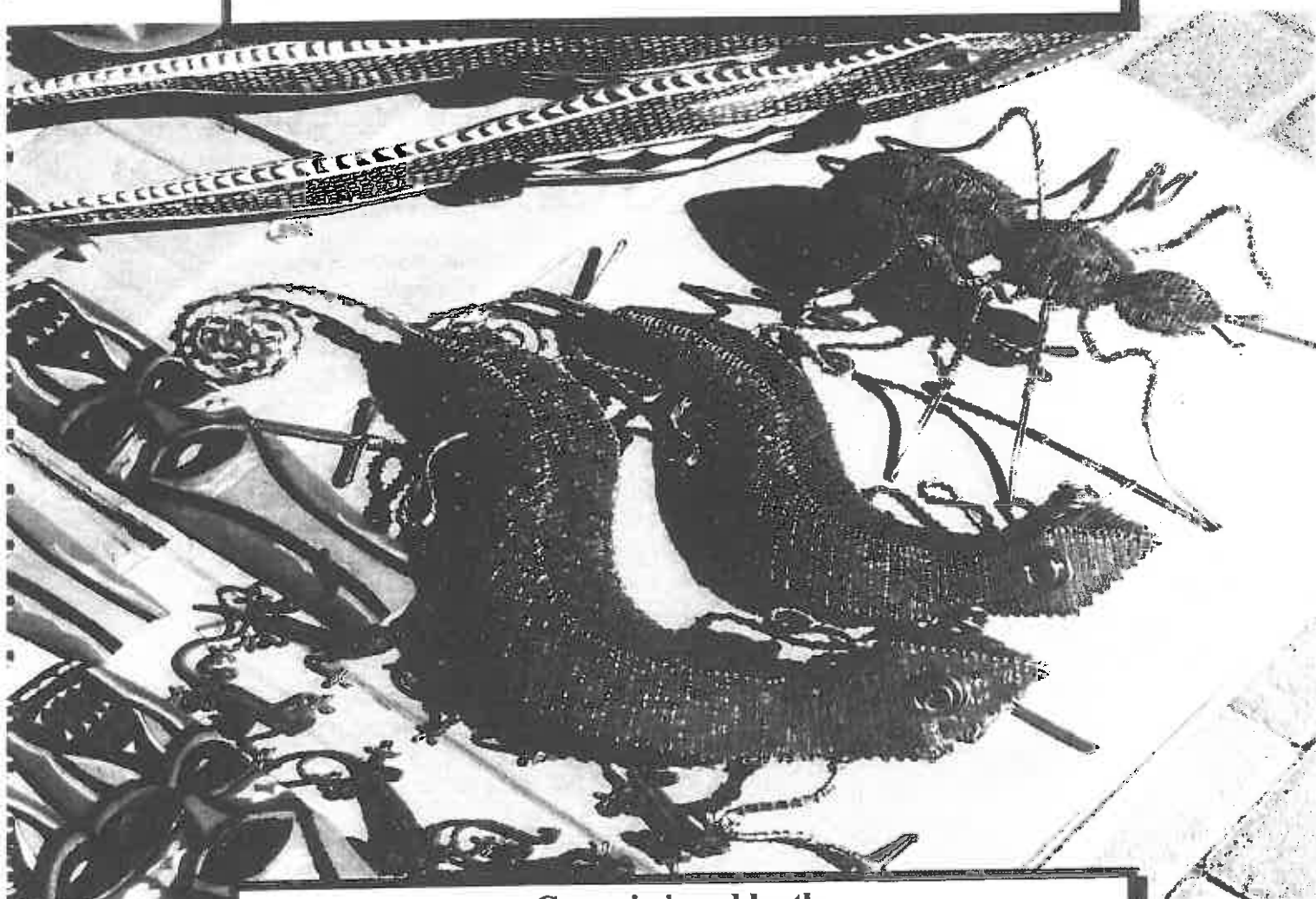




HSRC
Human Sciences
Research Council

A study of the "Tourism Second Economy"



**Commissioned by the
Department of Environmental Affairs and Tourism
Conducted by the
Human Sciences Research Council**

HSRC RESEARCH OUTPUTS



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4145

Preface

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Acknowledgements

Thanks are due to the various members of the tourism sector who generously gave of their time to assist with this study.

All photographs were taken by Jarè Struwig.

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Figure 1 Pottery on sale along the road to the Kruger National Park

Executive Summary

The Department of Environmental Affairs and Tourism (DEAT) commissioned the Human Development, Environment and Tourism section of the Human Sciences Research Council (HSRC) to conduct a study on the "tourism second economy". The study investigated the nature of the tourism second economy, and the likely economic and social development spin-offs from DEAT-sponsored tourism-related activities. The study also assessed challenges faced by poor people attempting to participate in the tourism industry and developed recommendations on how government interventions can be improved.

The specific objectives of the project were:

1. To develop a functional definition of the "tourism second economy";
2. To describe challenges faced by poor people working in tourism;
3. To assess the effectiveness of government and particularly DEAT interventions (specifically, the Poverty Relief Projects and the Tourism Enterprise Programme) in addressing the needs of poor people in the tourism industry;
4. To make recommendations on how current interventions could be improved; and
5. To make recommendations on new/additional interventions the government should initiate for informal traders and low-wage sectors in tourism.

The research was conducted in June and July 2006 and consisted of the following components.

- A literature review of tourism and the current understanding of the term "second economy" in South Africa;
- A workshop on the meaning and usefulness of the term "tourism second economy";
- A series of individual in-depth interviews with key informants (experts and stakeholders) in tourism and informal economic activities;
- In-depth interviews with informal traders and workers on Poverty Relief Projects;
- In-depth interviews with DEAT poverty relief project implementers, managers and beneficiaries;
- An in-depth interview with a representative of the Tourism Enterprise Programme.

Defining the "Second Economy"

The term "second economy", launched by President Mbeki in a speech in 2003, has usefully brought attention to the problem of endemic poverty in South Africa and its origins in apartheid policies. But defining the term with precision sufficient for policymaking has proved more difficult. "Second economy" does not correlate precisely with the "informal economy," because some informal economic activities are not so poor. If formal survivalist enterprises are included, government policies to support the "micro" sector are more effective for more affluent micro-enterprises, failing to address the special needs of very poor businesses whose owners lack the knowledge and capital to benefit from existing government loans and grants.

Policymakers also find that they cannot locate a separate economic sphere that is unproductive, stagnant, and structurally divorced from the mainstream economy. Many linkages connect people throughout the economy. Treating the economy as a unified whole, in which some people are positioned at extreme disadvantage, allows more creative and accurate policymaking by bringing policy focus on these *linkages*. Mr. Mbeki himself has recently begun to affirm that, rather than seeking to "eliminate" the second economy (which does not exist *per se*), those linkages need to be "strengthened".

Specialists in economic development are therefore tending to abandon the term "second economy", speaking instead of "underdeveloped", "excluded", or "poverty trap". The term "underdevelopment" usefully brings attention to how people are *kept* poor or even *made* poor by economic policy. Development in the tourism industry now emphasizes facilities and "magnet projects" like game reserves. But local communities may find that the few jobs made available to them from this development are low-wage or temporary, leaving them poor. Local SMMEs are also uncompetitive with urban (mostly white-owned) enterprises. At the same time, their natural resources, public funds, and land are absorbed by medium- and large-sized enterprises, while their jobs, income patterns, local commodity prices, and even forms of cultural expression are transformed. They are "underdeveloped" by the very industry that is supposed to bring them development.

DEAT's concern in the Poverty Relief Programme is to avoid reproducing these problems by helping people escape the "poverty trap". The question is whether DEAT policies are truly "pro-poor"—that is, whether they are helping to reduce poverty and underdevelopment among South Africa's poorest people.

The Policy Environment for Poverty Relief in Tourism

DEAT's Poverty Relief Programme is positioned within national strategic plans: especially, the *White Paper on the Development and Promotion of Tourism in South Africa* (1996); the *Tourism in GEAR* strategy document (1998); and ASGISA. Among other goals, the White Paper called for involving "local communities and previously neglected groups". Tourism in GEAR affirmed a pro-poor mission: "to rectify historical industry imbalances, resulting from a discriminatory political system by promoting tourism entrepreneurship, human resources development, equity and ownership among disadvantaged individuals and communities". ASGISA calls for skills development and attention to the "second economy". DEAT's own Strategic Plan (2005-2010) indicates a commitment to community-based development and black economic empowerment (BEE).

However, close study of related initiatives reveals that present instruments do not clearly address the needs of the very poor. For example, the ASGISA programme for tourism focuses on development of the industry rather than the needs of the very poor. Related development interventions by DEAT and others also fail in this respect:

- The BEE Tourism Charter is concerned only with those enterprises with annual turnovers exceeding R 5 million.
- The Tourism Strategic Business Unit of the Industrial Development Corporation offers only loans with a minimum of R1 million.

- SMEDP offers incentive grants for small business, but favours formal businesses, the vast majority of which tend to be white-owned.
- Khula Enterprise Finance assists tourism micro-businesses with development credit, but requires that recipients contribute a minimum of R5000, shutting out the poorest start-up enterprises. Information on Khula is also unavailable to the very poor.
- The Umsobomvu Youth Fund has failed to “plug into” informal and grassroots sectors, concentrating on traditional funding strategies that serve small and middle-sized formal enterprises.
- The Tourism Enterprise Programme (TEP) emphasizes the goal of upgrading existing formal enterprises and so fosters an unintended neglect of informal, survivalist activities. While TEP will help informal businesses to become formal, data on these efforts was unobtainable for this report and they do not seem central to TEP’s programme or concerns.

Some of these interventions, such as Khula and Umsobomvu, could be retooled to be more effective. However, the consistent failure of these instruments to address the “poverty trap” suggests that minor adjustments to practices will not suffice. Policy change is also needed.

DEAT Poverty Relief Programme (PRP)

The PRP projects are designed to impact the “tourism second economy” in two ways:

- (1) directly, by creating jobs associated with the project and providing training; and
- (2) indirectly, by creating tourism infrastructure that will foster long-term employment and higher incomes for local people through the growth SMMEs and other kinds of “spin-off” economic growth.

As job creation is limited, the second goal is the most important. However, likely spin-off effects of the PRP are unclear.

Jobs created by DEAT projects follow the labour-intensive mandate of the Expanded Public Works Programme (EPWP). According to their Business Plans, PRP projects reviewed for this study are intended to generate 2,188 jobs. This rate of hiring suggests a job-to-cost ratio of about 1:71,000, which is less efficient than DEAT’s projects in Coastal Development (1:14,534) and Waste Management (1:39,241) but is favourably efficient compared to Natural Resource Management (1:90,042).

However, PRP job creation will not have an appreciable impact on poverty relief. Most jobs are temporary (1,989 out of 2,188). They are also low-wage. The standard daily wage for construction (the largest category) was between R42.50 and R45 per day, or about R850/month. As temporary jobs last only a few months, these wage rates cannot appreciably impact poverty. Moreover, our field study indicated that most workers on PRP projects do not work full-time, and actual monthly wages for part-time workers are even less.

Because the great majority of PRP projects in this round of funding are not yet completed, assessment of the PRP’s permanent-job creation had to rely on the

projects' Business Plans. According to these plans, which could be understood to reflect an optimistic scenario, the number of good permanent jobs created directly by PRP projects will be very small. For a total of twenty projects, R142 million in spending is intended to generate only 229 local permanent jobs, a job-to-cost ratio of R620 087. Permanent jobs also reflect a gender bias in consigning women to the lower-paying jobs, such as cleaners and domestic workers.

Field interviews indicated that training offered through PRP projects was inconsistent and inadequate on all projects surveyed. Some projects offer job training, especially in construction. Training during construction is typically one or two days a month. But skills gained from this basic training do not qualify people for more than low-wage jobs. On other projects, training was too short, inappropriate, or missing. At Motumo, training for curio production (beading, carving, metalwork) lacks essential follow-up support for refining designs and for marketing. Workers at the Dimbaza Wall of Fame project said openly that the training would not help them find jobs or develop their own ways of escaping poverty, and asked for training in financial and business skills (as opposed to in HIV/AIDS, herbicide control, and first aid). In the Eluphondweni Village Project, workers reported that they received no training at all.

In sum, job creation and training from PRP projects seems unlikely to impact the chronic poverty that so concerns the South African government today.

Infrastructure and facilities have more promise for poverty relief. The main thrust of the PRP is economic growth generated by the projects ("spin-off growth"), in two ways:

- 1) magnet projects, that will create and foster SMMEs, and
- 2) installation of infrastructure that will attract tourism investment.

However, eight case studies reviewed here suggest five major flaws in this strategy:

- 1) assumptions of spin-off effects are no better than general guesses as long as they lack professional market assessments;
- 2) trickle-down logic assumes that market forces will suffice to include people whose poverty is now traced directly to their inability to engage effectively with market forces;
- 3) PRP projects create facilities, like upscale game lodges, that do not directly serve the local community ("Saddam Palace" syndrome);
- 4) projects are likely to benefit individual managers and businesses whose interests and loyalties accrue more to urban and corporate affiliations than to the local community, encouraging neglect of wage rates and working conditions;
- 5) conventional thinking focuses on "magnet" enterprises (e.g., cultural villages, hiking trails, and game lodges) but neglects the linkages that now connect poor people to the economy.

Needs of the Informal Economy

Interpreting "second economy" as "informal economy" for the purpose of this report, this study sought direct interviews with people working in the informal economy.

These included:

Informal bed and breakfast establishments (B&Bs) in townships: Township B&Bs are notoriously difficult to operate, due to low occupancy rates and the need for more comprehensive and better marketing to make ends meet. Most participants reported severe economic hardship, due to the limited number of tourists that frequent their establishments. A lack of proper marketing and networking was a major obstacle to their success.

Arts, crafts and curio vendors in Alexander Bay, Soweto, Tsosoloso Madibeng Cultural Village (Hartebeespoortdam), Mamelodi, Atteridgeville, Soshanguve and Kruger National Park area. Arts, crafts and curio vendors have differing needs depending on the location of their businesses. Vendors expressed needs especially for shelter, materials, security, and micro-credit. However, the study also found consistent trouble with "cultural villages" designed to serve artisans and vendors. A case study of one such village found that, after just one year, dropping tourist visits were imperilling the survival of the project.

Informal tour guides at the Hector Pieterse memorial and media centre. These guides expressed difficulties integrating their businesses into the flow of tourists brought by formal enterprises. While they consider their work essential to keeping the site clean and safe for tourists, this work receives no remuneration. They do not have information on how to register their businesses and they cannot access micro-credit sources.

As noted earlier, DEAT interventions do not address the needs expressed by informants in these activities. Most of the programmes reviewed primarily serve formal businesses. The PRP assumes that the problems of informal traders and survivalist enterprises will be solved by market forces.

Recommendations

Recommendations for DEAT regarding its work in poverty relief appear to fall into two general categories: (1) suggestions for new practices associated with the existing strategy of magnet projects; and (2) new orientations toward poverty relief that would require policy change. In the first category, examples include the following:

- Improve market assessments to be sure the venture is viable and to identify essential linkages and needed skills.
- Expand the function of existing interventions to serve survivalist and micro-enterprises and not only better-established and bigger enterprises.
- Provide poor people with better access to tourism-specific business information – e.g., where and how to register a business, where and how to obtain training, where and how to obtain finance, some market information, etc. Develop "a one-stop shop".
- Work towards cutting red tape and costs associated with registering or legalizing a business.
- Financially assist start-up and micro tourism enterprises by providing access to small loans – assist them in becoming bankable with formal institutions.
- Provide traders with training in various skills, such as customer handling and business management. (Perhaps do a needs assessment of training requirements).

- Facilitate dialogue and communication between large tourism role players and small and micro operators by providing for example a 'guide/manual' to both parties (a 'pro-poor guide to large tourism operators' and a 'how to approach large operators' guide to small vendors) on how to engage, embrace and to be sensitive to the needs of other tourism role-players.
- Provide marketing assistance to township B&Bs that are known to have difficulty in accessing the tourism market.

In the second category, we believe that DEAT could usefully reconsider its goals. Presently, it is unclear whether DEAT is primarily concerned with:

- poverty alleviation — welfarist approaches to addressing immediate hardship (hunger, shelter, health care), like providing short-term jobs;
- poverty reduction — reducing the numbers of poor people by providing education, jobs, and small-enterprise opportunities; or
- poverty eradication — empowering people through new economic strategies and political empowerment so that underdevelopment (the conditions for extreme poverty) itself is eliminated.

Presently, the PRP seeks poverty reduction but appears to be achieving only poverty alleviation. Shifting to emphasize eradication, however, will require some new kinds of interventions and possibly new instruments:

- Training must be appropriate to survivalist activities, allowing people to take the next step to very small micro enterprises (VSMEs), rather than targeting SMMEs that are already formalized and well-positioned for such growth.
- Backward and forward linkages are essential to poverty eradication but their development must also be appropriate and sustainable. Community consultation processes must be developed that allow people to participate in tourism by identifying and building local relevant skills.
- Appreciation for cultural landscapes must replace the narrow focus on magnet projects. Identification and incorporation of locally unique artistic practices and assets must be identified and incorporated into the terms of reference for DEAT PRP projects.

Such policy shifts require linking centralized resources with local experts, through consultative processes. Policies to alleviate poverty cannot be effective by focusing on poor people as a separate part of the population. If poverty results from underdevelopment, and if all parts of the economy are linked, then DEAT's PRP must address poverty in the tourism sector not as some separate encapsulated "trapped" population but as a set of activities playing out through existing forward and backward linkages. Integrating the local poor populations into tourism strategies will ultimately be essential to the "first" economy as well.

1 Introduction

The Department of Environmental Affairs and Tourism (DEAT) commissioned the Human Development, Environment and Tourism (HDET) section of the Human Sciences Research Council (HSRC) to conduct a study on the “tourism second economy”. The rationale for the study was that DEAT invests in a wide range of tourism-related activities and infrastructure, many of which are under the banner of “poverty alleviation projects”. This study was to determine how much impact these activities are likely to be having on poverty relief. The study investigated the nature of the tourism second economy, and the likely economic and social development spin-offs from tourism-related activities. The study also assessed challenges faced by poor people attempting to participate in the tourism industry and developed recommendations on how government interventions can be improved.

The specific objectives of the project were the following:

1. To develop a functional definition of the “tourism second economy”;
2. To describing challenges faced by poor people working in tourism;
3. To assess the effectiveness of government and particularly DEAT interventions (specifically, the Poverty Relief Projects and the Tourism Enterprise Programme) in addressing the needs of poor people in the tourism industry;
4. To make recommendations on how current interventions could be improved; and
5. To make recommendations on new/additional interventions the government should initiate to informal traders and low-wage sectors in tourism.

2 The research method

The research was conducted in June and July 2006 (6 weeks) using a study design developed in consultation with members of the Business Development Unit of DEAT. In order to carry out a rapid appraisal, a primarily qualitative document review method was used, supplemented with a small number of case studies of specific DEAT Poverty Relief projects and informal tourism activities. Case studies were selected according to geographic location, stage of progress and to cover a range of enterprise types. A special effort was made to include DEAT projects some distance from the main tourism routes; thus, the Northern and Eastern Cape were included in preference to the Western Cape or KwaZulu Natal. In addition to the case studies of formal tourism projects and their staff, semi-structured interviews and informal discussions were held with tourism stakeholders including:

informal traders (craftspeople);
bed and breakfast operators;
informal tour guides;
academics; and
government officials (including the Department of Trade and Industry, Department of Environmental Affairs and Tourism and the Presidency).

The research protocol, consent forms and questionnaires were submitted to the HSRC Research Ethics Committee for review and approval for the study was granted. In essence, the ethical concerns with such a study revolve around asking personal

questions about people's working history and experience, and the need to ensure confidentiality. The latter not only protects individuals from any possible negative consequences of divulging prejudicial information (such as not having the necessary permits, or complaints about management) but helps to ensure better quality data.

The research process consisted of the following components.

- A literature review of tourism and the current understanding of the term "second economy" in South Africa;
- A workshop on the meaning and usefulness of the term "tourism second economy";
- A series of individual in-depth interviews with key informants (experts and stakeholders) in tourism and informal economic activities;
- In-depth interviews with informal traders and workers on Poverty Relief projects;
- In-depth interviews with DEAT poverty relief project implementers, managers and beneficiaries;
- An in-depth interview with a representative of the Tourism Enterprise Programme.

2.1 Workshop on the "tourism second economy" concept

In order for the team to reach consensus on a functional definition of the tourism second economy, a small workshop was held with a range of stakeholders including academics and policy makers, including representatives from DEAT, DTI and the Presidency. The intention of the workshop was to explore current debates around the second economy and also to explore the concept's usefulness for addressing the constraints to the accelerated and share growth initiatives of South Africa (ASGISA).

2.2 A series of individual in-depth interviews with stakeholders in tourism and the tourism economy

Since several important tourism stakeholders were unable to attend the workshop, telephonic interviews were conducted in order to include their opinions. These role players included senior academics and government officials who were identified by DEAT as significant contributors to the study because of their expert knowledge of tourism and/or the South African economy.

2.3 In-depth interviews with informal workers and micro-entrepreneurs

The functional definition of the tourism second economy identified informal traders and very small or micro enterprise owners as some of the key stakeholders. Semi-structured interviews were conducted with craftsmen and women, street vendors, tour guides and bed and breakfast (B&B) operators.

2.4 In-depth interviews with DEAT poverty relief project implementers, project managers and project beneficiaries.

At the inception of the project, DEAT identified their Poverty Alleviation projects as being an area of activity likely to have pro-poor impacts. Given the time constraints and limited budget, it was decided that a small number of these projects would be examined in detail. In consultation with DEAT, several projects were excluded from the case studies at the outset; these were generally projects of shorter duration, very new projects or those that focused on signage, fencing, information centres and

clearing alien vegetation. Brief details of the projects visited are shown in Table 1 and details of the case studies in Section 5.

The areas in which the DEAT poverty relief projects (PRPs) are situated were also characterised according to poverty indicators. Figure 2 shows the position of the PRPs in relation to Integrated Sustainable Rural Development Programme (ISRDP) and Urban Renewal Programme (URP) nodes. Figure 3 shows the position of the projects in relation to the percentage of the population that was unemployed according to the 2001 census. Figure 4 shows the position of the projects in relation to the percentage of households living in poverty, using data analysed by the HSRC (2004). Figure 5 shows the position of the projects in relation to the percentage of households that indicated that they had "no income"¹ in the 2001 census. Documentation (Business Plans and Progress Reports) was examined for all these projects, and sites visited for case studies are identified by red dots in Figs 3, 4 & 5.

¹ There has been much discussion about the validity of this indicator and some analyses use imputed income, based on other census questions, such as occupation. However, it does serve as a crude indicator of households that have very little or no formal income.

