry, or that there were activities that were happening without their knowledge or full

understanding. This could mean that there were gaps in the consultation process, or that some consultants were fast-tracking the implementation of projects to minimise delays and to avoid cost escalations. The fact that some communities felt that consultation was limited could mean that they were not prepared thoroughly for the planning process, and this may result in poor or ineffective operations of businesses.

A4: Was the location suitable for tourism development?

This question sought to understand whether the location was treated as an important aspect prior to the development of the site. A suitable location must conform to certain criteria as detailed in Chapter Two. Therefore, this question sought to understand whether these criteria were applied in the process of securing a location for the projects.

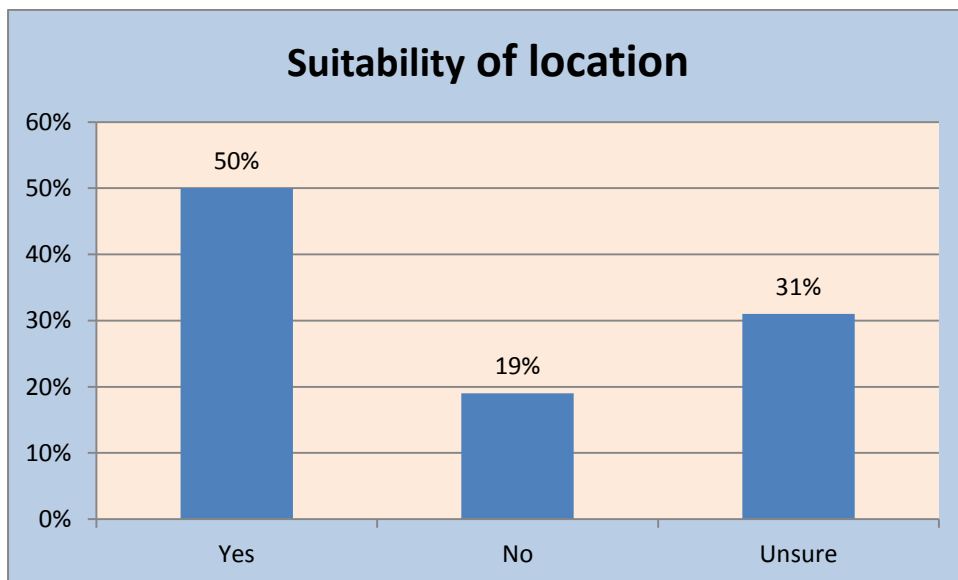


Figure 5.4: Suitability of location for tourism development

#### Interpretation and analysis of results

The results from this question indicated that the majority (50%) of tourism developers perceived the location identified for development to be suitable. By suitable it was meant that the location was identified within defined criteria. There were different views on what constituted a suitable location, such as a lack of competition, availability of a dam, heritage features and beautiful scenery. Although the location

was perceived to be suitable, many respondents were concerned about access roads to the site. One of the projects that had been in existence for many years was closed due to poor management. The project was viable and operated optimally, hence the location remained suitable; consequently, the funding was not based on a new location but was meant to revive the project.

Nineteen percent of respondents perceive the location to be unsuitable for development. However, this raised questions as to why development proceeded if the location is unsuitable. Most respondents who indicated the location as unsuitable were private consultants who were not involved during the conceptualisation of the project, and on taking over the project found no documentation in place. Other projects had been moved from the prime location due to land claims. Since the funding was already available, a compromise site had to be secured to spend the funds. Project funding was based on a government financial year cycle (April to March), therefore, if a particular government department or municipality failed to spend, they would be penalised by the National Treasury, and that department or municipality could suffer budget cuts for failure to spend, and this would impact the project negatively. Often, if the prime location was no longer available due to a land claim or other reasons; a compromise site was secured so that the budget would be spent instead of returning it to Treasury. Although some land was communal, land claims were prevalent in the Eastern Cape as most land was secured and managed by different government departments for purposes of biodiversity conservation, heritage preservation, forestry management, and water catchment areas.

One of the projects investigated moved from a prime location because of the influence of the local chief. The tourism chalets in this project had been built in a prime location while the information centre, conference area and craft area had been built at the chief's residence, three kilometres apart. The chief's homestead is not visible and it is far from the main road while the chalets are visible. It transpired, from the research, that the chief used his powers, ignoring the recommendations of the business plan and advice of the project manager. This decision resulted in a division on the project steering committee and subsequent resignation of the project manager and some members of the community trust. This is not an isolated case as there are several tourism facilities that had been built in other homesteads of local

chiefs through government funding. It is unsure of the extent to which they had influenced the funding and the facilities that had been built. The role of the chiefs needs to be further investigated.

Thirty one percent of respondents indicated that they were unsure about the suitability of the location. These respondents were mainly community representatives who lacked knowledge of the tourism industry and depended on opinions from government officials and consultants. These respondents raised concerns as project beneficiaries and future operators as to how they should make and influence decisions in the development process. It was suspected that despite the fact that communities were consulted, there were critical aspects that they had no knowledge of, such as identifying a suitable location for development.

A5: Was a feasibility study carried out for the project?

The question sought to understand whether a feasibility study had been carried out for the projects. A feasibility study is a critical component in the development of a viable business. It is expected that any tourism business would have undertaken a feasibility study to determine its viability.

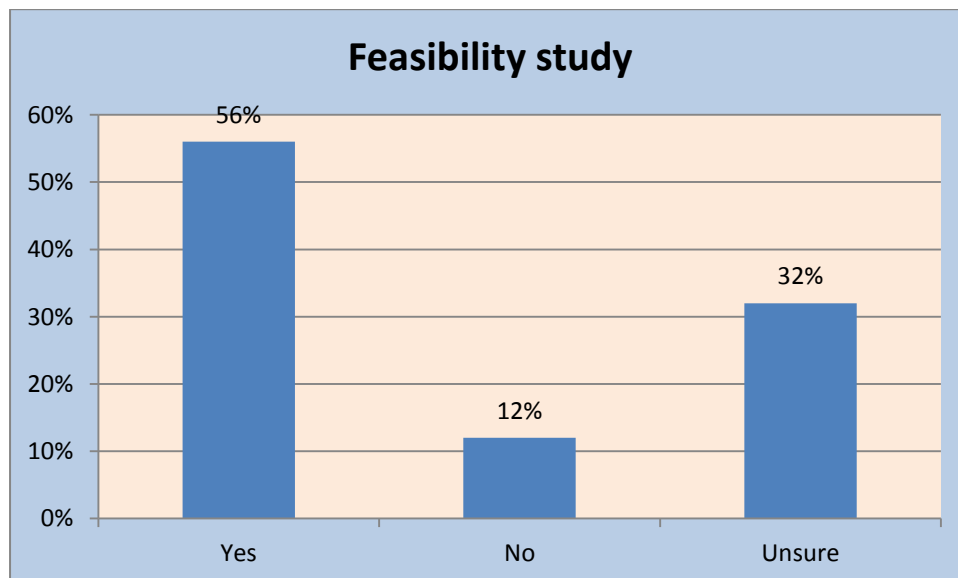


Figure 5.5: Feasibility study for the project



## Interpretation and analysis of results

Fifty six percent represents respondents who had served on committees that had carried out tourism feasibility studies required to obtain funding. Some of the motivation that resulted in funding include: the beautiful environment, a heritage site, natural attractions and estuaries. These are locational factors which should have been considered during a feasibility study. It should be noted that these factors did not necessarily mean there was potential for tourism development as a detailed feasibility study must be undertaken. The above-mentioned factors cannot provide compelling reasons for government investment. Most decisions for project investment were based on feasibility studies which were fundamental as they conceptualised the financial viability of the proposed business. Although respondents had confirmed that feasibility studies were undertaken for their projects, it was unclear whether they were comprehensive enough to inform such decisions. The results could suggest that the feasibility studies were flawed or incomplete. Other respondents based their responses on the basis that the projects were listed in municipal Integrated Development Plans (IDP). The fact that the project appears in the municipal IDP, approved by municipal council, resulted in feasibility studies being ignored. This is a perception of uninformed people. This indicated that people misunderstood the purpose of the IDP being a framework for development and zoning.

Twelve percent of respondents raised concerns as to why a project was funded without a feasibility study. A feasibility study was one of the fundamental requirements for any development and should form the basis for funding. There were respondents (32%) who were unsure whether a feasibility study was carried out or not. These respondents were mostly from communities where many stated that they neither knew what a feasibility study was, nor its purpose, but were keen to see development taking place in the area so that job opportunities could be created. They also relied on commissioned consultants to undertake feasibility studies and offer opinions on tourism development.

There were also respondents who indicated that, upon their appointment to implement the projects, there was no paper trail and evidence that feasibility studies

were done. This happened on projects where an implementer was fired as a result of failing to implement the project and a new one was appointed to complete the project. A respondent stated that the actual development started seven years later following completion of the feasibility study, and there was no business plan in place. At the time of funding availability, the development was based on a feasibility study that was seven years old. Overall, the results indicated that people are uninformed and lack basic understanding of development processes. There was also a sense of negligence particularly the fact that there were projects that were developed solely based on a feasibility study without a business case. It also raised a question: where were the government officials to provide direction on the processes and policies as it was compulsory that in each project funded by taxpayers' money, there should be a government representative to monitor the process? If the development continued in their presence, it raised a question on their abilities and experience with regards to development processes.

A6: What was the outcome of the feasibility study related to the project?

The aim of this question was to understand whether the outcomes of the feasibility study recommended the development of a project. If the outcome was not in favour of the development, any further persuasion would lead to project failure, and its expenditure would, therefore, be declared fruitless.

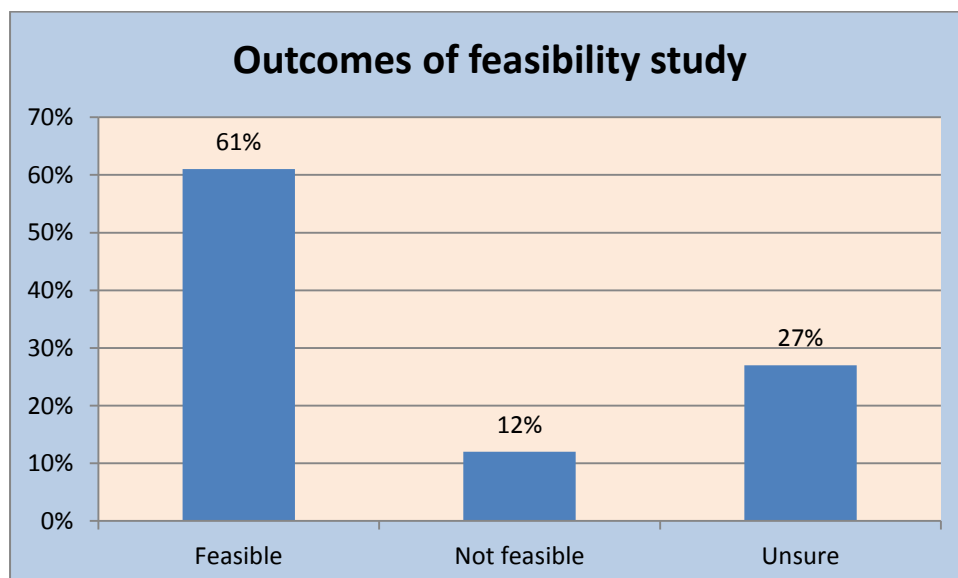


Figure 5.6: Outcomes of feasibility study

## Interpretation and analysis of results

Included in the 61% feasible responses were government officials whose responses were based on locational features such as beaches, dams, and attractive scenery as reasons for feasible tourism projects. However, it was questionable whether these locational features were solid reasons to substantiate feasible tourism projects to trigger development. Private consultants were perceived to be independent, and most government departments had commissioned consultants to undertake feasibility studies, however, it seems that consultants were reluctant to deliver negative results as they did not want to disappoint their clients or lose contracts. This raised questions on their qualifications, experience and work ethics. On the other hand, apart from the fact that there was lack of skills from communities, they also had interests in the projects; therefore, it was unlikely that they would produce a credible opinion.

Some of the respondents in the 12% grouping were implementing projects that they had inherited. A project had been implemented by two consultants in the past, and there was no documentation for the third consultant to make an opinion on the feasibility of tourism development projects. A concern that one could raise was why government proceeded to fund a project that was not feasible. Other respondents cited political interference, mostly by tribal chiefs, to be a reason for funding projects, despite the fact they were not feasible. There were two scenarios to political influence:

- The influence was based on political connection where a project beneficiary or a chief knew someone in charge in a particular case. This connection often worked as the person in charge had interests either in the project, or originated from the community; and
- Pressure from government to spend. For example, most areas in the former Transkei had been identified as presidential development nodes. This means the projects are managed from the office of the President. Often, funding is pushed to different projects to fast-track development without a feasibility study or business plan.

Within the 27% response group were community members who were told that their project was feasible, and based on that opinion, they had made decisions to proceed with the project. Some respondents mentioned that they did not know what it meant when a project was feasible; however, they were told by their consultant that it meant the project would succeed. Some of these projects had been completely constructed but battled to secure operators. This was probably a sign that these projects were not feasible from the outset because a properly constructed tourism business based on a viable feasibility study and business plan in an ideal location should not battle to secure an operator. Since the communities in most projects were told that the projects would be feasible, it was likely that they would blame consultants and government officials should the project fail.

A7: What was the operational status of this project?

This question sought to understand the status of each business to determine whether there was progress on these projects. This question was critical and addressed directly one of the objectives of this study. Operation of the projects was fundamental and could determine the contribution made by these projects to the tourism industry (in the Eastern Cape), and inspire future investment.

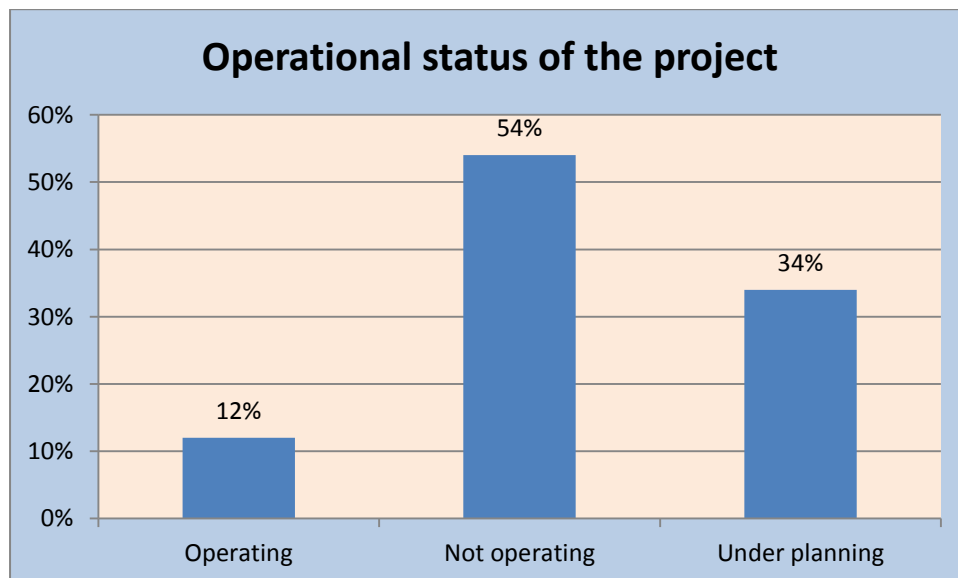


Figure 5.7: Operational status of the project

## Interpretation and analysis of results

The survey results indicated that only 12% of tourism projects were operational, meaning the projects were functional and were open to tourists. It was disconcerting to have had witnessed such a small percentage of tourism projects operating. These results did not support the concept that community tourism projects were feasible, and whether they could contribute to the growth of the local tourism industry. There was no motivation for government, or any investor, to invest in these or in future projects as the number of operating projects were incredibly low. The value invested towards tourism projects that were operating was R143 150 000.00. These projects included a resort, information centre, tourist chalets in a nature reserve, a craft centre and a hiking trail.

These results also suggested that the taxpayers' money was being wasted. A huge percentage (54%) of these projects was not operating. These were mostly projects that:

- Had been completed but were not operating due to various reasons including unavailability of operators and incomplete soft finishes;
- Had been completed, and there were activities taking place in an attempt to operationalise the projects; and
- Had operated before but were closed at the time of the survey because they were not feasible.

The value of tourism projects that were not operating was R358 332 585.00, and these projects included a combination of accommodation, conference facilities with restaurants, resorts, hiking trails and cultural villages. The number of projects that were not operating should raise concerns from a government perspective in relation to the total value of budgets allocated for development. The number of projects that were not operating is too high, and there is no substance for government to continue to fund tourism projects.

A total of 34% of projects were under planning, and were at different development stages, such as under construction, waiting for approval for funding transfers, and

stakeholder consultation. The value of the projects that were under planning was R55 000 000.00, and these projects included a community lodge, a hiking trail, accommodation and recreational facilities. The question was whether these projects under planning could learn key lessons to avoid similar mistakes that had occurred in the projects that were operating and projects that were not operating.

