

**A REVIEW OF THE EXISTING SUPPORT
ENVIRONMENT FOR TOURISM SMMEs IN
SOUTH AFRICA**

Christian M. Rogerson

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A REVIEW OF THE EXISTING SUPPORT ENVIRONMENT FOR TOURISM SMMEs IN SOUTH AFRICA

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1. INTRODUCTION

This preliminary report is the first stage of a wider assignment which seeks to provide management support and the development of a proposal for the institutionalization of support to enterprises in the tourism sector of South Africa. The specific focus of attention is the Tourism Enterprise Programme (TEP), an organization which, since 2000, has been funded and supported by the Business Trust and Department of Environmental Affairs and Tourism. The core mission of TEP is to support firms in the tourism sector in order to undertake transactions that create jobs. Through this process over 2000 Tourism SMMEs have been enabled to forge linkages and create an estimated total of 16 338 job opportunities.

During 2004 an evaluation was conducted for the Business Trust on the operations and performance of TEP in order to assess and document the impact of TEP on employees and enterprises which were assisted since the inception of the programme (Upstart Business Strategies, 2004). Although it was pointed out that the TEP programme requires improvement in a number of respects, the conclusions of the 2004 assessment were generally positive. It was stated that:

“TEP has exceeded its quantitative performance goals in most areas and shows satisfactory performance in several qualitative aspects. Staff professionalism and commitment to SMME success: provision of financial assistance (matching grant) and the programme’s extensive networks that enable it to facilitate corporate linkages are seen as some of the programme’s key strengths. The programme also scores high in its interaction with SMMEs, including aspects such as:

- Promptness of response to requests for assistance
- Allocation of service providers to deliver services to SMMEs
- Promptness of and quality of relationship and output delivered by service providers
- Quality of relationship between TEP consultants and client SMMEs” (Upstart Business Strategies, 2004, p. 40).

It is against this background that this present study is undertaken in the context of a desire of the Business Trust and DEAT to explore further the development of the activities of the Tourism Enterprise Programme. In particular, the Business Trust and DEAT wish to explore the institutionalization of TEP as an organization dedicated to the forging of linkages between large and small firms, provision of training, market development and other functions that support market development

and other functions that support enterprise development and job creation specifically in the tourism sector.

2. AIMS AND STRUCTURE

This report forms the major output of Phase 1 of this investigation which involves the following sub-tasks:

- A detailed review of the current support environment for tourism SMMEs in South Africa which is based upon a desk top survey of existing local and international documentation;
- An estimated 30 focused personal and telephonic interviews with key stakeholders in the tourism sector, including ECI/TEP, DEAT, National Treasury, Business Trust, Provincial Departments of Tourism, large local authorities and key tourism enterprises. Further interviews were conducted with other important industry stakeholders, including DBSA, TBCSA and personnel involved with implementing the Pro-Poor Tourism in Practice Pilots in South Africa.

The aims of this report are as follows:

- To provide a comprehensive review and analysis of the existing contemporary support environment for tourism SMMEs in South Africa as a foundation for situating the future activities of TEP.
- To assess the role of different tiers of government and other agencies in the provision of support.

This report is structured in terms of the following major parts of discussion

- First, as context, an international scan is provided both of research debates on tourism SMMEs and on the experience of support for tourism enterprises.
- Second, an overall profile is presented of tourism SMMEs in South Africa and an assessment is offered of their position within the South African tourism economy.
- Third, a mapping and analysis is conducted of the existing support environment for tourism SMMEs and of the different forms of support as provided by different institutions in the support environment.

3. TOURISM SMALL FIRMS: AN INTERNATIONAL PERSPECTIVE

In this part of the report, the objective is to locate issues in the local tourism SMME environment within the wider international context. Two sub-sections of material are provided which relate to: (1) identifying key themes as recorded in an overview of the experience of research on tourism small firms in both developed (North) and developing (South) countries; and, (2) specifically reviewing international

experience and issues on financing and support for tourism enterprises in general and tourism SMMEs in particular.

3.1 Tourism SMMEs – An International Research Overview

Over recent years, a number of leading international tourism researchers have stressed that it is appropriate to examine small tourism and hospitality firms as a distinct analytical category from small business enterprises as a whole (Thomas 1998, 2000). In particular, the case for viewing small tourism firms as a distinctive focus for scholarly attention is based upon the argument that there are serious methodological dangers in any small business research that neglects sectoral context (Burrows and Curran, 1989). With major differences having been observed in the behaviour and characteristics of small - as opposed to large - tourism enterprises, it is clear that "there are good reasons for treating small tourism firms as a distinct analytical category" (Thomas 2000, p. 351). Indeed, Thomas (2000, p. 348) asserts that there is a compelling case for "an assessment of small tourism firms that is separate from the study of small firms in general".

In the international context, many tourism scholars have responded to this challenge of expanding our understanding of small tourism firms. Since the 1990s, Thomas (2004a, p. 1) argues there "has been a flourishing of interest in a variety of issues relating to small businesses in tourism". Within the last year, three edited collections have been published concerning international research on small firms in tourism (Keller and Bieger, 2004; Thomas, 2004b; Morrison and Thomas, 2004). It must be acknowledged, however, that the bulk of existing scholarship is focused upon issues around the role of small tourism firms in developed countries.

The literature contains work around several issues concerning the development and dynamics of small tourism firms including:

- the role of information technologies (Buhalis, 2004),
- impacts of globalization (Smeral, 1998),
- policy towards small tourism firms (Buhalis and Cooper, 1998; Wanhill, 2000; Vanhove, 2004; Wanhill, 2004),
- networking and cooperation (Tinsley and Lynch, 2001; Bieger, 2004; Bieger *et al*, 2004; Komppula, 2004a; Telisman-Kosuta and Ivandic, 2004),
- innovation in small firms (Ateljevic and Doorne, 2000; Ioannides, 2004; Hallenga-Brink and Brezet, 2005),
- the problems of rural tourism entrepreneurs (Lassila, 2000; Buhalis and Paraskevas, 2002; Komppula, 2004b; Lordkipanidze *et al*, 2005),
- responses to seasonality (Getz and Nilsson, 2004),
- the role of small firms in niche markets (Hall, 2004; Scott and Laws, 2004),
- factors affecting business performance (Lerner and Harber, 2001; Ateljevic and Doorne, 2004a; Morrison and Teixeira, 2004; Reichel and Harber, 2005),
- human resource development (Lee-Ross, 1999); and,

- small firm contributions to local and regional economic development (Pechlaner and Tschurtschenthaler, 2003; Bastakais *et al*, 2004; Erkkila, 2004; Job *et al*, 2004; Keen, 2004).

Overall, the accommodation sector has been a particular focus for attention concerning the birth, development and dynamics of small tourism enterprises (Thomas, 2004b). An important finding from research conducted both in the United Kingdom and New Zealand is that the majority of small tourism firms do not aspire to grow but instead are often motivated by 'non-financial' considerations (Atelejevic and Doorne, 2000; Hall and Rusher, 2004). It has been shown that many enterprises, such as bed and breakfasts in the family home or holiday cottages on a farm, represent examples of 'marginal' small businesses which are effectively an addition to a main income (Webster, 1998, p. 208). The significance of social, 'lifestyle' or non-economic factors in tourism entrepreneurship in developed countries is an important finding that is highlighted within several recent investigations (Williams *et al*, 1989; Atelejevic and Doorne, 2000, 2003, 2004b; Shaw and Williams, 1990, 2004; Hall and Rusher, 2004; Shaw, 2004).

An important finding is that tourism small firms can be distinguished broadly into groups of, on the one hand, 'lifestyle enterprises' that are set up to provide owner-managers with an acceptable income at comfort levels of activity and, on the other hand, of 'entrepreneurial small businesses' driven by the growth motives of the Schumpeterian type of entrepreneur (Buhalis and Paraskevas, 2002; Atelejevic and Doorne, 2003, 2004; Shaw and Williams, 2004). Another critical finding is that despite their numerical dominance of tourism economies in most parts of the world, tourism small firms often "lack of strong lobbying voice within the matrix of stakeholders at the destination means that they tend to lose out to the stronger voices of large enterprises and political groups" in tourism planning and policy circles (Buhalis and Cooper, 1998, p. 324). Finally, for South Africa, there are a number of specific parallel and interesting issues concerning Black Economic Empowerment that are raised in research concerning the opportunities and constraints affecting 'indigenous' or Aboriginal tourism micro-enterprises in northern Australia (Buultjens *et al*, 2002; Fuller *et al*, 2005).

By contrast to this growing set of writings on small tourism firms in the North, currently the literature on small tourism firms in the South or developing world is relatively sparse. The most useful sets of contributions are those contained in the two edited collections by Dahles and Bras (1999a) which discuss and profile the role and activities of small entrepreneurs involved in the Indonesian tourism economy and by Dahles and Kuene (2002) which looks at tourism entrepreneurship and small tourism enterprises in Latin America and the Caribbean.