Table 1 Summary of poverty relief projects included as case studies

Province	Project Name	Start	End	Description	Deliverable	Temporary jobs		Permanent jobs		Training		SME creation		Exit employment	Budget	Spent	R	Spent %	Notes
						Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual						
1/EC	AP1 - Anzobu Roadside	01/12/2004	31/03/2007	Develop 4 heritage tourism routes with visitor facilities, information displays & route centres, heritage sites, access improvements, signage and anchor project enterprises.	838, traditional food pulled, training, guides, community involvement (for maintenance).	162	788	16	610	1225	4	4	4	0	R 20,000,000	R 7,940,588		40%	Project spread over very wide area. Funded by 1999-2004 EU, Lottery, MP, Other, DEAN Poverty relief.
2/EC	AP2 - King Saddle	01/06/2005	31/07/2005	Build 25 Chaleks at Mingo the Great Place, local informal settlement, Mingo and dining facilities. An associated marketing plan has been included.	25 Chaleks, kitchen & dining facility, internal sanitation, toilets & drainage (functional local style), marketing, training.	168	171	28	222	25	6	6	6	0	R 7,000,000	R 3,350,311		50%	Performance area and museum funded by Lottery. Production of locally made.
3/EC	AP1 - Dlabaza wall of	01/11/2004	31/03/2007	Establish wall of stone, garden of remembrance, heritage tourism site and production units for crafts.	End market, infrastructure, skills training.	168	307	0	370	50	10	10	10	0	R 4,000,371	R 1,765,822		43%	Includes production units for crafts.
4/GP	AP1 - Mamula yard (Mamula)	01/12/2004	31/03/2007	Construction of an extension to the Mamula Yard Interpretation Centre, to include a community archive, a food outlet, 5 restaurants, additional exhibition facilities, public spaces (Barbours, Bibo, an outdoor exhibition facility and a paved footpath), 5 sections (security cleaning, gardening).	Visitors centre, exhibition, SMMEs (10 construction, 10 retail, 10 food, 10 additional exhibition facilities, public spaces (Barbours, Bibo, an outdoor exhibition facility and a paved footpath), 5 sections (security cleaning, gardening).	155	73	46	220	0	20	20	20	0	R 9,000,000				The Owling Agency will be a Community Based Heritage Trust.
5/L	AP1 - Molomo game reserve	02/11/2004	31/03/2007	Upgrade game reserve buildings and other infrastructure, conference facility, holiday resort.	Chaleks 10, conference centre, recreation centre.	238	73	46	148	0	6	6	6	0	R 5,000,000	R 4,286,574		74%	All facilities will be designed and constructed to a standard suitable for the sophisticated tourism and recreation market. Thatch roof and traditional local designs will be incorporated into all developments. Local crafts to be established in new facility.
6/L	AP1 - Tropic of Capricorn	03/11/2004	03/11/2005	The establishment of stalls for entrepreneurs to trade at the Tropic of Capricorn inclusive of Tourism Information Centre, education and security to safeguard tourists and infrastructure sites. Technical and business training to be provided to beneficiaries.	Open stalls in secure area	28	14	14	58	0	12	12	12	0	R 1,400,000				
7/NC	AP1 - Alexander Bay	01/11/2004	30/05/2005	1) Upgrade a historical training facility into a Multi Purpose Resource Centre (MPRC) 2) Put up signs to the MPRC 3) Build local capacity to provide tourism and environmental services.	Lodge, info centre, craft from waste, museum, training, signage	50	58	6	114	72	2	2	2	0	R 2,000,000	R 1,570,500		99%	Multi purpose centre and crafts
8/NW	Tsoekiso Madibong Cultural Village - Dandoyi	Completed		Mts and cattle stalls	Secure training site	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		100%	Subject of previous in-depth study by John Ngweni.

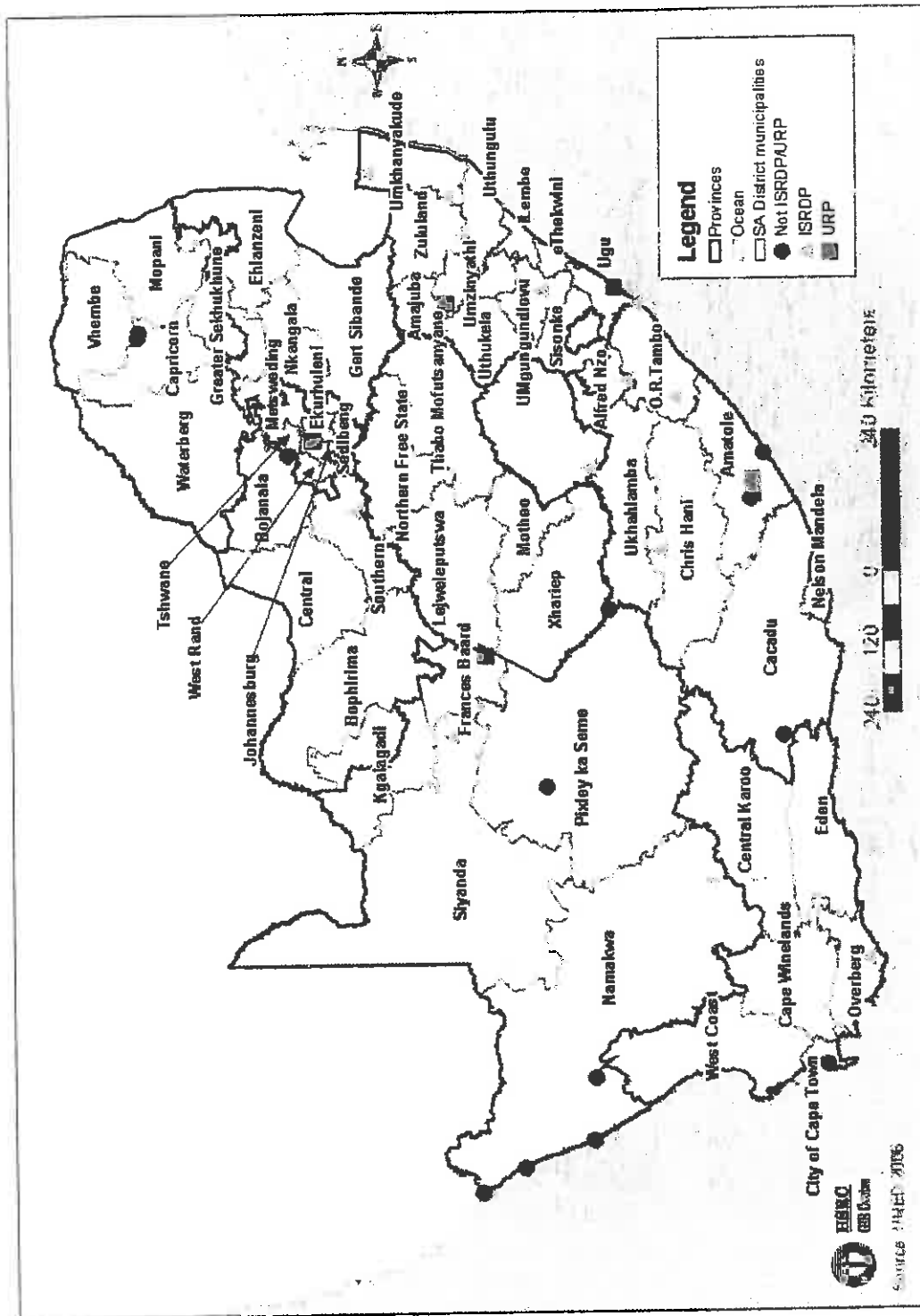


Figure 2 DEAT poverty relief projects and ISRDP and URP nodes

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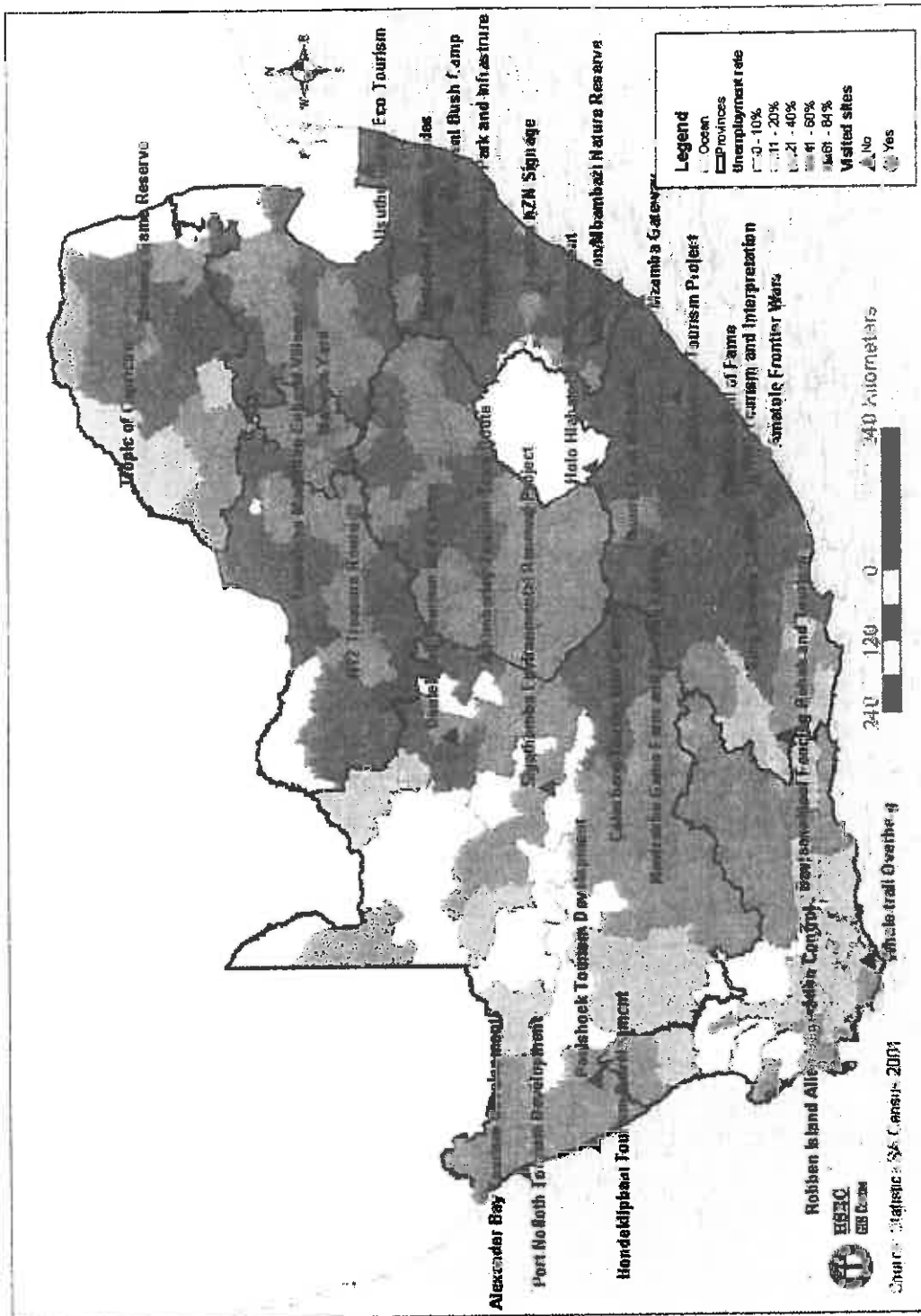


Figure 3 DEAT poverty relief projects and unemployed population

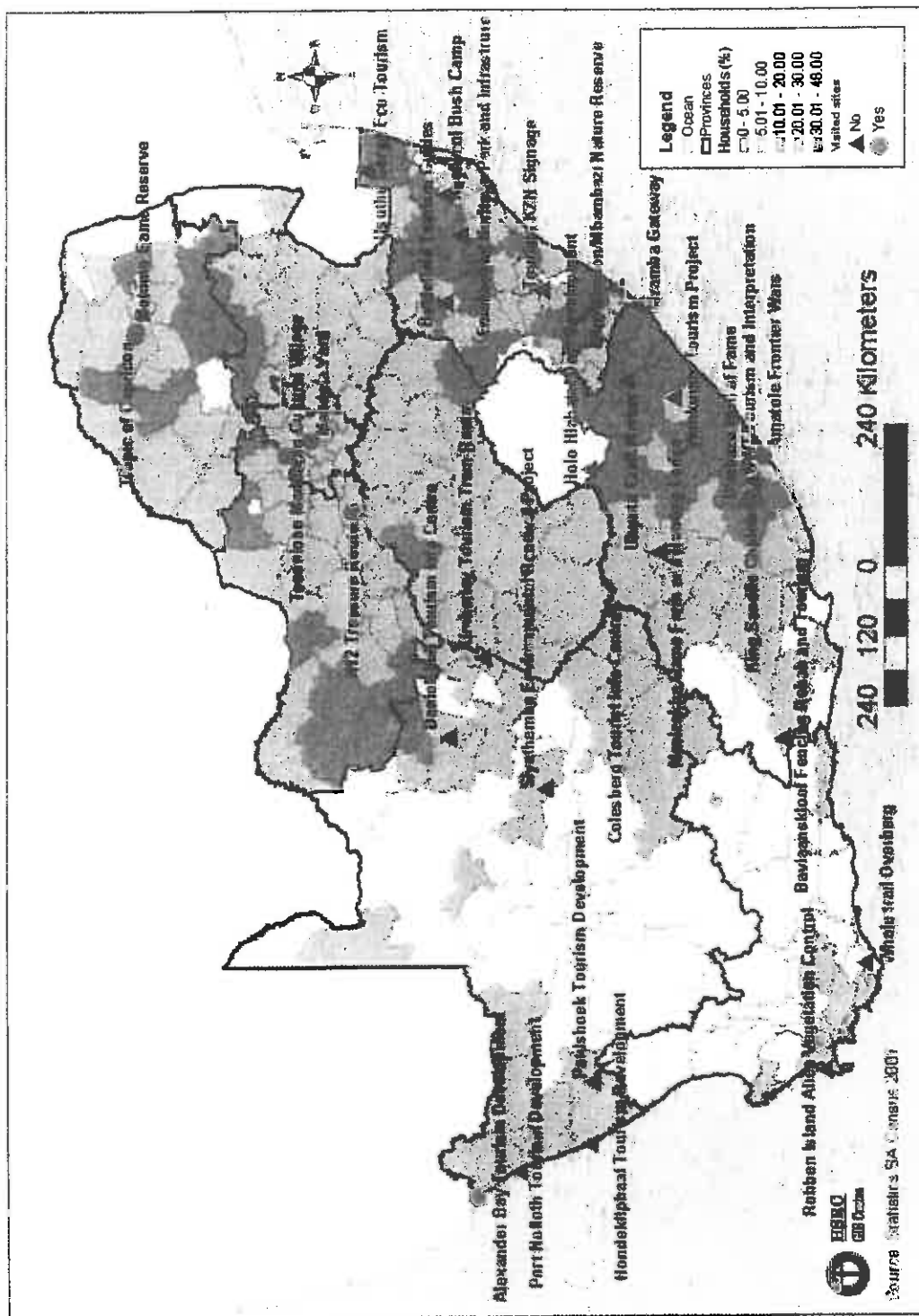


Figure 5 DEAT poverty relief projects and households reporting "no income"

3 Defining the “Tourism Second Economy”

3.1 What is the “Second Economy?”

The idea that South African society is divided into two economies is commonly traced to a speech by President Thabo Mbeki in 2003:

“One of the major consequences of the change in the structure of the [South African] economy is that “two economies” persist in one country. The first is an advanced, sophisticated economy, based on skilled labour, which is becoming more globally competitive. The second is a mainly informal, marginalised, unskilled economy, populated by the unemployed and those unemployable in the formal sector. Despite the impressive gains made in the first economy, the benefits of growth have yet to reach the second economy, and with the enormity of the challenges arising from the social transition, the second economy risks falling further behind, if there is no decisive government intervention.”³

Understanding the economy as split into “first” and “second economies” has been widely adopted as a way to focus vital public concern on South Africa’s enduring and growing problems with poverty and inequality. It also makes intuitive sense of the legacy of apartheid, which deliberately divided the society into a privileged white sector and a deprived black one. As a pro-poor agenda, it also carries moral authority and has been duly incorporated into agendas of all government ministries charged with addressing its needs, such as DEAT.

On these merits, the term implies a clear reality—something *there*, a sector that policy can address. On its homepage, the Southern African Regional Policy Network (SARPN) offers seventeen “Readings on the Second Economy” composed between August 2003 and October 2004 that it summarizes into a definition:

“The first economy is:

- Modern,
- Integrated with the global economy, and
- Produces the bulk of the country’s wealth

The second economy is:

- Underdeveloped,
- Isolated from the first and global economies,
- Contains a large percentage of people including the urban and rural poor, and
- Contributes little to the country’s wealth

The two economies need different strategies but:

- Transforming the second economy requires transfers from the first economy
- The first economy is unsustainable without the integration of the second economy

Growth and development strategies for the second economy include:

- Rural development and urban renewal
- Development of small and medium enterprises and cooperatives
- Black economic empowerment

³ Cited in *2005 Development Report: Overcoming Underdevelopment in South Africa’s Second Economy*, emphasis added.

- Expansion of micro-credit
- An expanded public works programme
- Learnerships and internships for the unemployed
- Improvement of the education system to provide useful skills
- Training and deployment of community development workers.”⁴

If we look closely, however, we find that SARP’s formula is confusing. Who precisely is included in the “second economy”? Unemployed people? Temporarily unemployed people? The working poor? Do they really “contribute little to the country’s wealth” if informal activity is generating some 10% or more of that wealth? And are they really “isolated from the first and global economies” if their poverty is partly a result of those economies? What precise interventions do these people need?

In practice, most government policymakers remain unclear exactly what the term “second economy” signifies. Its precise definition might seem an academic quibble. But policymakers cannot be sure they are addressing the needs of the “second economy” effectively if they don’t know precisely what it means.

3.2 “Second Economy” as “Informal Economy”, “Trap”, or “Exclusion”

One interpretation of the term “second economy” is that it is simply the *informal* economy, as President Mbeki’s language above (“mainly informal”) suggests. The informal economy has a common working definition: economic activity, like street vending, that operates outside the legal frameworks of the country (e.g., business licensing and tax law) and therefore cannot avail itself of bank credit and other growth mechanisms and so tends to remain stagnant and poor. ASGISA seems to adopt this meaning in treating the second economy as something negative and dispensable: e.g., in calling for “fast-tracking women out of the second economy” and even for “eliminating” it altogether.

However, “mainly informal” signals that “second” and “informal” are not exactly congruent, and indeed, if the intended concern is with extreme poverty, the equation does not work.⁵ First, the informal sector is not uniformly poor. The Labour Force Survey in 2005 indicated that 28% of informal workers were earning more than R1000/month and 8% were earning more than R2500/month (Skinner and Valodia, 2006). While still low, such incomes are higher than many salaries in the formal sector (e.g., domestic workers and security guards). This variation problematises the notion that the informal sector is defined by endemic unrelieved poverty requiring special public intervention.

Second, many poor individuals regularly cycle between periods of unemployment and employment in both informal and formal jobs. This cycling or “churning” also problematises the notion of a discrete “second” economic sphere, blocked from access to the “first” or formal economy.⁶ Some people may indeed be unemployable in the formal jobs immediately available to them. But the notion of a vast mass of

⁴ Available at <http://www.sarpn.org.za/documents/d0000830/index.php>.

⁵ For example, see discussions by Caroline Skinner, Imraan Valodia, Julian May and Charles Meth, cited later.

“unemployed and unemployable” people is overdrawn and misses the actual economic fluidity that many poor people experience.

Recognizing that poor people may have formal jobs, the DBSA's *2005 Development Report* interprets the second economy as including poor workers and entrepreneurs operating within the formal economy (e.g., wage labour and micro-enterprises) yet lacking realistic and workable opportunities to escape their impoverished condition (May & Meth, 2005). As the *2005 Development Report* puts it:

“The second economy is caught in a “poverty trap”. ... It is linked to the first economy by the extent to which it can still supply the cheap, unskilled labour this economy may require. It survives on money transfers sent by family members who have been able to secure regular or occasional employment within the first economy, as well as social grants and elements of the social wage provided by the democratic state. It is also linked to the first economy by the goods (mainly food), equipment and services it purchases with the meagre resources at its disposal. Those resources also make it possible for the second economy, or the poor, to maintain an informal or micro-enterprise sector of small traders, artisans and service providers.”

But confusions and contradictions pervade even this more inclusive model. “Cheap, unskilled labour” suggests a very different image from the dynamism and productivity suggested by “small traders, artisans and service providers”. The DBSA's reference to “social grants” to a dependent population does not explain its equation of that population with a “micro-enterprise sector”.

These contradictions highlight the primary limitation of the “second economy” formula: that no actual “gap” or structural obstacle can be found that delineates two discrete economies. When examined closely, researchers instead find a myriad of forward and backward linkages binding the entire economy into an interdependent whole. Caroline Skinner and Imraan Valodia (2006) offer some illustrations:

“Consider, for example, that most informal workers are involved in retail selling basic consumption goods such as fruit and vegetable that is sourced from formal markets. Witt's (2000) work on informal fruit and vegetable distribution demonstrates multiple formal informal linkages. Ince's (2003) and Godfrey et al's (2005) work on informal clothing manufacturing in Durban and Cape Town respectively shows extensive forward and backward linkages to formal clothing manufacturing and retailing. Not only do manufacturers source their inputs in the formal economy but the garments often end up in formal retail stores. Khosa (1994, 1991) has documented over time how closely the taxi industry is linked into the formal motor, insurance and petrol industries. Even the most marginal of those working informally are linked into the formal economy. Consider for example waste collectors. Over 3000 waste collectors supply the 117 waste buy back centres, that the multi-million rand paper company Mondi has established in the country. These centres now accounting for almost 20% of Mondi's total recovered paper purchases. (The Star 29/05/05). A significant proportion of South African Breweries', the South African division of the second largest beer group in the world, products in the domestic market's final retail point are these unlicensed taverns or shebeens. It is estimated that 74% of liquor retailers are unlicensed (Business Day 07/07/05). It is thus clear that many of South Africa's biggest companies rely on informal worker to supply inputs or retail their goods. As we have argued elsewhere (Devey, Valodia and Skinner, 2006) it is these linkages which in policy terms are often the most interesting places to be concentrating on..”

