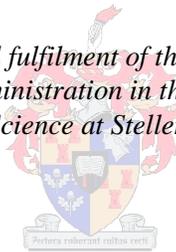


# **Analysis of interventions in support of small tourism businesses in the Eden District Municipality**

by  
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*Thesis presented in partial fulfilment of the requirements for the degree  
of Master of Public Administration in the Faculty of Economic and  
Management Science at Stellenbosch University*



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## **Declaration**

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## **Abstract**

Macro-economic policy interventions have been driven by the South African national government in order to create economic and trade opportunities for small businesses within the first economy. This macro-economic policy intervention of the government which advocates the active and inclusive participation of small business in the first economy has set the trajectory for small business development and support by both provincial and local government. The significant contribution of small businesses (SBs) to local economic development in the locality of municipalities has thus seen the prioritizing of small business support and development by local government as a focal point of municipal Local Economic Development programmes.

However these small businesses are often subject to a myriad of challenges compared to larger established businesses that fall outside the classifications of small businesses. These challenges thus make it impossible for SBs to compete with established businesses and to actively participate in the first economy.

The Eden District Municipality, a renowned and reputable tourism destination, offers substantial business opportunities that favour small tourism businesses. This is all to the good, but the question is what programmes are on offer by the Eden District Municipality that may assist small tourism businesses (STBs) to tap into these business opportunities. Furthermore, do such programmes address the needs of STBs to access trade and economic opportunities? In the light of the foregoing, this study sets out to establish the areas in which STBs require support, to establish the current level of support received from the Eden District Municipality, as well as the participation levels of STBs themselves in the development of tourism strategies. This study investigates the coherence between interventions and support programmes provided by the Eden District Municipality and seeks to identify the areas in which small tourism businesses (STBs) require support and assistance.

The population sample employed comprises small businesses from a previously disadvantaged background in the Eden District Municipality. A quantitative research design was followed and questionnaires were used to elicit responses from STBs which constitute the primary data to address the research question.

It is anticipated that the findings of this research will assist the Eden District Municipality with the identification of future required interventions that will augment accessibility to trade and economic opportunities for STBs. By using the findings of the study as a yardstick, the Eden District can assess its own efforts and ensure that programme responses are designed to meet the identified needs of STBs. The findings highlight an overall need for broader consultation with STBs when support programmes and interventions are developed, and can be used as a benchmark by other researchers and local municipalities in the development of support programmes and interventions for STBs.

## Opsomming

Makro ekonomiese beleids intredes word deur die nasionale regering bestuur om sodoende ekonomiese- en handelsgeleenthede vir kleinsakeondernemings binne die eerste ekonomie te skep. Hierdie makro-ekonomiese beleidsintredes van die Suid-Afrikaanse regering bevorder die aktiewe en inklusiewe deelname van kleinsakeondernemings in die eerste ekonomie en stel baan daardeur die weg vir ontwikkelingsprogramme deur provinsiale en plaaslike regering ter ondersteuning van hierdie ondernemings. Die noemenswaardige bydrae van kleinsakeondernemings tot plaaslike ekonomiese ontwikkeling in plaaslike munisipaliteite het gelei tot die prioritisering van ondersteunings- en ontwikkelingsprogramme deur plaaslike regering as 'n fokus punt van munisipaliteite se plaaslike ekonomiese ontwikkelingsprogramme.

Hierdie kleinsakeondernemings word dikwels gekonfronteer deur verskeie struikelblokke vergeleke met groter gevestigde besighede wat buite die klassifikasie van klein besighede val. Die struikelblokke maak dit dus onmoontlik vir kleinsakeondernemings om te kompteer met gevestigde besighede en sukkel om aktiewe deelname te hê aan die ekonomie.

Die Eden Distriks Munisipaliteit is bekend as 'n geloofwaardige toerisme bestemming en bied substansiële besigheidseleenthede waarby kleinsake toerisme ondernemings kan baat. Dit is alles tot voordeel maar watter hulpprogramme bied die Eden Distriksmunisipaliteit aan klein toerisme sakeondernemings om toegang tot besighede geleenthede te verkry. Die vraag is of hierdie programme die behoeftes van klein toerisme sakeondernemings se behoefte tot toetreding tot ekonomiese geleenthede bevredig. In die lig hiervan sal hierdie studie die ondersteuningsbehoefte van klein toerisme sakeondernemings bepaal, die huidige vlak van ondersteuning vanaf die Eden Distriks Munisipaliteit vastel, sowel as die deelname van klein toerisme sakeondernemings in die ontwikkeling van toerisme strategieë.