Within a developing world context it has been argued that the common economic objectives of increased earnings, foreign exchange, investment, job opportunities as well as the minimization of adverse social and cultural effects might be best achieved through the promotion of small tourism firms rather than large

enterprises (Rodenburg, 1980; Telfer, 2002). Hampton (2003) points out that small tourism firms may be seen as a form of 'pro-poor tourism' with important implications for local development especially concerning poverty reduction.

Despite such assertions currently there exists only limited detailed empirical work on tourism entrepreneurship in the South with some notable exceptions for Malaysia (Hamzah, 1997), Indonesia (Dahles and Bras, 1999b; Dahles, 2000, 2001; Hampton, 2003), Ghana (Gartner, 1999, 2004), Melanesia (Douglas, 1997) and the British Virgin Islands (Petrovic and O'Neal, 2001). In Namibia, Shackley (1993) has tracked the emergence of guest farms as a new accommodation sub-sector in Namibia. Lastly, at the lower ends of tourism entrepreneurship a number of investigations have appeared on the activities of a range of different forms of informal tourism enterprise, including beach masseurs, craft trading, street guiding and providers of informal accommodation (Wahnschafft, 1982; Crick, 1992; Timothy and Wall, 1997; Dahles, 1998; Dahles and Bras, 1999a, 1999b; Hampton, 2003).

A core finding of research in the South is that the growth of small firms in tourism economies often is severely constrained by the power and competitive dominance enjoyed by large enterprises (Britton, 1982, 1987). In some cases, the most promising opportunities for small firms appear to exist not in mass tourism operations but instead in alternative forms of tourism, such as in low-budget tourism, for example backpacking (Hampton, 2001, 2003). As many kinds of alternative tourism occur in peripheral regions, it has been recommended that local control and local small enterprise development in tourism in such areas be supported by the provision of special fiscal and monetary incentives to enable local entrepreneurs to own and operate small tourism establishments (Tosun, 2005).

Finally, a fresh perspective on tourism small firms in the South emerges from the set of writings on pro-poor tourism which stress the importance of nurturing a policy environment for supporting small tourism enterprises as a potential basis for addressing poverty reduction (Ashley *et al*, 2000; Ashley *et al*, 2001; Ashley and Roe, 2002; Bah and Goodwin, 2003). Recently, the pro-poor tourism movement has been a factor of growing influence in Southern Africa where its basic premise of 'tilting' tourism projects in a way that the poor benefit has received endorsement from key national stakeholders in South Africa. In addition, a number of pilot pro-poor tourism interventions have been launched, most significantly at Sun City, Spier Estate, Southern Sun Hotels in Sandton and at Rocktail Bay (Pro-Poor Tourism Pilots in Southern Africa, 2005).

3.2. Support for Tourism Enterprises – The International Record

In seeking to improve the provision of support to tourism SMMEs, potentially South Africa could learn lessons from the methods of support that operate in other countries. Within the international context, however, there is only a relatively small

amount of literature that deals with the question of support for tourism enterprises in general or for tourism small enterprises in particular (Wanhill, 2000, 2004).

The international experience points to the fact that there are few countries which have designated support programmes *specific* to tourism SMMEs. The most common situation is that represented by the European Union, where there is no designated or dedicated budget for tourism activities *per se*. Instead, funding for tourism SMMEs is sourced from a host of different EU programmes, most importantly a series of designated funds for aiding the development of Europe's less prosperous or peripheral regions where tourism is often an important lead sector (European Commission, 2003). Many individual countries do offer investment incentives for tourism, albeit not specifically for tourism small firms, and backed by state loan guarantees for financing, albeit once again not usually specific to tourism (Wanhill, 2004).

In the United Kingdom the government has been operating a general small firms loan guarantee scheme since 1981 whereby banks have been offered up to 85 percent surety on loans, thus supplementing the collateral on offer for small businesses (Wanhill, 2004). A number of detailed studies have been conducted in the United Kingdom of financing support for small firms in tourism (Thomas et al, 1997; Taylor et al, 1998). It is shown that tourism small enterprises in the UK rely primarily upon internal sources and owners' funds and upon debt finance from the national banks. The three main sources of external finance for tourism small firms in the UK are:

- (1) banks,
- (2) venture capital providers – both formal and informal ('business angels'), and,
- (3) governmental sources of funding for small business as a whole or for regional assistance.

Beyond the cases drawn from Western Europe, Canada represents another good example of a country where support for small business development in tourism is sourced largely through generic programmes for small enterprise development or in the case of Native or aboriginal Canadians through special Federal government programmes for small business development. In New Zealand, despite a host of initiatives to promote Maori tourism, there are no designated financing programmes to support Maori entrepreneurs with the exception of indirect finance support for training. Under the Ministry of Maori Development, whilst a Business Facilitation Service is offered, it is significant that the Ministry does "not provide loans or grants" directly to support enterprise development.

In terms of support for tourism small enterprises, the closest parallels for South Africa, perhaps, are those with the Australian experience of planning and support

for tourism development. In general, the pattern of sources of support for tourism business development in Australia shows similarities with the EU and British experience as the role of 'business angels' are once more in evidence. Nevertheless, the most distinctive set of issues relate to business development support for Aboriginal tourism and of Aboriginal ownership of tourism enterprises. This has become a high profile policy issue in Australian tourism since official endorsement was given in 1997 for support of indigenous tourism with publication of the National Aboriginal and Torres Strait Islander Tourism Strategy (ATSIC and the Office of National Tourism, 1997). Among its several key contributions, this Strategy "identifies the low level of participation of Aboriginal and Torres Strait Islander people in the tourism industry and aims to remove obstacles to increased involvement"(ATSIC and Office of National Tourism, 1997).

In supporting these disadvantaged and disempowered groups in Australia, the tourism strategy proposed several support initiatives designed to strengthen indigenous tourism and especially to enhance Aboriginal and Torres Strait Islander participation in the tourism industry, as investors, joint venture partners, employers (including operators) and employees (ATSIC and Office of National Tourism, 1997). In terms of finance for business development, the Report observed that "Aboriginal and Torres Strait Islander people wishing to develop enterprises often have difficulty in obtaining finance" as these communities "relative lack of assets may limit the amount that they can borrow; they may not own their houses, for example, and community owned assets such as land may not be acceptable security". Moreover, the Report observes "Information about potential sources of funding for enterprise development is confusing, and difficult to obtain in regional and remote areas" of Australia. Four specific recommendations were made in the Strategy document:

- Government should provide information about potential funding sources to assist business development of indigenous tourism enterprises.
- Government should develop a funding framework that allows for financing incremental growth of businesses over a number of years, including ongoing training, as an alternative to one-off grants.
- Government should develop new options for financing tourism operations based on individuals, partnerships and family enterprises as opposed to community organizations
- Government should improve access by indigenous tourism operators to assistance programs designed for mainstream business (ATSIC and Office of National Tourism 1997, Actions 4.27-4.30)

The strategy document represents a watershed commitment in Australia to upgrade indigenous tourism and especially of the role of indigenous (Aboriginal) tourism entrepreneurship. Since 1997 there has occurred a growth in public sector support initiatives in Australia designed to foster Aboriginal small business development in tourism. What is significant to understand, however, is that the most important initiatives are *not* tourism specific, rather they are applicable across a range of small business categories. For example, in their review of national and provincial public

sector support initiatives, Buultjens *et al* (2002) identify the Indigenous Small Business Fund as one of the most effective support mechanisms for promoting micro-enterprises in tourism operated by Aboriginal communities. Indeed, "access to funding remains one of the major barriers to establishing and maintaining indigenous tourism enterprises" (Schmiechen, 2005, p. 2). The Indigenous Small Business Fund was set up under the Indigenous Employment Policy with the core goal of "fostering the development of businesses owned and run by Indigenous people and promoting lasting Indigenous employment opportunities" (Australia, 2005, p. 1). Grant funding is made available to support indigenous community-based organizations develop their business skills, identify business opportunities and support skills development through mentoring. The largest share of funding has gone to community- as opposed to family or sole operator enterprises and this pattern of funding has been criticized by several observers. As Schmiechen (2005, p. 2) observes: "Indicators show that very few of these Community initiatives have succeeded. On the other hand very little resource or support has been provided to family units or sole operators engaged in tourism. These have shown a much higher success rate despite having the same degree of support offered to the communities".

Further criticism has been directed at the fact that the range of national programmes which are on offer in Australia are difficult to access by Aboriginal entrepreneurs (Buultjens *et al*, 2002; Fuller *et al*, 2005). Overall, it must be concluded that, based on available evidence, Australia so far has not succeeded in introducing a comprehensive set of tourism specific support programmes designed to assist the empowerment and upgrading of "indigenous" tourism enterprises run by Aboriginal entrepreneurs or communities.