A8: How many years did it take to implement the project?

The rationale behind this question was to determine the number of years it took to implement projects from the date of planning after conception. The question would also determine whether projects were implemented within a realistic time frame while taking into consideration the value and scope of the project.

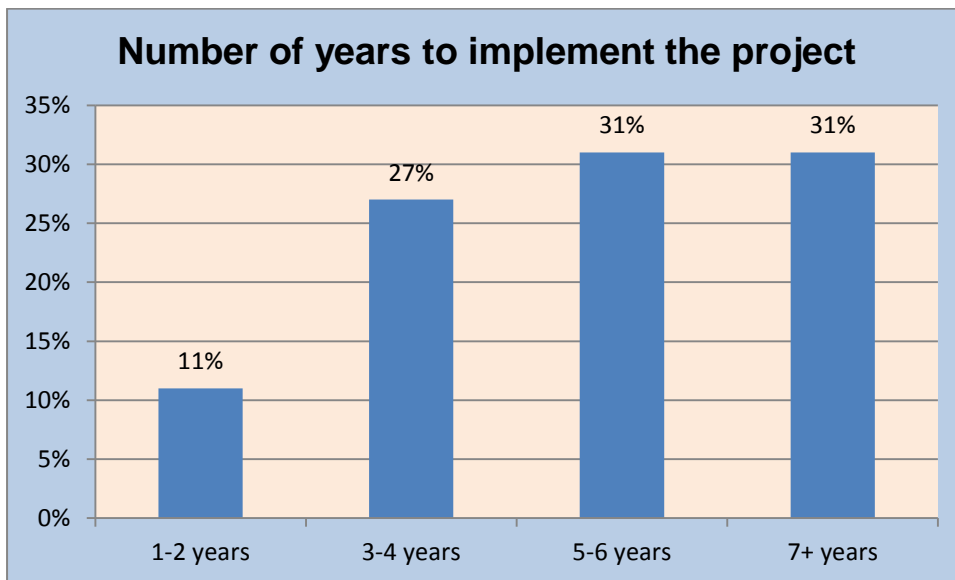


Figure 5.8: Number of years to implement the project

#### Interpretation and analysis of results

The results indicated that only 11% of tourism projects were implemented within two years. These were mainly low scale developmental projects such as campsites, small tourism accommodation facilities, and hiking trails. A total of 27% projects were implemented within three to four years. This period could also apply to small tourism accommodation facilities, hiking trails and small tourism conference centres. A total of 31% projects had been implemented in five to six years and another 31% were

implemented within seven and more years. These were medium to large-sized tourism infrastructural development such as tourist lodges, resorts and other related facilities. These projects were identified and discussed in Chapter Three.

It should be noted that the feedback from respondents referred to the actual number of years for actual building of tourism facilities, including provision of bulk infrastructure such as electricity, water supply and sewage disposal. The number of years to implement the projects excluded the conceptualisation stage of the project, feasibility studies, social consultation and facilitation. There were a number of reasons respondents shared with the researcher on why most projects took so many years to complete. These reasons included:

- Some projects were abandoned in the development process due to lack of funding;
- The funding was normally transferred in portions, and this process took a long time, therefore, this delay caused cost escalations beyond the project budget;
- Terrible road conditions were a hindrance, and it was difficult for suppliers to deliver building materials. In the rainy season, the road access is difficult in most sites. A classic example was one of the projects where suppliers had to wait for the municipality to grade the road to provide better access. This meant construction could not start nor progress until the road was maintained; and
- Infighting among villages on temporary job opportunities that are created during construction. In one of the projects, there was an imbalance of employees from villages with one of the villages having a higher number of employees. Another cause for infighting was the appointment of employees belonging to villages that were not classified as beneficiaries of the project.

It is suggested from the results that most projects were taking too long to implement. This delay is probably a contributing factor to the small number of operational projects. If projects took so many years to implement, the prospects for growing the tourism industry was questionable, particularly on large scale projects that could have had huge positive impacts for economic growth and job creation.

#### A9: Reasons for non-operation of tourism projects.

This question sought to understand the problems that were experienced by projects that were not operating. Responses could determine part of the modus operandi in the planning and implementation of these projects. Respondents could choose more than one applicable reason.

Table 5.1: Reasons for non-operation of projects

Options	Number of respondents	Percentage
Delay in Environmental Impact Assessment	2	3%
Land claim	2	3%
Insufficient funds	18	26%
Disagreement on the project	3	4%
Poor road access	7	10%
Non-availability of operators	20	29%
Poor location	2	3%
Delay in decision making	8	12%
Community infighting	5	7%
Other	2	3%
Total number of respondents	69	100%

#### Interpretation and analysis of results

The results indicated that insufficient funds and non-availability of operators were the key reasons behind non-operations of most of the tourism projects. Insufficient funds represented 26%, while non-availability of operators constituted 29%. Some of the issues that emerged from respondents who indicated insufficient funds include the following:

- Funds had been exhausted mainly due to wasteful spending, bad planning and poor budget control, As a result key activities were not performed, and the project could not operate until those activities were carried out. These



activities include the provision of plumbing, electricity supply, ablution, and furniture and fittings; and

- The project had been waiting for funding transfer; however, the funder had delayed due to lengthy internal processes where multiple signatories were required.

It was a concern that, if projects were funded based on a business plan with a budget breakdown, why were there items that had not yet been completed. These items were critical, and no tourism establishment could operate without being incorporated in a business plan and budget breakdown. If they were budgeted for, it was of great concern why funds were exhausted before implementation. Possibilities for mismanagement and misappropriation of funds cannot be ruled out in this process. It was also unknown whether these projects had a quantity surveyor or site manager to play an oversight role.

The following issues emerged from respondents that had indicated non-availability of operators:

- The project had been completed and was ready to operate, however there was no operator. The Community Trust was acting as an interim operator, and in another project the government was an interim operator; and
- In one of the projects, the community, as the custodian of the project, had been trying to procure services of an operator through the support of the local municipality.

Twelve percent of the responses indicated that delays in decision-making were a major stumbling block for the success of the project, including those that had to be made by government departments in transferring funds and approving business plans. The decisions also related to the consultation process, as project buy-in must be sought from the traditional leaders prior the development. In many cases, it was difficult to reach local chiefs as they had other responsibilities.

Ten percent of the respondents indicated that poor road access was the reason for non-operation of the project. This included general access to the project and access by suppliers to deliver building materials. Some roads were in a terrible state, especially in the eastern part of the Eastern Cape. Most roads were not fit for low

clearance vehicles, therefore, this raised a challenge on how the project could generate income should it operate and, most importantly, to sustain the business.

Seven percent of the respondents cited community infighting as a reason for non-operation of projects. One scenario was a project that was closed due to the fact that community members were divided; one group was pro-mining and another group was pro-tourism. This infighting escalated to a point where the existing tented camps were closed as the same site and its surroundings had potential for titanium mining. In another project, community members were fighting for positions, which resulted in the closure of the project, which was subjected to vandalism by local communities.

Three percent of the respondents indicated land claims and another 3% suggested projects that were under planning during the survey period. The land claim referred to a land restitution process which was lengthy, and the projects that were delayed due to land claims were funded without knowledge of a land claim. When the development was about to commence, certain communities lodged a land claim. Since funds were already transferred to beneficiaries, government had to wait for the land claim process prior the development, particularly if there was no alternative site for development. An example was the land claim for Nduli Nature Reserve adjacent to Mthatha Dam. The funding was made available because of the nature reserve and the dam as core attractions that would appeal to tourists. However the land claim attached the entire land and this left no alternative site for development within the same community, and the funding was not reallocated to another community, instead a land claim process was undertaken to enable the development.

Three percent of respondents indicated delay in environmental impact assessment. This was the project that relied on the National Government for authorisation, as EIA was the competency of National Government, the role of the province was only to recommend. Often, this process was lengthy as it involved public consultation. Unlike basic scoping, a full EIA took up to twelve months. The 4% of respondents that had disagreement on the project were linked to the community infighting. In a few cases, disagreements between communities escalated to infighting and discontinuation of the project.

A10: Was the project implemented in line with the plan?

This question sought to understand whether there were any deviations in the implementation of projects from the business plan. Respondents were requested to explain the deviations so that there was a clear understanding of the problem and an informed decision could then be made in terms of recommendations.

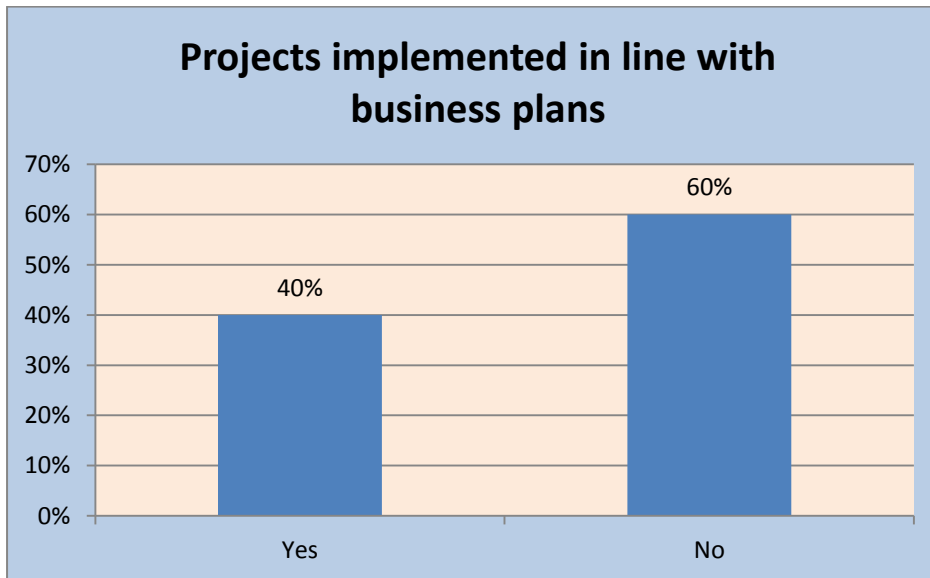


Figure 5.9: Projects implemented in line with the business plan

#### Interpretation and analysis of results

The data from figure 5.9 indicated that a total of 40% of respondents' said that projects had been implemented in line with the plan, while 60% of respondents indicated that projects had not been implemented in line with the plan. Some of the issues that were raised by respondents included the following:

- The project was never built in line with the business plan as there were many items outstanding such as electricity, plumbing, ablution and furniture. These aspects were in the business plan, but when the project was handed over to its beneficiary, it was incomplete due to outstanding items. The reason for non-completion was that the budget was exhausted. This revealed poor management in terms of the project and associated budget. Another gap that was revealed by the study was lack of a quantity surveyor in the implementation of a project;

- One of the projects had changed in terms of management, from the municipality to a municipal agency. When it was handed over to the agency, the plan had changed;
- One of the projects was supposed to be implemented in 2008, however, due to lengthy decision-making processes and internal issues such as absence of decision-makers to sign, and shifting of funding from one priority to the other, construction only started in 2011. Cost escalations, compounded by poor road conditions and heavy flooding, caused the project to run out of funds at the beginning of 2012. The funder had committed additional funding, but almost two years later, the budget had not been transferred for completion of the project; and
- Some respondents inherited projects with no business plans.

It was recognised that there were some projects that had been implemented in line with the business plans; however, the concern was with projects that had not. The likelihood for success was questionable, and if the projects failed it would be clear that it was as a result of deviating from the business plan. The picture that was painted by the above results was generally lack of proper planning, poor management of the project, and lack of control.

A11: Was the project implemented in line with the set budget?

The rationale behind this question was to understand whether tourism projects were implemented in line with the allocated budget. This sought to determine whether project deliverables were implemented in line with the budget or whether there was a reduction of scope due to the lack of a budget. The responses would also provide lessons on the number of projects that were affected due to the lack of a budget; as a result, they were incomplete and not operating.

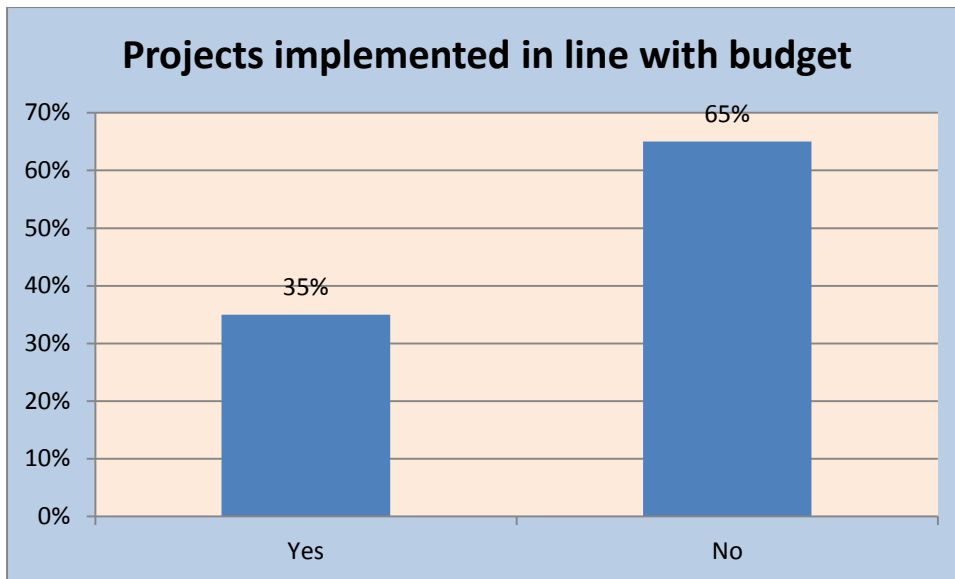


Figure 5.10: Projects implemented in line with the budget

#### Interpretation and analysis of results

Thirty five percent of respondents indicated that the projects had been implemented in line with the budget, while an alarming 65% indicated that the projects were not implemented in line with the allocated budget. With regards to projects that were not implemented in line with the budget, the following issues emerged:

- The budget was exhausted before critical elements of the projects were completed. These elements included power and water supply;
- Poor turnaround time on decision-making resulting in budget escalation;
- Escalation in costs of building materials resulting in cutting some of the aspects of the project: for example, cutting two chalets from a total of ten so that there was sufficient funding to complete the project. Most projects had no quantity surveyors to manage the projects, hence there was no technical supervision resulting in a shortage of materials and improper planning;
- Poor road conditions: a portion of the budget had to be used to fix damaged roads to ensure easy access for delivery of building materials; these road damages were not budgeted for. It is clear that the feasibility study did not cover roads because this should have been identified during the feasibility process and budget provision;

- Poor infrastructure: much of the budget was spent on developing the infrastructure needed for future developments. For example, in one of the projects (Tourist Lodge at Hluleka Nature Reserve), electricity was located 14 kilometres away from the developmental site, and the cost of the project was too high as the electricity had to be included in the budget as necessary for the operation of the project;
- Reliance on municipalities: during the budgeting stage, a local municipality would make a commitment to fund particular infrastructure, but this would not be catered for in the budget. During construction, the municipality would fail to honour the commitment, and this often resulted in a budget shortage; and
- The lack of quality surveyors to manage budgets on behalf of the state departments represents a major reason why budget shortfalls occurred.

Funding was a critical factor in the development of tourism projects, and it was clear that there was poor coordination and commitment from stakeholders to ensure that projects were implemented in line with the budget, while not compromising the quality of the project. Most projects had no quantity surveyor to manage the projects; hence the projects could not be implemented in line with the business plan and budget because a quantity surveyor would have assumed the technical planning and overall management of deliverables of the project in line with the budget. The possibilities of fraud, corruption and financial irregularities cannot be ignored, as other reasons that had a negative impact on the project budget.

A12: What operational structure had been recommended for the project?

This question sought to understand whether, during the planning and implementation processes, the issue of operations was addressed and whether the operational model that was recommended to champion the operation of a specific project was used. Each operational model had requirements that had to be considered, therefore, the researcher sought to understand whether a particular model was prepared and implemented to manage a project.