3.3 Is the “Second Economy” Metaphor an Obstacle to Policymaking?

Recognizing these contradictions in the definition, the *2005 Development Report* concludes that the “second economy” is a useful **metaphor**, not an actual observable category. Very poor people and communities do not actually exist apart from the national economy; rather, they comprise an integral and dynamic part of it. As the *2005 Development Report* put it, “the metaphor lends itself to simplistic follow-on metaphors that purport to explain how the second economy should be dealt with – e.g. “eliminated”, “united with the first economy”, and so on” (p. 34). Worse, if taken literally, the “second economy” concept may even impede “the very shift it [the government] has often declared to be essential, namely moving away from welfare and towards development” (p. 36).

This risk is suggested in DEAT’s own programme regarding the environment (DEAT 2006). According to a recent budget speech, next year’s programmes will seek to ensure “real benefits for the person trapped in poverty and in the second economy.” Yet those programmes and their budgets offer no direct measures to develop this “trapped” sector. Rather, allocations of R175 million to purchase protected areas, R395 million to improve park infrastructure, and R7.5 million to facilitate a skills audit are, at best, indirect measures regarding poverty relief. The Tourism Equity Fund, which is budgeted at R20 million and targets “small and medium Wheel and Tour operators,” does not address the “second economy” at all. Instead, DEAT’s initiatives focus on the “first” economy, which is treated as the genuine engine of growth and therefore a productive target for DEAT’s investment and support. Minister Schalkwyk himself admits that DEAT’s planning and budget allotments will focus mostly on “first economy” priorities: “transport, safety & security, product & business development, market growth, information, BEE, and skills” (p. 4).

By contrast, the “second” economy is targeted not for investment but rather for welfare and protection. Two initiatives—on subsistence fishing and small-scale commercial fishing—will protect the needs of communities that rely on the sea for “food needs and the most basic of incomes” (p. 4). But no DEAT strategy attempts to integrate these communities with regional environmental programmes and tourism development. This neglect would seem to overlook some obvious tourism opportunities. For example, in other countries, traditional local practices like subsistence fishing are valued features of a tourist destination landscape. Yet tourism development in South Africa remains concentrated on promoting business enterprises and environmental reserves, and developing infrastructure to serve them. If this activity is to relieve poverty, it will do so only by providing jobs in those businesses. (We discuss this assumption in more detail in Section 5.)

The tendencies evident in DEAT’s welfare approach are hardly unique. Many departments remain unclear about exactly what a supposedly stagnant and unproductive sector requires and how it can be helped. Ideally, the metaphor should bring attention to the needs of the very poor. But it can as easily inspire unhelpful assumptions that poor communities cannot respond dynamically to development programmes and investment.

There is a danger that the concept will again relegate issues of poverty and unemployment to the arena of **welfare**, rather than as central challenges of economic policy and the necessary structural changes in the economy will be conveniently overlooked. Note, for example, that the Department of Trade and Industry and the Department of Public Enterprises are charged with developing policy for the 'first economy' while the deputy President is charged with policy on the 'second economy'. What little policy there is for dealing with the unemployed and those informally employed is **piecemeal and ineffective**, and likely to remain so unless it becomes a central tenet of our economic policy. (Skinner & Valodia 2006)

The *2005 Development Report* also concludes that "there is no 'Poverty Relief Programme' as such, but rather sundry activities undertaken by various government departments, some of which may be characterized as forms of poverty relief, and national government itself does not have a comprehensive grasp of what these activities are." The Presidency itself has admitted that public efforts at poverty relief lack any "comprehensive, coherent and coordinated framework." But this lack of policy coherence may signal something other than government policy failure. If the dual-economy metaphor itself is flawed — if there is no empirically discrete "second economy" to address — *what seems like incoherence may actually be intelligent and flexible approaches to a more complicated social reality.*

3.4 Shifting Away from "Second Economy" Language

Taken together, these complexities cast doubt on the utility of the dual-economy metaphor. If the first and second economies are interwoven with so many linkages, and individuals are cycling between them, what "gap" actually exists between the two? If the metaphor is wrongly casting poor people as unproductive welfare recipients, why conceptualize the economy as divided in the first place?

The term "second economy" indeed appears rarely in more sober academic and political analyses. For instance, the Government's own Programme of Action proposes that the "second economy" concept is a useful "analytical tool" for addressing poverty, but otherwise abandons the term, speaking of "inclusion" or "economic marginalisation". Deputy-Minister of Social Development Dr. Jean Benjamin, in his lengthy closing remarks at the Conference On Overcoming Underdevelopment in South Africa's Second Economy, never once used the term "second economy". Instead, he used the more theoretically robust term (discussed below), "underdevelopment".⁷

Some policymakers switch to the term "informal economy," which at least has an agreed definition. Yet this approach, too, stumbles over its internal difficulties, as some informal activity is reasonably lucrative and not associated with poverty (as noted earlier).⁸ Furthermore, informal traders are consistently interfacing with the formal economy. For example, one may work as an informal tour guide at a heritage memorial (formal). Another might guard the car park (informal) at a rural monument (formal). A third may raise vegetables (informal) for sale to the local store (formal),

⁷ Pretoria, 29 October 2004, emphasis added.

⁸ Development theorists like Hernando De Soto argue forcefully that informal traders are a potentially dynamic force for national economic growth, and require only property rights to enable them to fill that role. In practice, such simplistic approaches have failed expectations.

whose lower prices allow it to be patronized by local street vendors (informal). A fourth and fifth may carve curios (informal) for sale in the local game lodge's curio shop (formal). The notion that these informal workers are "excluded" from the formal economy is clearly misleading. Rather, they are its intimate participants, supporting its price structures and supporting their own families from its expenditures. Interviews for this report indeed quickly demolished myths about the "unemployed and unemployable", as respondents were clearly vigorous participants in the tourism industry who are developing skills and gaining knowledge on their own (GCIS 2005).

Recognizing these linkages, President Mbeki himself has significantly modified his earlier formulation, acknowledging that the relationship between poor and more affluent sectors is dynamic and complicated, with "multiple forward and backward links between the formal and informal economic activities" (Mbeki 2006). He proposes a more sophisticated approach: "Rather than viewing the divide between the two economies as some unbridgeable Chinese Wall, we should consciously work to **formalise the linkages that already exist and use them as a basis to incorporate the informal sector into the entire formal economy**, to raise the standard of living of those currently caught within the informal sector" (emphasis added). In this view, people living even in dire poverty are dynamic economic actors, generating both economic demand and supply, whose needs require holistic and integrated approaches.

This is not to deny that poverty "traps" exist for some people. As Alan Hirsch (2004) argues, while the "second economy" is neither a geographic place, nor a class identity, nor the informal sector *per se*, it is still arguably important in signifying a "condition of exclusion" experienced by a "part" of the population. But a more useful term for their predicament is *underdevelopment*. Incorporated into the subtitle of the 2005 *Development Report*, this term captures the dilemma of people not excluded but *included* to their own disadvantage.

Seen through an underdevelopment lens, South Africa's impoverished population is not simply an artefact of apartheid policies designed to make black people poor. Rather, people are *kept* poor or even *made* poor even by the unity government's growth strategies: e.g., free trade policies that flood the domestic market with cheaper and better imports; the privileged access to public goods enjoyed by larger corporate players; and the importance of cheap labour to their global competitiveness, which, coupled with over-supply, undermines government capacity and political will to enforce labour law.⁹ An underdevelopment lens reveals the entire economy to be an integrated whole, linking everyone intimately to the global economy through the national economy, its trade policies, and its micro- and macro-economic policies.

Tourism is an exemplar of this pattern, as local communities find their natural resources, public funds, land use, jobs, income patterns, local commodity prices, and even cultural norms reshaped or redirected by the tourism industry and by the companies and governments trying to cater to the tastes of foreigners. They are "underdeveloped" by the very industry that is supposed to bring them development.

⁹ The concept of populations "kept poor" is emphasized by Cynthia Enloe in her analysis of Indonesian women working for multinational corporations like Nike.

Underdevelopment is, however, the term for a specific kind of problem. A simpler way to express South Africa's concerns about people who are "excluded," "trapped," or working at serious disadvantage in the informal economy is simply "poor". The fundamental and common concern embracing all the people presently grouped so clumsily into the misleading term "second economy" is their extreme poverty and their difficulty in becoming less poor. Policies that help people in this situation, by bringing opportunities that allow them to accumulate some revenues and capital, are called "pro-poor". Pro-Poor Tourism, a research and policy analysis project based in the UK, has already established a track record with this term, and its concerns nicely fit the spirit of the "tourism second economy" concept that now concerns DEAT.

The question is whether DEAT policies are truly "pro-poor"—that is, whether they are mitigating, neglecting, or reproducing poverty and underdevelopment among South Africa's poorest people.



Figure 6 Selling crafts— 15 km outside Kruger gate

4 General Policy Framework

This section initially reviews the objectives and key components of government's tourism programme since 1994. Some specific DEAT initiatives are then discussed which support the informal sector, low-wage workers in tourism, and tourism micro-enterprises. The last section focuses on other government initiatives (notably DTI) that support the informal sector. The intention of this chapter is not to discuss all government programmes and initiatives that support the informal sector but rather to highlight some initiatives and their relevance to the informal sector. Some of the summaries cited here are taken from a report commissioned by the HSRC, prepared by Prof. Christian Rogerson of the University of the Witwatersrand.¹⁰

4.1 Key tourism policy components and strategies

Since 1994, new policy frameworks have been put in place to support the development of tourism. Most important was the appearance in 1996 of a *White Paper on the Development and Promotion of Tourism in South Africa* (South Africa, 1996), followed by the 1998 *Tourism in GEAR* strategy document (South Africa, 1998) and more recently the 2005 *Tourism ASGISA submission* (South Africa, 2006). Together, these documents provide the key policy foundations for developing the tourism industry in South Africa. A number of subsequent policy documents further elaborate critical dimensions of the new tourism policy framework for South Africa (South Africa, 1999; DEAT, 2000a, 2000b, and DEAT 2002).

The *White Paper on the Development and Promotion of Tourism* is the core of South Africa's tourism policy. It identifies tourism as a priority for national economic development and aims to chart a path towards a 'new tourism' in South Africa and offers proposals for developing the industry within the context of objectives for reconstruction.

Some critical success factors identified by the tourism *White Paper* in 1996 are still very relevant to South African tourism in 2006. These critical factors are:

- sustainable environmental management practices;
- involvement of local communities and previously neglected groups;
- a safe and stable tourism environment;
- globally competitive practices, by offering quality services and value for money;
- innovative and responsive to customer needs;
- focus on product enhancement and emphasise diversity;
- effective tourism training, education and awareness;
- creative and aggressive marketing and promotion;
- strong economic linkages with other sectors of the economy;
- appropriate institutional structures; and
- appropriate supportive infrastructure.

Building upon the policy foundations provided by the *White Paper*, the Department of Environmental Affairs and Tourism document, *Tourism in GEAR* aimed to create a framework for implementing these policies, particularly within the context of the

¹⁰ Rogerson, C.M. The impacts of government tourism development programmes. HSRC unpublished

GEAR macro-economic strategy (South Africa, 1998). This document is of particular interest as in initial macro-economic planning, tourism was something of an afterthought and was omitted entirely from the GEAR framework (Page, 1999). The discovery of tourism's potential as an economic driver is based on several features, *inter alia*, the comparative advantages of South Africa's natural and cultural resources; the fact that South Africa's tourism attractions complement global trends towards alternative tourism; the ability of tourism to attract substantial private sector investment as well as to accommodate small, medium and micro-enterprise (SMME) development; the employment-intensive nature of tourism; its potential catalytic role for major infrastructural investment; its ability to stimulate linkages with other production sectors (jewellery, curios); and, its value as an export earner (South Africa, 1998). Overall, the vision is "to develop the tourism sector as a national priority in a sustainable and acceptable manner so that it will significantly contribute to the improvement of the quality of life of every South African" (South Africa, 1998, p. 4).

Taken together the *White Paper* on Tourism and the *Tourism in GEAR* document signal the need for a collaborative approach within which "tourism should be led by government and driven by the private sector, and be community-based and labour-conscious" (South Africa, 1999, p. 1). As a policy and strategic leader for the tourism industry, among the most critical roles for national government is that of seeking "to rectify historical industry imbalances, resulting from a discriminatory political system by promoting tourism entrepreneurship, human resources development, equity and ownership among disadvantaged individuals and communities" (South Africa, 1999, p. 1).

Contrary to the GEAR framework, the tourism sector was identified as one of the immediate priority and key sectors within the *Accelerated and Share Growth Initiative* (ASGISA) that will contribute towards a target of six percent Gross Domestic Product (GDP) growth by 2010. In the tourism ASGISA submission (2006), seven priority areas were identified namely:

- Skills: Building a skills partnership in tourism;
- Transport: Creating an enabling aviation environment, and improving access to efficient tourist public transport;
- Safety and Security: Addressing tourist safety and security concerns;
- Product and Business Development, and Investment: Developing tourism SMMEs, enhancing the product offering, and implementing a targeted investment strategy for tourism;
- Market Growth: Increased resourcing of tourism marketing;
- Information: Developing and entrenching accurate research and information management systems; and
- Black Economic Empowerment: Resourcing the Tourism BEE Council.

All of the above policy components are essentially included in DEAT's *Draft Strategic Plan* (DEAT 2004) which affirms its commitment to "build better communities through effective environment and tourism initiatives". This document identifies a "need to accelerate the implementation of community-based tourism projects in order to boost local economic development through Broad-based Black Economic Empowerment". DEAT strategic objectives are to ensure competitiveness of the tourism sector and to grow the tourism sector. Key performance areas for

achieving the first objective are to address the tourism skills demand, facilitate safety and security, and improve the movement of tourists to and within South Africa. With regard to the second objective, the key performance areas are to promote enterprise development, support local government to grow the tourist sector, encourage product development, support and develop tourism products aligned to demand, and develop accurate research instruments. In its bid to be more competitive and understand the tourism challenges, the *Global Competitiveness Project* (GCP) was initiated in November 2003, commissioned jointly by DEAT, South African Tourism (SAT) and DTI. The project sought to: (1) understand the level of innovation within the industry (2) understand the barriers to and drivers of innovation within the industry and (3) benchmark the industry. Recommendations from the GCP were:

- Improve communication and stronger relationships across the tourism sector;
- Effective information creation and dissemination;
- Market access strategies;
- Fast tracked transformation across the sector;
- Appropriate and market aligned product development and investment;
- Addressing the skills gap and quality assurance; and
- Improving public transport.

All of these policies and strategic objectives are seen as progressive and complementary but their success is dependent on implementation strategies as well as government support programmes.

The *Expanded Public Works Programme* (EPWP) is one of government's short-to-medium term programmes aimed at alleviating and reducing unemployment. The EPWP aims to achieve this through the provision of work opportunities coupled with training. It is a national programme covering all spheres of government and state-owned enterprises. Opportunities for implementing the EPWP have been identified in the infrastructure, environmental, social and economic sectors. In the infrastructure sector, the emphasis is on creating additional work opportunities through the introduction of labour-intensive construction methods. All public bodies involved in infrastructure provision are expected to attempt to contribute to the programme.

The *Code of Good Practice for employment and conditions of work for Special Public Works Programmes* (South Africa, 2002) takes into account workers basic rights, the objectives of the programmes, and the resource implications for government. The following issues are highlighted from the Code of Good Practice for the SPWP, since they bear on the interpretation of the DEAT poverty relief project evaluation included in this study.

- *"The objective of the Special Public Works Programme (SPWP) is a short-term, non-permanent, labour-intensive programme, initiated by government and funded, either fully or partially, from public resources to create a public asset."* The emphasis is thus on short-term, non-permanent job creation and not on full-time employment.
- *"The rate of payment should take into account wages paid for comparable unskilled work in the local area per sector."* Wages could differ in the various areas.

- “Wages should not be more than the average local rate to ensure people are not recruited away from other employment and jobs with longer-term prospects.” Again wages can differ for various areas.
- “Projects should: ensure a minimum of 2 days training for every 22 days worked; and ensure a minimum of the equivalent of 2% of the project budget is allocated to funding the training programme.” A minimum number of training days are thus recommended based on the above formula.

Whilst this study focused on the degree to which DEAT poverty relief projects benefit the “tourism second economy”, some of the shortcomings identified may be a consequence of the requirements, or interpretation of the guidelines, for implementation of EPWP projects. For further information on the limitations imposed by the EPWP and SPWP the reader is referred to *The Code of Good Practice for employment and conditions of work for Special Public Works Programmes* (Annexure 1).

4.2 DEAT strategies and their implication for the informal sector

A critical problem facing tourism in South Africa is expanding the involvement of South Africa’s historically disadvantaged black populations. The South African tourism economy is lily white in terms of the structure of ownership of leading enterprises (Letsema Consulting and Infonomics SA, 2002). An urgent challenge confronting the South African tourism industry is that of “changing the nature of the South African tourism industry from one that is predominantly white-owned to one that is increasingly owned equitably by the majority of South Africans” (DEAT, 2000b, p. 1). Unless this issue is adequately addressed, there is a danger that growth of the tourism economy will reinforce the existing concentration of wealth in the hands of whites at the expense of the majority of previously disadvantaged individuals. The various measures introduced through government intervention to support black economic empowerment or ‘making the markets work for the poor’ are seen by some observers as going “well beyond what is pursued in most other countries in tourism” (Ashley and Ntshona, 2002, p. 1). The *BEE Tourism Charter* buys into broad-based black economic empowerment – thus the economic empowerment of all black people including; women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies such as:

- Ownership
- Management
- Employment Equity
- Skills Development
- Preferential Procurement
- Enterprise Development
- Corporate Social Investment/ Residual/ Industry Specific

This scorecard has come under some criticism due to the fact that businesses with a turnover of less than R5 million per annum are exempted from the ownership requirements. Typically, therefore, businesses with a turnover of R5 million or less per year will have no incentive to encourage shared BEE ownership.

The improvement of the skills base of poor communities through various training initiatives is also an important delivery mechanism. DEAT has facilitated the

establishment of the Tourism and Hospitality Education and Training Authority (THETA) which functions as the overarching training authority for the tourism industry. The critical issue of job creation is addressed through a Learnerships programme which DEAT facilitates. Most of these learnerships target students and unemployed youth and aim to improve their employment prospects in tourism through a combination of structured learning and structured workplace experience (DEAT, 2000b). In developing its skills development priorities, THETA employed an economic principal of resource allocation "... which dictates that an optimal balance across different skills development objectives be established, in a way that yields greatest training returns for all inputs made by THETA" (Theta Sector Skills Plan 2005-2009). The key training objectives are:

- Maintenance of Skills Base
- Eliminate Skills shortages
- Fill skills Gaps
- Keep up with trends
- Innovation
- Transformation

By its own admission, THETA does not focus on low skills level learnerships, where the "sum of costs of implementation far outweigh the benefits, both direct and indirect".

4.3 Some government initiatives impacting on the informal sector

A national programme which allows entrepreneurs to secure cash grants is the *Small, Medium Enterprise Development Programme* (SMEDP) which is operated through the Department of Trade and Industry. This is a support programme which applies across many sectors of the economy, including manufacturing, high value agricultural products, agro-processing, aquaculture, biotechnology, information and communication technologies, as well as tourism. The SMEDP is an incentive scheme or grant which is paid to investors to support the growth of their current operations based upon approved qualifying assets. Incorporated legal entities qualify for potential assistance. The focus is upon new start-ups (of less than six months operation) or expansions of enterprises by a factor of 25 percent. The value of the awarded grant is calculated based upon the value of the qualifying investment in terms of buildings, furniture, equipment and tourism vehicles. The grant is available to tourism enterprises with assets up to R100 million; no minimum size of qualifying assets is given. In the case of an expanding bed and breakfast business with eight rooms the grant would be awarded on the basis of an expansion in capacity to ten rooms. The SMEDP programme provides two-year grants which are tax free with a possible third year of support for those enterprises with high labour costs.

Between 2000-March 2003 the SMEDP project has supported 612 projects amounting to an average funding of R318 000. The SMEDP has, however, tended to benefit those enterprises with established assets and has, consequently, tended to favour white beneficiaries.¹¹

¹¹ A key informant in a government department stated that "95% of the beneficiaries are white".

For individual tourism entrepreneurs seeking direct financing, the role of *Khula Enterprise Finance* is of central importance. Khula was established by government predominantly as a finance institution which would not deal directly with entrepreneurs on the ground, but would rather do so via interacting with a variety of retail finance intermediaries (RFIs). If Khula was to be responsible for providing the necessary financial support to entrepreneurs via the RFIs then it was to Ntsika Enterprise Promotion Agency, a second institution created by government to provide for non-financial or business development services to entrepreneurs in the field. Khula, together with Ntsika was intended to focus on improved and decentralised access to information, training, markets, finance and technology, improvement in business infrastructure and the strengthening of networks between entrepreneurs. Overall, the awareness of Khula support instruments is enhanced through marketing, road shows, brochures and the web. The Khula programme operates to guarantee 80 percent of the total loan amount with a maximum of R1 million and a minimum of R50 000. The individual applicant would have to have an own cash contribution therefore of at least R5000 to qualify for support for finance for start-up or expansion. A short mentorship programme is supported to enterprises for a period of three months after the grant of Khula support.

According to (Swilling, van Breda, van Zyl and Khan, 2005) the problem with these initiatives right from the start was that insufficient attention was given to the differences between 'medium' and 'micro' enterprises and therefore to different initiatives that were required to support them. According to them, it is clear that a vast difference between the needs of medium-sized and micro enterprises with the former more formal and established and the latter highly informal, survivalist and rooted in the poorest communities. In the absence of this distinction, support programmes tended to cater for and serve the medium size businesses. The result was that more opportunities and wealth were created for the upwardly mobile and less for the poverty reduction of the poor. The focus of both the Khula and Ntsika initiatives were not on the small-scale, less formal business whose main intent it was to stay alive on the edge of poverty.

Finance support packages for larger tourism investors are the domain of the *Tourism Strategic Business Unit (SBU)* of the *Industrial Development Corporation*, which is viewed as "a major player in the (tourism) industry" (Letsema Consulting and Infonomics SA, 2002). Projects to be supported are those with a potentially significant developmental impact in terms of job creation, empowerment and rural development. The average deal size approved by the IDC for tourism in the last three years was R7.1 million; if the largest six clients are ignored, the average loan was R1.9 million. The minimum specified loan amount is, however, R1 million. The IDC focus is primarily upon asset financing with special attention to ecotourism and urban accommodation. It sees the organization occupying an important position in tourism project financing for projects in range of R10-100 million where the commercial banks are often unhappy to operate because of their perceptions of tourism as a high risk sector for financing. The IDC claims to offer financial packages which are structured to fit the cash flow requirements and the risk profile of the specific business and offers negotiable 'grace periods', including a moratorium on capital repayments and the initial capitalization of interest.

Because of a twenty percent criteria for support for the "not proven" tourism sector the IDC does however not reach the desperate empowerment candidate.