4. TOURISM SMMEs IN SOUTH AFRICA: PROFILE, POSITION AND SUPPORT

In this part of the report the objective is to move the focus of discussion away from the international context to the local South African situation. This part seeks to introduce the issue of tourism SMMEs in South Africa and to sketch the broad outline of the support environment for SMME support within which TEP is to be positioned. Part 5 of the report will examine in greater detail the roles of the different players in the support environment. Here, two sub-sections of material are discussed which relate to: (1) identifying the profile, position and key issues of tourism SMMEs in the wider South African tourism economy; and, (2) introducing the key structures and actors in the tourism SMME support environment.

4.1. Profile, Position and Issues

The tourism industry encompasses many different economic activities under one heading. In terms of economic analysis, the tourism sector is highly distinctive in that it is not a sector formally classified as such in terms of the International Standard Industrial Classifications. One important consequence of this situation is

that there is often considerable uncertainty concerning the precise boundaries of the tourism economy, including what constitutes a tourism SMME. The definition of a 'tourism SMME' is open to debate as it must relate to the boundaries of the tourism economy (Thomas, 2004b). Theoretically, the definition of tourism SMME should include those SMME operations which fall within the scope of the travel and tourism economy as well as those operating within the travel and tourism industry. For example, a small laundry business that is dominated by servicing the needs of a large hotel, a specialist producer of furniture for game lodges or an exclusive producer of clothing geared for the tourism industry would fall within the widest definition of a tourism SMME. In practical terms, however, the analysis of tourism SMMEs is confined more narrowly to those particular enterprises operating within the bounds of the travel and tourism industry as such and including the three sub-sectors of:

- Accommodation (eg. Bed and breakfasts, guest houses, backpacker hostels)
- Hospitality and Related Services (eg. Restaurants, catering, attractions, arts and crafts)
- Travel Distribution system (eg. Tour operators, tour guides).

It has been shown that South Africa's travel and tourism industry is highly concentrated and is dominated by a small elite group of large, mostly locally owned, tourism organization. The Monitor (2004, p. 44) investigation on the South African tourism industry describes the tourism cluster as involving "a complex interaction of a large number of players, with a few large players and numerous SMMEs". In the accommodation sub-sector the leading enterprises are Sun International, Protea and Southern Sun whereas in travel distribution the importance of Rennies, Thompsons Travel, Avis or Imperial Car Rental, among others, must be highlighted. Although these large companies drive and economically dominate the South African tourism industry, it remains the case that, as in most countries of the world - the vast majority of South African tourism enterprises would fall into the category of SMMEs. Indeed, as an economic sector, one of the most distinctive features of tourism is the overwhelming pre-eminence of small-scale entrepreneurship; in the United Kingdom 99 percent of enterprises in the travel and tourism industry would be classed as SMMEs and in Australia 95 percent would be classed as small or micro-enterprises (Thomas, 2004a).

The tourism sector of South Africa is well-known for the limited or poor quality of available official data relating to its operations. An interview conducted with the National Treasury Senior Economist for the Real Economy discloses that national government has little information or understanding of especially the supply-side of the national tourism economy (Masotja, 2005). The paucity of information was once more highlighted at the opening address made by the Minister of Environmental Affairs and Tourism at the 2005 Annual Tourism Indaba in which it was stated "For too long we have based our planning (for tourism) on incomplete data, and

anecdotal evidence” (Van Schalkwyk, 2005a). Not surprisingly, accurate data on the number of SMMEs in the South African tourism economy is simply not available, particularly in respect of the emerging black-owned tourism enterprises, many of which are unregistered informal or micro-enterprises. One recent study in the Free State showed that at least 97 percent of formal enterprises in the province’s travel and tour industry would be classed as SMMEs (Rogerson, 2005a). On the basis of this evidence, there is little reason to suggest that the structure of the South African tourism industry, therefore, is markedly different to that of either Australia or the UK.

In its broadest outline, the South African tourism economy can be conceptualized as a three-tiered hierarchy of enterprises.

1. At the top or apex are the operations of the elite group of large enterprises, which are responsible for, *inter alia*, the country’s major travel and tour agencies, transportation, hotels, casinos and conference centres.
2. The greatest proportion of the business hierarchy, however, is represented by the activities of, at least, two different kinds of SMMEs. The middle tier is formed by groups of established, almost predominantly white-owned SMMEs which operate a host of different establishments from travel and touring companies, restaurants, small hotels, self-catering and resorts, game farms, bed and breakfasts or backpacking hostels.
3. The lowest tier or rung in the South African travel and tourism industry is represented by the emerging black-owned tourism economy which constitutes a mix of formally registered micro-enterprises as well as a mass of informal tourism enterprises (Rogerson, 2005b).

What is not fully clear (due to the absence of reliable statistics) is the actual shape of this hierarchy as determined by numbers of established versus emerging enterprises. Although there is some evidence which suggests that a burst of emerging black-owned enterprises occurred in the post-1994 period, encouraged by potential opportunities offered by South Africa’s hosting of mega-events such as the World Summit on Sustainable Development, it is clear that in many niches of the travel and tourism economy – such as the provision of small-scale accommodation – there is a continual numerical dominance by the established groups of white-owned SMMEs. For example, one estimate for 2002 patterns concerning the ownership of the country’s bed and breakfast economy concluded that less than 5 percent of such establishments were black-owned at that time (Rogerson, 2004a). A continued high birth rate for small accommodation establishments in the bed and breakfast market is confirmed by recent research findings from Buffalo City (Nuntsu *et al*, 2004). From the recent study of tourism SMMEs in the Free State it was estimated that emerging SMMEs represent at most 7 percent of the profile of tourism SMMEs in the province in 2004 (Rogerson, 2005a).

In terms of small enterprise development, one distinguishing feature of tourism is that it represents an important focus for what is described as ‘lifestyle

entrepreneurship' in South Africa. For lifestyle entrepreneurs, economic motives in running their businesses are matched by 'non-economic', personal or environmental factors in encouraging the start-up of tourism small businesses, particularly in the operation of bed and breakfast accommodation or small guest houses. Certainly, the importance of lifestyle motivations is apparent in findings concerning the motivations of many white entrepreneurs running guest houses and other small-scale forms of accommodation in the Western Cape, the Midlands of KwaZulu-Natal, and Free State (Visser and van Huyssteen, 1997, 1999; Rogerson and Visser, 2004). Typically, as in a developing tourism node such as Clarens in Free State, the majority of entrepreneurs that are running small tourism businesses are well-capitalised individuals, retirees or new lifestyle seekers from Gauteng.

By contrast to these lifestyle entrepreneurs, there are other sub-groups of tourism SMME entrepreneurs functioning in South Africa. In common with the international experience there is an important group of both white and black tourism entrepreneurs who are driven by 'opportunistic' or 'growth' motivations for the development of tourism small businesses. Nevertheless, one must recognize that the tourism SMME economy is populated also by a growing number of 'survivalist' entrepreneurs and operating tourism SMMEs with little prospect of substantial income or employment expansion. Within this group of survivalist tourism entrepreneurs would fall the operations of many emergent travel and tour operators in areas such as Soweto, Alexandra or Khayelitsha and even a significant number of township bed and breakfast operators whose occupancy levels are meagre (Rogerson, 2004b, 2004c; Nemasetoni and Rogerson, 2005). Outside of urban areas, the general trend would be for the existence of a high proportion of survivalist tourism businesses operating especially in hospitality and related services (such as arts and crafts) by struggling entrepreneurs. In an area such as the rural Wild Coast the vast majority of tourism entrepreneurs would be classed as necessity entrepreneurs who operate their businesses at bare levels of survival (Ndabeni, 2005).

The key issues regarding the support of these different kinds of tourism SMMEs have been explored in several recent investigations (TBCSA, 2002, 2003; Rogerson, 2004a, 2004b, 2004c, 2005a, 2005b). It has been shown that the 'support needs' of the more established, mainly white-owned tourism SMMEs, are somewhat different from those of the groups of emerging black entrepreneurs running either the growth oriented or survivalist forms of tourism business. For the former group of more well-established entrepreneurs the core issues of concern relate to tourism marketing and access to markets; for the latter, there are a range of issues concerning access to finance, training as well as market access issues that are of significance. It is against this backdrop of the different needs of different groups of tourism SMME entrepreneurs that the focus shifts directly now to matters concerning the tourism support environment.

4.2 The Tourism SMME Support Environment

Since 1994 there has occurred the progressive widening of the support environment and the introduction of several sets of new initiatives which have been targeted to support the development of tourism SMMEs. Over the last few years, and more especially since 2000, the pace of change in the tourism support environment has been particularly rapid.