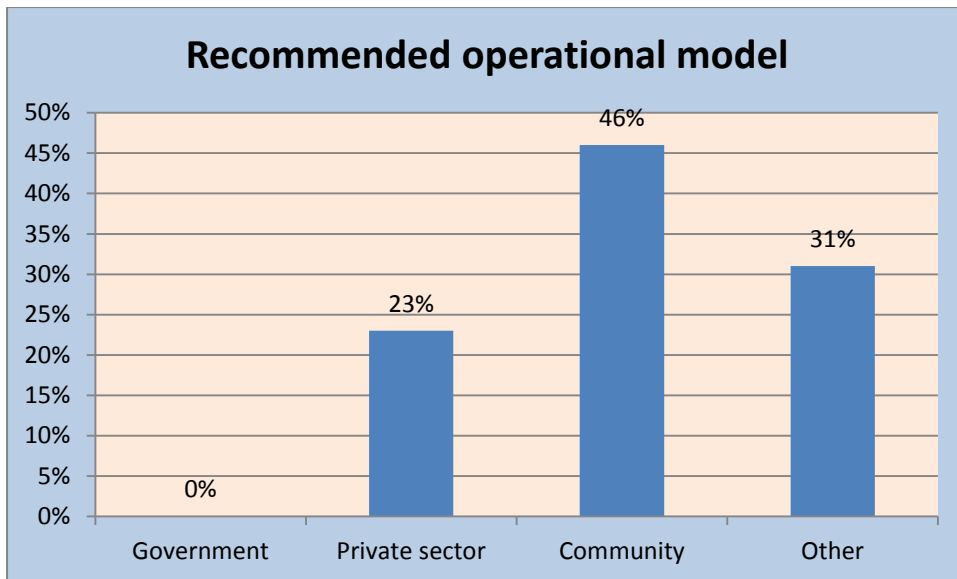


Figure 5.11: Recommended operational structures

#### Interpretation and analysis of results

The survey established that 23% of respondents recommended private sector organisations to handle operations, which could be a private investor experienced in the tourism business. This model had been implemented in many parts of the country and had proven to be effective. Some of the successful tourism projects in South Africa through this model included the following:

- Madikwe Safari Lodge is a Public-Private Partnership (PPP) arrangement operating at Madikwe Game Reserve in the North West Province. Madikwe was one of the Game Reserves under the management of North West Parks and Tourism Board;
- Imbali Safari Lodge is a PPP arrangement operating in the Kruger National Park in Mpumalanga Province. Kruger National Park is under the management of the South Africa National Parks Board; and
- Table Mountain Aerial Cableway is a PPP arrangement operating at the Table Mountain National Park in the Western Cape Province. Table Mountain National Park is also under the management of the South Africa National Parks Board.

The challenge is that the PPP model is very technical, lengthy (could take five to ten years to implement) and regulated by the National Treasury. If this model was recommended, project owners and managers had to be aware of the process and

different stages of approval required by the National Treasury. One of the fundamental reasons for success of this model was the wealth of experience that the private sector brought to a project.

It must be noted that although the private sector had been recommended, there were facilities that were currently operated by government. This was an interim arrangement as the facilities were handed over while the operational model was not in place; therefore, the facilities were operated by the government while efforts to source an operator were underway.

Forty six percent of respondents indicated that they had recommended community-management as the ideal model. The community model included a community trust, a co-operative, community property association or any formal structure that was driven by the community. The researcher could not find a successful community tourism project that was funded by government but managed by a community. Most of these projects were not operating effectively, and therefore, in the absence of an exemplary community project, it was unclear what motivated respondents to recommend this model. There was a potential risk of infighting as there was a tendency towards greediness of positions among members, thereby minimizing chances for the project to operate optimally.

The 31% represented respondents who had recommended various other management models. These models included a Community Public-Private Partnership (CPPP), which was similar to PPP except that the focus in CPPP was that communities were partners in the business. Another recommended model is outsourcing where communities own 100% of the facilities and consider outsourcing to a private operator for an agreed period of time. Usually, in this model, the private sector made minimal or no investment. In addition, the percentage of investment determined the contractual period. There were a few outsourcings which were attempted but failed, including the following:

- The Mbizana Local Municipality attempted twice to advertise for an operator for the Mtamvuna Tented Camps. Both adverts yielded no results in the sense that there were no qualifying operators. The municipality had been assisting the community to head-hunt an operator; and



- The Eastern Cape Development Corporation advertised for an operator for the St Mathews tourism project (Annexure G); however, there was no qualified operator who met the requirements. The project owners had chosen to head-hunt an operator by approaching interested companies who had experience in operating tourism businesses.

A13: Were you qualified in the tourism industry?

Tourism is a specialised field, and the researcher believed that an educational background or very good experience was critical to the success of tourism projects. Therefore, this question sought to understand whether people involved in community tourism projects had an academic background in tourism or relevant experience. This question focused on understanding whether people were qualified.

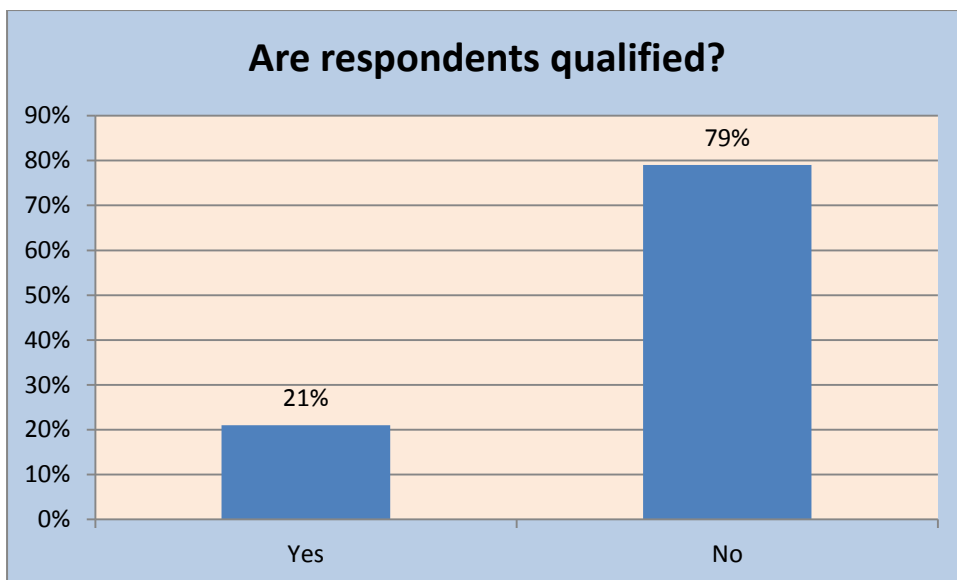


Figure 5.12: Qualified respondents

#### Interpretation and analysis of results

The results indicate that 21% of respondents were qualified in the tourism industry. These respondents included government officials and consultants. A total of 79% respondents were not qualified in the tourism industry, including some consultants who had non-tourism related qualifications, and most community members revealed that they did not have tourism qualifications. The results could mean that a qualification in tourism was not taken seriously, and the tourism industry itself was

perceived as less-complex where anyone could learn. The fact that communities are not involved in decision-making, or that many tourism projects were not operating, or that it took many years to implement tourism projects, could be attributed to a lack of tourism qualifications.

#### A14: Indication of qualifications of respondents

This question sought to understand the extent to which tourism project planners were educated and to establish the qualifications that they had achieved in the tourism industry.

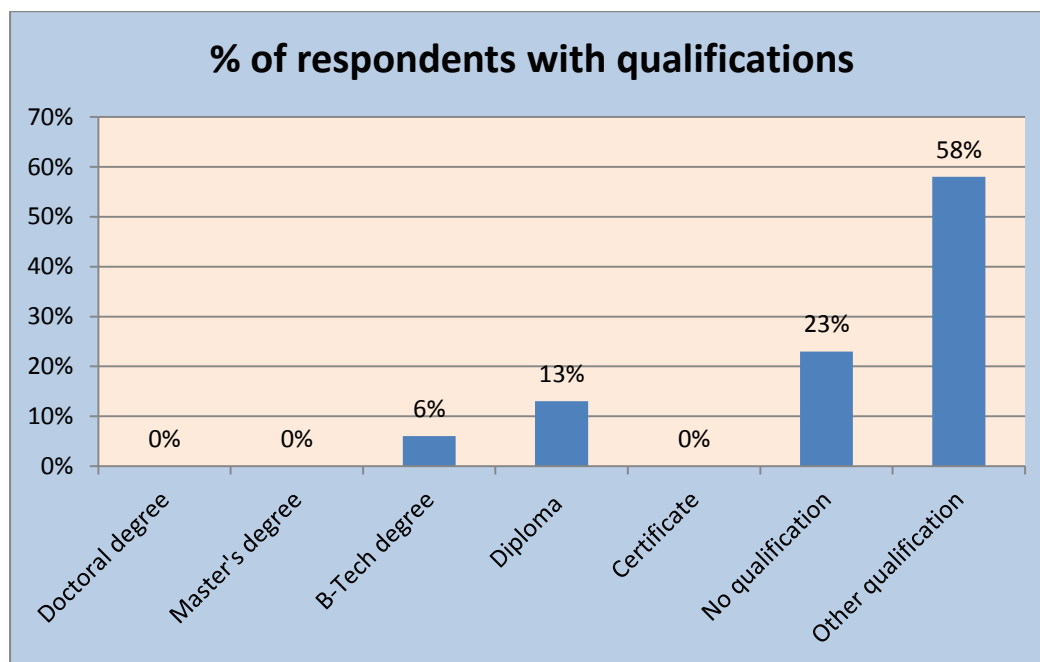


Figure 5.13: Percentage of respondents with qualifications in tourism

#### Interpretation and analysis of results

The results from the question revealed that only 19% of respondents were qualified in the tourism industry, where 6% had achieved a Bachelor's Degree and another 13% a diploma in tourism, with most respondents who had relevant qualifications being government officials. A total of 23% respondents had no qualification in tourism, and these were community representatives. Most of them had been taken to workshops and informal training, but they had no formal and relevant qualification in tourism. 58% of respondents had at least diploma-level qualifications in other fields,

including local government studies, nature conservation, environmental management, town planning, economic development studies and agriculture. Most of these respondents were consultants.

The results were worrying, particularly from a community perspective, where they were expected to make a decision, which could prove difficult for an individual who lacks understanding of tourism. From the results, it was clear that they were not involved in decision-making or qualified to make decisions; instead, government officials and consultants were making decisions on their own without the communities' knowledge. It was also questionable how communities would operate tourism businesses successfully without relevant qualifications or experience.

The fact that there was a high number of consultants who had no qualifications in tourism could possibly be linked to the number of projects that are not operating, and the number of projects that had not factored in sustainability during their planning stages. If these respondents had relevant qualifications, they could have acquired relevant knowledge that could have been applied in the planning and implementation processes for these projects.

A15: Have you planned and implemented a tourism project before?

Implementers with direct experience would receive preference as compared to implementers who had never planned and/ or implemented a tourism project before. This question was important as it sought to reveal the number of implementers who were entrusted with implementation of tourism projects without the required experience.

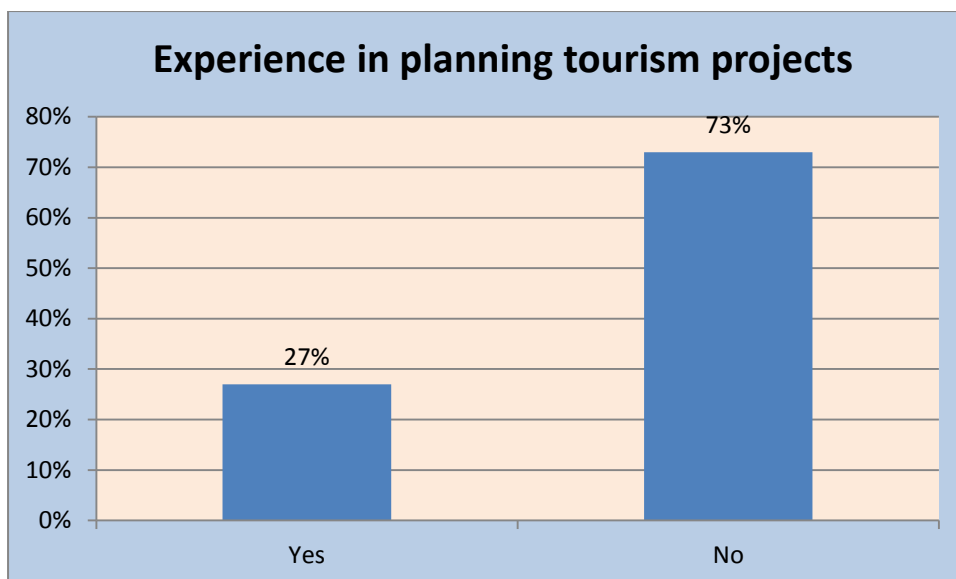


Figure 5.14: Experience in the planning and implementation of tourism projects

#### Interpretation and analysis of results

The results indicate that only 27% of respondents had been involved in tourism project planning before their involvement in the current projects that formed the basis for this study. A huge 73% of respondents had never been involved in tourism projects or business planning before. Most officials, particularly in municipalities, were new in tourism planning and the same applied to communities. It seemed that municipalities were experiencing high staff-turnover; hence most officials were new and unfamiliar with the environment. The communities had no prior experience; hence government was bringing consultants to lead the planning and implementation of identified projects. A concern was that these inexperienced municipal officials and community representatives were placed at the forefront of these projects, thus providing questionable leadership. Another observation was that most officials entrusted with these projects in municipalities were at a junior level.

A16: How many years of experience do you have in tourism project planning and implementation?

The aim of this question was to understand the experiences of implementers specifically on implementing similar projects. Implementers with similar experiences

were likely to implement projects successfully compared to implementers with no relevant experience.

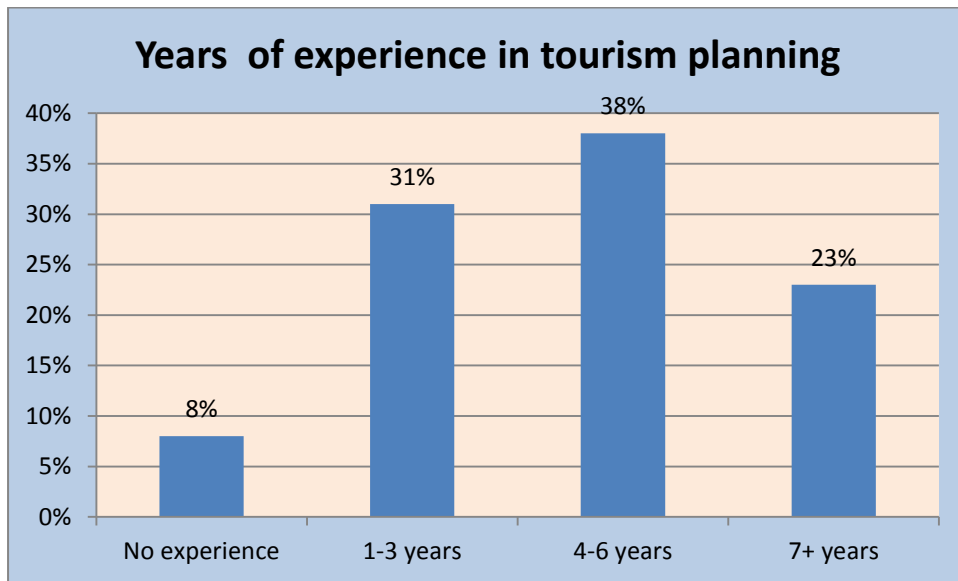


Figure 5.15: Years of experience in tourism planning

#### Interpretation and analysis of results

The study reveals that 8% of respondents had no experience in tourism, and these were mainly community representatives. There were 31% respondents that had limited experience of between one and three years. These respondents included both community representatives and some government officials. The experience of community representatives had been accumulated from serving on project steering committees. As long as the project was under planning and implementation, there was always a community representative on the project steering committee as this was one of the requirements from government. However, it was doubtful that this experience could assist communities to be independent in the future as they had revealed that they were not making decisions in the process.

A total of 38% respondents had between four and six years' experience, and only 23% of respondents had seven years' experience and above. These respondents represented a mix of government officials and consultants. The picture that was portrayed in Figure 5.15 was a concern as many individuals who were involved in the planning and implementation of these projects had no or limited experience. It was a concern that government had entrusted millions of rands of tax-payers' money

merely to inexperienced individuals and companies. An alarming fact was that government officials, who should monitor and protect the interest of public funds, were not experienced. Most projects took three to seven years to implement, therefore it was doubtful whether individuals with three years and less were experienced and the probabilities that they had not overseen a project from conceptual to operation were high.

A17: Was sustainability factored into the project planning?

Sustainability is a key emphasis in the development of any tourism project. It is a management imperative to ensure that community tourism projects are sustainable for current and future generations. This question sought to understand whether sustainability was factored in at the planning and implementation stages, and whether sustainable principles were implemented.

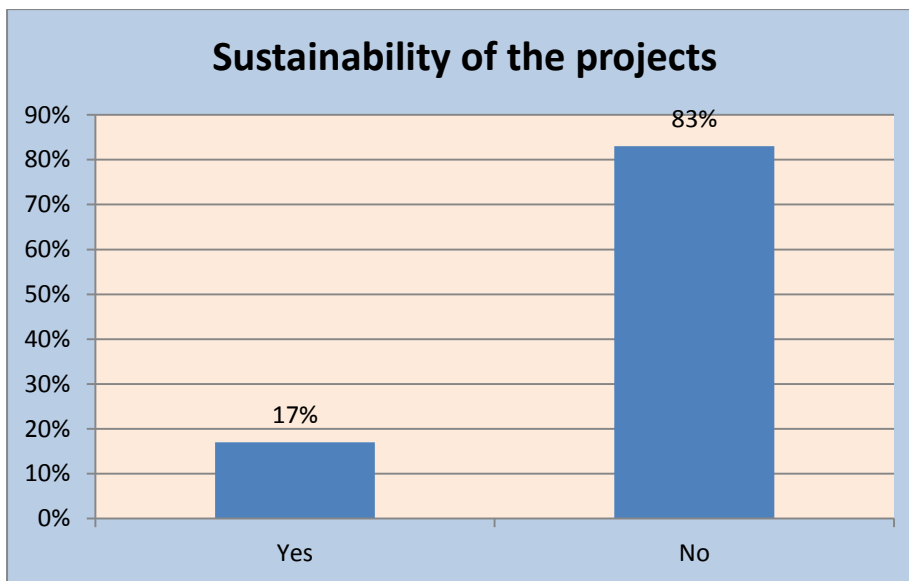


Figure 5.16: Sustainability in project planning

#### Interpretation and analysis of results

The results indicate that only 17% of respondents had factored sustainability into the planning of projects while a staggering 83% had not. This 17% of respondents were usually consulting firms that had a wealth of experience in planning and implementing tourism projects. Some of the points that were raised as an indication that sustainability had been factored included:

- Market analysis for the project;
- Forecasting and break-even analysis; and
- Initiative for raising additional income to complement the operation of the project.