Hierdie studie ondersoek dus die verband tussen intredes- en ondersteuningsprogramme wat deur die Eden Distriks munisipaliteit verskaf word en die gebiede waarop kleinsakeondernemings in toerisme bystand benodig. Daar word in die vooruitsig gestel dat die bevindinge van hierdie navorsing die Eden Distriks Munisipaliteit sal help om toekomstige intredes te identifiseer wat toegang tot handel en ekonomiese geleenthede vir klein toerisme sakeondernemings sal bevorder. Deur die bevindinge van die studie te gebruik as 'n maatstaf kan die Eden Distriks Munisipaliteit sy eie werk evalueer en gebruik om te verseker dat programme met die behoeftes van klein toerisme sakeondernemings bevredig. Die bevindinge beklemtoon 'n behoefte vir brëer konsultasie met klein toerisme sakeondernemings wanneer programme en intredes ontwikkel word, en kan ook deur ander navorsers en plaaslike munisipaliteite gebruik word as verwysingsraamwerk in die ontwikkeling van ondersteuningsprogramme en intredes.

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## List of Abbreviations

BBBEE	broad-based black economic empowerment
CBTA	community-based tourism association
DEDAT	Department of Economic Development and Tourism
DNT	Department of National Treasury
DTI	Department of Trade and Industry
EDM	Eden District Municipality
EDTA	Eden District Tourism Association
ETEYA	Emerging Tourism Entrepreneur of the Year award
GDS	Growth and Development Strategy
LED	local economic development
LTO	local tourism office
MEC	Member of the (Provincial) Executive Council
PDI	previously disadvantaged individual
PPP	public-private partnership
SAMAF	South African Micro-Finance Apex Fund
SB	small business
SEDA	Small Enterprise Development Agency
SMME	small, medium and micro enterprise/s
STB	small tourism business
TEP	Tourism Enterprise Programme
TMDP	Tourism Marketing and Development Plan
UNIDO	United Nations Industrial Development Organisation
WC DEDAT	Western Cape Department of Economic Development and Tourism

## Glossary

### **B Municipality / local municipality**

A municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls and which is described in section 155(1) of the Constitution as a category “B” municipality.

### **C Municipality / district municipality**

A municipality that has municipal executive and legislative authority in an area that includes more than one municipality and which is described in section 155(1) of the Constitution as a category “C” municipality.

### **Homestay**

According to Wikipedia (2012), “a homestay is a form of tourism and or study abroad programme that allows the visitor to rent a room from a local family to better learn the local lifestyle as well as improve their language ability”.

### **Local economic development (LED)**

The (World Bank N.d) defines the purpose of LED as being “to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and nongovernmental sector plans work collectively to create better conditions for economic growth and employment generation.”

### **Local government**

“That level of government which is commonly defined as a decentralized, representative institution with general and specific powers devolved to it by a higher tier of government, central or provincial, within a geographically defined area. Local government is also defined as a political subdivision of a nation or state which is constituted by law and has substantial control of local affairs, including powers to impose taxes or to exact labour for prescribed purposes. This body is elected or locally selected” (Ismail, Bayat and Meyer 1997:2-3).

### **Municipality**

According to the Local Government Municipal Systems Act, No. 32 of 2000. (South Africa 2000), a municipality is defined as follows:

- It is an organ of state within the local sphere of government
- It exercises legislative and executive authority within boundaries as determined by the Demarcation Board the Local Government Municipal Demarcation Act, No 27 of 1998 (South Africa 1998b).
- It consists of (1) the political structures (2) administration and (3) communities of the municipality.
- It functions within its area according to statutory and other relationships.
- It is a separate legal personality and this means that its community is not liable for the actions of the municipality.

### **Road show**

A road show is defined as “a travelling exhibit that promotes a company’s products or a government programme” (Dictionary 2012).

### **Small, medium and micro enterprises**

Small medium and micro enterprises are defined in terms of their employee criteria. Enterprises with less than five employees are as regarded as micro, enterprises with five to twenty employees as very small, enterprises with twenty to fifty employees as small, and enterprises with fifty to two hundred employees as medium (Department of Provincial and Local Government (DPLG) 2005:21).

The definition of SMMEs according to the glossary of the Cape Gateway website of the Western Cape Government, as mentioned in Brand (2006:5) is as follows: businesses with less than five employees are classified as a micro business, businesses with five to ten employees as small businesses, and businesses with ten to fifty employees as medium size businesses.

The National Small Business Act, No. 102 of 1996 (South Africa 1996b), on the other hand, defines SBs as “a separate and distinct business entity, including cooperative enterprises and non-governmental organizations managed by one owner or more,

which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the Schedule and which can be classified as a micro, very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the Schedule opposite the smallest relevant size or class as mentioned in column 2 of the Schedule.”

### **Tourism**

The World Tourism Organisation defines ‘tourism’ as “the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business, and other purposes” (George 2001:17). The White Paper on the Development and Promotion of Tourism in South Africa (White Paper on Tourism) (South Africa 1996b), on the other hand, defines tourism as “all travel for whatever purpose, that results in one or more nights being spent away from home” (Vrancken 2002:273). This definition will apply to the term ‘tourism’ throughout this document.