The Umsobomvu Trust started operating in 2001 and its role and purpose was to develop the youth, job creation for the youth, and skills development and transfer for young people. The *Umsobomvu Youth Fund* (UYF) has been set up to facilitate grant-making and investment in business initiatives. Although it claims to have created more than 13 000 jobs between 2001 and 2003 (<http://www.uyf.org.za> accessed 19 July 2006) the fund is criticised by Swilling et al. (2005) in the Economic Policy and Poverty Alleviation Report series stating that:

"...one cannot help wondering why the fund has not plugged into the wide range of less formal, more innovative grassroots financial institutions and community-based development structures. Nor does it seem that the UYF has a leadership that is connected into the development sector networks, nor is there evidence of awareness about the more politically conscious empowerment approaches to poverty eradication. Instead, the general tone and strategy appears to be an idiosyncratic mix of traditional (largely limited impact) capacity building plus traditional funding strategies for SMMEs."

Although approximately 70 percent of informal business in South Africa are owned or controlled by women, almost all female-owned enterprises fall into the lower end of the SMME category, either being very small or micro-seized companies. Men dominate the larger and more lucrative sectors. The Gender and Women Empowerment Unit which manages the South African Women Entrepreneur's Network (SAWEN) was initiated to assist women entrepreneurs with solutions to challenges and constraints specific to women. Technology for Women in Business (TWIB) initiative established by the Department of Trade and Industry is to support women and move them from the periphery into the main stream economy. This is done through the facilitation of scientific and technology-based applications and systems which is only assessable to the larger sectors and not the very small and micro-seized companies (<http://www.info.gov.za/issues> accessed 31 July 2006).

The mandate of the Small Enterprise Development Agency (SEDA) includes the support and promotion of Co-operative enterprises to reach a greater variety of enterprises, particularly those located in rural areas. This programme includes the Business Referral and Information Network (BRAIN Programme) major objective is to supply high-quality, value-added information services through existing delivery structures to ensure improvement in the business of SMMEs, with the emphasis on businesses which empower historically disadvantaged individuals. This product yet again seem to focus on the larger SMMEs and not on the micro enterprises Community Public-Private Partnership Programme (CPPP) have had varied successes in that some projects are highly successful while in other cases projects never reached implementation stage due to the complex nature of these partnerships. The CPPP essentially links resource-rich communities with relevant state and private investors who are interested in sustainable utilisation of natural resources in an effort to revitalise depressed rural economies (<http://www.info.gov.za/issues> accessed 31 July 2006).

The South African Micro Finance Apex Fund (SAMAF) was launched as a trading entity in April 2006. This fund will establish 50 provincial offices and will operate as

a expanded lending Network. It will work with local partner organisations to provide loans of up to R10 000; the loans will be used for micro-enterprise activities and other productive uses. The primary target market of SAMAF and its partners are micro-entrepreneurs, as well as households that have an income of less than R1500 per month. SAMAF will not be lending directly to individuals and households but rather using intermediary organizations. SAMAF will (also) work with co-operatives and other savings groups such as *stokvels* and burial societies to promote savings and wealth accumulation (<http://www.info.gov.za/issues> accessed 31 July 2006).

Although this initiative seems to be targeted towards micro-enterprises the effectiveness of this programme could not be assessed since at the writing of the report it had only been functioning for less than 6 months.

In the context of the current study, expectations of far-reaching social and economic development benefits, as a result of tourism investments, have tended to make exceptional and possibly unrealistic demands for pro-poor benefits. Overall, government's support programmes to, especially the small and micro-enterprises, must be seen as disappointing.

5 DEAT Interventions

DEAT interventions include the Tourism Enterprise Programme (TEP) and the Poverty Relief Programme (PRP). Both programmes show some successes, and TEP has been praised for its training support in tourism. But their design and implementation have significant weaknesses regarding poverty relief for the poorest population.

5.1 The Tourism Enterprise Programme (TEP)

The TEP falls within the policy vehicle of the national government's Tourism Action Plan, representing one component of a larger long-term strategy to promote growth in domestic and international tourism. TEP's goal is to facilitate growth and expansion of SMMEs in the tourism economy (direct and indirect tourism enterprises) with the wider aim of achieving job creation and income-generating opportunities. Its background and design indicate its strengths and weaknesses. Actually evaluating TEP's efficiency, however, cannot be done from its reported data alone and requires a major field study.

5.1.1. TEP Background and Design

TEP was launched as a four-year job creation initiative in July 2000. Following good performance during the first four years of its existence, Phase Two of the programme started with even more ambitious targets. The second Phase of the programme ends in June 2007 and received R80 million over a three-year period from the Department of Environmental Affairs and Tourism and the Business Trust. This amount is set to grow to R185 million from DEAT and R41 million from the Business Trust, which will be used to expand TEP's services to small businesses, including training and mentorship, strategic advice and support for the new Tourism Black Economic Empowerment Charter, consultation on opportunities for growth like the 2010 World Cup, and marketing and product development that TEP has claimed to have assisted (Dlamini, 2006).

The TEP approach is demand-driven, seeking to identify, facilitate and ultimately foster commercially viable business opportunities. It facilitates contact among tourism enterprises and other related buyer, supplier, partner and investor firms and corporations linked to the tourism sector. TEP focuses on upgrading existing businesses rather than creating new tourism businesses. Its core support activities are of indirect financial support to tourism SMME development, rather than direct funding support. Funding offered by TEP to prospective tourism SMME clients is on a cost-sharing basis.

During its first six years, TEP claims to have assisted more than 3100 SMMEs to increase their revenues by more than R2,1 billion collectively, creating more than 30.500 jobs in the process. (These results are audited on an annual basis by an independent auditing firm.) TEP's targets for 2006-2009 are to facilitate R1,8 billion in transactions and assist more than 2000 tourism SMMEs, resulting in a further 28 500 jobs.

The primary emphasis in TEP is upon support for historically disadvantaged SMME entrepreneurs. TEP views tourism "second economy" operators as those enterprises and individuals without a proven financial track record, who have difficulty in accessing marketing, finance and information in order to grow their businesses. TEP can help identify viable linkages or business opportunities, marketing assistance for events, development of business and marketing plans, training, tender support and advice, and identification of service providers. Having worked with a large number of SMMEs in the tourism sector, TEP has been in a unique position to identify common constraints experienced by SMMEs. Some of the most critical constraints reported by TEP are listed in Table 2.

TEP has identified some limitations of its own in achieving their objectives. This includes limited funding and marketing opportunities to attain its goals. TEP does not finance any infrastructure projects. Other gaps are apparent from TEP's design. Due to its emphasis on "growth in turnover" and "number of jobs created", TEP might be tempted to focus on better-established ventures with more potential, because it would be easier to obtain their objectives. TEP might therefore overlook survivalist operators, who may have difficulty growing their businesses in a relatively short period of time. This could potentially lead to fewer small entrepreneurs, informal and micro enterprises benefiting from TEP's services. TEP does not seem to have been involved in the majority of Government-initiated "tourism poverty alleviation" projects that might have benefited substantially from the type of assistance that TEP provides.

Although well-intentioned regarding historically disadvantaged individuals, TEP's policies do not seem to have been effectively implemented. Where they have been applied, the uptake has mostly been within the formal economy. The language of the policies implies that they are "pro-poor", but they lack the elements necessary for full participation in the tourism economy by historically disadvantaged individuals.

Table 2 Critical constraints reported by TEP

Lack of access to information	Business opportunities can be lost due to lack of access to information about tourism related tenders, events, products or initiatives.
Red tape associated with legalizing a business	Legalizing a business is an expensive and arduous process when trying to conform to various government requirements and regulations. For example: to obtain tourist transport permits in the North West Province or to rezone a 'B&B' property from residential to business use.
Lack of understanding of Market requirements	Tourism markets are multi-dimensional and include individual tourists, tour operators/brokers, corporate and Government buyers. A lack of effective communication channels lead to a poor appreciation of market needs, opportunities and how to access them.
Lack of access to finance	This one of the major barriers to the growth of SMMEs.
Lack of credibility and reputation in the market	SMMEs need to be graded, insured and licensed to obtain tour operators attention. Small tourism role players to their own detriment do not appreciate the importance of these requirements.
Lack of critical size	SMMEs are often too small to warrant attention by tour operators and their individual marketing spend is inadequate. Collective marketing and organization is needed to make an impact.
Limited access to affordable business services	Often, SMMEs only obtain business services such as product design, training, marketing or accounting when assisted by programmes such as TEP. Service providers perceive SMMEs as unattractive and do therefore not provide them with tailor made services.

5.2 Measuring TEP and PRP Effectiveness: Challenges and Suggestions

This study set out to evaluate not simply TEP's efficiency in providing assistance to tourism-related businesses but its efficiency in relieving poverty. However, review of TEP's design (in the previous section) quickly indicated that establishing hard data in this regard was beyond the scope of this study. For instance, TEP's most obvious contribution to relieving poverty is through higher employment by the SMMEs it assists. But its contribution to higher employment cannot be assessed through the same methods that we used to assess the PRP, because the two programmes have very different methods and goals.

Discussed in the next section, PRP budgets can be evaluated by deliverables like job creation because they include the total project cost, including infrastructure. Most PRP projects indeed aim to create a facility – essentially, an SMME (or more than one) – where no SMME existed before. Their Business Plans are evaluated partly on the basis of how many jobs, person-days, and permanent jobs they generate. The Business Plans' job-to-cost ratios therefore offer valid indicators by which to assess the PRP's planned efficiency in addressing poverty relief because employment is an explicit deliverable – the job creation “bang for the buck”. As discussed later, the twenty PRP Business Plans that list permanent jobs indicate an average job-to-cost ratio of 1:R620,087 (Table 4).¹²

By contrast, TEP budgets reflect very specific inputs, which are a small part of the whole project. Various forms of TEP assistance to each project may total between R500 and R5000, with some transfers reaching R10,000 or R12,000 and a few grants significantly higher. The nine TEP case studies in the *TEP 2006 Annual Report* report that job creation in these showcased projects indicate an average ratio of 1:R3,245 — a vastly better ratio than the PRP (Table 3). But this difference does not necessarily mean that TEP is more efficient at job creation, for several reasons.

Table 3 TEP Job-to-Cost Ratios as reported in TEP 2006 Annual Report

TEP	Project Name	Increase in Jobs	Budget	Job-to-Cost Ratio
1	Boga Legaba Guest House	10	R 23,323	1:2,332
2	Dolphin Manor Guesthouse	2	R 3,725	1:1,863
3	Dullstroom Caravan Park	7	R 34,830	1:4,976
4	Ezakwantu Guest House	3	R 4,250	1:1,417
5	Franki's Travel	6	R 4,296	1:716
6	Kwa-Eden	2	R 3,473	1:1,737
7	Lauriston Guesthouse	0	R 6,000	x
8	Mbali inspiration	3	R 20,030	1:6,677
9	Nthuseng Tours	0	R 7,175	x

¹² Since most the PRP projects in this round of funding are not completed, we relied for this information on the Business Plans, which could be understood to offer optimistic or at least reasonable results. (Of course, the long-term goal of the PRP is not direct creation of permanent jobs but creation of infrastructure and magnet projects that will stimulate regional economic growth. We analysed this primary strategy as a separate and more important question.)

First, we must note that direct comparison would be unfair partly because PRP and TEP projects face very different degrees of risk. The PRP creates projects where none existed before, assuming all the risks and uncertainties that invariably attend any new development initiative. TEP has developed criteria for its assistance that allow it to reduce risks: especially, by funding "proven entrepreneurs". This maximizes TEP's likelihood of assisting tourism development and job creation—and maximizes its own reported success rate—but it also makes assessment of its effectiveness more difficult. Some of TEP's projects show such vigour that they seem likely to have grown even without TEP assistance. Other projects had additional large inputs, such as DEAT funding or major loans, that make the incremental impact of TEP's assistance hard or impossible to measure.

Second, TEP's assistance is not measurable by counting its costs because much of its assistance does not include any financial transfers. TEP indeed emphasizes non-financial assistance, such as training and help in designing business plans. This assistance would skew a job-to-cost ratio calculation toward greater efficiency.

TEP does not disguise these facts, but its reports may still be misleading if taken at face value. In reporting its own effectiveness, TEP calculates the impact of its assistance by comparing the monthly turnover and the number of jobs (permanent and temporary) in the business when the assistance was provided to the number of jobs the business is supporting at the time of TEP's report. TEP does not pretend that its assistance and funding are solely responsible for the growth and success of its client businesses. On this same reasoning, however, TEP cannot legitimately measure its own success by citing that growth.

5.3 Case Studies of Tourism Enterprise Programme Projects

Three sample case studies, with details taken entirely from TEP's 2006 Annual Report (issued in July), will illustrate why TEP's effectiveness cannot be measured by growth statistics alone.

5.3.1 The Boga Legaba Guest House.

The first case study in TEP's Annual Report, this enterprise had just one permanent staff when it registered with TEP in November 2003. After several TEP interventions, its staff had expanded to eleven by July 2006. At face value, this data would suggest a superb job-to-cost benefit ratio of 1:2,332. But it is not possible to assess the precise contribution of TEP's contributions of R13,373, distributed in seven grants over two years, to the growth of a business now enjoying an annual turnover of R91,000. The Boga Legaba Guest House is a success story: according to TEP, it was "chosen as the first runner-up for the ETEYA 2005 competition".¹³ But the ETEYA award itself provided a cash prize of R15,000, which the owner invested in air-conditioning and other improvements that have significantly built the business. Other variables are unavailable, such as location, local tourism demand, and other financial inputs, not to mention the owner's expertise. Just how much TEP funds contributed to this success requires secular growth data and in-depth interviews with the owner/ manager about TEP's efficacy.

¹³ TEP 2006 Annual Report, p. 15.

5.3.2 The Ezakwantu Guest House (Midrand).

Owner Charmaine Kopolo is a successful entrepreneur who, in 2001, invested R150,000 in a training centre for unemployed matriculants and later gained a R100,000 grant to support it. After the centre proved unsustainable, she opened a design and sewing company, which TEP reports as "very successful". In 2005, she opened the Ezakwantu Guest House and African Food Restaurant. TEP then helped her with "business advice, tender leads ... [and] development of a business plan" that helped her obtain IDC financing of R4 million.¹⁴ Ms. Kopolo eventually won the ABSA Small Business Inspiration Award. How much did TEP contribute to the Guest House's success? Clearly, Ms. Kopolo's experience, drive, and energy were major factors, but financial and other inputs from her established successful businesses were probably key as well. The Annual Report does not supply this information, however. It must be obtained independently, through interviews and review of financial records.

5.5.3 The Dullstroom Caravan Park project (Mpumalanga).

TEP began working with this project in April 2005, when it already had two permanent staff. After TTAF interventions and expenditures of just R3,725, by July 2006, the project had nine permanent staff, suggesting that TEP assistance was achieving a striking job-to-cost ratio of 1:4,976. However, TEP assistance here was contributing incrementally to a very large and long-standing project. The Park itself was established through a R2 million grant from DEAT's Poverty Alleviation Fund, which supported renovation, clean-up, construction, and start-up salaries for permanent staff. TEP then provided help with assessment and design for fly-fishing and trout-raising projects (R12,900), and supported conservation and guide training for six permanent staff (R21,930). According to TEP, this assistance helped to increase the Park's turnover from R2,500/month to R5,000/month by July 2006. This growth is encouraging (although it still does not provide even minimum wage) and TEP predicts that the construction of chalets will eventually increase the park's turnover to R50,000. However, TEP will have no part in the chalet development, and the precise impact of TEP assistance to a project with so many dimensions and inputs is hard to assess. Again, the importance of TEP's contribution must be appraised through interviews and weighed against other factors (such as marketing and regional tourism initiatives, not to mention the millions of Rands of DEAT funding). A simple assumption that TEP assistance generated seven jobs would certainly be unfounded.

How then truly to evaluate TEP's effectiveness? A methodologically sound study would require qualitative as well as quantitative assessment of multiple sources of information, including in-depth interviews with a statistically significant number of TEP's clients. This major survey was clearly beyond the scope of the present project, but could be undertaken in the future.

¹⁴ Ibid. p 21.

5.4 The Poverty Relief Programme (PRP)

DEAT's PRP projects are designed to impact poverty, or the "tourism second economy", in two ways:

- **Directly**, by creating jobs associated with the project and providing training; and
- **Indirectly**, by creating tourism infrastructure and attractions that will foster long-term employment and higher incomes for local people through the growth SMMEs and other kinds of related economic growth.

The second effect is considered the most important. However, problems are apparent in both dimensions. In short, PRP projects are not showing promise of relieving poverty even in their primary, long-term perspective.

5.4.1 Direct Effects: Jobs and Training

Job Creation

DEAT projects are designed to create temporary and permanent jobs. In this agenda, they follow the labour-intensive mandate and guidelines of the Expanded Public Works Programme (EPWP). Because most PRP projects are not yet complete, the number of jobs created directly by PRP projects had to be calculated here from their Business Plans.

According to their Business Plans, the 20 PRP projects reviewed for this study will provide 2,188 people with jobs of varying duration. At face value, this rate of hiring suggests a **job-to-cost ratio of about 1:71,000**, which is less efficient than Coastal Development projects (1:14,534) and Waste Management (1:39,241) but is favourably efficient compared to Natural Resource Management (1:90,042).¹⁵ However, these statistics **conflate temporary, part-time, and permanent jobs**.

a. Temporary Jobs. The overwhelming majority of people who will obtain jobs from the PRP projects will have temporary employment, terminating with the end of the project. The Business Plans project a total number of temporary jobs at 1,989. At the time of this study, actual temporary job employment stood at 1,831 (with some projects hiring more than planned, while six projects were still in planning and preparatory stages).

This emphasis on temporary jobs reflects the PRP's participation in the EPWP mission of emergency unemployment relief. One concern regarding the EPWP approach generally is that temporary-job creation from these projects will not impact local poverty rates. First, although they comply with minimum-wage guidelines for each sector, PRP **temporary jobs are typically very low-wage**. The standard daily wage for construction (the largest category) was reported at R42.50 and R45 per day.

¹⁵ "Evaluation of DEAT Poverty Relief Programme..."

Working full-time, this is the minimum wage for the sector, or about R850/month. Second, our field interviews indicated that **most workers do not work full-time**; at one major project, our researcher estimated actual monthly wages between R500 and R800. This is **less than survival wage**. Third, temporary jobs last only a **few weeks or months**.

b. Permanent Jobs. The number of permanent jobs predicted by the PRP Business Plans is **very small**. For a total of twenty projects, R142 million in spending is planned to generate only 229 local permanent jobs, a **job-to-cost ratio of R620 087** (Table 4).¹⁶ A typical case is the Motumo Game Reserve project in Limpopo, which will generate only 26 permanent local jobs at cost of R14 million, a **ratio of 1:R538 461**. (If Phase I is included, which involved R10 million in funding for essential road access and the first facility, the ratio moves to **1:R923 076**.) Still, Motumo looks like a model of efficiency compared to the Kimberley Tram Route project, which offers a ratio of one job for each R1,333,333 in funding. The Amatole Heritage Initiative offers a ratio of 1:R2 million. Eight projects create no permanent jobs.

The Business Plans list only those jobs created directly by the project, often noting that they will actually be created by the local municipality or Section 21 when it assumes responsibility for the project. Other permanent jobs may be created by spin-off effects. But prospects for significant job creation remain unclear due to other problems, discussed later.

Planned permanent job creation through the PRP also neglects **gender equity**. In citing which jobs will be filled by women, the Business Plans consistently **consign women to lower-wage positions like cleaners and clerical staff**. Higher-paid jobs like managers and tour guides are left outside any gender equity considerations and are therefore likely to be overwhelmingly male. Yet low-wage positions cannot allow women to support their families at more than subsistence levels. Special measures are needed to ensure gender equity at higher income positions.

Training

Given low wages, short contracts, and low numbers of permanent jobs, **training is the second direct goal** of PRP projects. The EPWP's emphasis on temporary jobs is based on the belief that poor people will benefit from "exposure to the world of work". PRP projects provide training and experience on grounds that this will translate into better employment opportunities after the project has ended (exit jobs). Training is therefore a key component of each PRP Business Plan.

Some training efforts appear successful. For example, King Sandile Chalets regularly hires local people for ongoing projects and is training workers in a range of skills, such as painting, thatching, plumbing, and sewing. The **Dimbaza Wall of Fame** project is training twenty people, ten as guides and ten in tourism reception.

¹⁶ Some forms for Business Plans do not have a section for permanent job creation, substituting a section for expected creation of SMMEs.

Table 4 Planned Job Creation from Twenty DEAT Poverty Relief Projects.
*Source: DEAT Business Plans.*¹⁷

DEAT Project	Funding/Rand	Permanent Jobs (planned)	Local Jobs (planned)	Jobs to Expenditure
EC - Amatole Frontier Wars	20 million	16	16	1:1,250,000
EC - Baviaanskloof Fencing, Rehabilitation & Tourism	16 million	0	0	...
EC - Wonkumtu Tourism	5 million	19	20 ¹⁸	1:250,000
EC - King Sandile Chalets	7 million	28	21	1:333,333
EC - Dimbaza Wall of Fame	9 million	0 ¹⁹	0	...
EC - King Williams Town	4 million	0 ²⁰	0	...
EC - Ubuntu Craft Market	6 million	52 ²¹	52	1:115,384
GAU - Mandela Yard	9 million	0	0	...
KZN - Elim Mission, Mbambazi Nature Reserve	8 million	0	0	...
KZN - Nselweni Bush Camp	4 million	2 ²²	2	1:2,000,000
KZN - Usuthu Gorge	8 million	10	9	1:888,888
LIM - Tropic of Capricorn	1.4 million	14	12	...
LIM - Motumo Game Reserve ²³	14 million	46 ²⁴	26	1:538,461
NC Alexander Bay	2 million	6	0	...
NC - Colesburg Tourism Info Centre	2.4 million	8	8	1:300,000
NC - Danielskuil Info Centre	1.2 million	3	3	1:400,000
NC - Hondeklipbaai Tourism Development	2 million	7	0	...
NC - Kimberley Tram Route	8 million	6	6	1:1,333,333
NC - Siyathemba Environmental Renewal	5 million	8 ²⁵	8	1:625,000
WC - Overberg Whale Trail	10 million	46 ²⁶	46	1:217,400
TOTAL	142 million	271	229	1:620,087

Otherwise, however, implementers and beneficiaries in this study reported that the training offered through PRP projects is routinely too short and inadequate. Training for curio production (beading, carving, metalwork) is commonly too short and lacks essential follow-up support for refining designs and for marketing. In Motumo, bead training was stopped ostensibly for budget reasons, although only half the training budget was spent.