The high number of respondents not concerned about sustainability was a concern as this is the cornerstone of any development. Sustainability is a government imperative that any development must plan for the needs of future generations. What was more shocking was the fact that a great number of respondents indicated that the concept of sustainability was new, and municipalities and communities had little or no understanding of this concept, hence the difficulty in the sustainable application.

The fact that there were high numbers of respondents that had not factored sustainability into their projects could lead one to make an assumption that there were no guidelines from government departments funding these projects, although sustainability was part of the criteria for grant funding. This information raised concerns about the skills of officials who were involved in evaluating funding proposals. If they possessed relevant skills and experience, there should be no project funded without scrutinising its sustainability prospects. It would be of concern if there was no leadership from government for communities to be expected to comply with, and factor sustainability. This was also confirmed by most government and municipal officials who lacked understanding of sustainability.

#### A18: Rating of statements on project status

These statements sought to understand a number of project issues by rating an option between strongly agree, agree, neutral, disagree and strongly disagree. These statements sought to provide additional insight on the views of tourism implementers.

Table 5.2: Feedback on project status

Statements	No & %	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	TOTAL
The project is/will be self-sustainable.	No	4	7	15	13	13	52
	%	8%	13%	29%	25%	25%	100%
The operational model was/will be clarified in the planning stage.	No	6	11	10	13	12	52
	%	12%	21%	19%	25%	23%	100%
The project was/will be implemented in line with approved budget.	No	5	9	11	15	12	52
	%	10%	17%	21%	29%	23%	100%
The project was/will be implemented within a set timeframe.	No	5	9	12	13	13	52
	%	10%	17%	23%	25%	25%	100%
The project was funded based on a bankable business plan	No	5	11	11	13	12	52
	%	10%	21%	21%	25%	23%	100%

#### Interpretation and analysis of results

The results of the above statements indicated that only 8% of respondents strongly agreed that a project would be sustainable; only 12% of respondents strongly agreed that the operational model was clarified in the planning stage, while only 10% of respondents strongly agreed that the project was implemented in line with budget, the set time frames and based on a bankable business plan.

A total of 13% respondents agreed that their projects would be sustainable, 21% respondents agreed that the operational model was clarified and that the project was based on a bankable business plan. A total of 17% of respondents agreed that the project was implemented in line with a time frame and budget.

Twenty nine percent respondents were undecided on whether the project would be sustainable, 19% respondents were neutral on whether the operational model was clarified, 21% respondents were neutral on whether the project was implemented in line with a budget and based on a bankable business plan, while 23% of



respondents were neutral on whether the project was implemented in line with time frame.

The data indicated that 25% of respondents disagreed that the project would be self-sustainable, that the operational model was clarified in the planning phase, that the project was implemented in line with set time frames, and based on a bankable business plan. A total of 29% of respondents disagreed that the project was implemented in line with the allocated budget.

The data further indicated that 25% of respondents strongly disagreed that the projects would be sustainable and that the project was implemented within a set time frame plan. A total of 23% of respondents strongly disagreed that the projects were implemented in line with a budget and based on a bankable business plan, and that the operational model was clarified in the planning of the project.

The respondents who disagreed and strongly disagreed with these statements constitute about 50%. These results imply that there was little to no future for these projects, there was wasteful expenditure, and government did not apply due diligence prior to funding tourism projects. The results also raised questions on the skills of personnel who were involved in the development of these projects in a sense that they lacked project management skills or irrelevant personnel were deployed to manage these projects. It is the view of the researcher that appropriate skills were an underlying necessary factor in these projects. If the respondents were in possession of relevant skills and experience, the projects could have been planned in such a way that they focused on sustainability; projects could have been implemented in line with time frames to avoid budget escalation, and all processes could have been taken into consideration, such as ensuring that there was a properly defined operational model at the inception of the project.

It is an assumption of the researcher that there is a correlation between these outcomes and lack of education and experience. The fact that projects were not implemented in line within set time frames and budget meant there was lack of skills in projects management and proper skills could only be gained through proper education and experience. There was also lack of analytical skills such as

understanding and applying sustainability, understanding of due diligence processes and identification of a bankable business plan. All these gaps could be linked to lack of education and experience. However, it is unsure the extent within which lack of education and experience affected the projects. It was believed that with better and relevant skills, which would be achieved through education and experience, there would be improvement of these projects.

As much as there were few respondents who agreed and strongly agreed with the statements, their level of knowledge was questionable, with the exception of a few consultants who were equipped with relevant expertise. It was also disconcerting to have respondents who were neutral, whereas they were involved in the project cycles. This feedback questioned the knowledge, ability and contribution they had made in the process.

#### **5.4. General comments from respondents**

The following summary of general comments of respondents was shared with the researcher during the qualitative survey:

- The funder did not exercise close supervision on the project although there was a representative from the funder serving on the project steering committee. Thus the facilities provided were not a good product;
- The access road was terrible, and this could hinder the efforts of securing an operator as road access was fundamental to attract tourists and generate income;
- One of the projects has not been handed over to the municipality to provide ownership. The municipality refused to accept the project because it was incomplete. The incomplete aspects included electricity, plumbing, ablution, and furniture and fittings.
- The arrangement of making a community trust or government as an interim operator had a risk that the furniture and fittings may not be in line with the needs of the operators. This meant it would be wasteful expenditure;

- The private party/operators must be involved from the beginning of the project. This meant the process of construction must run parallel with sourcing an operator. Unlike the outcomes of this study, most projects sought an operator after completion. Another factor was that by the time an operator was secured, the project would be due for maintenance without having generated income;
- Poor telecommunications in communities had an impact towards the development of tourism projects and process management. In most cases, only cell phones functioned and only if there was a network. In many projects, the implementer had to drive to a town to have access to telecommunications. This was the case in projects like Mthamvuna Tented Camp in Mthamvuna Nature Reserve, located 80km away from the town of Bizana where telecommunications could be accessed;
- The issue of filing and maintaining a paper trace came through very strongly. In many projects, respondents claimed that feasibility studies were done, but they could not produce documentation;
- Lack of integration by spheres of government. There was a feeling from some of the respondents that the spheres of government were not talking the same language;
- One of the respondents felt that the numbers of “white elephant” projects that were closing was increasing, and there had to be a turnaround strategy to intervene from a government perspective;
- There was lack of integrated aftercare plans. It was the feeling of respondents that consultants must be given responsibilities for putting together an after-care plan that would ensure an effective and sustainable business;
- One of the respondents felt that the word ‘project’ did not create a positive impression on communities. The view was that from the onset, these projects must be referred to as a business so that the mind-set and business culture could be instilled in communities;
- Communities had no skills to manage a project. There was a view that communities who were interested to embark on tourism projects must be taken on intensive business training, including finance, business operations, marketing, hospitality and other aspects;

- Institutional arrangements, awareness and a good management model was a pre-requisite for any community-owned tourism initiative to be sustainable;
- The fact that the project was in the annual Integrated Development Plan (IDP) of the municipality despite the lack of feasibility study to determine the viability of the project;
- The chief wants to be the final decider, instead of the community trust as a collective;
- Lack of general tourism awareness in the communities was a challenge; hence the pace of skills development was low; and
- Part of the support for community facilities should include pricing. Most communities had no idea about pricing, benchmarking and forecasting.

Most of these issues raised by respondents appear to be insignificant, but the reality is they needed attention. There is an opportunity to review planning and implementation process of tourism projects so that all gaps are addressed. The status of tourism projects is overdue for change, and the projects could succeed if the approach is changed. It is the view of the researcher that if the status quo is maintained, the number of failed projects could increase.

### **5.5. Summary and analysis of the responses of planners**

The current (2014) position of the projects under the study review can be summarised as follows:

- Projects that were operating: operation means open to accommodate visitors and to render services;
  - Projects that were under planning and implementation: this referred to projects on either the conceptualisation stage or under construction.
  - Projects that were not operating: this included projects that had operated before but were currently closed due to community infighting or other reasons, and projects that had been completed but were not operating due to the non-availability of operators, or other reasons.
- Government, communities and the private sector were involved in project planning, implementation and operation;

- Government had allocated budgets for the development of projects, whether the budget was exhausted or insufficient, but each project was allocated funds to complete the entire project. However, due to a lack of expertise and skilled personnel, projects were not producing the desired results.
- In all projects, communities were involved; however, the level of involvement was questionable as they were not decision-makers to any large extent. The fact that communities were involved did not suggest that they were equipped with knowledge and experience. Their level of involvement appeared to solely address transformation issues, which was a government policy imperative;
- Location was not a significant focus in most projects, and this attributed to an escalation of costs and lack of potential to attract a private sector investor;
- There were projects that were not feasible, nevertheless, development continued. This raised the following perspectives:
  - Probabilities of political influence towards development of these projects.
  - Lack of experience from government officials involved in screening of tourism projects.
  - Wasteful expenditure and contravention of the Public Finance Management Act (PFMA).
- Although some projects were operating and others were not, they were concluded contrary to a time frame and budget allocation. Again, lack of suitable management and development skills was a contributing factor;
- Government, the private sector, and the community were all perceived to be ideal operational models for tourism business, and all these models had been applied in different projects;
- It seems that qualifications and experience had not been fundamental determining factors on allocation of funds for development, as most tourism projects appear championed by uneducated and inexperienced individuals;
- The prospect of sustainability was a great concern as most projects had not applied this requirement. Lack of knowledge and experience was evident as most respondents revealed in the survey that they lacked any understanding of sustainability; and

- The impacts from tribal authorities appeared to have serious implications for the success of projects.

## **5.6. Modus operandi of current tourism projects**

The modus operandi of these projects can be described as follows:

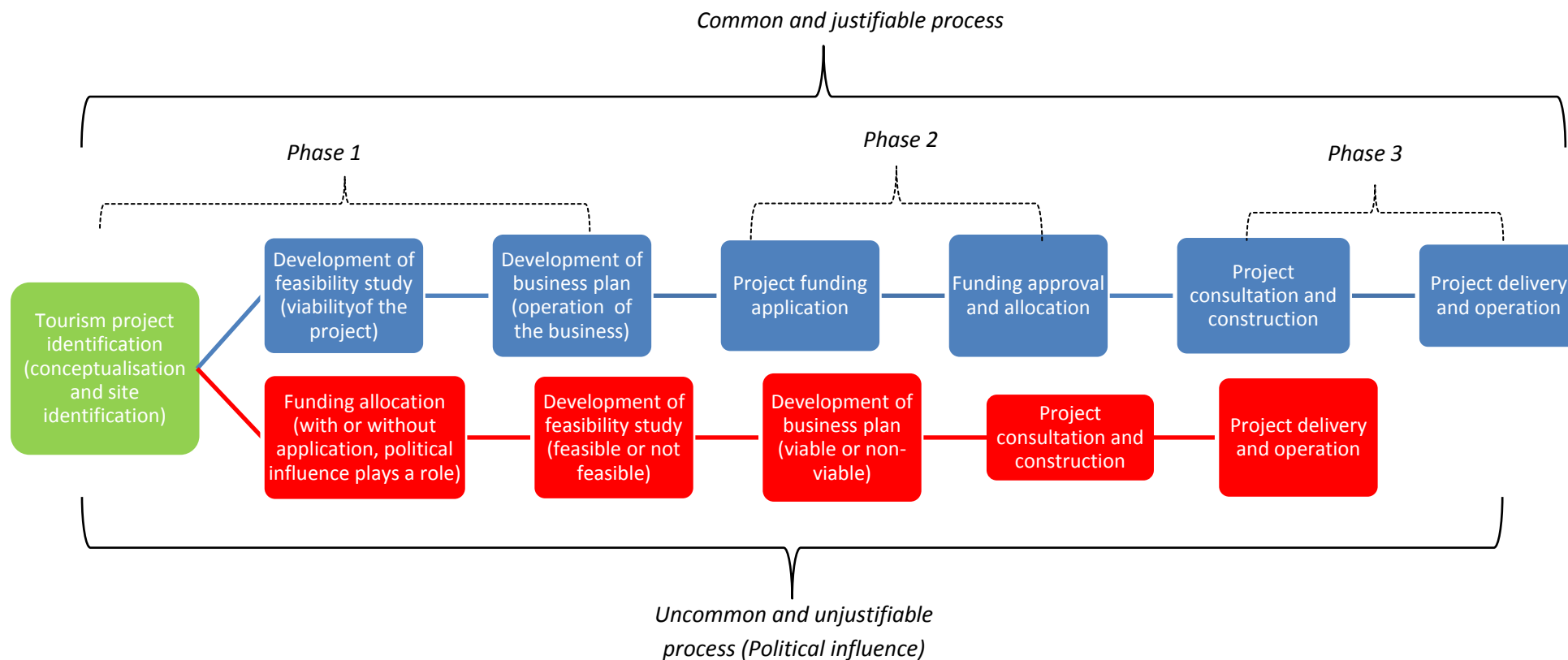
- Communities apply for funding or government avails funding. Often, political influences play a role in projects where funding has been secured without application. These projects often fail to deliver the intended results;
- Government officials would attempt to screen applicants in line with requirements. These screenings include a feasibility study, business plan and other requirements. A concern is that a project would be allocated funds although it is neither feasible nor viable; as a result, these projects fail, and the cost to taxpayers is high. Experience and qualification do not seem to be included in the screening process as many projects are driven by unqualified and inexperienced people;
- After funding had been allocated, the expectation is that consultations take place, construction completed and ultimately, delivery of the final product. However there are delays in the process, such as non-availability of basic infrastructure, detection of land claims, and requirements for other studies such as an environmental impact assessment, which should have been detected during the screening of applicants. As a result of these factors the projects eventually fail to reach completion and operation;
- As part of the modus operandi, some projects, upon detection of a land claim, opt for an alternative site, or government could withdraw the funds if an alternative site is not found. Often, the withdrawal is possible in the event that funds have not been transferred to beneficiaries. If funds have already been transferred, it is difficult to withdraw and recover the monies. A classic example is one of the projects where government funding was rolled over for five years while the process of a land claim was underway;
- There are projects that have been allocated funds, yet there is no feasibility study to back the development, there is no business plan, and other requirements are not satisfied. Sometimes the feasibility study and the business plan are available

but do not contain enough information to justify funding. Political influence is one of the reasons for funding, another reason is pressure from government departments to spend, as they could be penalised by the National Treasury should they fail to spend the allocated budget before the end of a financial year; and

- Often, after the development has been completed, the process of appointing an operator began, which ideally, should have been addressed as early as the conception stage.

The modus operandi of tourism projects is further illustrated in Figure 5.17 below.

Figure 5.17: Modus operandi for tourism projects in the EC



Source: Researcher construct



Figure 5.17 displays two kinds of modus operandi that were observed during the research. The first modus operandi (blue) appeared to be a common and justifiable business process. As part of phase one, the tourism project was identified, conceptualised and subsequently a location was identified. Further into phase one, a feasibility study was developed and indicated that the intended project would be viable and a business plan was developed to outline the business operation. In phase two, the process involved application of the funding based on the feasibility study and business plan, and funding allocation by an intended investor. The process concluded by consultation and construction, handover and operation of the project. This process was common and in line with funding processes of government departments that fund community tourism projects. Although there were no projects that were successful through this process, the reason for failure was not based on lack of following the process but other reasons such as poor management and lack of skills.

The second modus operandi (red) was uncommon, and its persuasion was politically motivated and influenced. Communities would receive funding to pursue tourism development whether they had applied or not. Funding would be allocated without a feasibility study and business plan to determine the viability of the project. The following were approaches within which funding was influenced politically:

- Through a politician who originates from a community that intends to develop tourism project and serves either in a provincial or national legislature;
- Through a politician who is responsible for a particular community as part of his/her constituency;
- Influence by local chiefs due to their powers, role they play, and influence they have politically; and
- Funding for presidential nodes (presidential nodes are areas that were identified and managed directly either from the office of the Premier or President). There is often funding that would be allocated to communities that falls within areas that were declared 'presidential nodes'. While the aim of the projects was to create jobs and improve the standard of living in those communities, they had also served as instruments to campaign for election.