### **Tourist**

According to White Paper on Tourism of 1996 (South Africa 1996b), a ‘tourist’ is defined as “a person who travels from home staying away for at least one night (Vrancken 2002:273). The definition for a ‘tourist’ as provided by the World Tourism Organisation has similar elements of the previously mentioned definition; it states that a tourist is a “visitor who stays at least one night in a collective or private accommodation in the place visited” (Vrancken 2002:273).

## **CHAPTER 1: THE TOURISM SECTOR AND SMALL BUSINESSES**

### **1.1 Introduction**

Tourism is identified as one of the key drivers of the South African economy. Its economic benefits are such that it can be a significant catalyst for economic growth and employment, it is a source of foreign exchange earnings, and it provides supplementary income for individuals seeking part-time employment. The tourism sector also increases the demand for other non-tourism businesses, brings expenditure from external sources into the local market, and encourages the upgrading and re-use of dilapidated land and buildings (Department of Tourism, 2009b:11).

As an industry, tourism has become one of the major contributors to job creation in the South African economy and it is reported that approximately 485 060 individuals benefited from it through direct jobs in 2006 (Trade and Industry Chamber in Nieman, Visser and Van wyk 2008:284). It is predicted that this figure would increase to 1.2 million job opportunities by 2014 (Altman in Nieman, Visser and Van wyk 2008:284).

In 2012 the Department of Trade and Industry reported that SMMEs contribute between 52% and 57% to the country's GDP and provide 61% of total employment, (Department of Trade and Industry 2012). Given the potential of small businesses to create jobs, especially within the tourism sector, the South African government invested in various support programmes to enhance the ability of these businesses to become self sustainable and to make a transition from the second to the first economy.

Tourism has surpassed gold as the biggest foreign exchange earner and according to the Department of Trade and Industry in Nieman, Visser and Van wyk (2008: 283-284), the "foreign exchange proceeds from the tourism sector in South Africa contributed 7 percent, or R100 billion, to the GDP and exceeded receipts from gold which were 5 percent in 2004".

The economic potential of this sector for the South African economy, has made tourism development an imperative of national and provincial government programmes over the past few years.

The tourism industry holds considerable opportunities for small, medium and micro enterprises (SMMEs) to tap into the supply side of tourism products and services in the tourism value chain. However, within these opportunities available within this lucrative industry lies a challenge for government at all spheres, namely to facilitate access to business and trade opportunities and potential markets for small businesses (SBs). In addition, government is faced with the challenge of providing the required skills development interventions and support programmes that facilitate accessibility to the aforementioned, which will potentially contribute to the sustainability of these businesses.

The significance of tourism as a catalyst for economic growth and job creation and its trade and economic opportunities for SBs demonstrate the relevance of undertaking this study. However, although the South African government at national, provincial and local spheres may have rolled out several programmes in support of SBs that will enable such businesses to access trade and economic opportunities, it is imperative that congruence exists between these programmes and the needs of SBs in terms of businesses support interventions.

This study will therefore analyse interventions in support of small tourism businesses in the Eden District Municipality (EDM) and also establish coherence between the needs of these SBs and the support interventions that are provided. In stating the case for this study, chapter 1 provides the background and rationale to the study by emphasising the significant contribution that small businesses make to local economies and job creation in the light of a competitive economic environment. Reference is made to the legislative mandate of local government in terms of local economic development and the implementation of small business development by the EDM within the context of LED.

## 1.2 Background and rationale for the study

Brand (2006:1), describes the distribution of economic development in South Africa as the combination of two economies in one country: the first economy and the second economy. Die Burger in Brand (2006:1) states that the first economy competes on a global level, as opposed to the localised level of the second economy. SMMEs are found to be actively competing in the second economy with limited participation in the first economy. SMMEs are as classified within the South African context and are defined according to the glossary of the Cape Gateway website of the Western Cape Government, referred to in Brand (2006:5). This source further states that businesses with fewer than five employees are classified as micro businesses, businesses with five to ten employees as small businesses, and businesses with ten to fifty employees as medium size businesses. For the purpose of this study, this classification of SMMEs will be utilised when the researcher refers to STBs.

According to Le Roux in Brand (2006:11), the composition of SMMEs in terms of their contribution to the economy is as follows: “The 2 million small businesses represent 98% of South Africa’s total number of firms, employ 55% of the labour force, and contribute 42% of the country’s wage bill. However, 87% of these small businesses are survivalists and operate outside the formal economy.” Recent statistics indicate a growth in the number of SMMEs in South Africa with “2.8 million SMMEs which contribute between 52% and 57% of the country’s GDP and provide 61% employment”, (Department of Trade and Industry 2012). These statistics demonstrate the potential of SMMEs in terms of employment creation and the contribution of SMME’s to the GDP.