¹⁷ This table includes only those twenty current projects whose Business Plans included data on permanent job creation. Not all Business Plans include a section for Permanent Job Creation.

¹⁸ Note that the number of local workers exceeds the number of total workers.

¹⁹ The Business Plan specifies that Buffalo City municipality will be responsible for long-term employment.

²⁰ Buffalo City Municipality will be responsible for long-term employment.

²¹ All workers except two are women: the reasons are unclear for this lop-sided gender distribution.

²² Permanent jobs will be created by a private interest taking over the camp. The Business Plan notes that indirect job creation will result from training, but gives no estimate of such employment.

²³ Phase I of this project, which included an essential access road, cost an additional R10 million but was not funded by DEAT. The entire project therefore totalled R24 million. Calculations here omit this earlier cost.

²⁴ Total is miscalculated in the Business Plan as 50. Other job totals are also too high. Under "Job Type," the total of permanent jobs rises without explanation to 52.

²⁵ It is not clear what these jobs are. The project is entirely physical improvements, which would not create these jobs.

²⁶ Total is miscalculated in Business Plan as 48. All job totals exceed the sum of their component categories.

Training in **construction** is typically one or two days a month. Temporary workers typically receive one-to-three days of such training. However, **skills gained from this training—e.g., in HIV/AIDS, herbicide control, and first aid—do not qualify people for more than low-wage jobs.** Notably, the 120/290 workers at the **Dimbaza Wall of Fame** project, who received only one-to-three days of such training, said it would not help them and asked our researcher for training in financial and business skills.

In some cases, training has conspicuously failed. In **Motumo Game Reserve**, the people selected to **carve** curios had no training or equipment, although they were temporarily employed by the contractor to make bed frames for the chalets. In the **Eluphondweni Village Project**, training seems to have fallen away entirely.

In sum, job creation and training from PRP projects seems unlikely to impact the chronic poverty that so concerns the South African government today.²⁷

5.4.2 Indirect Effects

Spin-off Growth

Recognizing the limits of its projects for job creation and training, the PRP seeks to relieve poverty primarily through economic growth generated by the project ("spin-off growth"), in two ways:

- **magnet projects, that will create and foster SMMEs, and**
- **installation of infrastructure that will attract tourism investment.**

The assumption is that magnet projects—game preserves, cultural villages, tourism routes, and lodges—will **attract tourists and their demand for good and services.** This demand will then foster the **growth of local SMMEs, employment, and growth more broadly.** Similarly, improved infrastructure (like roads and electricity grids) will attract such private enterprises, to the same effect.

However, this assumption faces five major flaws: (1) lack of market surveys; (2) trickle-down logic; (3) projects do not directly serve the local community ("Saddam Palace" syndrome); (4) the likelihood of comprador development; and (5) conventional thinking about "engines" for growth.

- 1) **Lack of Market Assessments.** Expectations of economic spin-off effects are only guesswork as long as they remain unsupported by independent market assessments. Lacking such surveys, we cannot simply assume that any particular tourism "magnet" project will naturally spin off to generate new businesses and broader employment opportunities. Several reasons contribute to this uncertainty:

²⁷ Andries Du Toit, "Social Exclusion' Discourse and Chronic Poverty: A South African Case Study," *Development and Change* 35(5) 987-1010 (2004).

- **Growth potential differs markedly by region and sector.** Some areas may suffer from “game park glut” such that an additional lodge or facility will have difficulty attracting tourists. Others may face stiff competition from nearby mature businesses. Others may be geographically isolated, such that tourists or even local communities have difficulty accessing the site (a problem particularly marked in the North Cape). South Africa’s landscape is presently sprinkled with failed “cultural villages.”
- **Tourist revenues are likely to accrue mostly to the magnet site itself.** For example, the lodge is designed to capture revenues from a restaurant, curio shop, tour services, etc. The success of the PRP project may even require a lodge or information centre to maximize its own revenues by developing these internal enterprises, closing out local start-up competitors and therefore spin-off effects.
- **Local businesses are uncompetitive.** Supplying lodges or game parks should ideally generate entrepreneurial activity. But local people who might develop SMMEs (like laundry services and food suppliers) are disadvantaged in this effort because they typically cannot match either the prices or the quality control of urban and better-connected suppliers, who have greater experience and economies of scale. Larger players will have economic advantages in gaining access to related service and supply opportunities (e.g., supplying printing services, food stuffs, and services).

2) Trickle-down logic. PRP funding itself does not support SMME development, trusting their creation to market forces generated by the tourist magnets. **Since chronic poverty is driven by local inability to engage with such market forces, this neglect is particularly odd and counter-productive.** (The TEP programme is designed to facilitate such connections, but it concentrates on facilitating relations among already formalized businesses rather than fostering their creation.) **Market forces are therefore more likely to advantage existing SMMEs,** which have the expertise, financial resources, and business networks to benefit from new investment and business opportunities.

A related problem is DEAT’s tendency to **conflate medium and micro enterprises** in development planning. Failure to distinguish between SMMEs and VSMEs (Very Small and Micro Enterprises) can foster policies that favour growth of medium-sized enterprises rather than creation of micro-sized ones. This problem is recognized by Shilling and Van Breda:

The problem ... is that from the start, at both the strategic conceptual and institutional design levels, insufficient attention was given to the differences between medium and micro enterprises and therefore to the different responses that were required to support both. Although both Ms were captured by the acronym SMME., in reality subsequent research and practice has revealed that there is a vast difference between the needs of medium-sized and micro enterprises, with the former

more formal and established and the latter being highly informal, survivalist and rooted in the poorest of poor communities. The absence of this conceptual and strategic distinction meant that support programmes were designed that catered for the medium-sized businesses in the main. The end result has been more about wealth creation for the upwardly mobile and less about poverty reduction for the very poor.²⁸

- 3) "Saddam-Palace Syndrome". Magnet projects that create facilities designed to serve rich visitors may slip into the pattern established by Saddam Hussein during his last decade in power: make-work projects that provided temporary construction jobs while erecting a succession of lavish new palaces for his own use. Tourist development on DEAT's PRP model unintentionally replicates this pattern when **projects commit major public funds to establish facilities that will serve only a wealthy few** (here, more affluent tourists) rather than the local community. After the construction is over, the freshly unemployed community **cannot access** the upscale facilities supported by most current PRP projects, and, as noted above, **may not even be able to supply them**. Communities may even lose from these projects, either directly (e.g., by losing access to land) or indirectly—e.g., by **losing projects more beneficial to the community that might have been supported by the same funds**. Building recreational areas for local use, assisting communities to develop backward linkages along commodity chains (discussed below), and setting up facilities for child care might allow temporary employment to translate more effectively into VSMEs and other significant spin-off effects for local economic growth.
- 4) Comprador Development. Development that brings in private entrepreneurs may fail to generate local development **if revenues are channelled back to parent companies rather than to local demand for supplies and services**. Since poor people lack managerial experience, PRP projects are consistently managed and supplied by non-local people or companies operating either as independent entrepreneurs or in joint ventures with the local community (possibly formed as a section 21). Where management and supply companies are linked to national or multi-national operations, these arrangements secure the continued exclusion of poor people from SMME opportunities, confining them to the low-wage jobs discussed earlier (cleaners, gardeners, security guards).²⁹
- 5) Conventional Thinking and Template Development. Magnet projects in DEAT projects are understood as game lodges, cultural villages, and other standardized mainstream tourist destinations. Destinations are not understood as **landscapes**. Yet tourists increasingly seek the experience (if only

²⁸ Mark Swilling and John van Breda, "Institutionalising the Developmental State: The Case of the 'Special Funds'" Economic Policy and Poverty Alleviation Report Series, Research Report #4, p. 101.

²⁹ Swilling and van Breda (2006), op cit., p. 99: such practices can "facilitate increased levels of extraction out of the local economies via the opening up of national retail chain outlets with limited backward and forward linkages in each local economy. ... It is therefore possible that these investments may have very little and even possibly negative developmental spin-offs. This is not a positive sign of future potential."

packaged) of contact with ethnic others. Local practices (like subsistence fishing, discussed earlier) are a centrepiece of many tourist projects. However, these features are neglected in DEAT projects. Instead, template replicas (like cultural villages on standardised designs) are generated that supposedly substitute for more organic inter-cultural experiences. Bad or boring replicas of cultural production are unlikely to be profitable.

In sum, as presently designed, the PRP risks reproducing the very patterns of underdevelopment that it seeks to break down. Local people will have difficulty engaging as entrepreneurs with the market that these projects create. Cheap labour is actually desirable for the projects' economic success, and management is therefore not motivated to raise wages and improve conditions for workers. The upscale consumer demand created by these tourist magnets may actually preclude opportunities for start-up enterprises by local people who lack the requisite experience, skills, and economies of scale to supply that upscale demand successfully. Isolated locations will impede government efforts to enforce labour laws that protect workers and ensure access to new opportunities.

5.5 Case Studies of DEAT Poverty Relief Projects

Case studies were selected on two criteria: geography and stage of completion. Regarding geography, DEAT requested that we focus on provinces where tourism is less well developed and studied: accordingly, we focused on the Eastern Cape, Northern Cape, Northwest, and Limpopo provinces, with one case in Gauteng. Regarding the stage of completion, we confined case studies to projects more than six months old, assuming that impact would be difficult to assess in younger projects where only initial planning and licensing work had been done. In two cases, we expected to pursue, Mandela Yard and Tropic of Capricorn, upon initial visits we found that the projects were stalled, with no ongoing work and no appreciable impact, and we did not pursue them further. We include notes on them here for interest.

1. Amathole Heritage Initiative (Amatola Frontier War) – Eastern Cape
2. Dimbaza Wall of Fame and Garden of Remembrance – Eastern Cape
3. King Sandile Chalets – Mngqesha Village (outside King William's Town) – Eastern Cape
4. Motumo Game Reserve – Limpopo
5. Tropic of Capricorn — Limpopo (abbreviated)
6. Damdoryn-Tsosoloso Madibeng Culural Centre – Northwest
7. Alexander Bay Tourism Development – Northwest
8. Mandela Yard (Alex Precinct) – Gauteng (abbreviated)

5.5.1 Amathole Heritage Initiative - Eluphondweni Village Project – Eastern Cape

Cost: R20 million

1. Description of the Project

Eluphondweni Village project is one of many projects under the Amathole Heritage Initiative directed by Tshani Consultants. The Amathole Heritage project was initiated by the Amathole District municipality in December 2004, and is expected to run until March 2007. The project was initiated to support four heritage tourism routes that interface the former homelands of Ciskei and Transkei. The aim was to improve access to tourism sites in the Eastern Cape using the routes to depict the history of the African people in their struggle for political freedom. These sites are intended to revive the forgotten role of African people in the Frontier Wars.

The project is managed and directed by Tshani consulting company based in East London. However, the project belongs to Buffalo City municipality. The project has a site supervisor who is based in Stutterheim, about 25km away from the project site.

2. Nature of the project

The project is intended to clean and preserve the graves/tombs of the German missionaries who used to live at Eluphondweni. It is also about restoring the convent, church and mission with a view to attracting tourists to learn about the history of the

Germans in that area. In this way, it will create short-term employment with a view to reducing poverty in the village. However, on completion of the project the residents will be left in the same situation (poor) that they were in before the start of the project.

3. Project impacts and/or sustainability

The project has created short-term (three months minimum) employment for 22 local village residents who were otherwise unemployed. The employment opportunities created by the project are regarded as full time for as long as the project exists. The project only employed people who are residents in the village and currently unemployed. The creation of these jobs cannot be regarded as a form of long term poverty relief or uprooting poverty in the village because these jobs are short-term and there is no guarantee of extension and sustainability.

4. Satisfaction with job situation and income

People from this area are impoverished and would welcome anything to bring relief to their situation. This project has brought some relief to the residents and will probably create permanent employment for a few of them on its completion. Hence, they are happy with the current job situation. However, they expressed the desire for the extension of the project. The residents earn between R500 and R800 per month on a R41 daily rate. They are happy and satisfied with the money, no matter how little it is, as long as it brings some relief to them and their families, but also said they had no choice but to accept the little money given to them. However, they would still be rooted in poverty on completion of the project.

5. Training

According to the programme manager, the residents received accredited training in tourism related courses (unspecified), and non-accredited training on HIV/AIDS, customer care, and environment care. However, the employees said that they had had no training. Failure to train the local people on relevant courses would compromise the sustainability of the project and long-term economic development of the village and the surrounding areas.

6. Community Involvement

Community involvement in this project is limited and almost non-existent. The residents were called to a community meeting via the local councillor about the existence of the project, and the need to identify people to work in the project. The village residents were not involved in the initial conception or inception of the project.

7. Opportunity for local people empowerment and business development

The project has created a number of jobs thus meeting some of the community expectations with the introduction of the project. However, these are not sustainable as all of them are temporary positions on a short-term contract. The residents did not

receive any training, meaning that local people have not benefited significantly from this project in terms of knowledge acquisition and skills development.

Regarding the development of small local businesses, the project has contributed nothing yet although these are planned for when the project is complete. There is almost an assumption that the project will self sustaining and provide opportunities for business development on its completion. However, there is no detailed plan of action for the sustainability of the project.

5.5.2 Dimbaza Wall of Fame and Garden of Remembrance – Eastern Cape

Cost: R4 million

1. Project Description

The project will consist of a “Wall of Fame” and a “Garden of Remembrance” to depict the political history of Dimbaza, and at the same time promote the healing process of the people. The long-term goal is to market this history to both domestic and international tourists. The construction of these sites is due to start in August 2006. At present, it is just open fields.

2. Project management and ownership

The project is managed by Small Projects Foundation (SPF), which is based in East London, about 70 km away from the site. The Small Projects Foundation has delegated one of its permanent staff members to manage the project from their office.

The project was allegedly identified by community members, and then incorporated into Buffalo City’s Integrated Development Plan. Buffalo City and the community therefore jointly own the project with SPF managing it.

3. Project impacts and sustainability

Overall, the project has created short-term employment (6 - 9 months). The programme director reported 120 people, and the programme manager reported 290 people benefited from the project through short-term employment. Although the project is viewed as creating job opportunities, it has also created insecurity, as far as long-term employment is concerned, for the local people.

There are 20 learners on learnerships for a year. Ten are doing a course on tourism guiding (NQF level 2), and another ten doing a course on tourism reception (NQF level 4) via African Global Skills Academy based in Port Elizabeth. The other 120/290 beneficiaries received general training on first aid and herbicide control, which lasted for one and up to three days, respectively. These courses are useful but not valuable for accessing long-term employment.

The project will be sustained through direct intervention and commitment of the Buffalo City municipality to see to maintenance of the project, once completed.

4. Business opportunities for entrepreneurs and SMMEs

Currently none. Future plans include: working with small subcontractors from the community when resuming the building; provide a training centre for craftspeople; develop a B&B and tie it in with the project.

5. Impacts on livelihoods of local people

The project has at least managed to help feed ±120/290 families with the little money paid to the people. The project has made a difference in the environment, through its public cleaning and hygiene programme.

5.5.3 King Sandile Chalets, Mngqesha Village outside King Williams Town – Eastern Cape

Cost: R7 million

1. Project Description

King Sandile chalets are described as both a project and a business. It is a project because it exists to empower the local community members using funds received from donors. It is also a business because it rents out the facilities like the chalets and the conference centre, and a cultural museum. The former contribute to sustainability of the project.

The project consists of 41 chalets of which 16 are fully operational and 25 still under construction (almost complete). It has a community centre which houses staff offices, conference and meeting facilities, dining area and a kitchen. It also has a training centre and a cultural museum. An arena and a restaurant are under construction using local people trained in brick making and laying and thatching. It also has a memorial site of the Kings' graves that, in future, will be used to generate income for the project by marketing the place to the tourists.

2. Project management and staff

The project/business has created 11 full time jobs for professionals to run the project. These are experienced people with various professional skills ranging from accounting, law, project management and hospitality courses/training. The project currently has 115 active short-term employees working on the site, mainly builders and thatchers. The project has also employed 30 casual workers for housekeeping, cleaning and cooking.

3. Training and development

Community members received training on HIV/AIDS, home based care, cookery, housekeeping, first aid, and technical training (i.e. painting, brick making and laying, thatching, plumbing, and sewing). Although the training is centred on infrastructure

development and business skills in running the project, the training is regarded as having long-term benefits for the people. They can certainly use the skills to gain employment somewhere else.

The long-term plans to develop the project and road access mean that there is still going to be employment opportunities for the locals. The project also requires that the contractors employ local people for any work done, further bringing job security for the people. The contractors actually work as consultants to guide and further train and sharpen the skills already acquired.

4. Project impacts and sustainability

The fact that the project is run by professional people implies that it has a greater chance of sustainability. Once all the chalets, the restaurant, the arena and the museum are fully operational, they will see the project sustaining itself. However, the project needs to be well marketed and the operations manager is working on this. She has experience in marketing, specifically in the hospitality industry. The completion and marketing of the Kings' graves memorial site will also contribute to income generation and promote sustainability of the project. The management team has established very good business relationships with government departments to make use of the facilities for training, workshops and conferences. The client base is established and they are working on further developing it by expanding their horizons to other sectors of business, e.g. private companies. The project is also linked to the tourism routes, and is affiliated to the Tourism Enterprise Programme, Tourism Buffalo City, Eastern Cape Tourism Board and SA Tourism. The project is therefore broadly marketed.

Local people who are trained in various skills relevant for the running of a project of this nature also play a vital role in sustaining the project.

5. Business opportunities for entrepreneurs and SMMEs

The project hires small businesses to provide decorations for events, sound systems and security. Thus, whenever there is an event, people and small businesses benefit as well.

When there is a big event, the project encourages local entrepreneurs to display their products. In many instances, if there is a conference or workshop that attracts a big audience, the works of the entrepreneurs are displayed in those events, thus contributing to marketing of local products.

6. Impacts on the livelihoods of local people

The project has employed 8 permanent staff members and 30 casual workers from the village. Over and above this number, they provided short-term employment to 115 locals currently working on the site. To date, the project has already covered ±12 000 "man" hours and they are earning a reasonable wage as defined by DEAT and the Department of Labour.

It is also believed that community members are trained in relevant courses that could be used to access employment or do subcontracting work. The existence of this project has changed the outlook of the village, attracting more and more people into the area and thus contributing to uplifting this community. The expansion of the project creates more job opportunities for the locals.

5.5.4 Motumo Game Reserve – Limpopo

Cost: R14 million

1. Project Description

This project was designed to capture tourist trade on the N1 by offering lodging, a craft display and retail outlet, and family-style recreational facilities conveniently on the highway. It has three components:

- (1) Constructing 10 chalets, a reception and housekeeping area, a laundry, and staff quarters. The reserve is also to be improved, through the upgrading of fences, introduction of game, and installing water and electricity services.
- (2) Establish a conference facility, by constructing a conference hall of 200 seats, ablution facilities, water, sanitation and electricity, three smaller breakaway rooms for 40 people each, with an access road and parking area.
- (3) Establish a holiday resort, including a swimming pool, lapa and entertainment area, basic golf driving range, two tennis courts with a clubhouse, outside braai facilities, informal soccer, basketball and netball field, also with water, electricity and fencing.

Together, these projects comprise what is now called "Phase II". "Phase I" was the construction of the initial access circle road and the arts and craft centre, at a cost of R10 million. Phase II, the "trading post," is supposed to provide jobs for the communities of Machaka, Makgato, and Ramakgopa.

2. Project management and staff

Rondavels, conference facilities, and the chalets are to be rented out, with profits going to a joint venture between a Section 21 company (composed of local beneficiaries) and an outside manager, who holds an MBA and lives on the site with his family. Profits are to be split between the Section 21 company and the manager on a 55/45 ratio.

When the team visited, the Arts and Craft centre was being managed separately, by a former Capricorn Municipality councillor. One source told us that the manager was under considerable social pressure in the area because his friends and family were seen as the primary beneficiaries.

A second complication was expressed by the local Machaka chief, who had donated the land for the project. The chief's council reported that it remained "completely in

the dark” about who would manage the project after the opening on July 13. They were afraid that they would be cut out of any benefits and that the land donation had been a mistake. They said they did not understand the process at all. The tone of this meeting also suggested complications that they did not wish to share.

The Section 21 has 52 beneficiaries from the local community, although only about 20 will have permanent full-time employment at the site. Each component of the project (beading, carving, metalwork, the chalets) was composed as a separate Close Corporation (CC), in order to shelter the entire project from the failure of any single project.

Project employment had been significantly lower than planned. Intended temporary employment, according to the business plan, was 239 people, but the actual number was about 125. Wages for these workers are R42.50/day, or about R840/month for full-time workers. Most workers, however, are part-time.

Permanent jobs, by individuals composed as a section 21, was planned to total 46, but will probably be closer to 20 full-time people, with another 20-30 employed at need. (Itemized jobs totalling 46 were incorrectly totalled in the Business Plan as 50 and under “Job Type” as 52. Other permanent job totals were also incorrectly higher: 31 women instead of the item total 28, and 8 youth instead of 9.) Beneficiaries were selected through an open application system in 2004: a thousand applications were taken and 200 people selected. However, the great delay on the project generated attrition: of 12 women bead workers, for example, only 6 were still on the project, as the others had become discouraged and obtained other jobs.

3. Training and development

Training has been inconsistent, partial, and significantly less than indicated on the business plan. The training budget was R1.35 million, but only about R700,000 was spent. Training in construction was short-term (two days a month).

Twelve women had been selected for the beading project, but only 6 remained due to the lengthy delay on the project. Training in beadwork was started by Wild Fig Solutions, which the women reported was excellent. Capricorn Municipality terminated this training after one month, however, on grounds that it was too expensive. A new (free) trainer was obtained from the Department of Labour, but the women involved in the project said that this trainer was a junior person who knew less than they did. The women emphasized that they needed more training and especially assistance with marketing. They were unconvinced that the original training was too expensive and hinted that other motives had intervened. They were afraid their work would not sell without this help.

Financing regarding the women’s beadwork was also mysterious. They were required to be on the property working all day, Monday through Friday. They received a R600/month stipend for this activity, but over R100/month of this was used on taxi fares.

No metalwork was happening. Carvers had received two days of training but had no equipment. They had been put to work by the contractor to make beds for the chalets,

so at least they had some temporary employment. We could find no information on what happened to the remaining training funds.

On the day the research team visited, new sewing machines were being installed, and when the team visited the second day, cloth for the sewing project, donated by a fabric shop in Polokwane, was in a pile being sorted. Djawena had already purchased excellent sewing equipment, but this was not being used as Capricorn municipality had bought machines separately. A professional drafting table was also not being used, due to the past dispute. A climate of nervousness and secrecy about the Arts and Crafts centre impeded the team's ability to obtain more details. We did confirm that the manager had arranged with the implementer that he would not be responsible for the success or failure of the Arts & Craft project.