Most projects that were persuaded through political influence had failed to deliver proper tourism projects that could be consumed by tourists. Some of the projects that had failed or termed “white elephants” were based on this process. There was poor planning, and activities were implemented haphazardly without a chronological order.

### **5.7. Reasons for the success or failure of tourism projects**

- Poor planning: the overall planning of most projects is poor. The fact that most projects have no operators at the date of completion stems from poor planning. The process of securing an operator should run parallel with the conceptualisation and construction of the project;
- Lack of supervision: in most projects, it seems there are no dedicated project managers to ensure that quality products are delivered. The supervision is also lacking from government as funders;
- Lack of technical infrastructure expertise such as a quantity surveyor. In most projects, there was no quantity surveyor throughout the project hence some projects were not implemented according to plans, and budgets were exhausted;
- Lack of management skills: most community members are uneducated and have no managerial skills, but they are entrusted to manage mega projects;
- Lack of people with relevant academic qualification to undertake development of tourism projects: qualifications have not been a requirement for project managers and community people who serve in the project steering committees;
- Influence of a tribal authority in the location of tourism projects and management: The role of a chief is questionable as they have proven that they had vested interests in the development process. An example has been made of the conference facility that was built at the chief’s homestead. This was meant to be a community project, but due to its location, it is the chief’s *de facto* residential facility. If the facility fails to operate, the assets will automatically form part of the chief’s property since it is infrastructural and immovable property.
- Projects take too long to complete. The cause of this is lack of ability to undertake due diligence prior to the funds being allocated. There was a project funded without the knowledge of Land Claims Commission, and another project was

funded without the knowledge that an Environmental Impact Assessment (EIA) would be required. Therefore, these projects took a long time to complete as these fundamental aspects had to be addressed;

- Lack or non-availability of operators is a huge problem as it is the case in projects that have been completed but are not operating; and
- Insufficient budget to complete projects entirely: there are several projects that are experiencing insufficient budgets, hence they are not completed and they are far from operating. An argument could also be made that the budget is exhausted due to poor planning and a lack of supervision or corruption.

### **5.8. Section B: Responses of operators of tourism projects**

The questionnaires were distributed to project operators based on a snowball sampling due to the lack of operational tourism projects (Annexure G contains the questionnaire distributed). The number of participants was nine, and was not based on the number of questionnaires that were distributed, but represented the actual number of capital tourism projects existing from the perspective of this research. The respondents of these questionnaires are operators from communities, private, and government sectors. In each project, a decision-maker or person in a managerial position was interviewed on all aspects of the business operation following a structured questionnaire. The results and analysis of results are presented below.

B1: Indicate the category of your tourism project?

The rationale for this question was to understand the type of tourism businesses that were represented by respondents. The responses would also reveal the type and number of tourism businesses operating within each category.

Table 5.3: Category of the tourism project

Options	Numbers
Accommodation	7
Conference facility	0
Cultural village	2
Other (specify)	0
<b>TOTAL</b>	<b>9</b>

### Interpretation and analysis of results

The responses indicate that accommodation is a popular type of tourism project, compared to a cultural village and other types. It is important to mention that although accommodation scored high, some accommodation establishments have conference facilities and restaurants to complement the accommodation, and these are not shown as separate facilities. Makana Resort is one example of an accommodation business that also has conference and restaurant facilities. The results also suggest an innovation opportunity as it appears that there is no other tourism related business that is recognised besides accommodation. The two respondents indicated ‘cultural villages’ are not necessarily cultural villages, but more arts and craft projects with an intention of becoming a cultural village in the future. These businesses also plan to expand into accommodation in the future. The motivation behind that is to provide a one-stop opportunity for tourists.

Although the results suggest these few and undiversified products, it is anticipated that more and diversified products would emerge, as many projects are still in the planning and construction stage. These diversified products include hiking trails, tented camps, resorts and adventure activities.

**B2: Were you consulted in the planning and implementation of the tourism project?**

The question sought to understand whether communities, as owners and potential operators of the tourism projects, were consulted during the planning and implementation phase. Most projects were built on communal land and for the

benefit of the community, hence it was important to understand whether consultation had taken place. Operation was an important stage of the project; therefore, if communities were earmarked for this function, consultation should have been part of the process from the beginning.

Table 5.4: Community consultation during planning and implementation

Options	Numbers
Yes	8
No	1
<b>TOTAL</b>	<b>9</b>

#### Interpretation and analysis of results

The data indicates that a total of eight operators had been consulted during the planning and implementation stage while one had not been consulted. The eight respondents represent projects that are driven by communities as they are the beneficiaries of the funding, and consultation was compulsory as one of the requirements of the funders. The project steering committees (PSC) are organised structures in which consultation still takes place. The PSC is represented by two or three individuals from the community, which means that these representatives have a duty to further consult the broader community. The respondents speak on behalf of the inhabitants; therefore, the assumption is that all people in the community are up-to-date on the projects that are within their communal lands.

The one respondent who had not been consulted was the private sector business that was brought-in to operate a project after it was completely built. It is a concern that a project was completed without an operator on board. Lack of securing an operator prior to construction had risks such as building a product that is out of touch with the market.

### B3. Analysis of operational projects

The question sought to understand the status of each project, being operational or not. The outcome of this question addresses one of the objectives of this research, which was to determine the status quo of tourism projects. By operating, it is envisaged that a project, if it was accommodation, means it receives tourists and provides other related services in return for a fee. The expectation is that all projects should be operating as the section focuses on operational projects; therefore, the question is still relevant as it sought to confirm operational status.

#### Interpretation and analysis of results

It is known that only nine projects are operating. This means that there are positive results that government is achieving from capital investments towards tourism development. However, the position also paints a picture of slow progress towards the implementation of these projects based on the fact that government has invested over R500m in the Eastern Cape. There are still over 30 projects underway with different challenges compared to only nine completed projects. The numbers of projects operating are insufficient to meaningfully measure the potential economic growth and contribution to the tourism industry. Most existing businesses are generating little annual turnover and low occupancy rates, and others are uncertain about their occupancy. It is assumed, therefore, that the projects have no future. The concern is that if the existing businesses are not operating optimally, how could the businesses under implementation perform? Are they applying key lessons learned from operating projects to avoid similar mistakes? It is simple to say a project is operating, but if it does not create a positive impact through job creation and economic growth, it matters little.

### B4. If the tourism project was operating, does it have a business plan?

This question sought to understand whether each existing business had a plan which guided its operations. It was believed that a business should have an operational plan to guide its daily operation in order to succeed.

Table 5.5: Operating projects with business plans

Options	Numbers
Yes	1
No	8
TOTAL	9

#### Interpretation and analysis of results

A business plan is a guideline that controls all aspects of the operation of the business. In the accommodation business, it spells out, among other things, the occupancy rates the business projects, anticipated turnover and other business-related issues. It is shocking to learn that of the nine tourism projects, eight had no business plans. The one project that had a business plan was driven by the private sector, and they have confirmed that they have a five-year rolling plan which is updated every year. It is clear that there is a different approach from the private sector as an operational model, as compared to other options. It is a concern for tourism projects that are operating without a business plan to detail financial, operational, marketing and human resource allocations and management. The results also suggest that a private sector operator is a better option to be considered as they have an understanding of a business. Lack of education and experience cannot be ruled out as root causes of failure of community tourism projects to put together operational business plans that can be effectively tracked.

#### B5. Who was the operator of the project?

This question sought to understand who the operator was between the several possible models. There are several different operational models that could be implemented, including private sector, government, community structures and others. The question revealed the structures responsible to operate the current existing tourism projects.

Table 5.6: Operational model

Options	Numbers
Government	1
Private sector	1
Community	7
Other (specify)	0
TOTAL	9

### Interpretation and analysis of results

The results indicate that seven tourism projects are operated by communities while one project is operated by government and another by the private sector. From these results it is clear that communities are the preferred mode of operation, however, whether or not they deliver the desired results is questionable. It is assumed that the reasons why the project steering committees recommend communities could be the following:

- To prove that a sense of ownership prevails in the communities. The PSC believed that they could make the communities an exemplary operating model; and
- The PSC is short-sighted as they did not see any other structure that is suitable, other than the communities. The fact that the funding is allocated to communities does not imply that they are suitable to operate a project.

As much as communities are emphasised as ideal operating structures, a great concern is that the PSC is not implementing lessons learnt from other projects that were poorly managed by communities. Of current concern is the fact that there are projects in the Eastern Cape that have closed under the operation of communities. Before communities are recommended as operators, there was a need for the PSC to explore the reasons that could have led to failures of previous projects.

Although government is known to be mandated for service delivery, it is interesting that there is at least one tourism project operated by government. This project is inside a nature reserve under the management of a government agency and is



probably the reason why this model was implemented. However, it was learnt during the research that this model has been applied as an interim measure with an intention of outsourcing to a private operator in the future, but the current number of facilities are too few to warrant outsourcing. There are seven chalets and one conference facility, and the feeling is that these facilities are not enough to attract a private operator unless additional chalets are built to increase the accommodation status. This is an assumption, and there is no evidence to suggest that the market has been tested to determine whether there are interested operators or not.

The private sector does not seem to be a favourite model as there is currently only one project that has applied this model, and probably the only successful community project among others in terms of income, occupancy and other factors, which are explored further in this section. It is believed that a private sector is a “tried and tested model” not only in the Eastern Cape, but in other parts of South Africa; therefore, the PSC could be missing an opportunity. This model has been tested and delivers results; it should be replicated in other community tourism projects. This model has been suggested as a solution and is explored further in Chapter Six.

B6. If the answer was ‘community’ above, was it a registered entity?

The aim of this question is to understand whether community structures as operational models are registered legal entities. It is important that communities are registered legal entities so that they can be recognised by government and other associations. Legally registered businesses have opportunities to attract investment and support from government.

Table 5.7: Registration of communities

Options	Numbers
Yes	7
No	0
Not applicable	2
<b>TOTAL</b>	<b>9</b>

## Interpretation and analysis of results

The results indicated that seven respondents are operating registered community entities. The results could mean that:

- Communities are aware of the importance of legal registration;
- Communities as entities are complying with legislation; and
- Communities have an interest to operate businesses that are recognised by government, clients and other stakeholders.

The two 'not applicable' respondents represent businesses driven by a private sector vendor and by a government agency. They do have their own registration status which is not applicable in this question. The government agency that is operating the facility is registered as a Schedule 3C Public Entity under the National Treasury and the private sector is registered as a close corporation.

“A Schedule 3C entity is classified as a Provincial Public Entity which was established in terms of legislation or a provincial constitution; fully or substantially funded either from a Provincial Revenue Fund or by way of a tax, levy or other money imposed in terms of legislation; and accountable to a provincial legislature” (SA. National Treasury, 1999:11).

B7. If the answer above was yes, what type of entity?

This question sought to understand the form of business entity among several options that are available under the Company and Intellectual Property Commission (CIPC), which is an independent government agency mandated by the Companies Act, 2008 (Act 71 of 2008) to undertake registration of companies, co-operatives and intellectual property rights (including trademarks, patents, designs and copyright) and maintenance thereof. The responses would also determine which entity must comply with a particular legislation in line with the form of registration.

Table 5.8: The type of entities

Options	Numbers
Trust	5
Section 21	0
PTY LTD	0
Co-Operative	2
Other (specify)	2
TOTAL	9

### Interpretation and analysis of results

Different business types were defined in Chapter Three. The results indicated that most operators are community trusts and cooperatives. The results suggest that communities are serious in their desire to formalise their businesses so that they become recognised entities. However, the establishment of most entities is facilitated on behalf of the communities by government, private sectors and other organisations. As a result the following challenges face these structures:

- Lack of maintenance of these structures to ensure that they comply with legislation. For example, in one of the community trusts, some members had resigned, relocated or are deceased, but on the records, they still appear as trustees. There is no one in the community entrusted with the responsibility to ensure that the Trust Registration status is updated. Most entities are *de facto* entities due to registration, but there is no tax clearance certificate in place and no compliance with other key requirements; and
- Lack of understanding and knowledge on how to tap into government resources to revive and sustain the existence of these entities: Different entities could receive funding and other benefits from government sectors, but there is no champion from the communities to apply for these resources.

One of the critical lessons learnt was that communities must lead the establishment of entities so that they can understand them and play a role to manage them. It is obvious that the approach of enforcing entities on communities without instilling the

understanding does not yield favourable results, and this may be the reason that the structures are not operating optimally. The 'other' represented a government agency which is registered as a Schedule 3C entity with the National Treasury, and private operator registered as a close corporation.

B8. Have you operated a tourism business before?

This question sought to understand whether the current operators possessed business experience or whether they are operating the existing business for the first time. The responses would disclose whether experience has been prioritised as key to the success of the operation.

Table 5.9: Respondents with experience

Options	Numbers
Yes	3
No	6
TOTAL	9

#### Interpretation and analysis of results

The results indicated that only three respondents are operating tourism projects based on prior experience while six respondents are operating these projects for the first time, presumably without experience. The number of existing projects is already lacking business experience, therefore, it is a concern that there are more projects that are operated by inexperienced individuals. The chance for success is questionable. The results also raise questions on the side of government as to how they allow communities to run projects without experience. If these projects fail it could be regarded as wasteful expenditure. The results also challenge government on its process of screening operators for projects.

B9. Were you qualified in the tourism industry?

Operation of tourism businesses requires a specialised skill, and the researcher believes that a tourism educational background is critical to the success of tourism ventures. Therefore, this question sought to understand whether people involved in the operation of tourism projects have an academic background in tourism.

Table 5.10: Formally qualified respondents in the tourism industry

Options	Numbers
Yes	3
No	6
TOTAL	9

#### Interpretation and analysis of results

The results indicate that only three respondents are educated in tourism while six have no formal tourism education. Some of these respondents have undergone a short course, which is part of the requirement for government funding that a percentage of the capital investment be spent on training local people. However, it is doubtful that a skill gained from short and non-accredited courses could be sufficient to equip a person to manage a tourism business of the magnitude of 50 rooms and conference facilities. Again, the chance for success of a project that is operated by an uneducated and unskilled individual is questionable.

B10. If the answer to B9 was 'yes', please indicate the qualification.

This question sought to understand the extent to which tourism project operators are educated and to establish the qualifications they have achieved in the tourism industry.

Table 5.11: Qualifications of operators

Options	Numbers
Doctoral degree	0
Master's degree	0
B-Tech degree	0
Diploma	1
Certificate	0
Other (specify)	2
No qualification	6
<b>TOTAL</b>	<b>9</b>

#### Interpretation and analysis of results

The results indicate that only one respondent has attained a diploma in tourism; two respondents have other qualifications which are not tourism related, but include a B-Com degree in Finance and a B-Tech degree in Nature Conservation. A total of six respondents have no tourism-related qualifications. These are mostly community members, and the results could mean that tourism as a sector is taken lightly and also raises questions about probabilities for success on projects that are operated by uneducated or poorly educated people. Although some of the community members mentioned that they had attended short courses, they produced no evidence to prove this training; therefore, this could mean that the training is not accredited.

B11. How many years of experience do you have specifically in tourism or hospitality business operations?

The aim of this question was to establish experience operators have, specifically on operating similar tourism projects. Operators with similar experience are likely to succeed in tourism operations as compared to operators with no relevant experience. Responses would determine the potential of the business to succeed.

Table 5.12: Years of experience in tourism and hospitality business operation

Options	Number of respondents
No experience	4
1-3 years	1
4-6 years	2
7+ years	2
<b>TOTAL</b>	<b>9</b>

### Interpretation and analysis of results

The results indicate that four respondents have no experience in tourism and hospitality business operations, while only one respondent has gained experience, between one and three years. Two respondents have gained experience between four and six years in tourism, and seven years and above respectively. It is a concern if tourism businesses are given to inexperienced individuals as the chances for success are very minimal. These results also raise concerns about government as the leading player in the investment of these projects.

B12. If the project was operating, what was the annual turnover?

The rationale behind this question was to understand the turnover that is generated by businesses, if existing and operating. The responses would determine the status of income generation per project, which is one of the measures to determine whether a particular project would succeed or not.

Table 5.13: Annual turnover of operating businesses

Options	Numbers
R50 000- R300 000	7
R300 001-R500 000	0
R500 001-R800 000	1
R800 001- R1 000 000	0
R1 000 001- R1 500 000	0
>R1 500 001	1
<b>TOTAL</b>	<b>9</b>

## Interpretation and analysis of results

The results indicate that most tourism projects (7) are generating only between R50 000 and R300 000 per annum, and one of these projects was not even certain of the precise income they were generating but could only guess. There is one project generating a turnover between R500 001 and R800 000 and another generated over R1.5m, which is driven by the private sector, a clear distinction between a business operated by communities and the private sector. Most of the projects that are generating between R50 000 and R300 000 annual turnover have received capital investments of up to R20m. This turnover, therefore, raises concern as to how many years it will take for the business to reach a break-even point, make a profit, and become a sustainable entity. A break-even point is the point at which cost or expenses and revenue are equal; there is no net loss or gain, and one has "broken even" (Mdluli, 2010).