Statistics from the Organisation for Economic Co-operation and Development, 1997: United National Conference on Trade and Development (2003), in Ladzani and Netswera (2009:234), indicate the following contributions of SMMEs to the GDP in other developing countries: in Brazil, 60,8% of GDP and 66,8% of employment; in Mexico, 40,0% of GDP and 80,0% of employment.

According to the Organisation of Islamic Cooperation (2011), SMMEs represent a large share of registered businesses that contribute between 35 to 45% to the global GDP, and also represent an estimated 40 to 60% of global employment. This source reports that the contribution of SMMEs to the GDP is as follows: in Malaysia – 56%; Egypt – 33%; and Saudi Arabia – 25%.

These statistics substantiate the importance of SBs in the economy, especially in developing countries. However cognisance should be taken of the size of SBs in other countries compared to that of SBs of South Africa. As per the statistics on the contribution of SMMEs to the economy, it can be argued that these businesses make a significant contribution to the job market.

The overall contribution of SB to the economy may be regarded as small, but these enterprises make a significant contribution to employment creation as alluded to earlier. With this in mind it becomes important to assess if the policy responses that are put in place through specific interventions and support programmes are aligned to the needs of the beneficiaries of such programmes.

The rationale behind the study is therefore to investigate the following:

- What are the existing programmes and interventions provided by the EDM that facilitate access to trade and economic opportunities?
- What are the needs of small businesses in the tourism sector regarding access to trade and economic opportunities?
- Do the programme interventions provided by the EDM address the needs of the small businesses?

### **1.3 Statement of the problem**

According to Ndabeni (2008:259), SMMEs form an integral part of economic development policy in both developed and developing countries. This policy response can be attributed to the significant contribution of SMMEs to job creation and poverty alleviation. However, it can also be seen within the context of government exercising its power to regulate the equal distribution of wealth through tourism.

A new form of policy intervention was introduced that advances entrepreneurialism through private sector led growth (Harvey 1989 in George, Mair and Reid 2009:210). These policy interventions of governments to enable SBs to become active and inclusive participants of the first economy are geared towards facilitating economic migration of SMMEs from the second economy to the first economy, which is very similar to the policy interventions of an entrepreneurial state.

Tourism is prioritised as an economic growth sector by the South African national government and the EDM, however, the majority of STB's have not made a transition from the second to the first economy, many not having entered the formal sector. This District municipal area holds considerable economic opportunities in its tourism sector for STBs, however the majority of these STBs are finding it difficult to access trade and economic opportunities through tourism.

The EDM has implemented various support programmes and strategies to assist STBs to access trade and economic opportunities in its locality and beyond but STBs still experience challenges in accessing these. It therefore becomes critical to assess if programme responses are aligned to the needs of STBs.

#### **1.4 Objectives of the study**

The extent to which government-led programmes and interventions address the needs and challenges of the STBs, and the level at which these business owners are engaged to obtain their input in devising numerous strategic programmes still raises concern as to how appropriate the policy responses are. This relates specifically to entrepreneurial skills, hospitality skills, quality assurance and quality control, which are critical to the success of these businesses.

In view of the above, the objectives of the study are:

1. To identify the needs of small businesses in the tourism sector to access trade and economic opportunities.

2. To describe current local economic development programmes and interventions provided by the EDM.
3. To investigate if support programmes provided by the EDM meet the needs of small businesses in its tourism sector.
4. To identify strategies and programme interventions that will enhance the accessibility of trade and economic opportunities for small businesses.

In the light of these objectives, the researcher intends following an interventionist approach, based on the research, in providing practical implementable recommendations.

### **1.5 Research question**

The literature review discusses various constraints experienced by numerous SBs that utilise tourism for economic opportunities. This is confirmed by studies conducted amongst small enterprises and entrepreneurs. The inability of these enterprises to tap into markets due to a lack of access to support, a lack of access to market intelligence, and the high costs of individual marketing has a direct impact on the growth of their businesses. Government has therefore embarked on various policy interventions and programmes that facilitate trade and economic opportunities for STBs.

This study will specifically look at the type of assistance provided by the EDM to STBs that will enable the latter to obtain access to trade and economic opportunities.

The research question is therefore as follows:

Do the programmes and interventions provided by the Eden District Municipality meet the needs of small businesses that use tourism to access trade and economic opportunities?

### **1.6 Significance of the study**

Local government has an important role to fulfil in the facilitation of economic opportunities for SBs in its local economy. For the purpose of this study programmes

and interventions that advance access to trade and economic opportunities for STBs, as provided by the EDM, will therefore be analysed.

Local government has a designated mandate in terms of tourism as entrenched in the Constitution, namely section 153 and Schedule 4A Parts 4 and 5. A significant part of this is the provision of hard and soft infrastructure that enables tourism and other businesses to function. LED strategies for a municipal area are thus developed to enhance the social and economic conditions in that area that will further economic activities for tourism and other businesses. According to the World Bank (N.d.), the following approaches can be employed to further LED:

- Ensuring that the local investment climate is functional for local businesses
- Supporting small and medium sized enterprises
- Encouraging the formation of new enterprises
- Attracting external investment (nationally and internationally)
- Investing in physical (hard) infrastructure
- Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues)
- Supporting the growth of particular clusters of businesses
- Targeting particular parts of the city for regeneration or growth (areas based initiatives)
- Supporting informal and newly emerging businesses
- Targeting certain disadvantaged groups.