The key 'historical landmarks' in the post-1994 development of the national tourism support environment have included the following:

- 1995 launch of the White Paper on Small Business which laid the foundations for the introduction of a new national small business development framework and the establishment of agencies such as Ntsika, Khula and the roll out of programmes such as the network of Local Business Service Centres.
- 1996 launch of the White Paper on Tourism which established the basis for the renewal and revival of tourism, introducing the concept of 'responsible tourism' and highlighting for the first time the need for transformation of the South African tourism industry.
- 1998 release of the Cultural Industries Strategy produced for the Department of Arts, Science, Culture and Technology which provided the basis for the planned development of South Africa's creative industries, including the arts and crafts sector.
- 1999 opening by Department of Trade and Industry of the Small and Medium Enterprises Support Programme, formerly available only to manufacturing investors, to tourism entrepreneurs for the first time.
- 1999 establishment of Business Trust which committed funding to establishment of the Tourism Enterprise Programme and TEP Phase 1 operations.
- 2001 the Department of Environmental Affairs and Tourism issues its first Transformation strategy for the tourism industry in South Africa.
- 2002 production and release by the Tourism Business Council of South Africa of the first Transformation and Empowerment review
- 2003-04 DEAT begins funding commitment to TEP and assumes main funding role for TEP phase 2 operations.
- 2005 establishment of the Small Enterprise Development Agency
- 2005 release of the Tourism BEE Charter and Scorecard
- 2005? release of the revised national small business development framework – the Integrated Small Business Development Strategy – to provide the core foundation for small business support until 2014.

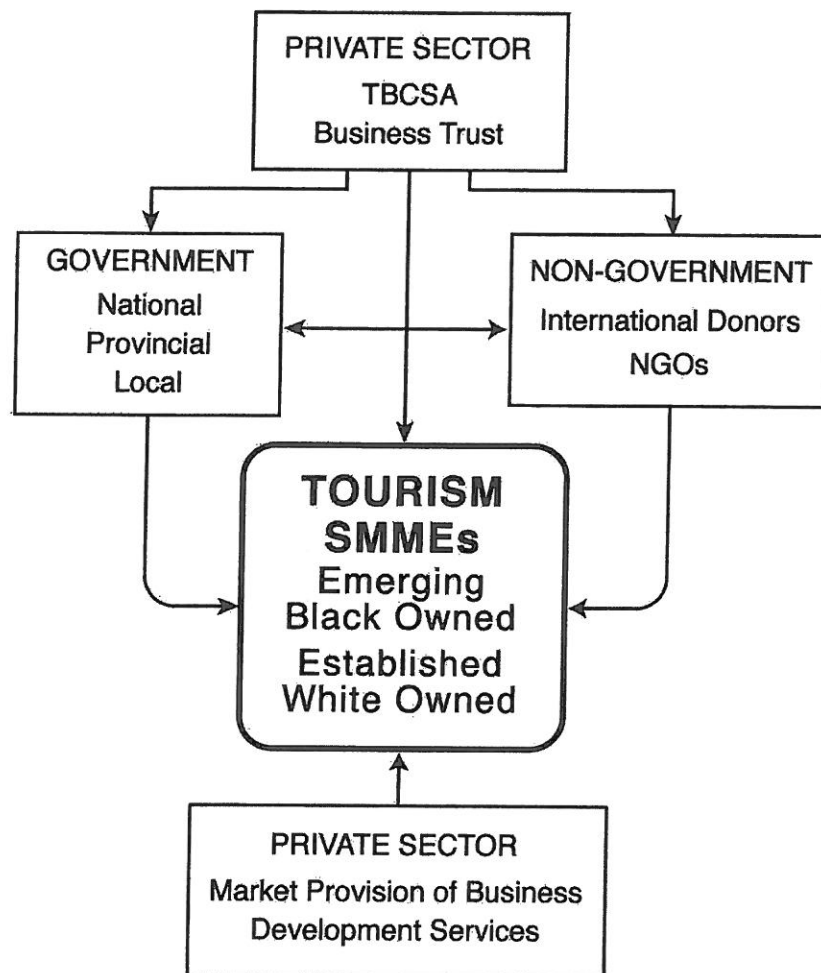


Figure 1: The National Macro-Environment of Tourism SMME Support

As a first step in understanding the existing organization of the national macro-environment of tourism support, it is useful, following the discussion in section 4.1, to differentiate between groups of tourism SMMEs that are established and emerging. As was shown, there is a marked divide between these two groups in terms of their support needs and in some cases, the motivations for operating businesses. It is evident that national government support initiatives and those of non-government agencies are increasingly focused upon the needs of the emerging black-owned SMMEs.

Another useful distinction in understanding the macro-environment is to differentiate also the contribution made to the tourism support environment by different groups of institutional stakeholders. By mid- 2005 the key institutional features in the macro-environment for tourism SMME support can be recognized as follows:

1. A tier of support for tourism enterprises which cascades from *government* at national, provincial and local levels.
2. A tier of support which derives from the activities of a number of *non-government support organisations*, in particular from international donor agencies
3. A tier of support which relates to *private sector initiatives* of two different forms:
 - The large-scale and visible activities of the organized private sector as represented by the Business Trust and the organized private sector in tourism as represented by the Tourism Business Council of South Africa (TBCSA)
 - The small-scale and less visible activities of a host of private sector enterprises that provide a range of business development services to the organized tourism sector and to (mainly) established white – owned tourism SMMEs.

In Part 5 of this report, a more detailed mapping and explanation of the tourism SMME support environment is undertaken which builds upon this essential base framework.

5. MAPPING THE TOURISM SMME SUPPORT ENVIRONMENT

The task in this part of the report is to unpack and to describe in greater detail the essential features of the key tiers of support which exist in the macro-support environment for tourism SMMEs. This will be organized into three uneven sub-sections of discussion which will deal, *inter alia*, with the following themes:

- The role of different levels of government – national, provincial and local
- The role of non-government actors, especially of development agencies
- The changing role of the private sector

5.1. The Role of Government

In terms of organizing and shaping the support environment for tourism SMMEs the most critical role is that played by various sections of government. One of the major policy commitments made by the democratic government in South Africa after the 1994 political transition was to support the upgrading and role of the SMME economy. Overall, the contribution and role of government must be understood in terms of at least three key departments at national level as well as the contributions made at sub-national level to the tourism support environment by the provincial and local levels of government.

5.1.1. The National Government Level

At the national level of government, there are three key departments that have a significant interest in and impact upon the tourism SMME support environment. In order of importance these are:

- * The Department of Trade and Industry
- * The Department of Environmental Affairs and Tourism
- * The Department of Arts and Culture

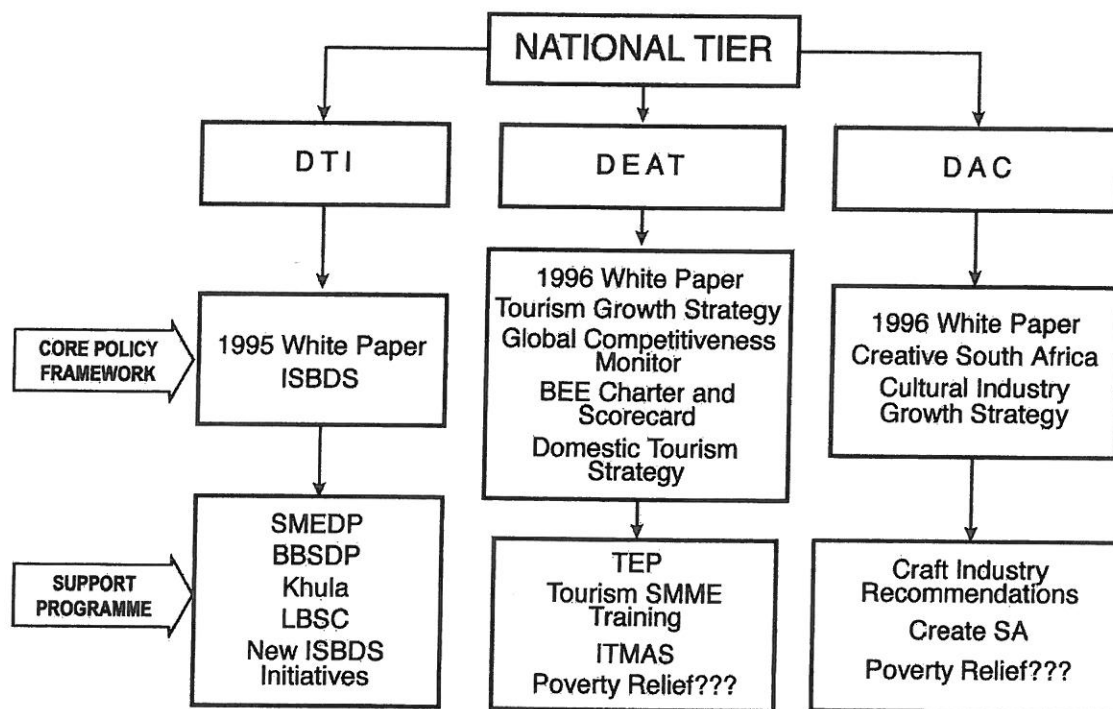


Figure 2: The National Government Tier of Support

Figure 2 presents the national tier of government support and highlights the core policy documents and associated support programmes that link to each of these three Departments.