Most of these projects have operated for over three years, but the income does not seem to be increasing. It is suspected that contributing factors for the lack of progress are as follows:

- Lack of skills to render quality and marketable services which would ultimately attract and retain clients;
- Lack of a marketing strategy; and
- Lack of a business plan which would have enabled the operators to clearly define the vision of the business and the target income.

If these projects are battling to generate sufficient income it is a great concern as this implies the following:

- They would be burden to government as they would always need operational income;
- Jobs would be shed. There would be no prospect of sustaining current jobs; and
- The business may be forced to liquidate.

In summary, the results portray a picture that there is no return from the capital invested except the business that is operated by the private sector. It is doubtful



whether the other community tourism businesses would ever produce reasonable return on investment so as to encourage government and other potential investors. The issue of return on investment is critical as it determines the success of the tourism businesses and measures the overall growth of the tourism industry in the EC.

B13. If the project was operating, what was the occupancy rate?

The aim of this question is to understand the number of tourists per business. This question is linked to turnover, the higher the occupancy the higher the revenue. The percentage occupancy per business determined the prospects for growth, success and sustainability. It is occupancy that attracts investors and results in the expansion of the business.

Table 5.14: Occupancy rate of businesses

Options	Numbers
<20%	0
20%-40%	3
41%-60%	0
61%-80%	1
>80%	0
Uncertain	5
TOTAL	9

#### Interpretation and analysis of results

These results indicate that three businesses are generating between 20% and 40% occupancy rates, while only one business was generating between 61% and 80% occupancy. The project generating between 61% and 80% occupancy rate is driven by a private operator. This suggests that there is a vision and experience from the private sector to operate a tourism business. The reasons behind the responses that are uncertain are as follows:

- Inability to capture and analyse data;

- Non-availability of a central reservation system: Availability of a central reservation system would assist businesses to capture data and create comparisons of occupancy on a weekly, monthly and annual basis. The business that is driven by a private operator is efficient as they have an established central reservation system; and
- Lack of knowledge: There are respondents that have no idea what occupancy rate is yet they are managers of accommodation facilities.

The issue of lack of education and experience seems to be an underlying root cause of the challenges that are being experienced by most community projects. It also appears that these projects are not making an effort to learn from successful businesses so that they could equip themselves to improve their operations.

B14. How many persons were employed in the project?

One of the objectives of these community projects, from a government perspective, is job creation. The aim of this question is to understand the number of jobs that have been created by these community tourism businesses. The number of jobs created also serves as an indicator for success.

Table 5.15: Number of employees

Options	Number of respondents
1-3 employees	4
4-6 employees	4
7-10 employees	0
11+ employees	1
TOTAL	9

#### Interpretation and analysis of results

The results indicate that four projects had employed between one and three employees and another four projects had employed between four and six employees. There is only one project that had employed over 11 employees, which is the private sector operator. The number of jobs seems to be too low compared to

the size and costing of these operations. The reasons for low job creation could be the following:

- Unaffordability to pay salaries due to low annual turnover; and
- The occupancy rate was too low, and the volume of work in the business did not warrant engaging more employees.

The jobs that had been created by these projects are not sustainable as some employees work only on availability of guests at the business. In one of the projects, the cooperative members of the business, who are also shareholders, had a work roster for the business as they could not afford to pay employees. Most of these projects are large-scale businesses (accommodation with carrying capacity of over 40 guests per night, conference facility, restaurant and bar) with the potential to create up to twenty permanent jobs each, however, due to low occupancy, they are unable to create jobs. It is questionable whether these projects would ever create sustainable permanent jobs, and this is a sad indication of poor planning and sustainability.

B15. How many years has this tourism business been operating?

The question sought to understand the number of years a business had been operating. The responses would be critical to determine success considering the number of years against the annual turnover, occupancy rate and job created.

Table 5.16: Years the business in operation

Options	Number of respondents
1-3 years	4
4-6 years	5
7+ years	0
TOTAL	9

## Interpretation and analysis of results

These results indicate that there are four tourism projects that have been operating for between one and three years, and five projects have been operating between four and six years. All these projects are relatively new; however, there are community projects that have been operating for four to six years and are not showing results as they are still experiencing low occupancy rates and low turnover. A business that has been in the market for over four years should have at least achieved the following:

- Established its client base;
- Reached a break-even point. They should be able to cover the operational costs without reliance on government; and
- The business should be known in the market.

At the current pace these projects are operating, it is doubtful whether they could achieve the above-mentioned points, apart from the business that is driven by the private sector operator which is successful.

B16. Was the business complying with any of the following? Answer all options.

The rationale behind this question was to determine whether community tourism businesses complied with the critical legislations as far as the operation is concerned. A business that adhered to legislation has a chance to attract investment and government support.

Table 5.17: Compliance of the businesses

Options	Yes	No	Not Applicable	TOTAL
Registered with the South African Revenue Service (SARS)	4	5	0	9
Registered with an accountant/bookkeeper	4	5	0	9
Licensed for trading liquor	1	1	7	9
Registered with the Company and Intellectual Property Commission	3	3	3	9
Registered with the Department of Labour	2	7	0	9
Insured (assets and equipment)	3	6	0	9
Insured (public liability)	2	7	0	9

#### Interpretation and analysis of results

The results indicate that:

- Registered with the South African Revenue Service (SARS): Only four projects were registered with SARS and five not. By registration meant they submit annual returns and all tax matters are in order. The five projects that are not complying are of concern, as all legally registered businesses, regardless of form of entity, must be registered with SARS. It is SARS who determines whether a particular business may be exempted from paying tax due to its income threshold. The possibility of a lack of skills and knowledge cannot be ruled out with the businesses that did not submit annual returns;
- Registered with an accountant/bookkeeper: Only four projects were registered with an accountant and five were not. There is a correlation between the projects that are registered with an accountant and projects that are complying with SARS. Projects that had an accountant are likely to comply with SARS requirements as it is usually the responsibility of the accountant to meet all tax compliances for the business;

- Licenced for trading liquor: there were two respondents that traded liquor, one was registered with the relevant liquor licencing authority and the other one not registered. A total of seven respondents are not trading in liquor. Again, lack of knowledge on liquor regulations could be a challenge;
- Registered with the Company and Intellectual Property Commission: Three projects were registered with CIPC, three were not registered and another three indicated 'not applicable'. Those 'not applicable' are community trusts which must register with the High Court through a legal representative. The projects that are not registered have difficulties to process business-related applications and transactions such as insurances. Insurance companies preferred to deal with a recognised business so that if there is litigation they could sue the business;
- Registered with the Department of Labour: there was often an oversight from businesses to register with the Department of Labour to declare their number of employees, and for the Unemployment Insurance Fund (UIF). Only two companies are registered and seven projects are not. The projects that are not registered probably have no idea of these legislative requirements;
- Insured assets and equipment: only three projects had insurance for their assets and equipment, while six projects had no insurance. The projects that have no insurance are facing a catastrophic risk as they could not claim against fire and other incidents. The worst part is that the assets they are operating with are of a high value and should damages occur, it could appear to be negligence from the operator. One of the projects had insurance but cancelled it due to unaffordable premiums;
- Public Liability Insurance: only two projects had public liability insurance and seven had no public liability insurance. This, again, is a risk to the projects that have no public liability insurance as they could be sued by their clients should any incident happen while they are consuming the services being rendered by the business.

The lack of compliance with organised structures could also lead to business failures, but could also be linked to unethical business practices. Often, these types

of compliances are *ex post facto* and businesses reacted based on claims, lawsuits, and severe penalties on something that could have been avoided.

B17. If the project has been operating what problems has it experienced?

This question sought to understand operational problems that were experienced by businesses. Respondents had an option of choosing more than one applicable problem.

Table 5.18: Problems that were experienced during operations

Options	Numbers
Lack of funds	9
Lack of skills	6
Crime	2
Community infighting	8
Other (specify)	0
TOTAL	25

#### Interpretation and analysis of results

The results indicate that nine projects had experienced funding difficulties during the course of operations. This includes operational budgets and funding to complete aspects of the business which are not addressed during the implementation of the projects. A concern from this is that once a project lacks operational budgets it still remains on the municipal plan and this could create a burden on government. Six projects had skills challenges where it is evident from responses that operators are unsure about occupancy rates for their business, low income, and a lack of business systems and processes.

Two projects were affected by crime, mainly burglary, where assets were stolen by community members. This often happened when there was a change in management, when some community members would steal assets from the project for their households. In one of the projects visited, the facilities were empty, and

community representatives mentioned that the assets were stolen by different households. The respondent was adamant that if he could visit each household, he would be able to identify assets that belonged to the business! This is a concern as communities appear to be sabotaging their own projects. If the projects failed, they would have contributed to this failure.

Eight projects had experienced community infighting. These are communities and members who battle for power in the executive, employment, benefits, and status of the project. Some of the infighting includes the following:

- Lack of disclosure of income generated, hence some members were disgruntled over salaries;
- Some members, who were trustees, had left the community for job-hunting elsewhere, but after hearing about the project had come back to the community to fight for positions; and
- Some members of the trust were also municipal councillors. This caused infighting as they tended to politicise the projects and stall progress.

B18. How many years did it take to implement the project?

The rationale behind this question was to determine the number of years it took to implement these projects, and determine whether projects were implemented within a realistic time frame while taking into consideration the value and scope of the project

Table 5.19: Years to implement the project

Options	Number of respondents
1-3 years	0
4-6 years	5
7+ years	1
Unsure	3
<b>TOTAL</b>	<b>9</b>



## Interpretation and analysis of results

These results indicate that a total of five projects were implemented within four to six years, while it took seven and more years to implement one project, three operators admitted to be unsure of the period it took to implement their projects. These outcomes suggest that they are not part of the planning and implementation stages. One of the respondents, the private sector operator, admitted that they are not part of the process, instead they responded to an advert in the newspaper seeking an operator. The gap between implementers and operators had several risks, such as carrying out finishes that are not in line with the target market earmarked by the operator. Generally, the number of years it took to implement the projects was too long, and the following are some of the reasons for the delays:

- Lack of tourism planning and development experience;
- Delays in decision-making processes;
- Lengthy processes in municipalities: one of the respondents mentioned that it took many weeks to receive approval from the local municipality on architectural designs. Due to the delay, construction could not commence until there was official approval; and
- Too much consultation in various stages of the development.

B19. To what extent do you agree with the following statements concerning your project? Please mark a relevant box.

These statements sought to establish and understand a number of issues by a respondent selecting an option between 'strongly agree', 'agree', 'neutral', 'disagree' and 'strongly disagree'. These statements sought to provide additional insight into the views of tourism operators.

Table 5.20: Statements rating from strongly agree to strongly disagree

Statement	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	TOTAL
The business is operating optimally.	1	3	0	5	0	9
The business will be sustainable.	2	0	2	5	0	9
The current operator is capable of running the business.	2	0	2	5	0	9
All business processes and systems are in place.	1	1	3	4	0	9

#### Interpretation and analysis of results

The results indicate that:

- Only one respondent strongly agreed that their business is operating optimally, while three respondents agreed and five respondents disagreed. These results mean that high numbers of respondents were pessimistic about the potential of their businesses. If this is the case, it was worrying that they continue to operate because the responses suggest that there is no future for their projects;
- Two respondents strongly agreed that their businesses would be sustainable; two respondents were neutral while five respondents disagree. The responses that are neutral could mean that they do not understand the meaning of sustainability, yet it is one of government's imperatives. The operators that disagree could mean they would be a burden to government for financial and other resources to operate and sustain the businesses. These respondents suggested that these projects would not add value to the local economy;
- Two respondents strongly agreed that they were capable of operating the business, while another two respondents were neutral and five disagreed.

The responses that are neutral could mean that they are unsure whether they are making an impact with the business. On the other hand, the five respondents that disagreed are a great concern, and it is evident that there should be no expectations from these projects in terms of job creation, economic growth and sustainability. It also raises a question as to how government handed over projects to incapable operators without proper assessment and evaluation of suitable persons; and

- The results further indicate that one respondent strongly agreed that all business processes and systems are in place, one respondent merely agreed, three respondents were neutral and four respondents disagreed. It is likely that the respondents who are neutral and disagreed are not aware of the business processes and systems that should be in place in order to run a successful business.

## **5.9. General Comments**

- At one of the community projects at Lubisi Dam, although under the community, the municipality had appointed a project manager with relevant qualifications and experience on the payroll of the municipality to manage the project. The reason for this approach was to transfer skills to the community so that the community could eventually operate the project themselves. While this approach is working, the project seems to be wholly under the municipality, as procurements are done according to the Municipal Finance Management Act (MFMA). The Hluleka Nature Reserve, another operating project, is governed by the Public Finance Management Act, No. 1 of 1999 as it is operated by a government agency;
- The access roads to some of the projects are terrible, and it is the view of some respondents that upgrading of roads could improve the operation of their projects in terms of occupancy and income. While this has been raised as a concern, it is important to mention that roads have been in this state for many years, yet government continues to fund the development of these projects in areas that are not accessible. There are schools, clinics and other essential basic services that are also not accessible in the same location as the tourism projects. The views of some respondents are that if access roads are not addressed as basic services,

they would not be addressed as tourism projects, as they are not classified as basic services. Some of the respondents mentioned that by better access they do not necessarily expect a tarred road, but the road surface should be prepared to accommodate all categories of vehicles. Some of the respondents mentioned that the Department of Roads and Public Works and municipalities do carry out routine maintenance, but it did not last, particularly in rainy seasons;

- 'Unqualified staff' was emphasised by most respondents. Some of the project managers had inherited the facilities for operations and staffing. Some of the staff are not trainable as they do not have a basic educational background. It is also impossible to replace them as they are protected by the Labour Relation Act (LRA) of 1995, where Section 185 of the LRA states that "...an employee has the right not to be subjected to an unfair labour practice". This is another reason why the tourism projects cannot find operators.
- One of the community projects was also involved in agricultural activities through planting and selling vegetables. This income complemented the accommodation, especially during low seasons when occupancy was low;
- Community project managers had no skills in marketing their businesses or putting together marketing and promotional campaigns. Most of the respondents feel that this is a crucial skill for the success of their businesses;
- Lack of a central reservation system was a hindrance towards processing and administering bookings for guests. Most facilities are using manual systems, as a result, they could not keep statistics to monitor trends in the business; and
- Design and planning was carried out without input of a qualified operator, and this was the case in most projects. As a result, it was difficult to secure an operator for projects, such as Makana Resorts.

#### **5.10. Summary of results from operators**

There is lack of sufficient tourism projects that are successfully operating; however, there are lessons that have to be learnt from the few that have served as informants for this research. These lessons provide an idea on tourism project operations at a glance, and could be instrumental to future projects that are under planning or implementation. Some of the lessons learnt include the following:

- A basic educational background is lacking and is a key concern for most operators. It is evident from the research that a project that is operated by an educated operator has better prospects for success in terms of income and occupancy rates when compare to a business where the operator is not qualified;
- Lack of experience is another concern. Any operation could succeed based on the experience of the operator. It is a concern that government continue to entrust communities to operate these projects without the necessary experience;
- Most operators have no business operational plans, but they are running businesses where they have no knowledge of occupancy rates, and lack systems. All these gaps point to lack of education and experience of the tourism industry; and
- The operators seem to worry about income but not occupancy. Income and occupancy cannot, however, be separated. They want to succeed in their operations, and yet, they have neither a plan nor a marketing strategy, or systems in place to operate the facilities optimally and efficiency; and
- The facility operated by the private sector appears to be the most successful.

It is believed that qualifications and experience are the fundamental issues which underpin most of the challenges that confront the operation of tourism projects.

### **5.11. Conclusion**

Education and experience are the cornerstones for success of public funded capital investments in tourism in the Eastern Cape Province, however, this has not been a matter of emphasis in any of the projects that are under implementation and operation. The projects will continue to experience challenges if there is no review around education and experience in the application process. Many challenges that have been identified in this study point to education and experience, for example non-availability of operational plans, building facilities in the absence of a feasibility study, or positive recommendations from a feasibility study, lack of operators, and

poor planning and management. While education is the cornerstone of a successful enterprise, government is not playing its role effectively to ensure that all these challenges are addressed. The progress could change for better if government provided leadership in terms of guidelines, establishing a monitoring system, and ensuring compliance. If these issues are not addressed holistically, these projects will appear to be a waste of time, and raise expectations that would not be fulfilled in the communities. These investments by government may appear to be wasteful expenditure.

While education and experience are key issues, it is evident from the research that there is a need for an overhaul of the community tourism projects, particularly taking into consideration that there are nine project operating, and unfortunately, only one project is operating optimally. The success of the tourism industry is *inter alia* through these projects, through job creation and attracting visitors to the province, however the pace and current approach is not yielding desired results, instead, it is costing taxpayers a fortune and is ineffective.