Small business development is regarded as an important aspect of LED in local municipalities in terms of these approaches. It does not only contribute to the growth of the local economy but also enhances the retention of business within a specific area. These approaches by the World Bank affirm the importance of SBs in employment creation.

Parallel to national and provincial government, the EDM plays a strategic role in delivering programmes that will create an environment conducive to SMME participation in economic activities. These programmes, which are aligned with the EDM's Growth and Development Strategy of 2007 (Eden District Municipality

2007b), Integrated Development Plan of 2010 (Eden District Municipality 2010), Local Economic Development Plan of 2007 (Eden District Municipality 2007a), and Tourism Marketing and Development Plan of 2008 (Eden District Municipality 2008), include enterprise development, mentorship programmes, capacity building programmes through training and skills development, and the facilitation of market access opportunities for STBs, amongst others.

The tourism Previously Disadvantaged Individual's development support strategies as contained in the EDM's Tourism Marketing and Development Plan (EDM 2008:26-27) are as follows:

1. Create and exploit marketing platform opportunities for SMMEs, specifically previously disadvantaged individuals (PDIs).
2. Oversee the participation of quality PDI tourism products/services in ETEYA.
3. Facilitate, support and expose SMMEs and PDIs on existing local, national and international marketing platforms.
4. Facilitate the participation of SMMEs at business tourism platforms.
5. Develop a specific brochure for PDI community products.
6. Develop a more holistic database of visuals, including cultural/community products.
7. Utilise existing local and national development forums (public, private and community) to advocate and lobby for SMME support and exposure.

This study investigates the broader spectrum of needs of STBs that impede their operational capacity and threaten their survival (as will be discussed in the literature review). To date, limited studies have been conducted that investigate the needs of STBs in the Eden District municipal area with regards to support programmes for such businesses. As mentioned earlier, the Eden District Municipality has identified specific support strategies for STBs in its Tourism Marketing and Development Plan (TMDP) of 2008. The degree to which these support strategies were implemented, as well as those advocated in the Growth and Development Strategy (GDS) of 2007, will be investigated.

What makes this study so significant is the contribution that it will make to current research and it will enable the EDM to use the findings as baseline information for the

future development of support programmes. It is anticipated that the findings of this study will assist the EDM to provide programmes and interventions that are appropriate to the needs of SBs in terms of trade and economic opportunities. The findings will also become a tool to measure coherence between the programmes that are provided and the needs of STBs in the light of the support strategies proposed in the TMDP of 2008. In addition, it will assist with the development of future programmes that are aligned with the needs of SBs.

## **1.7 Research Approach**

A quantitative research design will be adopted by making use of primary and secondary data. The literature review provides the basis for the non-empirical study or the secondary data, while the empirical study will be conducted by means of analysing the data obtained from completed questionnaires. This also forms the basis for the collection of primary data. The methodology for the research comprises two phases as outlined below:

Phase 1: Situational analysis.

This phase comprises a situational analysis with regard to challenges experienced by STBs in South Africa and programme interventions provided by national, provincial and local governments in response to the challenges. This is further narrowed down to a situational analysis of the areas in which STBs in the EDM area require assistance.

The empirical study forms a critical part of this phase which constitutes the completion of questionnaires by small businesses in the EDM. This becomes an important source of primary data for the completion of the research. Self-administered structured questionnaires will be sent, by email and fax, to the tourism small businesses (STBs) that comprise the sample group, requesting them to complete the questionnaires. In cases where some businesses do not have access to fax or email facilities, the questionnaire will be administered by means of an interview.

A breakdown of the methodology for phase 1 is as follows:

- Analysis of challenges of SBs in the tourism industry.

This includes an overview of challenges encountered by STBs in South Africa.

- Overview of approaches to address the needs of STBs.

This includes an overview of programme interventions provided by government at all spheres to assist STBs. It will include, amongst others, the role of special purpose vehicles in this process and initiatives that have been established to provide support to STBs.

- Analysis of challenges of STBs in the Eden District.

This provides a snapshot of the areas in which SBs require support in the tourism sector in the Eden District as identified through the survey.

Phase 2: Investigation of opportunities and strategy development.

This phase comprises an investigation of the opportunities provided by the EDM for STBs, and the development of strategies that will minimise the challenges experienced by STBs in terms of trade and economic opportunities.