The catering and conference management is also supposed to provide training, but the kitchen management had not yet been hired. Kitchen equipment for the conference centre had been purchased by the contractor at a cost of about R370 000, but was not used. Capricorn Municipality had bought very high-end kitchen equipment, including a large walk-in freezer. It was not clear why the kitchen had been expanded to such high-end capacity, which exceeds the needs of the catering services and restaurant facilities on the site.

4. Project impacts and sustainability

The project seemed already to be suffering from marketing difficulties. The launch itself indicated some problems. For example, the Municipality originally wanted to spend R700 000 on the project launch, but was subsequently persuaded to reduce this to R100 000. They planned a launch that would entertain 200 VIPs with a tent and food for 1000 people. But they had not invited or provided special facilities for any regional tour operators, who would be the most important contacts for the Motumo project. The implementer was considering a separate launch for these vital business contacts.

The on-site engineer reported that one obstacle was the lack of cooperation by the community in keeping their cattle off the reserve. Fencing was helping but community cooperation was needed.

6. Opportunities for SMMEs

The implementer was not using local SMMEs because they could not match prices and quality control of urban suppliers.

5.5.5 Tropic of Capricorn — Limpopo

Cost: R1,4 million

This project is designed to improve tourist facilities around the present monument at the Tropic of Capricorn. It is intended to include an information centre, curio shop, and chalets.

However, the project has stalled and no progress was evident. When the team visited, the only visible work was a small shed (with no door), a fence around the shed (open), some excavated areas (empty), and two small earth trenches partly filled in by erosion. Initially, no one was there, but after about half an hour a site guard walked down the road to tell us that the workers had left the job two months ago because they were not paid. The implementer told us that funding was in the pipeline and the project would be revived soon.

5.5.6 Damdoryn-Tsosoloso Madibeng Culural Centre – Northwest

1. Project Description

The intention of the Damdoryn project was to accommodate the craft sellers who were squatting on the road reserve. The project was motivated by the fact that the council wanted to extend the width of the road and hence needed to move the hawkers from the road reserve. Once the market was completed, the hawkers would not be allowed to continue to trade from the road. The project constructed 150 lockable stalls and another 100 open stalls to accommodate the craft sellers. The project was completed in May 2005 and had been operating for just over a year when this assessment was conducted.

2. Project management and staff

An on-site manager does the day-to-day management of the project. He is employed by Tsosoloso-Madibeng Cultural Centre. The project also has a board, which consists of the municipal manager (chair), a provincial government member, a member from DEAT, the project manager and two traders. Relationships with the municipalities and government seem to be very good with regards to the projects but relationships with private competitive business owners seems to be problematic. Some complaints from the traders were also that the project manger seems to have very limited business and marketing skills and nor does he appear to be an astute businessperson. The project manager was complaining that he had to run a business and had to generate a profit while numbers and clientele were dwindling. He also had to comply with local municipal and provincial legislation while other independent hawkers were selling goods on the streets, generating profit.

The issue of foreign traders seems to be a challenge to the project. Almost all the traders at the previous informal venue were foreign and most had more than one stall (rough wooden structures) and employed South Africans. When the new facility was built, foreigners were allowed to own just one stall and South Africans (formerly employees) were now business owners of shops in the new stalls. However, the South African traders now had to purchase their products from their former foreign employers, since they did not know where to buy the curios. Foreigners maintained an advantage that it was often their family members or other close network contacts making the curios, and they could get products very cheaply. The South Africans had to buy at higher prices but sell at the same prices as the foreigners, generating less profit.

3. Project impacts and sustainability

The Damdoryn area is very scenic and attracts local as well as foreign tourists. Over weekends, the place is lively with tourists seeking a day out of the city. Since there are many tourists, the potential for business is good and many private businesses capitalise on this. On face value, the project seems to be operating very well. The building is neat and pathways have been paved for people to walk on. The lockable stalls are built in a circular fashion and visitors can walk around and browse the exhibits. There is also a restaurant, which is marketed as a pizza restaurant. Offices and ablution facilities are in the middle of the centre. The complex is very attractive and well maintained.

When the new Tsosoloso Madibeng Cultural Centre was built expectations amongst hawkers were very high. They were exchanging informal, uncomfortable locations for a place where they could trade sheltered from the weather and from criminals. The expectations regarding the profits were equally high. They expected to make the same and even more profit when trading from the new facility.

However, twelve months into the project, business is worse than previously. The project can even be described as failing, due to poor sales and dwindling customers. One problem seems to be with the architecture. Although it can be argued that the site is architecturally impressive, the building is not inviting to typical tourists. Curios are hidden behind the walls and are not exhibited openly to invite the tourist. The structure also gives the impression that it is very formal and therefore expensive. Many overseas and local tourists want to barter and feel that they are getting a bargain. They also prefer the experience of dealing directly with poor artisans. The current structure does not give that feeling.

A second problem is local competition. Across the road from the Tsosoloso-Madibeng Cultural is a privately owned business, the Chameleon Village, which also sells crafts and rents space to traders. The rent for these spaces varies, but is much more expensive than the rent at the Tsosoloso Madibeng Cultural Centre. However, traders are now moving from the Centre to Chameleon Village across the road, despite the higher rent, since they feel they can generate more business there. The owner of the Chameleon Cultural Village also pays a commission to tourist buses to stop at Chameleon Village. Since the Tsosoloso Madibeng Cultural Centre operates more as a government initiative and less as a business venture, similar incentives have not been offered.

A third problem is lack of business experience and skills. South Africans who were formerly employees now had to function as business owners. They had to budget and purchase and manage stock, manage finances etc. According to foreign traders, South Africans have very limited skills in terms of manufacturing curios. They also had limited business skills in budgeting, marketing, training, etc. According to the foreign traders, South Africans did not have the ability and the will to work hard and succeed during challenging times. The project manager also alerted us to the fact that trading from formal business premises required a different approach and skills than trading informally off the street, essentially harassing people. He felt that the traders needed this type of training and initial start up funds to help them during the first few months.

The foreign traders also said that South African business owners were "lazy" and not willing to "walk the extra mile". But they did say that they had good relationships with the local vendors and often supplied them with stock and advice. They also maintained that they were transferring business skills to local South Africans. They stated that if it were not for themselves and their products, there would be no informal craft markets.

5.5.7 Alexander Bay Tourism Development – Northern Cape

Cost: R2 million

1. Project Description

Upgrading an historical mine hostel into a multipurpose resource centre. The main aim of the project is to characterize the arts, culture and food of the local community. The building is located in Alexander Bay North, by the mouth of the Orange River, a security area (Alexcor). The hostel consists of several buildings. All the buildings except two are restored. The two buildings not restored are in a very bad state, almost in ruins. The buildings that are restored are neat and colourful. The garden is neat with grass and shrubs. Parking is on the gravel road that forms the entrance to the facility. There is no signage to the facility and no directions from the main road. All the buildings are empty except for one occupied by the steering committee of the C2 community project.

This project involves two other components: Working for the Coast and Working for the Wetlands. These projects aim to repair and clean up the area. These projects are funded by DEAT and form an integral part of the whole Alexander Bay tourism initiative.

At the research team's visit, the projects were not fully operational, 6 months after the completion date indicated on the business plan. Various problems were identified during the interviews. The biggest problem was a claim on the land by the Richtersveld Alexcor San people. Due to this claim, no entity wanted to take ownership of the land in the interim. Underlying disputes between the Community Property Association (CPA), Richtersveld municipality and Alexcor were a daily occurrence and impacted on the project.

According to the principal implementer, the project was completed according to the business plan:

- (a) The buildings were upgraded, except for two that were the responsibility of Alexcor. Apparently Alexcor intends to move the mine museum to these buildings.
- (b) There is furniture and curtains for the buildings. Some beds, duvets etc. were bought and are currently stored in one of the buildings. A tender to make 37 curtains has been awarded but the recipient is not sure if this is sufficient since the rooms have not been furnished.
- (c) The kitchen/restaurant is empty.

2. Management and staff

According to the CPA, Eco-Africa and the political interests of other stakeholders delayed the project. Constant fighting and uncertainty regarding the project, mainly because of the pending land claim, contributed to the delay.

At the end of February, they were instructed to hand over the project to the CPA, which took temporary ownership. According to the chairperson of the CPA, they have appointed a temporary person to manage the project and advertise the building. A committee was also established to oversee the management of the project. The committee consisted of representatives from the municipality, Alexcor, CPA, public representatives and Eco Africa.

An architect, contractor and project manager were appointed on this project. A list of 40 names was initially given to the project manager as possible candidates for employment on the project and 26 locals were chosen. Skilled labour was brought in by the contractor himself from Huboes. In the last month of the project, only 2 teams of 10 each worked on the project, rotating on a bi-weekly basis, apparently for financial reasons.

3. Project impacts and sustainability

According to the project manager, the project suffered especially from communications problems between the project manager, contractor and Eco-Africa. The project manager never felt he had any say in decisions, was sidelined, and could never give input. The manager felt that they all functioned separately and worked in isolation, not as a team. The contractor did not listen to the project manager, only to Eco-Africa, and the project manager believes that the contractor is not capable of the job. The project manager has never seen the architect or engineer on the site.

The project manager also believed the cost estimates of the project were wrong: restoring a building is actually more expensive than new construction, and this difference was not taken into account. The manager felt that the contractor was using too many workers (40 instead of 20), which escalated the costs. However, the project manager may not have realized that labour-intensive work is appropriate to these projects. The work itself is substandard; the woodwork was pulling loose and there were various structural faults. The contractor apparently refuses to fix the mistakes, saying he was paid too little. Unfortunately there are no retention fees or guarantees.

4. Training and development

Members of the community were trained on how to run a MPRC. People that worked on the project got preference in terms of training. There were two groups of people: "interior decorators" and "exterior decorators". The exterior decorators were responsible for the maintenance of the buildings and gardens and trained in Alexander Bay. The interior decorators were trained in cleaning, cooking, management, advertising, handling of contracts, purchasing, cost estimates etc. This group was taken to Cape Town for training.

According to the stakeholders (especially some beneficiaries), the project did contribute to relieving poverty in the area and they are optimistic that in future this initiative will create more jobs and opportunities. Not only do they now have a physical structure, but they also feel they have gained in terms of skills training.

5.5.8 Mandela Yard (Alex Precinct) – Gauteng

Cost: R9 million

1. Project Description

The Mandela Yard project will construct an extension to the Mandela Yard Interpretation Centre. It will include a community archive, a food court, additional ablution facilities, open and covered exterior public spaces; an outdoor exhibition facility and a paved road intersection; furnishings, fittings and finishes for the facility and the production and the installation of a permanent exhibition. It also includes the construction of the Alexandra Cemetery Interpretation Node, its furnishings, fittings and equipment, and development and installation of an exhibition. The establishment and training of SMMEs to operate in the Interpretation Facility also forms part of the project.

The project was initialised in December 2004 and should be concluded by March 2007. Nevertheless, a site inspection of the project revealed no activity at the project site with the exception of two security woman sitting on over-turned buckets, keeping a wary eye on the half-constructed building. It appears that there has been no building activity since the start of 2006 and there are no signs that it will soon resume. Considering that the completion date of the project is only eight months away, it seems doubtful if this project will meet its intended deadlines. The research team was unable to contact the project manager to assess the extent of the problems.

6 Challenges faced by participants in the tourism informal economy

6.1 Introduction

This section highlights the plight of some participants in the tourism informal economy. The selection of respondents was based on a convenience sample that targeted well-known tourism spots in both urban and rural localities. In-depth interviews with selected respondents were conducted using a semi-structured questionnaire.

Twenty respondents were interviewed at locations that included:

- Soweto (Hector Pieterse memorial and media centre);
- Hartbeespoortdam (Tsosoloso Madibeng Cultural Village);
- Kruger National Park area;
- Mamelodi, Atteridgeville, Soshanguve; and
- Northern Cape (Gemsbok, Rietfontein and Mier).

Four of the interviews were conducted with bed and breakfast (B&B) establishment owners, one with a tour guide and the remainder with informal arts, crafts and curio vendors. Specific responses are discussed in Table 5 and provide an overall summary of common themes arising from these interviews.

6.2 Demographic overview of respondents

The B&B owners were mostly older people, in the 46-65 and 65+ age categories. The tour guide and informal traders mostly fell in younger age categories 16-25 and 26-45. Eight of the interviews were conducted with women and the remainder with male respondents. All of the respondents were of African ethnicity. Two were of Zimbabwean origin. Interestingly, most of the respondents were never married; one was divorced and one was a widow. Respondents generally had a relatively high level of education, mostly Grade 12. Three people had lower educational levels (Grades 10 & 11). The remaining three respondents had post Grade 12 qualifications. All of the participants owned their own businesses and in some instance (B&Bs for example) other people were employed. For most of the younger respondents, this was their first employment. Older respondents, most notably B&B owners, had previously practiced other professions, such as nursing or teaching.

6.3 Major needs and challenges

6.3.1 Informal Bed and Breakfast establishments (B&Bs)

The type of activities that they engage in mostly determined the needs and challenges of participants in the second economy. Township B&Bs are notoriously difficult to operate, due to low occupation rates and the need for more comprehensive and better marketing to make ends meet. During this survey, most participants in township B&Bs faced severe economic hardship, due to the limited number of tourists that frequent their facilities. A lack of proper marketing and networking was a major obstacle to their success.

The B&B's interviewed range from one to three bedrooms. They were all established in 2001 with the assistance of 'Tshwane Tourism' that provided some training. Training included simple housekeeping chores (such as making a bed), the selection of a menu, preparing food and the general day-to-day running of a B&B. Charge-out rates and pricing were determined after being rated by Accommodation Tourism, located in Pretoria.

Despite training by Tshwane Tourism, B&B owners indicated that they needed more training to further develop their networking and marketing skills, as well as their financial acumen. Respondents believed that better signage or direction boards to their enterprises, improved Internet advertisement exposure and brochures, and financial support to upgrade facilities will be of significant benefit to growing their businesses. Challenges related mostly to a lack of marketing and financial resources.

Two of the four B&B owners interviewed had had no tourist visitors except on one occasion. *Atteridgeville* (Leratong B&B) and *Soshanguve* (Lapologang B&B) had visitors from France and Germany, respectively just once, but never again. This was, again, blamed by owners on a lack of proper marketing.

Owners also complained about investing capital on improving their establishments to attract business and paying monthly fees for marketing but not getting any clients. In one respondent's own words:

"We pay money to Accommodation Tourism for marketing and don't know for what and have improved our places to the desired rating standard but get no clients"

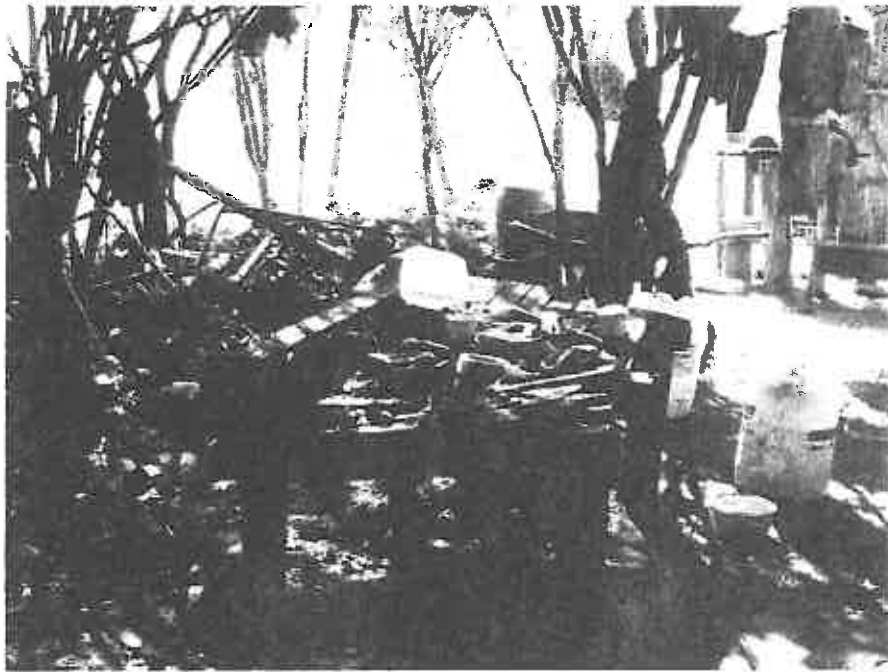


Figure 7 Crafters workshop – 15 km from Kruger Gate

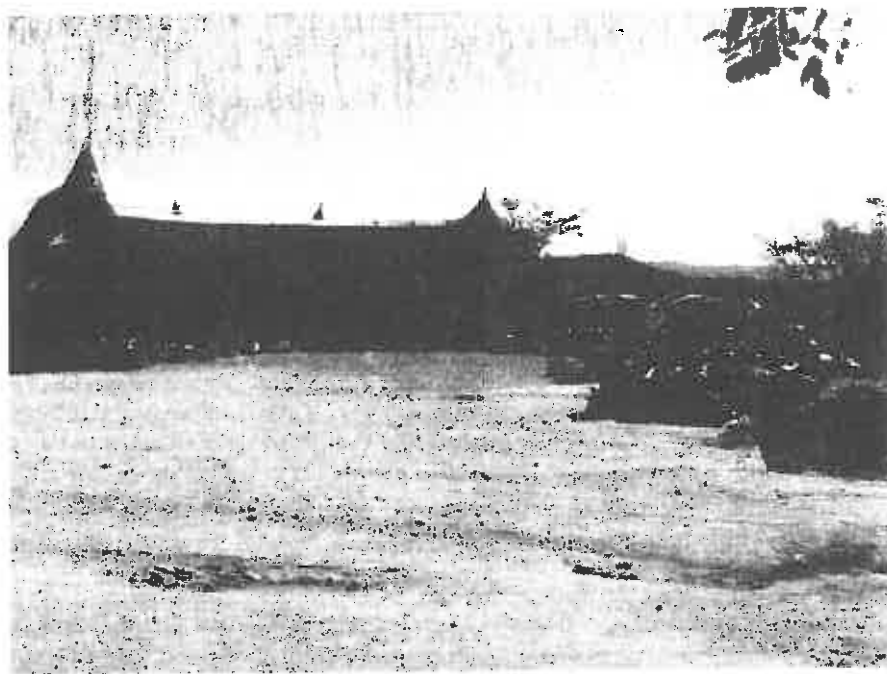


Figure 8 Crafters facility provided by Municipality (Hazyview)
- inviting and lively



Figure 9 Example of a crafters facility that has closed down - no trading
or traders (50 km from Kruger gate). Circular, fenced and not inviting

B&B Case Studies: Bed and Breakfast establishments

Mamelodi (Charity B&B)

This B&B is located to the west of Mamelodi in Tsamaya Road with no visible signage, no house number and an incorrect telephone number listed on the Accommodation Tourism web page. The owner claimed not to have benefited from marketing from the 'Accommodation Tourism' company and has been summonsed by this company for outstanding debt. The owner summarised his problem with the following words: *"For me it does not work the way I want and this is because of no clients and marketing finance."*

Atteridgeville (Leratong B&B):

The owner of this B&B is 65 years old and claimed that: *"There is no more meetings like before and I get no clients and has no marketing finance."* She reported to have paid R100 every month for advertising: *"I have spent approximately R30 000 to renovate my house's roof and install a bar with the hope of receiving and entertaining tourists but to my disappointment."* She seems confused as to what to do next as tourism organizations like 'Moshito Wa Tshwane' have come and gone without providing help

Soshanguve (Lapologang B&B):

The owner said *"I have spent almost R15 000 a year to pay my helper, travel to tourism conferences for networking, spend money on marketing, hire consultants for business proposals and maintain the accommodation but have no business."* The owner says she needs money for marketing her B&B that meets standards set by Accommodation Tourism.

Mamelodi (Emnothweni B&B):

Amongst B&B owners interviewed, Emnothweni B&B was the only success story. This B&B is located in Mamelodi Township, approximately 20 km to the east of Pretoria. The owner of this establishment mostly attributes the success of his venture to personal sacrifices and financial support from an established hair salon business that has been operating for 20 years. The hair salon business also assists the marketing of the B&B by word of mouth. Founded in 2001, the guest house had visitors in three subsequent years 2003, 2004 and 2005 from Luanda, Belgium and United State of America. His success in attracting foreign visitors prompted him to expand his establishment into a two-story 16-bedroom guesthouse. This expansion was funded from own revenues and investments.

6.3.2 Arts, crafts and curio vendors

Arts, crafts and curio vendors had differing needs depending on the location of their businesses. Respondents at the Tsosoloso-Madibeng Cultural Village reported the loss of business after being moved from the road reserve to their new location at the Village. All the respondents reported a major drop in business while having to cope with new financial demands by having to pay R450 rent a month. Although satisfied with the new facilities at the Village, respondents did not feel that it was advertised well or inviting enough to tourists passing by. The problem of bus tour operators having an agreement (and being paid) to off-load passengers at the Chameleon Village, a major private competitor across the road, compounded the problems that informal vendors experienced at Tsosoloso Madibeng Cultural Village. Some of the vendors at the Village also expressed a need for training that would enhance their networking and business management (particularly financial, networking, marketing and customer handling) skills.

Interviews were also conducted at the Hector Pieterse memorial and media centre, located in Orlando-west in Soweto. Business entrepreneurs selling arts crafts and curios are located on the pavement opposite the memorial. They sell both local and foreign-sourced arts, crafts and curios that include beadwork, woodcarvings and grass baskets to name just a few examples. The primary concern of the respondents interviewed was that of obtaining shelter from rain and the elements for themselves and their goods. Another major concern was the relatively bad relationship between formal tour operators ferrying tourists to the memorial and local entrepreneurs. It became clear that operators did everything in their power to keep tourists from visiting entrepreneurs or to discourage them from buying goods on display.

Case study: Informal trader at Hector Pieterse Memorial

Richard is a 45 year old male who has a B-Admin degree from the University of the North. He was a member of the Orlando West unemployment forum and played a role as coordinator of the Hector Pieterse Memorial project. When the Memorial was unveiled in 1996 he saw that the Memorial presented opportunities in terms of tourism. He started his own informal business in 1996 selling curios on the roadside and also acting as a tour guide in the museum. He is a registered tour guide and has completed a 5-month tour-guiding course at an NGO called African Expression. He recently registered his company with the Department of Trade and Industry and has also registered a bed and breakfast business. Asked why he decided to register his business his reaction was:

"word is out that if you register your business you can put your business on a database and you will get preferential treatment – especially with the 2010 [World Cup] coming up. You know- tourism is all about networks. If you have got the contacts you have got the business. Myself and five other guys clubbed together and took transport to Pretoria where we all registered our businesses. It was much cheaper than going to the guys around here who charges us double to register our businesses."