In addition to education and experience, other issues that have emerged from this research and include the following:

- Consultation of communities in the process of developing the tourism projects. This appears to be taking place in all projects, however, the extent of consultation and the impact were uncertain;
- Suitability of location intended for the tourism project was discussed and the outcomes indicated different levels of understanding and application. Lack of education and experience was also evident as there were respondents who were unsure whether the location of their projects is suitable or not;
- There was lack of understanding a feasibility study by some projects representatives as most projects were carried out without a feasibility study. This is fundamental as it provides a direction whether to invest or not. It was also a concern to have witnessed projects that proceeded under the oversight of government without a feasibility study;

- The operational status of tourism projects is a concern as there are high numbers of projects that are not operating, yet they were implemented many years ago. Government continued to fund and support projects that were not delivering results. In the absence of operational projects, there is no future for the tourism industry in the province;
- The number of years and the value spent to implement projects was attestation to the lack of skills and proper processes that could guide the implementation of tourism projects. Due to lack of innovation and proper business ideas, government was under pressure to disperse money, but unfortunately to immature projects;
- There were various reasons that led to non-operation of tourism projects. These reasons include EIA, land claim, insufficient funds, disagreement on the project, poor road access, non-availability of operators, poor location, delay in decision making, and community infighting. Most of these reasons could have been avoided if there were proper systems in place. Lack of skills had effect on these reasons;
- Lack of management expertise such as a quantity surveyor and other professional skills was a major challenge, hence most projects were not implemented in line with the budget and time frames;
- Lack of identifying and implementing a relevant operational model for the tourism project had an impact as most projects were not operating due to unavailability of an operator. Government and communities were embarking on development of tourism projects without knowing who and how they will be operated;
- Sustainability appeared to be a new phenomenon as most projects failed to integrate it during planning. The concern is that failure to sustain the projects would put reliance on government to fund operations; and
- Lack of compliance with legislations that could have impact the business is a challenge. Most tourism projects were not complying with basic legislations that regulate businesses. This is a risk for the business as it may face legal challenges that could impair its image.

The next Chapter focuses on the recommendations that are put forward to change the status quo of community tourism projects.



## **CHAPTER SIX**

### **RECOMMENDATIONS FOR PLANNING AND IMPLEMENTATION OF TOURISM PROJECTS**

The recommendations contained in this chapter are based on the factual information gathered during the research study, the first-hand accounts of participants in the survey, and the experiences of the researcher during on-site visits.

#### **6.1. Introduction**

This Chapter presents the a few recommendations which, if implemented, could reshape the planning, implementation and operation of community tourism projects funded by government in the Eastern Cape Province. It is evident through the capital investment that government has made on tourism development, that tourism is an important sector for economic growth. However, there are no proper processes and systems in place and there is a lack of adequate skills and experience, hence the results do not justify the investment made to date. The overall results of the study are underpinned by three fundamental factors: management, experience and control. Therefore, the researcher believes that this study should assist government officials in all spheres (local, provincial and national), communities and consultants to source useful information that would tighten the processes of planning, implementation and operation of community tourism projects, and eventually ensure success of community tourism projects and the tourism industry in general.

#### **6.2 Summary of findings**

The previous chapter presented the findings of the survey. Various community tourism projects have been funded without a feasibility study and paper trace of the project to make informed decisions at all stages. Although development has taken place in most communities, this has happened without sufficient knowledge on the feasibility study and the project location. Neither is there any proper supervision of building programmes resulting in non-completion of projects. Most tourism projects are not operating after a lengthy process of implementation. There has been

consistently a lack of expertise in committees that are implementing the projects. This is attested by the number of years it took to implement some projects, and the fact that most projects are implemented beyond the time frame and budget.

There are numerous reasons that affect the implementation of tourism projects such as insufficient funds, non-availability of operators, poor road access, community infighting, and delays in decision-making and land claims. The community organisations, public-private partnerships and private organisations are preferred operational models for community tourism businesses. Experience, education levels and management are underlying factors in most findings, for example, not understanding sustainability and its application emanate from a lack of education and experience.

From an operational perspective, the number of operating tourism businesses are few and mostly in accommodation. Once again, the lack of training and experience is a great challenge for operators as there is no business operational plan, an inability to capture and analyse statistics pertaining to occupancy, lack of compliance with legislation, lack of business systems and processes, and overall lack of proper management. For example, a community trust has been funded but does not exist in a sense that there is no certificate or evidence of registration, some members of the trust have resigned or relocated, no tax certificate is evident, and the bank account has been deactivated.

### **6.3. Recommended criteria for funding of tourism projects**

The recommended criteria for funding of tourism projects are aimed at improving the current processes. Although some of the criteria below have been taken into consideration theoretically, however, there is lack of practical implementation. The fact that some community trusts were funded without evidence of existence in terms of legal compliance and projects funded without feasibility studies, were some of the examples that show that there has been lack of implementing the criteria for funding of tourism projects. In theory, these examples have been included in the criteria for funding, but in practice, they are not reinforced as there are projects that secured funding successfully, without meeting these criteria. Therefore, these

recommendations are aimed at reinforcing the criteria rather than reinventing the wheel. Some of the criteria that are explored include the legal entity, feasibility study, business plan, land ownership, and supporting infrastructure.

#### 6.3.1. Established entity

The government departments have recognised and funded the following forms of entities in the communities:

- Co-operatives;
- Community Trusts;
- Community Property Associations; and
- Non-Governmental Organisations.

However, the challenge is that most of these entities are now defunct and government continues to fund them without verifying compliances. It is, therefore, recommended that government verify every single entity that applied for funding before monies are granted. The verification must include a valid registration certificate issued by the Company and Intellectual Property Commission (CIPC), valid tax clearance certificates, valid bank account documents, and verification of members or directors.

It is further recommended that, in addition to the abovementioned forms, government should also consider funding Private Company PTY (LTD) and the Public Company (Ltd) forms of business as recognised by the CIPC. These business forms are subjected to disclosure and could have had more directors as shareholders from communities. It is proposed that, if government is considering any of these business forms, they should clearly define the types of disclosures expected, and this must be part of the memorandum of agreement.

The lead person should possess at least a minimum university degree or diploma in tourism, hospitality, or business management, and at least two years working experience in the tourism or hospitality industries. A knowledgeable and experienced representative from the community could create faith with the funder on the success probabilities of the entity. If there is no person with a relevant qualification in the

community, the community must source skills while embarking on a process to develop its own individuals. Other members of the entity must be ready to undergo training programmes to develop their skills as part of preparing them for managing and operating the project post-construction.

### 6.3.2. Feasibility study

Feasibility studies should be undertaken by properly qualified persons as a prerequisite for funding. There must be a copy on hand of a detailed feasibility study of the proposed site for development, to assist the funder to make an informed decision for investment. The feasibility study must detail whether the project is financially feasible or not, so that the intended funding is not wasted. If the available feasibility study is not clear, the potential funder should commission another expert to verify it. The same verification applies to an outdated feasibility study. Suitability of the location of the project should be emphasised in the feasibility study. The project should be located at tourist attractions and not diverted to other locations to serve the interest of a specific person or tribal authority.

### 6.3.3. Business plan

It is proposed that a comprehensive business plan be developed by people with expertise who understand the tourism industry, and with a proven track record in this field. The business plan must create a compelling case for government departments or other potential investors to invest in the project, and must clearly articulate, among other aspects, the financial requirements and projections, project management details, marketing strategy, human resource needs, and operational plans. These aspects are critical to provide the direction to achieve the aims, objectives and vision of the project. The business plan must also indicate sustainability prospects of the project over a period of time. The appropriate government department providing the funding must consider appointing an independent organisation that would analyse and evaluate the business plan and provide an independent opinion on the project viability and bankability prior the approval of funds, to ensure compliance with all requirements. If the results of the analysis indicate non-viability of the business plan,

it must be returned to the applicant with comments that must be addressed for re-application.

As part of the business plan, tourism project sustainability must be emphasised as it was important to assure the funder that the project would not rely on tax payer's money for ongoing operations, instead it would generate sufficient income to sustain the business. Another objective of the business sustainability plan is to assist government departments to deliver projects that could leave a legacy in communities in terms of job creation, and viable economic and social development. A successful project could also serve as a source of reference for future project developments.

It is proposed that a "peer review panel" of a professional team with expertise be established to be responsible to review and sign-off all feasibility studies and business plans. This must be a provincial panel that comprises professionals and experienced individuals in the tourism industry. This approach could serve as a safety mechanism to address the issues of a lack of skills. It could also maintain consistency on the quality of feasibility studies and business plans being developed.

#### 6.3.4. Approved architectural designs

The architectural designs that form part of the funding applications must have been developed by a qualified and professional architect registered with the South Africa Institute of Architects (SAIA) or the South African Council for the Architectural Profession (SACAP).

"...SAIA's mandate is to uphold the dignity of the profession and its members, to promote excellence in architecture, and to contribute to the enhancement of society and the environment" (SAIA, n.d.).

"...SACAP is the regulatory authority for the architectural profession responsible for the registration of persons within the architectural profession, protecting the public against unprofessional conduct by registered persons' guiding the profession, and promoting the standards of education and training in the built environment" (SACAP, n.d.).

All architectural designs in proposed projects must be approved by the local municipality in which the development would take place, to confirm that they comply with the specific regulatory building regulations.

#### 6.3.5. Record of decisions

There must be a 'Record of Decision' issued by the National Department of Environmental Affairs (DEA) that an Environmental Impact Assessment (EIA) has been undertaken and its outcomes had recommended the proposed development. "...An environmental impact assessment is the process of studying and assessing the probabilities of how an activity could impact the environment and thereby implementing a remedial action" (SA.DEA. 1998:10).

#### 6.3.6. Land ownership and title deed

The status of land must be investigated to confirm ownership and whether the owner has a legal title deed issued by the appropriate deeds office. Once the title (deed) has been ascertained, it could determine whether the land is private or state land. This information is critical as public funds could not be invested in private land unless government intended to acquire a private property for the state. If the ownership and the title deed could not be confirmed, ownership must be investigated through the Department of Land Affairs and the National Deeds Office. Updated information on land ownership could assist the municipality to identify and promote tourism sites that have been screened to detect possible land claims.

#### 6.3.7. Support from municipality and tribal authority

As part of the funding application for development of the identified tourism project, there must be signed and authority stamped support-letters from the local and district municipalities and the tribal authorities. These support letters could be evidence that both the local and district municipalities acknowledge and support the project. The letters should also identify the specific roles to be played by municipalities. The letters must also commit financial resources which the municipality would contribute towards the development.

### 6.3.8. Availability of basic infrastructure

As part of the funding application process, the municipality within whose area the project is located must confirm in writing the availability of basic infrastructure to support the intended project. This confirmation of infrastructure is critical and serves as fundamental for decision-making. The following bulk infrastructure must be confirmed:

- Water supply – the water source and quality, whether it is a borehole or dam, must be indicated as well as the distance to the intended facility. If the water supply is available, there should be an indication of the availability of storage, such as a reservoir and purification system;
- Sewer reticulation – the municipality must confirm availability of sewer reticulation, and the type and size, to determine its suitability to accommodate the intended development;
- Access roads – many projects have failed because of poor municipal access roads. The municipality should confirm that roads linking the intended facility are accessible. If roads are not tarred, the municipality must make commitments for ongoing maintenance and upgrading;
- Power supply – while power supply is not the mandate of the municipality, it should be confirmed whether it is available on site; if not, the municipality must confirm the distance to the nearest power source to enable the prospective investor to cost accurately and determine the required financial resources. The municipality must also be able to identify and analyse opportunities for alternative sources of energy, such as a solar plant and/or wind farms;
- Quarry site – the municipality must confirm the availability of a quarry site for crushing stones, and its location, in support of the development. This is an important consideration as it adds value to attract investors and it enables them to determine project worthiness; and
- Refuse removal – the municipality must also indicate availability of a refuse management plan so that a prospective investor could align and conform to the plan.

Further to the above, the municipality must indicate that they are ready, and have resources to deal with emergencies such as floods, fire and other natural hazardous that could occur. In the event that some or none of the infrastructure is in place, the municipality must commit in writing that it would allocate budgets and provide the necessary infrastructure in support of the development. The commitment must be accompanied by a plan of action and realistic time frames for providing infrastructure. Funding by provincial and national government, or any other potential investor, should be allocated on the basis of this commitment.

#### 6.3.10. Tourism project operators

It would be critical for the funder to know in advance who the operator would be of the intended project to ensure that the operational model is applicable and conforms to applicable legislation. The funder must ensure that the operator has an appropriate qualification and experience in tourism and/or hospitality project-operations. The operator must also indicate availability of start-up capital for the operation of the project. A comprehensive aftercare plan must also form part of the package for funding applications. This aftercare plan would give the funder comfort that the project would be managed post-construction, and would not rely on government for ongoing funding for operations.

#### 6.3.11. Site visit and verification

Prior to commencement of the project the funder must undertake a site visit to verify and confirm all the information that has been submitted for funding. With many projects that have been funded the decisions were based on paperwork and this is probably the reason for many poor products. If site visits and verification had been undertaken, most of the current projects would probably not have been funded as they would have been found non-viable and not suitable for development. Therefore, moving forward, it is recommended that site visits and feasibility verification must be undertaken and, in fact, this must form the fundamental criteria for decision-making.



### 6.3.12. Building control

The building process should be monitored by a qualified quantity surveyor who would also manage the budget on behalf of the funder and ensure a quality product.

## 6.4. Recruitment and selection

### 6.4.1. Recruitment and selection of consultants

In order to ensure successful and sustainable tourism businesses, it is recommended that the project managers who are going to implement the tourism projects must meet the following criteria:

Qualifications in and for the tourism industry - the operations manager must have at least an applicable qualification. The supporting team members must be qualified in aspects such as project management, general or operational management, marketing, and financial management.

Experience in implementation of tourism projects – the project manager must submit documentation, and demonstrate traceable and verifiable experiences, of at least three projects that were successfully implemented in the past. These projects must have been successfully completed with proof of testimonials.

Project management team – the team must comprise of appropriate personnel with relevant skills in the project to be implemented. In terms of projects under consideration, the following skills are critical:

- Architecture – to undertake the drawings of the proposed development and assemble a required team in line with the requirements and approval from the municipality. This team includes the portfolios described below;
- Quantity surveyor - to play a role of overall project oversight and budget management;

- Engineer - to supervise civil work and ensure sound structural building if the proposed building is a double story. However, if the proposed building is a single story, a structural engineer may not be required;
- Electrical engineer - to supervise electrical work and ensure regulatory compliance;
- Environmentalist - if an EIA was done for the project, an environmentalist would be required to ensure and sign that all environmental regulations were followed; and
- Health and safety officer - to implement safety plans and ensure compliance in line with the Occupational Health and Safety Act of 1993.

Skills transfer - the project manager must develop a plan to transfer appropriate skills to the local community where the project is being implemented. These skills would be instrumental in the future development of other projects within the community.

Temporary job creation – the project manager must indicate the number of potential jobs that were created during the construction of the project. This number of jobs must be categorised into unskilled, semi-skilled and skilled.

Understanding of public legislation - the project manager must demonstrate understanding of public legislation such as the Public Finance Management Act, Service Delivery Act, and other relevant pieces of legislation. It is the responsibility of the funding authority to ensure that legal requirements are met.

Despite the implementation of these rigorous criteria for recruiting and selecting a consultant, possibilities of incompetence and failure to implement the project plan correctly cannot be ruled out; it is, therefore, recommended that the project manager be fired and replaced if:

- Failure to implement the project in line with the timeframes, unless the circumstances are beyond the implementer's control;
- Failure to implement the project in line with budgets unless deviations have been consulted and approved by the shareholders;
- Delivered shoddy workmanship; and

- Involved in maladministration, corruption and/or misuse of project funds as identified by the project management committee.

The project funder must not tolerate incompetency and behaviour that could tarnish the image of the project, cause the project to fail, and/or compromise compliance with public legislation. It is also recommended that if the project needs to replace the project manager, such replacement must be expedited without delay, not result in a budget escalation, and be approved by relevant structures involved in the project.

#### 6.4.2. Recruitment and selection of operators

As early as the initiation stage of the project it is recommended that the government department or applicable funder should embark on a process of recruiting and selecting appropriate and experienced operator(s) for the project. It is essential for the operator to be appointed during the initial stages as this would ensure that the intended product meets the requirements and expectations of the operators. If the operator is a community structure, training must commence in the initial stages so that by the time the project is delivered, they are equipped to operate the project. The operator has an interest in, and is responsible for every stage of the operation, envisaged as follows:

- Initiation stage - the operator needs to ensure that the concept being proposed is market related, in a good location and aligned to the target market;
- Planning stage – the operator needs to provide inputs on architectural designs, business plans, the scale of development, configuration of the project facilities, and to ensure that the product meets the needs of the target market;
- Implementation stage - at this stage the operator must ensure that the project is being implemented according to architectural designs and configuration. It is also at this stage that the operator manages the furnishings and fittings, decorations, and other aspects associated with the atmosphere and image of the business; and

- Operation stage – this is the phase where the operator is fully involved, as their responsibility is to ensure readiness to operate the business.