This phase involves the collection of secondary data, amongst other, the review of current interventions and support programmes provided by the EDM and its Growth and Development Strategy of 2007 (EDM 2007b), Tourism Marketing and Development Plan of 2008 (EDM 2008), Draft Local Economic Development Strategy (Eden District Municipality 2011a) (Local Economic Development Strategy currently under review), and its Draft Tourism Marketing and Development Strategy (Eden District Municipality 2011b) (currently under review) studied.

A breakdown of the methodology for phase 2 is as follow:

- Investigation of programme interventions provided by the EDM.

This includes investigating existing programme interventions provided by the EDM to address the needs of STBs.

- Institutional and legislative framework for tourism.

This gives an overview of tourism structures in the EDM, the legislative mandate of local government with regard to tourism marketing and development, as well as that of the other stakeholders that play a role in providing assistance to STBs.

- Development of an implementation plan.

A strategy will be informed by a desktop study to be undertaken with SBs in the tourism sector and will provide a framework for the proposed strategy to meet the needs of STBs.

### **1.7.1 Sample frame**

The target population is STBs in the EDM area. The database of STBs sourced from the EDM will be used for this study. The number of previously disadvantaged small businesses is approximately 175, emanating from different sub-sectors across the local tourism sector. An audit conducted of STBs in the Eden District indicates that a significant number of these businesses operate in the following subsectors: accommodation, ecotourism, transport services, etc. This population sample was thus selected in terms of its geographical spread.

To ensure that this sample is valid for the purpose of this study, the database of STBs will be used, as verified by the local tourism offices (LTOs) and the B Municipalities. However, the sample will only include businesses that have been in existence for more than one year.

Questionnaires will be sent to the entire population sample in an effort to ensure that the number of returned questionnaires exceed 30% of the intended sample population group. According to Anastasi and Urbina (1997:113), this percentage of returned questionnaires is considered to provide reliable and valid analysis.

The format of the questionnaire will be structured in such a manner that it comprises a combination of dichotomous questions, and a Likert scale. The questionnaire will be structured to establish the areas in which the STBs require support, the current level of support received from the EDM and the extent of STB participation in the development of tourism strategies of their local municipalities.

### **1.7.2 Data analysis**

Statistical methods will be used to analyse the data obtained through the questionnaires. The results of the questionnaires will be analysed and presented in the form of graphs and figures that will be included to illustrate the different variables used in the survey. Analysis of the results will be completed by grouping related questions together so that comparisons can also be made. The analysis will be grouped into sections, namely, characteristics and profile of the respondents, analysis of communication awareness mediums, small business support, perception of tourism management by the municipalities, and participation in tourism strategies.

### **1.7.3 Reliability/validity**

According to Miller (N.d), reliability refers to the extent that tests, questionnaires or any measurement procedure deliver the same results when repeated. This author states that reliability refers to scores not people and the consistency of these scores over a period of time. Miller (N.d) cautions that an instrument may be reliable and consistent in terms of the results that it produces over time, but may not be valid in terms of the construct that it is supposed to measure. The author states that whilst reliability is a requisite factor it does not qualify the measurement instrument as valid.

Validity on the other hand is defined by Miller (N.d), as the “extent to which the instrument measures what it is suppose to measure”. In the case of this study a questionnaire is used as the measurement instrument, and it is important that it conforms to content validity by measuring the construct of interest which is to analyse interventions in support of STBs in the EDM. In the light of this questions were constructed in such a manner that it meets the objectives of this study.

### **1.7.4 Ethics problems**

No problems with ethics are anticipated since all the respondents were informed of the purpose and objectives of the research. Participants responded according to free

will and were not coerced in any way. Responses and the identity of individual respondents will be kept confidential.

### **1.7.5 Limitations**

Limitations may be experienced in terms of a lack of cooperation from the respondents to complete the questionnaires, thus resulting in a very small sample. The researcher also anticipated that the study may not be completed within the planned time frame.

## **1.8 Outline of chapters**

This study will investigate the type of interventions provided by the EDM to STBs that will support such businesses to access trade and economic opportunities. The report consists of six chapters of which the outline are as follow:

Chapter 1 sets the context to the study, introducing the background and rationale by putting forward an argument as to why the need exists to investigate this research topic. The research problem and research question are provided as well as the objectives of the study which details the anticipated outcomes of the study. A clear and thorough outline of the research methodology that will be undertaken is stated.

Chapter 2, which is also the literature review, will provide perspectives on the challenges experienced by STBs by referring to various case studies and other research that was undertaken by other authors. This chapter will address the objective of the study related to identifying the needs of small businesses in the tourism sector to access trade and economic opportunities.

Chapter 3 sets the policy framework for tourism development by outlining the legislative framework for tourism development at the national, provincial and local government spheres, thus discussing the legal parameters within which anticipated interventions or programme responses can be rendered. This chapter also elaborates on the programme responses provided by national, provincial government to mitigate

the challenges discussed in chapter two. These programme responses which provide important baseline information to this study and the research topic in particular, are explored in detail to establish what programmes and interventions which have been implemented in support of STBs will enable them to access trade and economic opportunities.