5.1.1.1 The Department of Trade and Industry

It is perhaps surprising to observe that currently the most influential institution in the support environment for tourism SMMEs must be judged to be the Department

of Trade and Industry (DTI) and its associates. Since 1994 the DTI has assumed the mandate of leadership for promoting and upgrading the role of SMMEs in the national economy as a whole. This dominant position has remained unchanged and unchallenged (DTI, 2005a, 2005b).

Based upon the guiding core policy framework of the 1995 White Paper on Small Business, the DTI has been responsible for the establishment of a family of institutions, such as Ntsika, Khula, and Namac which have been responsible for the roll-out of a series of financial and non-financial programmes designed to assist SMME development as a whole. Among the flagship support programmes of the first decade of SMME support have been the DTI supported network of Local Business Services Centres and the Small, Medium Enterprise Development Programme, which initially was confined to manufacturing but later with the recognition of the importance of tourism as a potential economic driver for national development, from 1999 was extended to allow the support of tourism SMMEs (DTI, 2005c). Another significant support initiative linked to the rising importance of BEE programmes was the establishment by DTI in 2003 of the targeted support programme the Black Business Supplier Development Programme (BBSDP), an 80:20 cost-sharing, cash grant incentive scheme which offers support to black-owned enterprises (DTI, 2005d). Within the guidelines of the BBSDP there are once again real opportunities for tourism SMME support (Rogerson, 2004e).

The performance of the first decade of DTI-led support initiatives has been viewed as, at best, uneven by most analysts and disappointing by several more critical observers. As a whole, mixed assessments have been offered of the impacts, successes and disappointments of the first decade of government support for SMME development (Berry *et al*, 2002; Kesper, 2002). Several areas of agreement, however, are evident, *inter alia*, the existing national data for impact evaluation is poor; the SMME economy exhibits only a weak contribution towards job creation because most SMMEs do not grow; and, the first decade of the democratic government's SMME support programmes largely have been biased towards the groups of small and medium-sized enterprises, and, to a large extent, have neglected micro-enterprises and the informal economy (Berry *et al*, 2002; Rogerson, 2004d).

It is in the wake of the sub-optimal performance of the first decade of national government SMME support programmes that existing support programmes have come under critical scrutiny as part of a wide re-assessment of the directions of national support programmes (DTI, 2004). In addition, a restructuring of the 'family' of DTI support agencies has been conducted with the merger during December 2004 of Ntsika and Namac to form the national Small Enterprise Development Agency (SEDA). The essential mandate of SEDA is to implement national government policy for small enterprise development, to drive the future development and upgrading of the South Africa's SMME economy and to design, develop and implement small enterprise development support programmes (Dhlomo, 2005). Overall, four main objectives have been specified for the work of SEDA:

- To design and implement development support programmes
- Promote a service delivery network that will increase the contribution of small enterprises to the South African economy and promote economic growth, job creation, and equity
- Strengthen the capacity of service providers
- Strengthen the capacity of small enterprises to compete domestically and internationally (Dhlomo, 2005).

For almost two years, various draft versions have been available in 'grey' circulation networks of the new Integrated Small Business Development Strategy (ISBDS), the final version of which is now scheduled for release some time in 2005 (DTI, 2004). Although the full details of the revised SMME strategy have not been released, it is known that among its central tasks are the promotion of entrepreneurship, unlocking opportunities for entrepreneurs as well as building the capacity of entrepreneurs to become competitive (DTI, 2004). Of particular importance for SEDA and ISBDS is the target of galvanizing black entrepreneurship and of seeking to upgrade the condition of existing black-owned SMMEs (DTI, 2004). Accompanying the forthcoming release of the ISBDS are promises of new support programmes for SMME development, including new finance support mechanisms. For the next decade it is certain that the 2005 ISBDS and the promised roll-out of new support initiatives will be critical aspects of the future support environment for SMME development in South Africa, including for tourism SMME development.

5.1.1.2 The Department of Environmental Affairs and Tourism

At the national level of government, the Department of Environmental Affairs and Tourism represents the lead Ministry in terms of its responsibility for tourism development in South Africa, albeit as noted above DEAT is currently not the most significant actor in terms of SMME development in tourism. Nevertheless, the involvement and commitment of DEAT to SMME promotion can be traced back nearly a decade to the appearance of the 1996 White Paper on Tourism.

The 1996 White Paper identified the essential policy framework of responsible tourism. Although DEAT acknowledges that the targets set in 1996 need to be rethought, the basic principles are still relevant with government's core role seen as provision of enabling framework for tourism development (DEAT, 2003, 2004). In 2002 DEAT released the *Responsible Tourism Guidelines*, which has subsequently been reworked into the *Responsible Tourism Handbook: A Guide to Good Practice for Tourism Operators*. These guidelines include a series of quantified targets for the tourism sector to aim for, as a means of addressing the objectives the 1996 White Paper set in relation to the triple bottom line of sustainable development (i.e. economic, environmental and social sustainability). For example, in terms of prioritising opportunities for local communities, significant guidelines are flagged

for the private sector to engage in responsible tourism through targets for local labour and sourcing (Rogerson and Visser, 2004).

To a large extent, the necessary updating of the White Paper as a policy framework already has taken place through the production of a suite of recent strategy documents for planning the development of the tourism sector. In this respect, South African Tourism has played the core support role in terms of the production of:

- The Tourism Growth Strategy which is geared to the promotion of international and regional tourism flows to South Africa; and
- The Domestic Tourism Growth Strategy which is aimed at unleashing the untapped potential of the domestic tourism sector.

Furthermore, DEAT has joined together as a partner with DTI in terms of supporting the important research undertaken for the Global Competitiveness Monitor which is a further strategic contribution towards identifying pathways for expanding the competitiveness of the tourism economy (Monitor, 2004; South Africa Tourism, 2005). Indeed, in interviews with the DBSA it was revealed that further research for a national Tourism Development Plan was seen as unnecessary given the strength of these existing policy documents (Mahony, 2005)

In terms of enhancing competitiveness, the Monitor (2004) investigation highlights that the existing configuration of the tourism industry needs to be addressed. It is suggested there is a high degree of fragmentation as demonstrated by weak linkages and lack of information sharing between industry players and thus an urgent need for the “creation, brokering and dissemination of both operational and marketing data at local industry cluster levels” (Monitor, 2004, p. 45). The need for realignment of the industry is suggested further in terms of the finding that “institutional structures such as local industry associations and authorities are perceived to have limited value in particular for small players” (Monitor, 2004, p. 45). Most critically, it is argued, the long-term competitiveness of the tourism economy is contingent upon addressing barriers to innovation in the industry and identifying new drivers for growth, particularly as regards new product development and enhancement of current products (South African Tourism, 2005, pp. 17-18.).

An important role is identified for tourism SMMEs in the making of a more globally competitive tourism industry (Monitor, 2004; South African Tourism, 2005). Transformation of the industry is seen as an essential vehicle in order to enhance product innovation as well as to foster a wider geographic spread of benefits from tourism. In this regard the production in 2005 of the Tourism BEE Charter and Scorecard is a watershed in terms of renewed possibilities for promotion of empowerment as a vital policy leverage for developing black-owned SMMEs in tourism. In launching the Tourism BEE Charter on 8 May 2005 the Minister stated appropriately that: “For too many decades tourism has been the symbol of

everything that was wrong with South Africa – today we take the single most important step forward since 1994 in addressing that legacy, and ensuring that we break down the walls separating our communities from the benefits of tourism” (Van Schalkwyk, 2005b). In particular, the targets set for enterprise development in the Tourism BEE Charter create a critical leveraging opportunity for support initiatives designed to open up access to tourism markets for emerging tourism companies as well as the expansion of various business linkage initiatives that provide additional business opportunities (DEAT 2005a, 2005b).

It has been shown that the incentive programmes that had been operated under the aegis of DEAT – most importantly ITMAS and the Poverty Relief Funding – have produced disappointing results and impacts in terms of the overlapping objectives of tourism SMME development and transformation (Rogerson, 2004e). During 2004-05 a restructuring of tourism SMME support programming has taken place (DEAT, 2005c). As a result of this restructuring, the DEAT tourism SMME development package comprises support in respect of:

- business linkages
- business training
- access to information; and
- finance and marketing assistance.

At the heart of this restructuring is the growing funding now provided by DEAT to TEP such that by 2005 it was claimed that “DEAT now is the main funder of the Tourism Enterprise Programme” (DEAT, 2005c, p. 4). As a consequence of the funding linkage established between DEAT and TEP, a tourism SMME training programme (funded by DEAT) has been added to the direct transaction facilitation and business linkages activities of TEP in Phase 2 of its activities (Tourism Enterprise Programme, 2005a, 2005b). Looking forward, TEP is now firmly established as the flagship support programme of DEAT in terms of tourism SMME development and must assume major responsibility for achievement of the enterprise development objectives as set forth in the Tourism BEE Charter.