The above-mentioned stages are illustrated in Figure 6.1, and are critical for the involvement of an operator; if the project is correctly implemented and controlled it will ensure the success of tourism projects and eliminate corruption, maladministration, nepotism, and the division of communities, which could result in ‘white elephant’ projects. Apart from involving the operator during all these stages, it is important that the right and appropriate operator be recruited and selected.

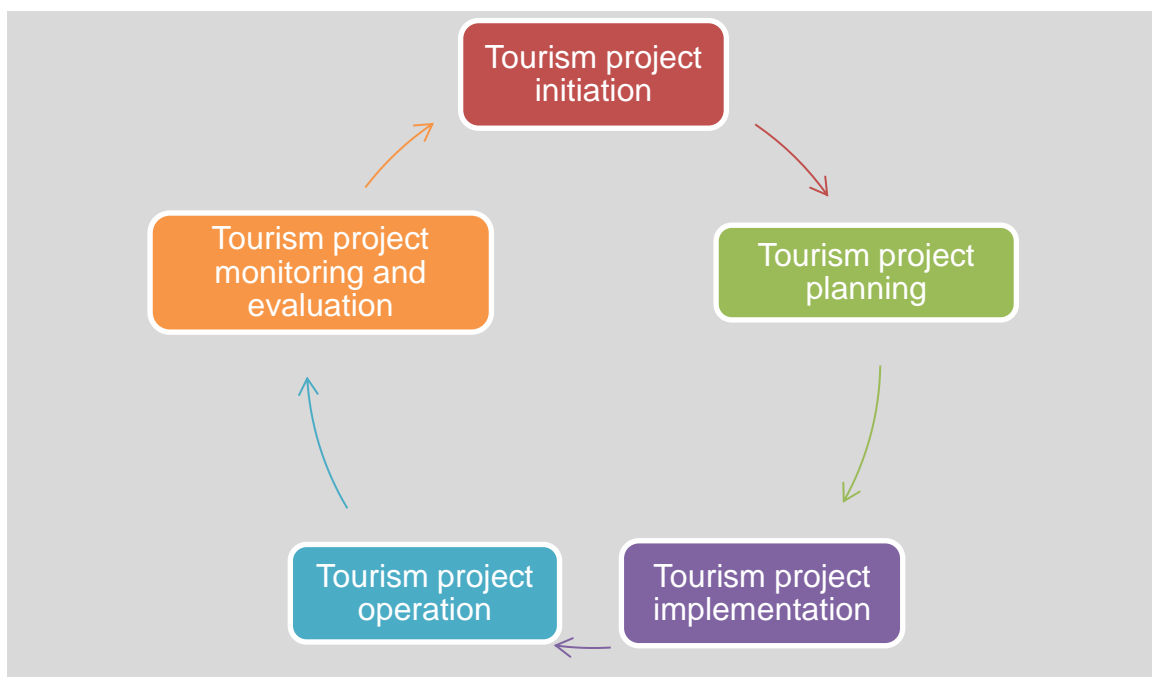


Figure 6.1: Tourism project cycle

Source: Adapted from Inskeep (1999:50)

Table 6.1 below summarises the possible operational model and guidelines for appointment of an operator as suggested in the Intsika Yethu Training Manual (2012):

Table 6.1: Tourism operational models and guidelines

No	Operational Model	Compliance and Legislative Requirements	Recommended Qualifications for Operator	Recommended Experience of Operator	Type of Agreement	Number of Years to Operate
1	Public Private Partnership (PPP)	National Treasury Regulations	Post school qualification in relevant field	Evidence of PPP operations (at least three)	PPP	20-30
2	Private operator (outsourcing)	Contractual agreement	Post school qualification in relevant field	Experience on managing similar facilities (at least three)	Concession management agreement	3-15 years
3	Community Trust		Post school qualification in relevant field	2 years' experience	N/A	Unlimited
4	Community Property Association		Post school qualification in relevant field	2 years' experience	N/A	Unlimited
5	Cooperative		Post school qualification in relevant field	2 years' experience	N/A	Unlimited
6	Non-Governmental Organisation		Post school qualification in relevant field	2 years' experience	N/A	Unlimited

Source: Adapted from Intsika Yethu Tourism Training Manual (2012:52)

Operational models numbers three to six are based on the assumption that they would be entities established by the communities to operate the tourism projects themselves. However, if the entity is individually owned, or does not serve the interests of the broader community, a contractual agreement is applicable for a specific number of years. In addition, this entity must be screened properly to ensure that it meets all operational requirements. As much as the table 6.1 above reflects several possible operational models, the first two are highly recommended for community-owned and driven tourism projects for the following reasons:

1. Public Private Partnership – this model is an arrangement where the private party, community and government, enter into a long term agreement to “build, operate and transfer” (Massyn, 2007) the tourism facilities. The private partner

is given a reasonable period of twenty to thirty years to recover the initial and operating costs and make a profit. After the period of operation, the facilities should be transferred to the ownership of the community. This model is recommended due to the high rate of success in South Africa. Some of the successful PPP tourism operations in South Africa included the Table Mountain Cableway (Western Cape) and Madikwe Tourist Lodge in Madikwe Game Reserve (North West). The private party usually comes with a wealth of experience, capital injection and tested systems and processes. The process of PPP development is lengthy and regulated by the National Treasury; and

2. Private Operator - in this model, the operator usually brings skills and experience to operate an existing facility. The private operator enters into an agreement for a period of three to fifteen years with a renewable contract. The value of investment by the private operator and the readiness of the community to take over the management, are determinants of the contractual period. If this model is chosen, it is important for the community to appoint its own legal representative who will draw up the contract and ensure that they understand it. Mkhambathi Nature Reserve is one of the examples where this approach is being implemented.

It is recommended that the above two models become standard requirements, from government departments and other potential funders, for appropriate project developers/managers as this would ensure that adequate skills are transferred to communities, sustainable jobs are created and tourism projects contribute to the growth of the tourism industry. If either of these models is implemented, it would eliminate many of the challenges that were revealed during this study, such as community infighting and negligence of facilities. While either of these models is being implemented, extensive training and skills development programmes must take place on all aspects of the business, to prepare the communities to take over the operation of the project at the end of the contractual period of agreement.

## **6.5. Education and training**

Lack of education and relevant qualifications were identified as a key concern in this study. If community members were trained and qualified, many tourism projects

could have progressed better. It is recommended that tailor-made programmes be designed to suit specific project needs. As part of the funding, a budget should be set aside for skills development programmes through an accredited training facilitator or institution. Training programmes should focus on operational issues, the core of the tourism projects. The following are critical skills for communities:

- Tourism business operations;
- Financial management and projection analysis;
- Marketing, central reservation and forecasting;
- Customer relations; and
- Business monitoring and evaluation.

For all tourism or hospitality development projects, especially where government and private funders are concerned, there must be an integrated training programmes that is facilitated at every stage of the process to ensure that relevant people are equipped with the necessary knowledge and skills to implement the projects. It is recommended that an audit of required skills be carried out on all people involved in the project cycle to identify the gaps in order to pitch the training at the appropriate level. Evidence collected suggests that training skills that were provided were too general and did not address specific needs. Some of the training attended by community representatives included workshops that covered basics in customer care and hospitality services. It is also recommended that government impose a monitoring and evaluation plan after projects are handed over to beneficiaries. Communities must be trained on the implementation, monitoring, and evaluation of planning.

## **6.6. Integrated tourism planning**

Since tourism was implemented at the local level, and municipalities always experienced financial constraints, it is recommended that municipalities provide leadership towards integrated tourism planning through inter-governmental collaboration. The municipality must involve all government departments and agencies at the local, provincial and national levels. These departments and agencies should play direct and indirect roles in the tourism industry. In fact, the

national and provincial plans and budgets of government departments and agencies must be informed by municipalities as development is taking place at the local level. Therefore the municipality must take initiatives to involve relevant government departments and agencies as part of the integrated effort and resource mobilisation.

Annexure H lists significant government departments and agencies involved in tourism planning, and these role players have a direct impact in tourism. Therefore every local municipality must demonstrate that it has engaged each relevant stakeholder in the process of undertaking the development of community tourism projects. Most municipalities view tourism investment as a one-way process where investors enquire about potential sites. It is recommended that, as a proactive approach, each municipality in the Eastern Cape that has identified tourism as a catalyst for economic growth, develop a strategy that would encourage investors to invest in tourism in their respective areas. The municipality must identify, assess, package and promote an investment opportunity.

#### **6.7. Bursaries and internship programmes**

It is recommended that relevant bursaries and internship opportunities from government and/ or local municipalities must be linked to community tourism projects to enhance capacity building and ensure that community youth are involved and participate in these projects. This linkage could be achieved by identifying skills shortages in communities, and enrolling individuals at institutions for higher learning to address these required skills with a view to, post education, they may serve these projects. This could be a long term process, but it would also benefit the project in the long run.

#### **6.8. Operations of tourism businesses**

It is recommended that each tourism project develops an operational plan which would serve as a guideline for directing and managing the operations of the business. The operational plan should include, *inter alia*, the following aspects:



Compliance with legislation: the business must demonstrate compliance with all relevant pieces of legislation that have an impact on the project. It is also recommended that a check-list be developed that would serve as a guideline to ensure that compliance is maintained. The compliance checklist must identify the pieces of legislation, act number and its sub-section(s), the areas which require compliance, and the timeframe within which compliance must be maintained.

Marketing plan or strategy: the tourism project must have a marketing plan in place which would assist the project to push its sales to increase occupancy and income, and cover operational costs, and recover developmental investment. The marketing strategy must take into consideration all possible marketing platforms such as exhibitions, social networks, electronic and print media and affiliation with marketing agencies.

Central reservation system: it is recommended that the project introduce an appropriate central reservation system suitable for making bookings, capture and analyse statistics, and to inform the marketing strategy of the business.

Risk management strategy: during the survey it was established that many projects were not aware of basic insurances as one of the mechanisms for risk management. Most assets and furniture were not insured. It is recommended that each project plan incorporate a risk management strategy that covers all aspects of the project that could have a negative impact on the operation of the business.

## **6.9. Community consultation model**

There is no consensus, or one-size-fits-all approach, in terms of community consultation, however consultation is a government imperative and at the centre of every community project. Consultation is one of the eight “people first” principles which are committed for consulting people on service delivery. According to the National Department of Public Services and Administration (DPSA):

“There are many ways to consult users of services, including conducting customer surveys, interviews with individual users, consultation with groups, and holding meetings with consumer representative bodies, Non-Governmental Organisations

Community Based Organisations. Often, more than one method of consultation is necessary to ensure comprehensiveness and representativeness. Consultation is a powerful tool that enriches and shapes government policies such as the Integrated Development Plans (IDPs) and its implementation in a local government sphere, as shown in Figure 6.2” (SA. DPSA. 2014).

Consultation is important in tourism, just as in other sectors, and it is at the centre of community tourism projects that are funded by government. There are three critical stakeholders that the local municipality should engage in the process of tourism development. These stakeholders are the tribal authority, the community and the district municipality. It is, therefore, recommended that the model (Figure 6.2) is adopted as a guideline for consultation in the process of developing community tourism projects.

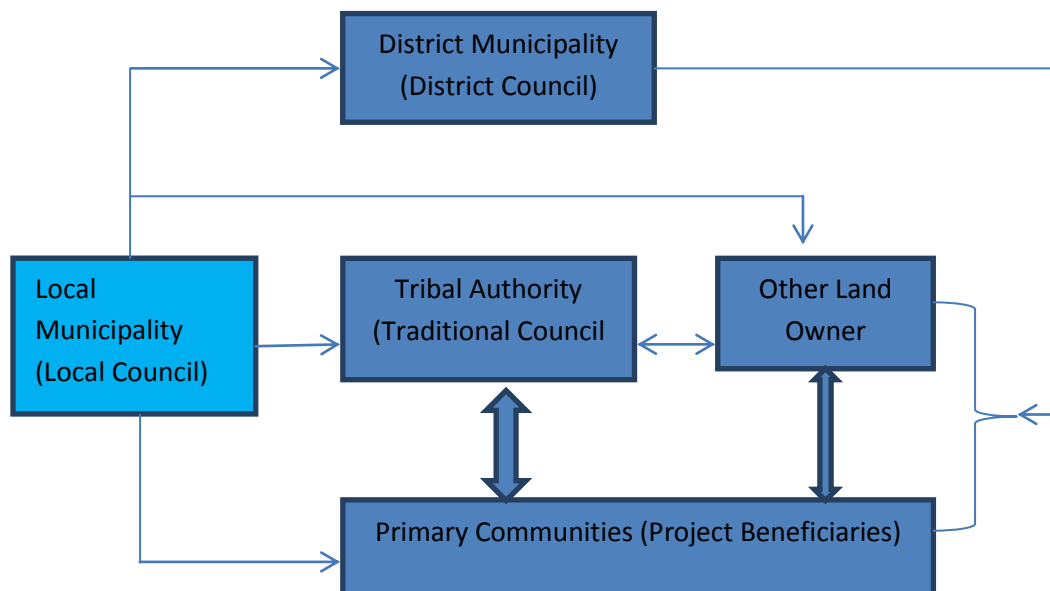


Figure 6.2: Community consultation model

Source: Adapted from Massyn (2007:28)

There are various structures that own land in the Eastern Cape Province of South Africa. The majority of the land is owned by a tribal authority. However, other land is owned by a municipality and/or by other government departments for specific purposes. Some government departments that own land included the Department of Forestry, the Department of Water Affairs, and the Department of Environmental Affairs.

The local municipality is, and has been, the champion for local development. The model recommends that the municipality should consult the tribal authority, the community and the district municipality. Communities are always at the centre of consultation irrespective of the land owner where the development is envisaged. The order of importance in terms of consultation must be informed by the land ownership. If the land is owned by the tribal authority, they must be consulted. The tribal authority would feature in every consultation as their primary objective is to ensure that communities are involved and benefit from the envisaged development. Communities would feature as well in all consultations through established structures.

The district municipality is another sphere of importance in the consultation process as they have specific mandates to provide support to the local municipality. The district municipality would be featured in every consultation as they provide the same support, irrespective of the land owner, within which the development would take place.

The Traditional Leadership and Governance Framework Act (Act No. 41 of 2003) give the traditional council the powers that are linked to those of local municipalities. In other words, the municipality should consult with traditional councils to carry-out the mandate of local government. The Traditional Leadership and Governance Framework Act recommend that the municipality and traditional council may enter into a service level agreement to establish a partnership. It further recommends that the partnership must be based on the principles of mutual respect and recognition of the status, and be guided by, and based on, the principles of co-operative governance.

## **6.10. Knowledge management**

It is recommended that a knowledge management system be created to manage information that is generated from each project. This system would ensure that information is stored safely, easy to retrieve when needed, and used as an information source for future projects. A sound knowledge management system should be able to assist project managers to learn, avoid repetition of errors, and

maintain consistency. It would also assist potential investors as a point of reference for any project they were interested to invest in.

### **6.11. Summary**

Chapter Six proposes that there should be enforceability of the criteria for application of funding by communities. There should be a wide variety of structures that government considered for funding, including a Private Company and Public Company; however there should be agreement that would bind these structures to deliver government imperatives. Feasibility studies and business plans were two critical documents to inform the viability of the proposed community tourism business. Legislative compliance should not be compromised in the process of developing these projects. The appointment of qualified and experienced project managers cannot be overemphasized. It is evident from the study that many projects fail due to a lack of professional service providers. While other recommendations, such as establishing a system of information management, community consultation process, and integrated tourism planning are made, however, the issues of education and experience are underlying priority areas.

### **6.12. Conclusion**

“Education is the great engine of personal development and it is the most powerful weapon which you can use to change the world” (Mandela, 1995). The researcher believes that through education, qualified tourism practitioners would be produced and the tourism industry would grow in a sense that community projects would be successful and achieve government objectives, such as job creation and poverty alleviation. The survey has revealed that government is enforcing development of tourism projects on communities that are not skilled; hence many projects continue to fail. Education has been the underlying factor in several findings, it is therefore important that education is treated as a priority in order to develop qualified practitioners and future leaders of the tourism industry.

The research has revealed outcomes that call for a paradigm shift from government departments in approaching community tourism project-development. The paradigm

shift should be an overhaul of the modus operandi, from project initiation to planning, implementation and ultimately operation. This new approach should achieve the following:

- Implementation of community tourism projects through business principles and based on thorough research and processes;
- Development of tourism business where sustainability is a cornerstone;
- A business that achieves government objectives and serves as a pillar for job creation and economic growth in the community;
- A business that reflects value-for-money and compliance with the Public Finance Management Act, No. 1 of 1999;
- Continuous success of community tourism projects that inspired new ideas and attracts public and private sector investors;

Recommendations, unlike legislation, are not enforceable. However, it is believed that the effort that has been put into this study will not be in vain, but government departments and municipalities could pull useful information from it to strengthen planning and policy development processes. It is believed that this research could serve as a point of reference for new innovations and systems that could transform the state of community projects.

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