This lends clarity regarding the type of support interventions that may be provided to small tourism businesses with specific reference to the local government sphere and within the context of the EDM area. The focus of this chapter is therefore to bring understanding as to the type of support interventions that District municipalities can or cannot provide. A comparative analysis can be made whether the interventions that are provided by the EDM to small tourism businesses to access trade and economic opportunities resonate within the legislative framework applicable to local government or whether it is in contravention of the applicable legislation.

Chapter 4 considers existing programme support and interventions provided by the Eden District to address the needs of STBs. The aim of this chapter is therefore to describe current local economic development programmes and interventions provided by the EDM which are relative to one of the research objectives. Chapter four also address the rationale of the study pertaining to investigating existing programmes and interventions provided by the EDM.

Chapter 5 reports on the research findings providing an answer to the research question: “Do the programmes and interventions provided by the EDM meet the needs of small businesses that use tourism to access trade and economic opportunities?” It also demonstrates the achievement of the research objectives and the rationale of the study.

Chapter 6 provides a summary of the research and proposes practical implementable recommendations relating to the findings of the study.

## **1.9 Conclusion**

This Chapter presents the background of the study by reasoning the rationale of the study and what the researcher aims to achieve through this study. It elaborates on the research problem, outlines the intended research and the methodology to be followed and provides insight in terms of the objectives of each chapter.

Having described the context in which this study was undertaken, Chapter 2 will offer perspectives on the challenges experienced by STBs.

## **CHAPTER 2: PERSPECTIVES ON SMALL BUSINESS CHALLENGES WITH SPECIFIC REFERENCE TO THE TOURISM SECTOR**

### **2.1 Introduction**

This chapter presents a review of the literature that was consulted related to challenges experienced by small businesses and programme support and interventions provided in support of small businesses in the tourism sector. The outline of chapter 2 constitutes a discussion on the generic challenges that small businesses experience, providing context to the study.

The main aim of chapter 2 is to address the research objective, namely, to identify the needs of small businesses in the tourism sector to access trade and economic opportunities. It will also find answers to the rationale of the study related to investigating what the needs of small businesses in the tourism sector are with regard to accessing trade and economic opportunities.

This chapter therefore explores challenges which hamper the ability of small businesses to access trade and economic opportunities.

### **2.2 Overview of generic challenges faced by small tourism businesses**

SMMEs have to compete with established large businesses that monopolise the South African economy (Brand 2006:17-18). These established businesses have effective business operations, established relationships and contracts, and have the business and information technology infrastructures that allow them access to market intelligence and business opportunities. SBs on the other hand do not have the same economies of scale and economic infrastructure, which makes it difficult for them to compete in the first economy and with larger enterprises in the same sector. Through the literature review it therefore becomes imperative to establish what challenges SBs experience

which hinders their ability to compete with established businesses. In view of this the following section discusses the challenges faced by SBs in the tourism industry.

According to Balkenhol et al. in Brand (2006:17-18), SBs experience challenges regarding the ability to take advantage of business opportunities, the registration of their businesses, and to penetrate highly competitive markets. These factors often become obstacles that hinder them from engaging in formal business interactions and the consolidation of business. Furthermore, a great amount of entrepreneurial drive is required to ensure the success of the business. A lack of entrepreneurial skills can thus become an obstacle because the success of the SB business depends on the ability of its owner to take the initiative and full responsibility for the growth of its business.

Furthermore, according to Rogerson and Ntsika in Elliot and Boshoff (2007:16), SBs in the tourism sector cite the lack of access to markets as an obstacle to their growth; studies conducted in South Africa and internationally on market access identify market access as a “critical factor” for business growth. Hence, market access may therefore also be an inhibiting factor in the growth of local STBs in the Eden District.

Literature highlights the following as elements that impede access to markets for SBs: access to finance, marketing and information, a lack of market intelligence, of business skills and infrastructural challenges. Due to the importance of market access as a critical factor for business growth the elements that hinder it are explored in the next section.

### **2.2.1 Access to finance**

Access to finance is regarded as a critically important factor that determines the growth of SBs. The question is: how supportive is the South African fiscal system and economic environment towards enhancing the growth of small businesses and in enabling their progress from the second economy to the first economy?

Balkenhol et al. in Brand (2006:14) report that the results from an analysis of SMMEs in South Africa indicate that access to funds is a constraint that hinders them from

either establishing or expanding their businesses. Statistics South Africa reports that 60% of non-VAT-registered businesses (approximately 1,4 million of a total of 2,3 million non-VAT-registered businesses) “requiring additional money to start their businesses, only 15,5% were successful in acquiring loans and of this percentage only 5,1% received loans from banks” (Brand 2006:14). This research also revealed that the SMMEs that did not “obtain loans from commercial banks borrowed money from relatives, friends, and community savings arrangements” (Brand 2006:14).