5.1.1.3 The Department of Arts and Culture

At the national level of government the Department of Arts and Culture (DAC) is the third department which is of note in terms of the tourism SMME support environment. As mentioned earlier, because of both its resource limitations as well as its institutional mandate, the DAC assumes only a minor role in the national architecture of tourism SMME support and development.

The role and position of DAC in the tourism SMME support landscape derives from its responsibility for the promotion and development of ‘cultural industries’ (DAC, 2004). The importance of promoting cultural industries and their potential for economic development was signaled in 1998 in a series of reports produced for (the former) DACST by the Cultural Strategy Group (1998a, 1998b). The research

commissioned by DAC for the project called the Cultural Industries Growth Strategy, identified major problems as a lack of adequate skills, a lack of market access and a lack of innovative product development upon enterprise growth (Create SA, 2005a). Within the wide category of cultural industries are included cultural tourism, cultural heritage and arts/crafts. Overall, the 'Creative South Africa' initiative sought to introduce "cultural industries as an important sector in its own right" (Cultural Strategy Group, 1998a, p. 7) and forge an awareness within Government of their potential for growth, job creation and enterprise development. Certainly, these goals have been successfully realized as DTI has subsequently included 'cultural industries' as one of its identified priority economic sectors for targeted development.

Although cultural industries, including cultural tourism and crafts have been successfully placed on the policy agenda, support initiatives and the support environment for their development has so far been relatively undeveloped. The BRAIN (2005) website lists only a small number of support programmes for the 'industry sector' of arts and crafts. One of the most notable individual initiatives has focused upon skills upgrading for improved craft product development, which is a programme of Create SA, the National Skills project of the MAPP-SETA which is implemented in partnership with the DAC (Create SA, 2005b). In addition, support from DAC is channeled towards developing public-private partnerships and initiatives using culture as a tool for urban regeneration with a special poverty relief allocation which seeks at "providing access to skills and markets as a tool for urban regeneration, rural development, and job creation" (DAC, 2004, p. 4).

5.1.2 Sub-National Levels of Government

Although national government is overwhelmingly the major actor in the tourism SMME support environment, it is important not to overlook the role and potential of sub-national government, in particular of provincial and local governments (Rogerson, 2004e). The importance of provincial government derives from the constitutional responsibility accorded to the provinces for tourism development. Moreover, the provinces are targeted to have a significant future role in terms of SMME programming as a whole. Indeed, one of the known strategic imperatives of the national SEDA office is to build and implement an integrated service delivery network for small enterprise support services via the creation of nine provincial SEDAs as well as a lower-level local network of SEDAs (Dhlomo, 2005).

In terms of the tourism SMME environment, the potential and importance of local government stems from the growth in significance, particularly since the publication of the 1998 White Paper on Local Government, of the developmental role and responsibilities of the local tier of government. Under the umbrella of local economic development programmes there have been a number of important initiatives launched by local governments to support both tourism development and SMME development. With the uneven resource and personnel capacities of local government across South Africa, however, of particular importance are the tourism

and SMME development initiatives that have been introduced by the country's largest and most powerful municipal authorities.

5.1.2.1' Provincial Government

The 2005 interview research on the role of provincial government in the tourism SMME environment has not been completed. Nevertheless, a broad picture of the situation of provincial governments can be gleaned from the results of the funding review on tourism support undertaken for DEAT in 2003 (Rogerson, 2004e) and from internet searches undertaken through the BRAIN and DTI website.

Table 1: The Tourism Support Environment – A Provincial Perspective

	Tourism Support	SMME Support	Direct Tourism SMME Support
Eastern Cape	Yes	Yes	No
Free State	Yes	Yes	No
Gauteng	Yes	Yes	Limited – a small Tourism Development Fund for Black entrepreneurs
KwaZulu-Natal	Yes	Yes	Modest – finance for tourism projects through Ithala and advice on How to Start a Tourism Business
Limpopo	Yes	Yes	No
Mpumalanga	Yes	Yes	No
Northern Cape	Yes	Yes	No
North West	Yes	Yes	No
Western Cape	Yes	Yes	Limited – the Integrated Tourism Entrepreneurship Model.

Source: Information from Rogerson 2004e; from www.brain.org.za and www.thedti.gov.za; and from provincial government websites.

From Table 1 it is evident that all nine provinces currently offer various levels of support for tourism development, mostly through tourism marketing and other promotional endeavours. In addition, all provinces are engaged in various ways through programmes for SMME development in general via an array of initiatives that, in some cases, include financial as well non-financial mechanisms of support. It

must be acknowledged that these programmes provide important *indirect* means of support for tourism SMME development.

Nevertheless, there are few substantive initiatives at provincial level to provide *direct* support for tourism SMME development or promotion. Beyond some support to assist the attendance of individual entrepreneurs at tourism marketing events such as Indaba, the only initiatives have been those launched in Gauteng, KwaZulu-Natal and the Western Cape, which significantly are the three most well-resourced provinces in the country. The most prominent initiatives are those operated in KwaZulu-Natal. Overall, it must be concluded that the provincial tier of government offers useful indirect support for tourism SMME development but is only a minor player in terms of direct SMME support for tourism.

5.1.2.2. Local Government

At local government level, information was derived from officials or departments concerned with local economic development from South Africa's nine most significant local authorities. In many respects, the results from the local authorities provide a close parallel to those concerning the provincial tier of government. It is evident from Table 2 that as part of their growing commitments towards LED and increasing responsibilities for urban economic development, all of South Africa's largest authorities are engaged in various programmes to support SMME development. In addition, to various degrees, all municipalities have recognized the potential developmental role of tourism and have implemented or are implementing some support initiatives for local tourism marketing and promotion. This leads to the conclusion that once again at local level of government there are important contributions that are being to the *indirect* support of tourism SMMEs by local governments as part of their commitments for LED programming.

Table 2: The Tourism Support Environment – A Local Perspective

	Tourism Support	SMME Support	Direct Tourism SMME Support
Buffalo City	Yes	Yes	Would like to
Cape Town	Yes	Yes	Limited
Ekurhuleni	Yes	Yes	No
Ethekwini	Yes	Yes	??
Johannesburg	Yes	Yes	No
Mangaung	Yes	Yes	No
Msundizi	Yes	Yes	No
Nelson Mandela	Yes	Yes	No
Tshwane	Yes	Yes	No

Source: Interviews with local officials concerned with LED

The situation in terms of direct support is, however, markedly different with the only exceptions of a limited programme of support that has been introduced by the City of Cape Town. On Figure 3 is presented in schematic fashion the key dimensions of the local tier of support for tourism SMMEs and on Figure 4 a case is presented of the City of Johannesburg. The Johannesburg case is a good example that discloses that as part of the implementation of the Joburg 2030 city economic development strategy, whereas the municipality has supported *separately* both tourism development and SMME development, there has been no real overlap in terms of direct support initiatives for tourism SMMEs *per se*.