He also stated that once you have a registered business there is the possibility of funding and also assistance in terms of skills and business training from government. When asked about the relationship between the informal traders and the first economy operators he said that the relationship is bad.

"There is no commitment from the big guys to try and support us. The tour operators stop, go to the museum and then they drive off and take the tourists elsewhere to buy curios. When we ask them why they do this they always say they have a schedule to keep. When sometimes the tourists are allowed to browse through our curios the actual tour operator haggles and negotiates on behalf of the tourist to bring our price down. What they don't recognise and understand is that we keep this place safe. We ensure that no incidences of crime etc. take place here and they don't recognise that – they just benefit all the way. The very people that make Soweto alive and touristic benefit the least. People that know nothing of Soweto, who have never lived or contributed to Soweto, now benefit the most."

Asked why he sells mostly work from other counties his reaction was that there are very few local things on the market. Only some beads.

"South Africa has never been exposed to such poverty. These guys from Africa had to use anything and everything to survive. A tree was a resource and they have been making crafts for generations."

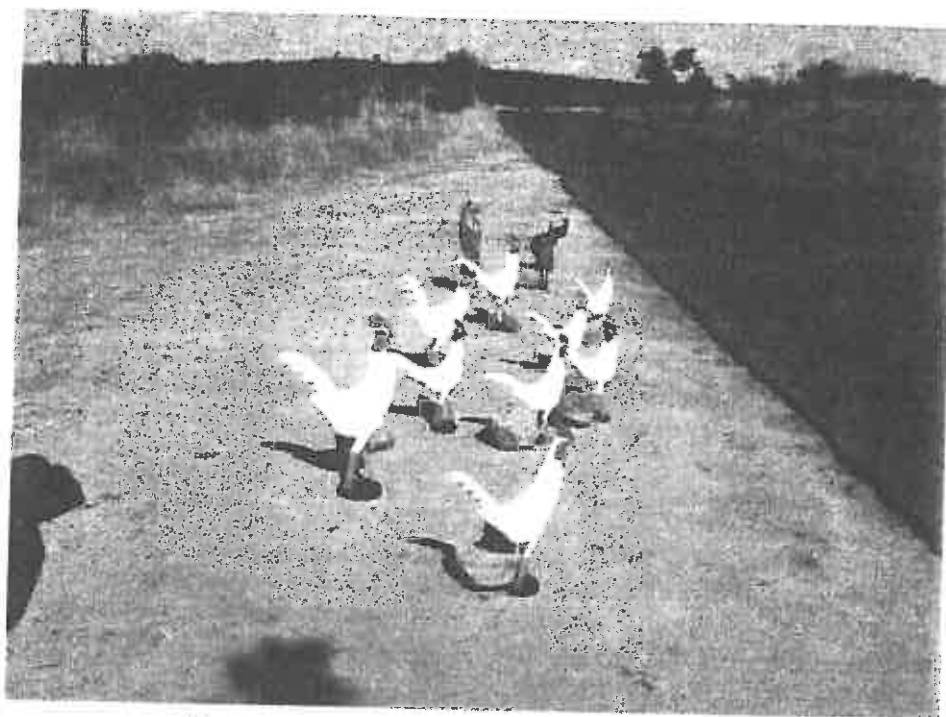


Figure 10 Some crafts along the road- outside Hazyview



Figure 11 A crafter at work- Hazyview

The operators seem to prefer to take tourists to established venues with whom they have a formal arrangement and who will also provide them with 'kickbacks' or 'commission' that makes for a mutual beneficial relationship. However, this practice cuts out the smaller street vendors, who cannot compete or offer similar incentives to tour operators. Other needs recorded by vendors were very similar to that of Tsosoloso Madibeng Cultural Village and include the need for better access to loans, business management skills, marketing skills and information on how and where to register their businesses.

Some "informal" traders were interviewed adjacent to the Kruger National Park. The distinction between these traders and the traders interviewed elsewhere was that they were actually craftsmen, making and selling their own creations. They sat under trees and crafted the curios from pieces of wood. They were seated next to the road, in view of travellers, and exhibited their goods next to the road. They were generally fairly optimistic and happy with the income secured by their trade and were very proud of their products.

The main concern raised by these traders was a lack of proper shelter. They often had to contend with bad weather and had to carry curios to and fro since they had no place to store the goods. They also complained that it was difficult to obtain raw material and that they had to seek transport to get raw material. Some traders stated that the "government" sometimes comes past and gives them raw material (wood). This they appreciated and stated that it boosted sales and revenue since they then had more stock to sell. Amongst the people interviewed, a general sense of pride and optimism was evident.

When asked what government could do to help them, they stated that government could assist by buying the land they are trading from, building shelters for them and assisting them to market their products more widely. When asked if they needed any training they were adamant that they had the skills to run a business and make the curios and needed no training. These people were keen to expand their business but were not aware of any government tourism initiatives. They did not know how to register their businesses or where to get assistance to register the businesses.

The challenges faced by the San community trading on the side of the road towards Gemsbok, Rietfontein and Mier proved to be of particular interest. A San community leader held the following view:

"Government can help us in the following ways, to build safe community complexes where these people can work and sell wares under one roof. People get very despondent because of the elements of nature, i.e. winters are very cold and summers are very hot. This will boost enthusiasm if they have a shelter from which to sell the goods."

Most of the articles produced by the San were from natural materials that were difficult to obtain and among others, included horns from 'Steenbokkies', claws of animals and raw animal skin. Acquiring these materials often meant obtaining it from animals that died of unnatural causes which may involve health risks for those who have no other way to obtain suitable material.

6.3.3 Informal tour guides

The informal tour guide that was interviewed at the Hector Pieterse Memorial expressed similar problems with major tour operators to the arts, crafts and curio vendors. It would appear that his relationship with specifically white tour operators was not on a good footing, as operators attempt to keep him away from the tourists that they ferry to the memorial. He argued that the operators really know very little about the history of the area and its people. Although informal, this guide was registered with the Gauteng Tourism Authority. He mentioned that he would want to register as a tour operator to be able to further his business opportunities that are currently limited by large tour operators.

6.4 Concluding remarks

The challenges faced by respondents differed mainly with regard to their individual circumstances, although variables such as geographical location and occupation in particular, proved to be useful in categorising the problems that small tourism entrepreneurs experienced. Grouped according to occupation, these issues are summarised in Table 5 which provides an overview of the results of the survey (more detail of these interviews is provided in Annexure 2). Generally, poor marketing and networking opportunities, unsheltered business premises, problems obtaining raw materials and financial assistance were listed as some of the biggest challenges that respondents faced. Other challenges included cost of doing business, poor relations with large tour operators, poor business location and presentation and a lack of business and customer service training.

Table 5 Summary of main challenges faced by respondents

B&B owners	Arts, crafts and curio vendors	Informal tour guides
<ul style="list-style-type: none">• Lack of proper marketing and networking• Lack of signage or direction boards.• Lack of Internet advertisement exposure and brochures• Lack of financial support to upgrade facilities• Need to improve financial and business acumen	<ul style="list-style-type: none">• Problems with access to raw materials to manufacture arts, crafts and curios• Access to shelter for business• Exchanging foreign money problematic• High transport costs to business premises• Access to small loans to finance business• Improved customer service training• Poor relationship with large tour operators• Location and presentation of business premises not optimal• Need to improve financial and business acumen• Lack of exhibition sponsorships	<ul style="list-style-type: none">• Formal tour operators do not pay any attention to informal guides• Need to develop better networks to develop guide opportunities

7 Recommendations

This study of DEAT's Poverty Relief Programme (PRP) and its impact on the so-called "second economy" has generated several sobering findings. Some successes can be noted. PRP projects are successfully providing temporary jobs to people who would otherwise be unemployed. They are also installing infrastructure and facilities that could provide important local motors for development, employment, and the growth of VSMEs. However, the premise that PRP projects will generate long-term economic growth and relieve poverty in local areas is presently unclear or even dubious, due to several notable problems. Based on only eight case studies and interviews with major stakeholders, these findings should be considered preliminary and need to be substantiated by a more extensive study. Nevertheless, they should raise serious concerns.

- a. Market assessments are sorely lacking. Most projects are based on little more than the general parameters of an LED and are therefore high-risk ventures.
- b. Marketing is neglected. Marketing for the project and related activities (like curios) is vital to assisting poor people to access emerging local markets for goods and services, yet local people have no effective help in this field.
- c. Monitoring is weak. For instance, timetables are routinely exceeded by substantial margins. All the projects (except one) are running late and some are running years late.
- d. Training is routinely inadequate and sometimes missing. Where it is effective (King Sandile Chalets), this is due to extensive community involvement and control rather than the project's formal rules and management. Without training, the projects will slot people into low-wage jobs that will not lift them out of poverty.
- e. Employment is low-wage and vulnerable, and neglects gender and family dynamics, tending to reproduce patterns of exploitation.
- f. Micro-enterprise support and training is lacking for local people who wish to develop VSMEs associated with the projects.
- g. Project design is sometimes receiving insufficient attention regarding elements essential to the projects' success (such as the architectural design and placement of cultural villages),
- h. Other poverty-relief instruments (e.g., SMEDP and TEP) are not dovetailing with PRP projects to address these related needs, either of informal workers or formalization of VSMEs by people lacking start-up capital.

In this study, the HSRC team was asked to offer recommendations but not to advise on policy. Still, we considered the problems evident from these projects to be sufficiently substantial to engage questions of policy. Consequently, our recommendations fall into two general categories:

- 1) Recommendations for improving the effectiveness of PRP projects according to their present design;
- 2) Recommendations for new orientations toward poverty relief in tourism development.

7.1 Level One: Adjustments to Practice

The first level of recommendations includes ideas to improve access by informal traders and start-up VSMEs to the benefits of PRP projects as they are presently designed. Some of these recommendations will require new initiatives, however, such as advisory teams that can travel around the country providing advice, information, and support.

Regarding informal traders and start-up VSMEs, interviews suggested several measures that would improve traders' profitability and access to markets. Currently, government policies focus on SMMEs, but the needs of the medium sized enterprises and micro enterprises are vastly different and government needs to make provision for different interventions when dealing with the micro enterprise which is often very informal and survivalist

- Focus on assisting survivalist, very small, and micro enterprises. The current emphasis and rules of poverty-relief interventions (like TEP) tends to serve better-established and bigger enterprises because of their inherent potential. They generally do not assist survivalist businesses.
 - Provide poor people with better access to tourism-specific business information – e.g., where and how to register a business, where and how to obtain training, where and how to obtain finance, some market information, etc. — preferably through “a one-stop shop”.
 - Work towards cutting red tape and costs associated with registering or legalizing a business (e.g., consult with provincial and local governments about related regulations).
 - Financially assist tourism start-up and micro-enterprises by providing access to small loans. Assist them in becoming bankable with formal institutions.
 - Provide informal traders with training in business skills such as customer handling and business management. (Perhaps do a needs assessment of training requirements).
 - Assist local craft workers to develop new products-based on intelligence from tourists themselves. The majority of informal tourism operators have never been exposed to a tourism experience and would not necessarily know what tourists would want.

- Provide special incentives for small tour operators to become part of mainstream tourism. Currently the South African Tourism Services Associations (SATSA) requires an annual fee of R 2 850 for membership and a non-refundable application fee of R627 also needs to be paid to become a member of SATSA. These fees are often not affordable to a small business operator and encourage them to operate outside these formal structures.
- Encourage better networking between tourist businesses and start-up enterprises
 - Facilitate dialogue and communication between large tourism role players and small and micro operators by providing “guide/manuals” to both parties on how to engage, embrace and to be sensitive to the needs of other tourism roleplayers (e.g., a “pro-poor tourism guide” to large tourism operators; and a “how to approach large operators” guide to small vendors).
 - Provide marketing assistance to township B&Bs that are known to have difficulty in accessing the tourism market.
 - Inform people running very small and micro enterprises about business network opportunities. Most of the survivalist operators do not know about any government initiatives that might assist them. Those in urban areas (like Soweto) have some of this knowledge and better access to networks, but rural entrepreneurs seem to lack this knowledge.
 - Encourage more tour operators to adjust itineraries to include local experiences (e.g., museums, shebeens, buying off the street, etc. Formal tourism operators commonly do not work closely with small survivalist operators. This should be encouraged and may require government intervention (perhaps through licensing regulations).
- Require that the project design reflect local needs and encourage local production.
 - Projects should integrate tourism into local practices: i.e. visiting a *real* village for story telling, traditional dance, and insights into everyday living.
 - Provide shelter and infrastructure (lights, water) to informal arts, crafts and curio traders. Position these facilities along roadsides in areas that attract tourists in relatively large numbers such as at museums, national parks etc.
 - Avoid creating template “cultural villages” that manifest as sterile replicas and are unattractive to tourists: avoid closed rondavel designs that make displays difficult. Preserve elements of the local market.
 - Assist small artists in obtaining raw materials for producing arts, crafts and curios for the tourism market. Encourage local production, to compete with foreign imports.

A special category of concern was the need for special monetary incentive schemes to enable VSME to gain access to finance. The intention of current

government interventions seems to focus heavily on risk profiles. The assumption seems to be that if the enterprise or individual contributes 5% or 10% of the required capital, the changes are better for successful return on investment, from government's perspective. Risk minimisation factors seem to be based on conventional creditworthiness, but more creative indicators of risk, such as the number of years that a person has been successfully operating a business, could be considered. A person operating a curio stand at the roadside for 6 years, making a living and employing some people, should not be disqualified from government assistance based on the fact that he does not have funds as surety. He could be classified as low risk and therefore be eligible for assistance, based on the fact that he has been running a business for a number of years.

7.2 Level Two: Adjustments to Policy

The second level of recommendations addresses more fundamental questions. In their present design, PRP projects do not focus centrally on poverty relief but rather simply add a poverty-relief component to development appropriate to large enterprises (such as game lodges) or other agendas (such as environmental protection). As noted, the only concrete benefit of this approach is temporary employment. Infrastructure development is supposed to generate growth over time. But the long-term beneficiaries of PRP projects are more likely to be those public authorities and private interests that gain revenues from the new facilities or infrastructure: e.g., the local municipality, private tour and travel companies, lodge and game park managers, larger suppliers of goods and services, or any interest that assumes a managerial role in the project (sometimes through a joint venture). Benefits to the local municipality would be beneficial to the public interest, but if profits first accrue to the private interest, public benefit will be very small.

DEAT's PRP suggest an underlying confusion about exactly how its projects will address problems of poverty. "Relief" is itself a vague term. One parsing, offered by Swilling et al., may be useful here:

"Poverty alleviation refers to public and private actions to address destitution in terms of a lack of food, access to safe potable water, safety from abuse and shelter. By definition, these interventions are fundamentally ameliorative and tend to be carried out with a welfarist mentality, although not necessarily. Nonetheless, ameliorative measures are obviously necessary to prevent starvation, ill health and exposure to the elements.

"Poverty reduction refers to deliberate actions that reduce the depth of poverty that individuals and households experience. Deliberate actions could include income and physical asset transfers and/or the supply of education, employment and trading opportunities. Such measures can lead to a reduction in the absolute number of people that are (income and asset) poor, but do not necessarily alter the structural conditions (at various scales) that reproduce poverty and inequality.

"Poverty eradication refers to institutional reforms that increase the political power of the poor to the extent that, through their social movements and encroachment practices, as well as their voting power in the formal electoral

process. They determine and/or shape the agenda for how the full gamut of poverty reduction measures are to be structured and sequenced in order to address the structural causes of poverty, whilst simultaneously addressing chronic destitution. As a result, poverty eradication actions (including remedial ones) are organised to ensure the *political empowerment* of poor citizens and their organisations relative to political and economic elites." (Swilling et al, 30).

We suggest that DEAT's PRP projects presently attempt poverty *reduction* but actually approximate poverty *alleviation* in the above sense. If they are to approach poverty *eradication*, their fundamental orientation and design will need to change. These policy shifts require that DEAT link centralized resources with local experts, through consultative local processes. For example:

- Develop alternatives to magnet approaches. The capacity of upscale facilities (like lodges) to engage effectively with local economies will always be limited. Tourism projects like backpacker facilities, that are more appropriate to local skill levels, will be more effective in spreading tourist revenue. Pro-poor planning must begin at the conception stage in order to link private investors with local suppliers.
- Provide effective training systems. Training, already a central DEAT concern, is crucial to permitting upward mobility. Yet present instruments (like TEP) target SMMEs that are already formalized and well positioned for such growth. As presently designed and implemented, training provided by PRP projects will only secure people in subsistence-wage levels that will not relieve their poverty. To lift people out of extreme poverty, training must allow them to take the next step to VSMEs. Training must also build from local practices and skills, such as shebeens, cultural events, local markets, and local knowledge of geography and history.
- Support forward and backward linkages. Development of good jobs for poor people cannot be left to market forces alone. Infrastructure development is likely to serve existing SMMEs and corporate interests best positioned to exploit the opportunities they open. DEAT can develop new support mechanisms for **developing forward and backward linkages**: for example, helping people develop the capacity to make the beads rather than simply string them; to open a school for guides rather than simply take the course; to formalize and register the car park guard service in order to gain trade from tourist companies as well as individual motorists.
- Promote tourist destinations as landscapes, not facilities. Game lodges, info centres, and cultural villages will always be a fixture of tourism development in South Africa. But magnet projects do not directly serve the local community and may even capture local resources and trade. Development of tourism *landscapes* can support local communities to improve and develop existing resources (markets, shebeens, cultural centres, parks). This will allow a broader engagement by local people who have skills adequate to maintaining such facilities. Tourism development

should seek to promote unique local cultures, which can thereby obtain that special draw for tourists seeking inter-cultural experiences.

- Promote local artisan crafts by working with local artists. Beadwork and carving cannot be profitable if they follow national patterns and standards taught solely by urban experts. Encouraging local unique arts will strengthen regional tourism while providing new forms of revenue and cultural expression to local communities. For example, working with local artists to set up apprenticeships will allow regional styles to develop. Collaboration with the Arts and Culture Ministry could generate new mechanisms for a national programme of local arts promotion.

Workable models and guidelines for such efforts are clearly needed. Policies to alleviate poverty cannot be effective by focusing on poor people as a separate part of the population. If poverty results from underdevelopment, and if all parts of the economy are linked, then DEAT's PRP must address poverty in the tourism sector not as some separate encapsulated "trapped" population but as a set of activities playing out through existing forward and backward linkages. As SARPAN proposed, integrating the local poor populations into tourism strategies will ultimately be essential to the "first" economy as well.

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Annexure 1

Code of Good Practice for employment and conditions of work for Special Public Works Programmes

No. 23045

GOVERNMENT GAZETTE, 25 JANUARY 2002
DEPARTMENT OF LABOUR

No. R 64

25 January 2002

BASIC CONDITIONS OF EMPLOYMENT ACT, 1997

Code of Good Practice for employment and conditions of work for Special Public Works Programmes

Notice is hereby given in terms of section 87(2) of the Basic Conditions of Employment Act, 1997, that the Minister of Labour, after consulting NEDLAC, has issued under section 87(1)(a) of that Act, a Code of Good Practice for employment conditions of work for Special Public Works Programmes as set out in the Schedule.

SCHEDULE

Code of Good Practice for employment and conditions of work for Special Public Works Programmes

1. Preamble

- 1.1 Reducing unemployment is one of the greatest challenges facing South Africa. Government has undertaken a number of initiatives to address unemployment and poverty, including the promotion of labour-intensive Special Public Works Programmes (SPWP). A SPWP is a short-term, non-permanent, labour intensive programme initiated by government and funded, either fully or partially, from public resources to create a public asset.
- 1.2 The Code provides guidelines for the protection of workers engaged in SPWP's, taking into account the need for workers to have basic rights, the objectives of the programmes and the resource implications for government.
- 1.3 In addition, the Code encourages:
- Optimal use of locally-based labour in SPWP.
 - A focus on targeted groups namely: women, female-headed households, youth, the disabled and households coping with HIV/AIDS.
 - The empowerment of individuals and communities engaged in SPWP through the provision of training.

2. Purpose

The purpose of the Code is to:

- Provide good practice guidelines to all stakeholders involved in SPWP in respect of working conditions, payment and rates of pay, disciplinary and grievance procedures.
- Promote uniformity between different SPWP within South Africa.

3. Application

- 3.1 The Code applies to all employers and to all workers hired to perform in elementary occupations in SPWP.
- 3.2 Employers in SPWP's must comply with relevant legislation such as the –
- Basic Conditions of Employment Act 75 of 1997

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- Labour Relations Act 66 of 1995
 - Employment Equity Act 55 of 1998 (Chapters 1 & 2)
 - Occupational Health and Safety Act 85 of 1993
 - Compensation for Occupational Injuries and Diseases Act 130 of 1993.
 - Skills Development Act of 1998.
- 3.3 The Code does not impose any legal obligation in addition to those in the Basic Conditions of Employment Act or any other Act referred to in the Code. Its purpose is to give guidance to employers on key legal provisions in those Acts.
- 3.4 The Code must be read in conjunction with a Ministerial Determination for special public works programmes issued by the Minister of Labour in terms of Section 50(1) of the Basic Conditions of Employment Act and the standard terms and conditions of employment which are annexed to this Code.
- 3.5 The Code is based on international best practice experience that wherever possible work should be task-based. In a task-based system the worker is paid a fixed rate in return for a fixed quantity of work. Tasks may be set for an individual or a group of people. Only work completed is paid for subject to point 12.1. Only where this is not possible can workers be paid a fixed daily rate.
- 4. Beneficiaries of special public works programmes**
- 4.1 The beneficiaries of the programmes should preferably be non-working individuals from the most vulnerable sections of disadvantaged communities who do not receive any social security pension income.
- 4.2 In order to spread the benefits as broadly as possible in the community, a maximum of one person per household should be employed, taking local circumstances into account.
- 4.3 Skilled workers from other areas may be employed if they have skills that are required for a project and there are not enough persons in the local communities who have those skills or who could undergo appropriate skills training. However, this should not result in more than 20% of persons working on a programme not being from local communities. A proper skills audit should be conducted where possible, in an area where a SPWP is in operation.
- 4.4 Programmes should set participation targets for employment with respect to single and female-headed households, women, youth, people with disabilities, households coping with HIV/AIDS, people who have never worked, and those in long-term unemployment.
- 4.6 The proposed targets are:
- 4.6.1 60% women;
 - 4.6.2 20% youth from 18 to 25 years of age; and
 - 4.6.3 2% disabled.
- 4.7 Special Public Works Programmes should seek to achieve these targets in all occupational categories.
- 5. Recommended exclusions**
- 5.1 Persons receiving a state pension or assistance from a social security system may not be employed on a SPWP.
- 5.2 Persons under eighteen years of age may not be employed on SPWP.