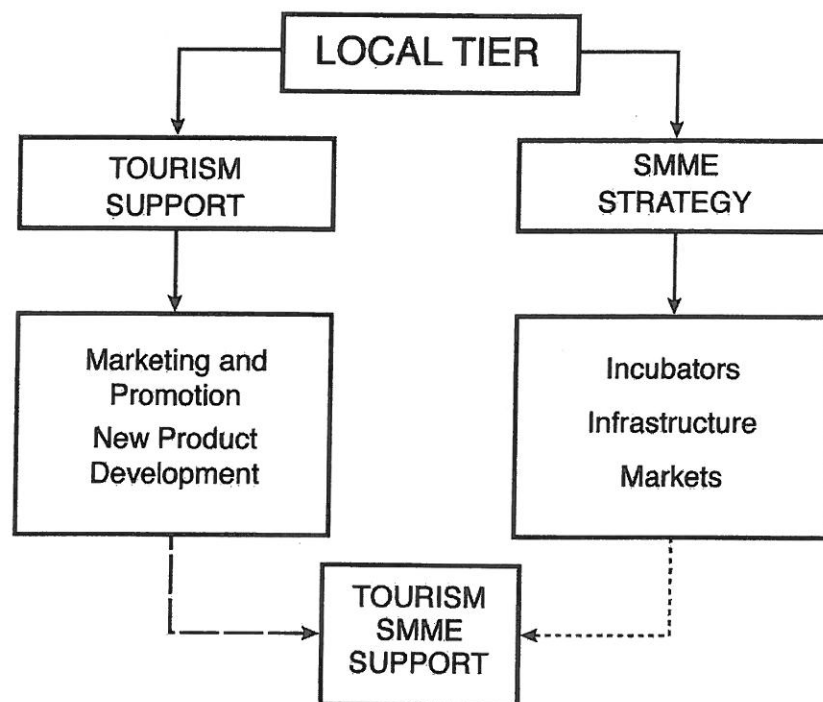


Figure 3: The Local Government Support Tier

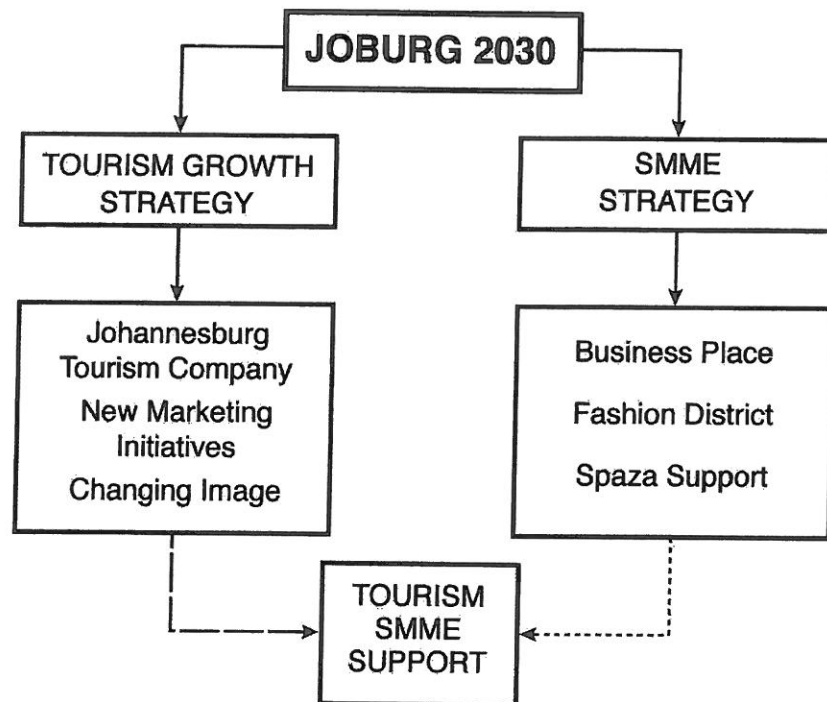


Figure 4: Local Government Support – The Example of Johannesburg

Overall, it is evident that whilst South African municipalities assume a useful role in terms of indirect support for tourism SMMEs through their various programmes both for tourism promotion and SMME assistance, once more there are few direct and targeted support programme initiatives for tourism SMMEs. This core finding on the local level of government is thus similar to the conclusion that was reached concerning the provincial tier of government.

5.2. The Non-Government Tier

In terms of the non-government tier, the focus in this sector is upon the contribution made to the tourism SMME support environment by donors or by interventions supported by international development agencies. A discussion of the role and contribution of the private sector is reserved for Section 5.3.

From the perspective of the non-government tier, at the outset one must recognise the contribution made by certain donors and development agencies, most importantly the European Union, to supporting tourism projects and product development in a number of South Africa's poorest provinces (Rogerson, 2004e). In addition to that direct financing role which sometimes offers opportunities for tourism SMMEs, the most important contributions in the tourism SMME environment are threefold and these are shown on Figure 5.

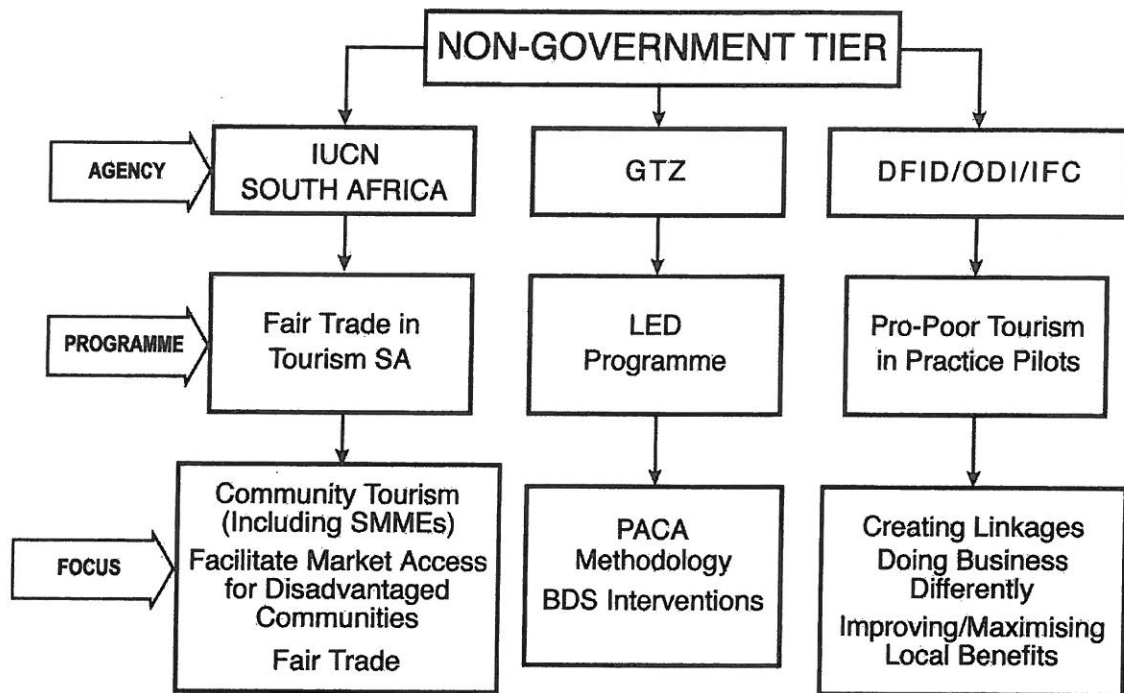


Figure 5: The Non-Government Tier of Support

First, is the Fair Trade in Tourism SA (FTTSA) initiative. The FTTSA initiative was launched in South Africa in 1998 as a project of the South Africa office of the International Union for Conservation of Nature and Natural Resources (IUCN). ‘Fair Trade in Tourism’ is a market intervention that draws upon the global fair trade movement to create a model for maximizing the benefits of tourism and trade for local communities. The project is premised upon the notion that many SMMEs tend to miss “market opportunities because the products they offer are not adequately integrated into an industry which trades on packaging and the often complex logistics and pricing that this entails. Without a more integrated and industry-appropriate marketing strategy, even the more privileged SMMEs and community-based enterprises (CBTEs) will remain stranded on the fringes of the national and international tourism industries” (Seif, 2002, p. 2).

Against this, it is argued that FTTSA draws upon the internationally recognized ‘Fair Trade’ concept and focuses primarily upon marketing and more especially “on facilitating access to markets and market knowledge for South Africa’s disadvantaged communities and population groups” (Seif, 2002, p. 5). Overall, the major contribution of FTTSA in terms of the tourism support environment is in the context of improving the market visibility and provision of marketing support to

emerging or community-based tourism establishments (Fair Trade in Tourism SA, 2005).

A second notable contribution to the tourism SMME support environment from the non-government tier comes out of the ongoing support programmes for local economic development which are supported by GTZ, the German Technical Support agency. For the GTZ LED is defined as “an instrument for putting the ‘people’s contract’ into action and mobilizing the local population as the single biggest resource for economic growth and development” (Fiedeldei, 2004). The essential approach of GTZ towards the nurturing of sustainable LED processes is for the identification and support of required Business Development Services at locality level. This process of identifying appropriate support needs at local level takes place through the application of the approach of PACA or Participatory Appraisal of Competitive Advantage. Although it is claimed that this approach is applicable across all kinds of localities, the specific focus of GTZ application in South Africa so far has been to a number of areas in which tourism is a lead economic sector. The most advanced application has been to support BDS interventions and (implicitly) of SMME development in the Mpumalanga tourism locality of Hazyview (Fiedeldei, 2004).

A third – and the most significant - contribution from the non-government tier relates to the pilot initiatives that have been running by the Pro-Poor Tourism in Practice programme from May 2002 to May 2005 and supported by DFID and the British Overseas Development Institute. This programme is linked to the wider international movement of pro-poor tourism (Ashley *et al*, 2000, 2001). During September 2002 the programme of Pro-Poor Tourism pilots was launched in South Africa to increase further the impact of tourism development on poverty reduction (Ashley, 2005a, 2005b). The vision of this new programme was for Southern Africa (with South Africa as core focus) “to lead the way in implementing pro-poor tourism strategies” and to create a network of operators and government officials interested in stimulating, supporting and implementing pro-poor tourism strategies in Southern Africa (Pro-Poor Tourism in Practice, 2004).

In many respects the programme is a reflection of the shift that has occurred in South Africa in terms of the interactions between private sector operators and local residents, especially in nature-based tourism. One review concluded that the “range and number of operations examined....indicate the increased emphasis within commercial operations that fundamentally incorporate local residents, and that pro-poor initiatives and corporate social responsibility activities have become more common” (Spenceley 2003, p. 107). The implementation of improved pro-poor practice has taken place through a series of pilot tourism operators working with each operator on a set of pro-poor strategies that are suited to the specific business and community with the goal of creating long-term measures that will significantly affect local poverty as well as make business sense to the operator (Ashley and Roe, 2003). Indeed, Ashley (2005b) describes the essence of the programme as of

'making linkages' and of 'doing business more efficiently'. Another observer describes it as a catalyst for 'doing business differently' in tourism (Harris, 2005).

Initially a scoping stage of facilitation is undertaken in order to understand the current linkages between tourism operators and the local (poor) stakeholders. Building upon this, the next step is to identify the type of linkage or linkages that should be developed in order to maximize pro-poor impacts. Programme options include, *inter alia*, expanding local sourcing; establishing commercial relationships with local tourism services; sharing infrastructure services and information; developing equity or revenue shares; increasing the content of local labour; investing in training, and consultative planning (Pro-Poor Tourism in Practice, 2004). Figure 6 shows how the pro-poor tourism practice operates at a number of levels to maximize local impacts through creating new local linkages and opportunities for SMMEs.

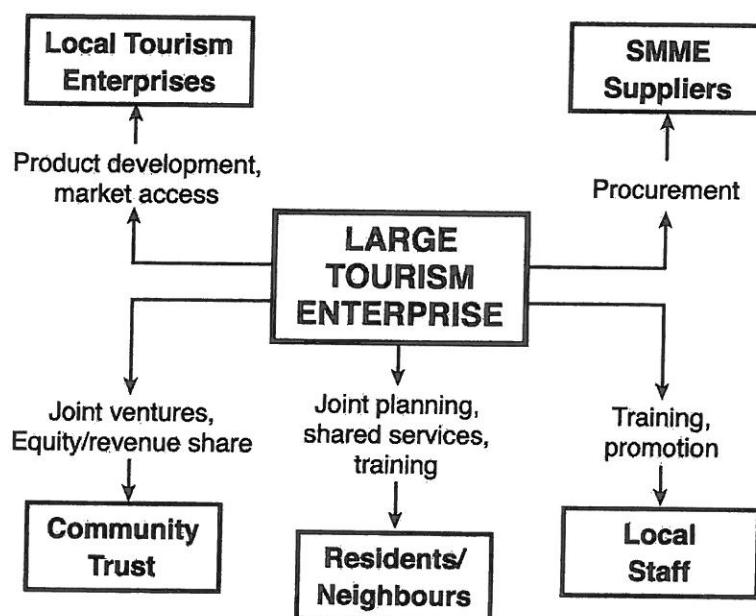


Figure 6: Creating Linkages Through Pro-Poor Tourism Practice Pilots (Adapted from Pro-Poor Tourism in Practice, 2005).

The recorded experience and recommendations of this important project intervention are available and offer a host of innovative tools for supporting tourism SMMEs through the wider focus of pro-poor tourism (Ashley, 2005; Pro-Poor Tourism in Practice, 2005). One outcome of the (now closed) programme is the birth in 2005 of Business Linkages in Tourism, an initiative with the support of the Tourism Business Council of South Africa (Harris, 2005). This initiative seeks to provide strategic planning and facilitate the delivery of, *inter alia*:

- product development based on local business linkages

- local procurement of goods and services
- cultural and heritage product development
- sustainable local partnerships for tourism development; and
- the establishment of clusters and networks for tourism-led development.

Overall, the major contribution from the non-government tier towards the tourism SMME support environment is the development and testing of a series of new and innovative concepts in tourism development. In particular, the activities of the DFID/ODI supported Pro-Poor Tourism in Practice pilots offer several important suggestions that relate to and can impact positively upon supporting tourism SMMEs in South Africa.

5.3. The Private Sector Tier

The final actor functioning in the landscape of the tourism SMME support environment is the private sector. As shown on Figure 7 the private sector tier can be best conceptualized in terms of two sets of activities.

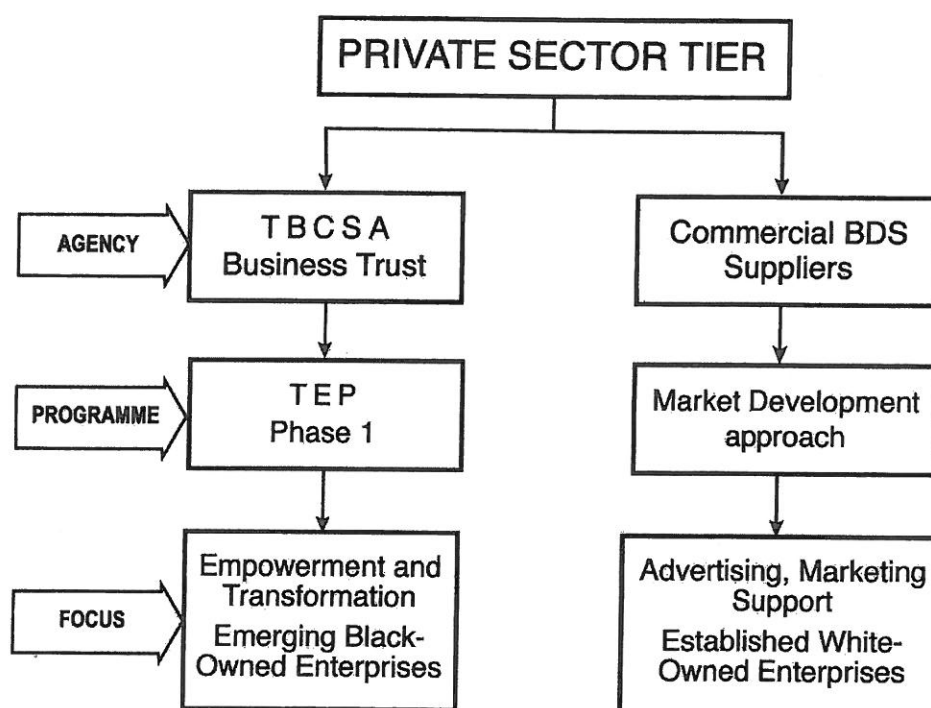


Figure 7: The Private Sector Tier of Support

The first are those driven by the Business Trust and the Tourism Business Council of South Africa (TBCSA). The activities of these organizations in the tourism SMME support environment are well-known. In terms of the Business Trust the most important role has been support for the four year funding (R60million) of TEP phase 1 operations which focused largely upon transaction facilitation and business linkage development (Upstart Business Strategies, 2004; Tourism Enterprise Programme, 2005a). The activities of the TBCSA have been critical in terms of moving forward the transformation policy agenda, most recently through support for the Tourism BEE Charter and Scorecard.

The second set of private sector activities in the tourism support environment are much less visible. They relate to the operations of a host of private sector commercial suppliers of business development services to mainly white-owned tourism SMMEs. The provision of advertising, marketing support, web-design, legal and accounting services to tourism SMMEs is an important, if not always recognized element in the tourism SMME support environment of South Africa.

6. CONCLUSION

The objective in this report was to provide an overview and analysis of the contours of the existing tourism SMME support environment and to map out the contributions played by different actors or stakeholders in that support environment. As a result of this analysis and mapping exercise it is possible to more firmly locate the operations of TEP in the tourism support landscape and to open up a discussion on future options for institutionalization.

By way of conclusion, the key findings of this investigation are summarized here with a focus particularly upon the implications for future TEP operations.

- In the international literature there is a recognition that tourism small firms (or SMMEs) demand a distinctive policy focus
- An important distinction is drawn between the behaviour and characteristics of 'growth-oriented' tourism SMMEs and others that are operated by lifestyle entrepreneurs.
- The international record of support for tourism SMMEs offers few 'best practice' examples that can inform a future programme to support SMME development in South Africa.
- Tourism SMMEs represent the largest segment in terms of enterprise numbers in terms of the South African tourism economy and are distinguished into the sub-groups of established (white-owned) and emerging (black-owned) enterprises.
- The tourism SMME (macro) support environment is highly fluid and has experienced a rapid pace of change, especially in the last five years.

- The key institutional actors are government, non-governmental support organizations and the private sector.
- At the national scale of government, the DTI emerges as the most powerful Ministry in terms of SMME development and in terms of the future support environment for tourism SMMEs the detailed ISBDS will be of critical importance.
- Past support initiatives by DEAT for supporting tourism SMMEs have proven disappointing and in a restructuring of its support activities, DEAT has assumed the role of major financier for TEP.
- TEP operations – from Phase 1 into Phase 2 – have remained distant from and largely disconnected from DTI SMME support operations.
- The Department of Arts and Culture is another national government support player through its involvement for promoting cultural industries, including arts and crafts.
- At provincial level of government, whereas all provinces separately support tourism promotion and SMME development, only in the richer and most well-resourced provinces are there limited initiatives to support tourism SMMEs.
- Likewise, at local government level there are many indirect support initiatives for tourism SMMEs but almost no direct support interventions for tourism SMMEs as part of LED programming activities.
- From a review of the government tier it is evident that TEP assumes a unique position as regards the operation of a dedicated SMME support programme for tourism SMMEs
- The non-governmental tier emerges as a site of policy experimentation and innovation.
- Of particular significance are the outcomes and directions of the Pro-Poor Tourism in Practice Pilot programme.
- Finally, the private sector in the form of the Business Trust, TBCSA and commercial BDS providers assumes a crucial facilitative role in the tourism SMME support environment.

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