6. Selection of Workers

- 6.1 The local community, through all structures available, must be informed of and consulted about the establishment of any SPWP.
- 6.2 Members of the community who are economically active and who form part of the targeted groups will be given an opportunity to apply for work.
- 6.3 Preference must be given to the targeted groups in selecting workers.
- 6.4 In addition the following criteria are suggested to help target the poorest of the poor:
 - 6.4.1 People who come from households where the head of the household has less than a primary school education;
 - 6.4.2 People who come from households that have less than one full time person earning an income;
 - 6.4.3 People who come from households where subsistence agriculture is the source of income.

7. Duration of Participation

- 7.1 Special Public Works Programmes seek to provide as many people as possible with the opportunity to participate in the programme.
- 7.2 Work should be distributed amongst the unemployed as practically and equitably as possible.
- 7.3 No person may be employed for more than 24-months within a 5-year cycle, except in circumstances where no other local labour is available.
- 7.4 However, a worker who has a baby and takes maternity leave is, provided the SPWP is still in operation, entitled to an additional 24-month cycle within the original 5-year cycle on her return to work from maternity leave.

8. Forced labour is prohibited

- 8.1 No forced labour is permitted on a SPWP.
- 8.2 Forced labour includes forms of coercion such as patronage or demanding sexual favours for work.
- 8.3 Programmes should monitor whether or not there is forced labour, particularly when intermediaries such as labour contractors or management agencies are involved.

9. Unemployment Insurance

- 9.1 Work on a SPWP is not classified as employment as a contributor in terms of the Unemployment Insurance Act 30 of 1966.
- 9.2 No Unemployment Insurance Fund (UIF) contributions will be paid on behalf of or by workers in SPWP.

10. Payment

- 10.1 Employers must pay workers the rate of pay set for the SPWP.
- 10.2 Wherever possible, workers should be paid on the basis of the number of tasks completed. These workers are referred to as "task-rated workers".

- 10.3 There are jobs where it is not possible to pay workers on the basis of tasks performed. These include security guards. These workers must be paid on the basis of the amount of time they worked. They are referred to as "time-rated workers".
- 10.4 The following guidelines should be considered when setting rates of pay for workers in SPWP:
- 10.4.1 The rate set should take into account wages paid for comparable unskilled work in the local area per sector, if necessary.
- 10.4.2 The rate should be an appropriate wage to offer an incentive for work, to reward effort provided and to ensure a reasonable quality of work. It should not be more than the average local rate to ensure people are not recruited away from other employment and jobs with longer-term prospects.
- 10.4.3 Men, women, disabled persons and the aged must receive the same pay for work of equal value.
- 10.5 On the task-based system, a worker is only paid for each task completed.
- 10.6 If pay is calculated on the basis of time worked, a worker will only be paid for the period that the worker worked.
- 10.7 If workers are informed a day before that work will not take place the next day, they should not be entitled to any payment.
- 10.8 Workers will be paid a training allowance when they are required to attend agreed training programmes. This should be equal to 75% of the daily task rate or 75% of the daily rate of pay for time-rated workers. There will be no payment for training prior to engagement. However all the costs of training will be covered, for example, travel, trainers, material.
- 10.9 Each worker must be given written particulars and verbal explanations in an appropriate language of their rate of pay and how this is to be calculated.
- 10.10 The following rules apply to payment of workers:
- A pay slip must be issued with each payment for work completed.
 - Payment must be at regular intervals and in a manner specified by each programme.
 - Payment must be within 35 days of completing a task.
 - A record of tasks completed and payments (including training pay and sick-pay) must be kept for each worker.
11. **Hours of Work**
- 11.1 Tasks must be set based on a 40-hour week in which the workers work five 8-hour days, excluding time spent traveling to and from work. Once at work, time spent getting to the site that is to be worked on that day must be included in the 8-hour period. A worker may not spend more than 55 hours in any week completing tasks.
- 11.2 Starting and finishing times may be determined in the light of factors such as the nature of the project; the distance workers have to travel and other local factors such as climate, season and terrain.
- 11.3 Depending on local conditions work may be spread over more than 8 hours; for example in hot weather working from 05h00 to 09h00 and then again from 15h00 to 19h00. The finishing time must not be more than 12 hours after the start and workers may not work more than 55 hours per week.
12. **Attendance**
- 12.1 A 'no work-no pay' rule must apply except in the following circumstances:

- A worker is absent due to illness or injury and proof of illness as required by the Section 23 of the Basic Conditions of Employment Act is provided. A maximum of 1 day sick leave for every full month worked is payable for workers who work four or more days per week.
- Workers who report for work and are unable to work due to the sole fault of the employer, shall be entitled to be paid –
 - (a) in the case of task-rated workers, the daily task rate;
 - (b) in the case of time-rated workers, the daily rate.

This shall not apply where the reason that workers are unable to work is that tasks have not been set.

- 12.2 If bad weather interrupts work for task-based workers, workers will only be paid on completion of the task.
- 12.3 Workers who arrive late for training and who are not required to work during training programmes should not be paid.
- 12.4 Workers who do not attend required training programmes without a valid reason may have their contracts cancelled after a fair procedure has been followed.

13. Health and Safety

- 13.1 Every worker has the right to work in a working environment that is safe and without risk to his or her health.
- 13.2 The management and every employer (contractor) engaged in a SPWP are required to do everything that is reasonably practicable to ensure the health and safety of persons working on a SPWP.
- 13.3 Workers are required to perform their duties in a manner that does not endanger their health or safety or that of other workers or persons.
- 13.4 Behaviour that endangers the health and safety of others is a serious disciplinary offence for which a worker can be dismissed.
- 13.5 The management of a Special Public Works Programme and each employer must:
 - Ensure that all workers are informed of any risks and dangers associated with their tasks.
 - Inform and train workers about the precautions and steps that must be taken to avoid or minimise risks and dangers to them or others.
 - Ensure all possible precautions and safety measures are in place to avoid risk and minimise dangers.
 - Not permit workers to perform tasks for which they have not been trained.
 - Provide workers with the necessary protective clothing such as hard hats, goggles, ear-plugs, boots and outer clothing required, as applicable, to complete their tasks in safety. These must be supplied free of charge and must be maintained, by the worker, in a clean state and in working order for use.
 - Provide First Aid kits on site.
 - Ensure that at least one person per site is trained to act as a First Aid Officer and that they are capable of providing First Aid to injured or ill workers.
 - Provide sufficient clean drinking water to all workers for the duration of the project
 - Ensure that adequate sanitation is available to workers.
 - Ensure all safety standards set are adhered to.
- 13.6 Workers must –
 - Perform their duties in a safe manner.
 - Wear all protective clothing issued.
 - Obey all safety rules and instructions.

- Report any accident or near-miss incident to their employer (supervisor).
 - Report any dangerous conduct by another worker to their employer (supervisor).
- 13.7 Employers must take particular care to ensure pregnant workers or workers who are breast-feeding are not required to perform work that may endanger their health and safety or that of their child.

14. Compensation of Occupational Accident and Diseases

The Compensation for Occupational Injuries and Diseases Act 130 of 1993 (COIDA) applies to all Special Public Works Programmes.

14.1 Administrative Obligations

Every employer must –

- Register with the Compensation Commissioner and cover all workers in the SPWP (this is done by submitting a completed W AS 2 form).
- Notify the Commissioner of any changes in particulars.
- Keep a register of wages, time worked and payment (this is the same register described above).
- Submit a return of wages paid each March.
- Pay assessments (contributions) as required by the Commissioner.

14.2 Obligations in respect of accidents and occupational diseases

Every employer must report to the Compensation Commissioner –

- accidents within 7 days (W CI 3 form).
- occupational diseases within 14 days (W CI 14 form).

- 14.3 An employer must pay a worker who is injured in an accident at work and who is unable to work 75% of their wages for a period of up to three months. The Compensation Fund will refund the employer this money.

- 14.4 The family of a worker who is killed in an accident at work (or who dies from an occupational disease) is entitled to receive compensation in terms of the provisions of COIDA. An employer should help them to lodge their claim and wherever possible provide employment for another member of the family.

- 14.5 A worker who is injured in an accident that is caused by the negligence of an employer is entitled to claim additional compensation in terms of section 56 of COIDA.

15. Training

Training is regarded as a critical component of SPWP. Every SPWP must have a clear training programme in place that strives to:

- 15.1 Ensure programme managers are aware of their training responsibilities;
- 15.2 Ensure a minimum of 2 days training for every 22 days worked;
- 15.3 Ensure a minimum of the equivalent of 2% of the project budget is allocated to funding the training programme. This funding may be sourced from the project budget, the National Skills Fund or donors. It is recognised that training needs will be higher at the start of a project and tail off as projects become more established;
- 15.4 Ensure sustainable training through certification. It is proposed that minimum of 30% of the training provided should be accredited;
- 15.5 Balance quality of life, functional and entrepreneurship training;

- 15.6 Balance formal training with structured work place learning.
- 15.7 Equip workers with skills that can be used to secure other employment opportunities;
- 15.8 Identify possible career paths available to workers exiting the SPWP.
- 16. Discipline, dismissal and termination**
- 16.1 Every SPWP must have a disciplinary code and a grievance procedure. The purpose of these procedures is to –
- (a) ensure that employers exercise discipline in a fair and consistent manner;
 - (b) protect workers from arbitrary action;
 - (c) provide a mechanism for managing grievances and complaints.
- 16.2 The disciplinary and grievance procedures apply to all persons employed in the SPWP.
- 16.3 Employers should make use of the Code of Good Practice: Dismissal (Schedule 8 to the Labour Relations Act 66 of 1995) as a guideline when exercising their powers of discipline and dismissal.
- 16.4 An employer may only dismiss an worker if –
- (a) there is a good reason for the dismissal; and
 - (b) the employer has followed a fair procedure.
- 16.5 The reason for a dismissal or termination may relate to –
- (a) the worker's misconduct (for example late coming, drunkenness);
 - (b) the worker's capacity (the worker does not have the skills or ability to perform a job despite receiving training);
 - (c) People who do not attend required training programmes;
 - (d) People who regularly do not turn up for work.
- 16.6 A worker's contract may also be terminated due to operational requirements. This would be the case if employment is terminated because a SPWP is stopped.
- 16.7 A fair procedure means that the employer should –
- (a) investigate the charge;
 - (b) notify the worker of any allegations against the worker in a form and language that the worker can understand; and
 - (c) give the worker an opportunity to respond to the allegations. A fellow worker may assist the worker, if the worker chooses.
- 16.8 There is no requirement that the employer hold a formal inquiry. However, the employer may decide to give a worker charged with a serious offence a formal hearing at which the worker can test the evidence on which the charge is based.
- 16.9 An employer must exercise discipline in a consistent and clear manner.
- 16.10 A worker may only be disciplined for contravening a workplace rule or standard that the worker was aware of or should reasonably have been aware of. Therefore, it is important that an employer informs workers of workplace rules and standards. A worker will be assumed to know that conduct such as late-coming, leaving early, drunkenness, fighting or disobeying instructions are disciplinary offences.
- 16.11 An employer should keep a written record of any disciplinary action taken.

17. Disciplinary Procedures

An employer may take the following steps when exercising discipline –

17.1 Verbal Warning

A verbal warning may be issued for minor disciplinary offences. The purpose of the warning is to explain to the worker what the rules are, encourage the worker to comply with them and advise that if the conduct is repeated the employer may take more serious action. Only one verbal warning is required before moving to written warnings.

Examples of minor offences:

- Late-coming.

17.2 Written warning

17.2.1 A written warning may be issued for repeated minor offences or for more serious offences. The employer should investigate the charge before issuing a warning. The worker should be asked to respond and explain his or her conduct. The warning should state the offence and the period for which the warning is valid. Generally, this should be for six months although warnings for more serious offences could be issued for a year or for the remainder of the worker's employment on a SPWP. If the employer believes that the offence is serious, the warning should state that it is a final written warning and that a repeat of the offence could lead to the worker's dismissal. Otherwise, two written warnings are suggested prior to dismissal.

17.2.2 A written record of the charge, the explanation and the agreed change in behaviour or performance is dated, signed and handed to the worker as a written warning. A copy of the written warning is kept in the worker's file for the period of its validity.

Examples of offences in which a written warning may be appropriate:

- Repeated minor offences.
- Drunkenness (if it does not affect work performance).
- Fighting, swearing.
- Abusive behaviour.
- Non co-operation as a team member.
- Negligent use of programme equipment (if it does not affect health and safety).
- Failure to attend a training event.

17.3 Dismissal

17.3.1 Generally, an employer should not dismiss a worker for a first offence. However, a worker may be dismissed if it is a serious offence that would make continued employment intolerable even if the worker has a clean record. Before dismissing a worker, the employer must consider whether dismissal is the appropriate sanction.

17.3.2 Examples of serious offences which may warrant dismissal:

- Wilful and/or negligent damage to equipment, machinery and vehicles.
- Actions which could lead to criminal charges being laid – serious assault; theft; fraud.
- Sexual harassment, including rape.
- Actions which create a danger to the health and safety of co-workers.
- Any offence for which the worker has received a final written warning.
- Drunkenness if it affects the ability to work, for instance, a driver or a chain-saw operator being drunk.
- Repeated less serious offences – drunkenness, fighting, swearing, failure to properly perform tasks, etc.

- Misuse of programme equipment, for instance, a worker using it for their own benefit.

17.4 Poor work performance

17.4.1 An employer may take action against a worker for poor work performance. Workers must be explained the standard of work performance expected of them. If they do not meet this standard, the employer should consider ways of helping them meet the standard. This could include counseling or guidance, training or giving clearer instructions. The worker must be given a reasonable opportunity to improve their work performance. If their performance does not improve, the employer can take corrective action, including dismissal if considered appropriate.

17.4.2 If a worker is not performing adequately in a job requiring special skills, the employer should consider transferring the worker to another job.

18. Grievance Procedures

18.1 A grievance is a serious dissatisfaction on the part of a participant with the actions or behaviour of the employer or another participant.

18.2 A participant with a grievance should bring the grievance to the attention of the employer, either in writing or verbally. If the grievance concerns another worker, the worker should raise the issue with that worker before raising it with the employer.

18.3 The employer must listen to the submissions made by the participant and attempt to settle the matter by discussion within 5 days.

18.4 Where the matter cannot be resolved to the satisfaction of the participant, the employer may conduct an investigation or, if the employer considers it appropriate, conduct an inquiry at which the affected parties can make submissions.

18.5 The employer must notify the grievant and any other person affected of the decisions within a reasonable time. If the employer decides to take disciplinary action, the employer must follow the disciplinary procedure described above.

19. Glossary

Contractors	A person or group of persons who is contracted to carry out the work on the Special Public Works Programme for the relevant department.
Daily rate	A worker is paid a fixed sum each day in return for working a fixed number of hours during that day.
Worker	A worker includes anyone working in an elementary occupation on a Special Public Works Programme whether they are employed directly by a government department, an implementing agent, a contractor or a sub-contractor.
Implementing agents	A business, institution or person who is contracted to implement the Special Public Works Programme on the relevant department's behalf. The Implementing Agent is bound by the same terms and conditions governing the implementation of Special Public Works Programmes as a department.
Task-based work	A worker is paid a fixed wage in return for a fixed quantity of work, or a task. The task set may be a task for one worker in 8 hours or for several workers over several workdays, based on an 8 hour working day per person.

Annexure 2

Detail from interviews with tourism informal economy participants

Issues	Curio vendors	Guides	B & B operators
Satisfaction with current job situation	Neither (2) happy nor unhappy; "sometimes business is goods, sometimes not". Very happy (3) – made some money from foreign tourists and learned some words in French & German; "there is potential and it will help my family make ends meet"; "it is the first time that I have worked". Happy (4) – enjoy interacting with people; "there is no other job that I can do"; "would like to have a serious job"; makes goods money near Kruger Park. Very unhappy paying rent and has no business. Unhappy (2) – business not marketable; "hoped to do better".	Happy.	Very happy Happy (2) because of a passion for tourism; meeting new people everyday Unhappy because business is not functioning well.
Satisfaction with income derived	Very happy (2), it puts food on the table and pays for children's school; can look after family. Happy (4), can make a living; business is up and down; makes good money Very unhappy earning less than next to the road. Unhappy (6), would like to make more money; no business; business is up and down.; "there is not enough money"; there is no customers Neither happy nor unhappy.(2) "some times business and money is good but there are many people selling".	Unhappy	Very unhappy (2) business are not growing, not receiving visitors; little or no income generated. Unhappy because of not being able to improve rating of facility from one to five star.
Source of goods currently being sold	Manufactured some bead, wire and paintings but buy rest of goods at Bruma fleamarket and Park Station. (2) Manufacture own curios. Obtain curios from the whole of Africa. Obtain from wholesalers that obtain goods from different countries. (5) Buy foreigners, from Zimbabwean & Malawian Manufacture own curios. . (2) Buy from foreign wholesalers and people. Buy from Zimbabwean traders and local Opera Winfrey beadwork school.	Not applicable	Not applicable
Contact or relations with other tourism businesses in area	Yes (5), formed an organisation with other local traders to lobby for getting sheltered stalls; with local B&B and guesthouse; knows all the local tourism spots to trade from; network with other traders, contact with suppliers of curios. None (14)	Yes, but relations are not good with tour operators, particularly large white operators – there are no commitment from big guys because they want to keep to their itinerary.	(4) Have contact with other B&B's and "Moshito wa Tswane" or Tswane Tourism.
Contact /relations with government officials	None (15) Yes (3) had some workshops with DEAT and DTI officials. Not directly, depends on representative to talk with officials; will only be assisted when business is more formal. Sometimes government gives us wood (presumable from Kruger Park officials).	Yes, SA Tourism and Hospitality Authority and Gauteng Tourism.	Yes (3), once during a fanding application; has done an application for funds to DTI but have not received positive feedback; has contact with municipality but have never received assistance None.

Issues	Curio vendors	Guides	B & B operators
Problems experienced when running business	<p>Lack of business and money to pay for exhibitions.</p> <p>Tour guides discourages tourists to buy from them and cause them to lower their prices.</p> <p>Rent is too expensive and there is too much competition.</p> <p>Customers are chased away by some traders.</p> <p>Problems with new manager – higher rent, unfair competition from private business owner across the street – he bribes bus operators to stop at his business.</p> <p>Harassed by police due to foreign national status.</p> <p>"It is difficult because we have no customers in this place".</p> <p>More tourists are needed to established business after move from the streets.</p> <p>"Need more money to run shop".</p> <p>The main problem is shelter and not being able to tip tour guides or give them commission.</p> <p>Do not have enough customers.</p> <p>"Tour guides/operators don't allow people to buy at this market".</p> <p>(2) The cost of transport to business area is high.</p> <p>Obtaining raw materials for manufacturing curios is difficult</p> <p>Exchanging foreign money (obtained from tourists) is difficult and banks treat them bad.</p> <p>Business varies from day to day.</p> <p>Does not have proper shelter for business with little parking available.</p>	<p>No co-operation from big tour operators.</p> <p>They know very little about Soweto and its history.</p>	<p>Do not have any clients despite improved infrastructure.</p> <p>Lack of foreign tourists – efforts has brought no results.</p> <p>It is not operating as planned.</p> <p>Do not have the finance to improve facility.</p>
Perceptions of how to improve their business (needs analysis)	<p>Need a sponsorship to be able to pay for exhibition.</p> <p>Will be going on a training course on how to manage business finance.</p> <p>Tourist guides are an important resource to bring more tourists to the Hector Pieterse Memorial.</p> <p>(7) Need shelter to improve their conditions.</p> <p>(6) Need better marketing and advertising and signs.</p> <p>Need to have access to loans and train how to budget, improve customer care</p> <p>Need to learn to budget, need to be more visible from street to attract customers</p> <p>Need more open facilities visible from the street.</p> <p>Need to improve business skills.</p> <p>Location and unattractive look of stalls a problem.</p> <p>Improved management relations, need finances for transport and stock, and need some training.</p> <p>Training is very crucial.</p> <p>Need to change business premises to improve turnover.</p> <p>Need more money to run shop, need better networking opportunities.</p> <p>(2) Need training to grow and manage business.</p> <p>(3) Need better and more affordable transport.</p> <p>Need regular supply of raw materials such as wood to manufacture curios.</p>	<p>Need better network and has to register as tour operator.</p>	<p>A large need for training and marketing of business and of enhancing infrastructure such as parking and a braai facility.</p> <p>Need finances for extending the number of rooms.</p> <p>Need more training and skills to network, finances to renovate facility, marketing i.t.o. signboards, brochures, website, direction boards and access to market.</p> <p>Need financial injection; have received training at "Tswane Tourism". Need signage, business cards and brochures.</p>
Perception of how government can assist with addressing needs	<p>Don't know.</p> <p>(2) Assist with marketing: advertisement & boards.</p> <p>Formal structure must be demolished and people placed next to the road.</p> <p>"Assist us to have upmarket facility".</p> <p>"Government must allow us to continue doing business at our current place".</p> <p>"they must assist with small loans".</p> <p>Provide some funding.</p> <p>"Help us to sell our stuff everywhere".</p>	<p>Have spoken to Government officials but they have not done anything.</p>	<p>Don't know how they could assist.</p> <p>Unsure whether Government can provide assistance because grant application has not had any success.</p> <p>(2) Think that Government can assist with addressing these needs; Government can assist due to its motto of "Batho Pele" people should come first.</p>

Issues	Curio vendors	Guides	B & B operators
Future vision for business or career	<p>Would like to elevate business to an international level.</p> <p>Would like to be successful "a big fish".</p> <p>"Like to have more shops".</p> <p>"Would like to have the world and grow business".</p> <p>Yes, focusing on the 2010 world cup soccer.</p> <p>"I want to make money so that I can employ other people in five years time".</p> <p>"I would like to travel abroad to sell my stuff".</p> <p>"having a bigger business".</p> <p>"I have a bright future for this business".</p> <p>Employ more people.</p> <p>Sell at other locations.</p>	<p>Yes, want to be a tour operator similar to Springbok Tours.</p>	<p>For the business to be successful.</p> <p>Is currently discouraged by the lack of results and the money that has gone to pay consultants with no results.</p> <p>For the business to grow and to have another place.</p> <p>Have a vision of owning a five star hotel..</p>
Thoughts on registering business	<p>(15) None, has never been approached</p> <p>(4) Yes at THETA; do not have information; has never been approached; at local council; with DTI ; "cost of registering a CC is expensive".</p>	<p>Yes, has registered with DTI</p>	<p>No (2) because there is no progress; want to register.</p> <p>Yes (2) Has registered with DTI.</p> <p>Has registered with GTA.</p>