The question which one has to ask is why are commercial banks not willing to borrow money to SMMEs? According to Brand (2006:14), the reason provided by commercial banks for not assisting SBs is because of the creditworthiness of the “prospective business owners”. Cognisant of the challenges that SBs face in accessing finance, Khula Finance Limited (Khula) was established in 1996 to act as an intermediary to provide guarantees for loan repayments and to facilitate the “availability of loan and equity capital to small and medium enterprises” (Department of Trade and Industry 2009:43).

According to the Department of Trade and Industry (2009:43), the purpose of Khula is to:

- “offer loans through retail finance intermediaries that Khula provides with cost competitive on-lending capital, risk sharing and risk mitigation support and organisational management capacity support;
- offer collateral security assistance through commercial finance institutions that Khula provides with credit indemnity guarantees;
- offer equity finance solutions directly and indirectly through public and private sector partnership joint venture funds and external funds managed by Khula;
- provide assistance and guidance on financing and business investment opportunities through the Khula Mentorship Programme” (Department of Trade and Industry 2009:43).”

However, according to Berry et al. (2002) in Brand (2006:14), this policy intervention of the South African government has not been very successful. This source does not however provide reasons for this.

Besides Khula other programmes were also launched by the South African government, namely the Local Economic Development Fund of the Department of Provincial and Local Government. According to the Department this Fund, the aim of which was the allocation of poverty alleviation resources to local municipalities from 1999 for a period of five years, ceased to function at the end of the 2003/2004 financial year. It is reported that some of the projects that benefited from the LED Fund were sustainable, provided jobs, and had the potential to continue if they registered as companies (Department of Provincial and Local Government 2005:21). However, the majority of the projects were unsustainable in the absence of continued financial support from government, and assets acquired by these projects during operation had to be disposed in a manner satisfying requirements of public finance legislation (Department of Provincial and Local Government 2005:22). The overreliance of SBs on financial support from government has become an area of concern as it creates dependency on the part of the SB and when this support is terminated these SBs often become, as reported, unsustainable.

In the light of this, the Department of Provincial and Local Government recommends that provincial government should engage financial institutions through its developmental agencies and bodies to facilitate financial assistance to small businesses (Department of Provincial and Local Government 2005:27). This ensures that government assets are not put at risk and SBs can receive the required support, financial advice and mentorship from financial institutions.

This has warranted a vested interest for partnerships with the private sector and financial institutions such as banks. Where banks initially had a negative stance on the lending of capital to small businesses it has started to incorporate small businesses development and support into its portfolios.

A large South African commercial bank, ABSA, endeavours to support the government's macroeconomic policy for accelerated economic growth, employment creation and greater equity, following suit by offering procurement financing in the form of vendor financing and invoice clearing (ABSA Bank 2011). During a presentation made by ABSA bank to EDM on 23 September 2011 this institution outlined its programmes in terms of small business support as follows:

- “The commercial bank will make a payment advance on invoices for goods and services received.
- The payment advance will be based on an agreed percentage depending on the business and SMMEs risk profile.
- The corporate should verify and validate the invoice submitted by the SMME” (ABSA Bank 2011).

Financial assistance to SBs thus occurs under the auspices of an accredited financial institution that has proper controls in place to manage the process. This process, beneficial to both the corporate business as well as SBs, comprises a two-pronged approach and has the following outcomes:

- “Assisting corporate businesses to create a database of reliable SMME suppliers with whom it can work.
- Enables the corporate business to improve its BEE score based on the preferential procurement element as well as the enterprise development element which, when combined, contribute a total of 35% towards the corporate business’s score.
- Assists SMMEs to become better and more robust suppliers, enabling Economic Development spend to work for the corporate.
- Addresses the need for mentorship and advisory services for SMMEs – allowing the corporate business to claim points with regard to the enterprise development element.
- Ultimately provides the corporate business with a competitive advantage in the market” (ABSA Bank 2011).

This large South African commercial bank’s vendor finance programme aims to achieve the following:

- “Ensure that cash flow cycles of corporate business are not disrupted by a supplier’s need to receive payment earlier than the agreed terms of payment.
- Provide SMMEs with quick and uncomplicated access to working capital between the date of invoicing and the date of payment to cover operational expenses.
- Improve the treasury position (cash preservation) by allowing for longer creditor cycles without negatively impacting the SMME” (ABSA Bank 2011).

This section on access to finance highlighted the numerous endeavours undertaken by the South African government in the form of support programmes to provide financial assistance to small businesses. Amongst these are Khula Finance Limited which included services such as a mentorship programme, and the Local Economic Development Fund of the Department of Provincial and Local Government which allocated poverty alleviation resources for local municipalities to support projects.

The private sector has also prioritised access to finance for small businesses with specific reference to commercial banks such as ABSA Bank that are now offering procurement financing in the form of vendor financing and invoice clearing.

The literature on access to finance however also highlighted an overreliance on financial subsidies or support from government instituted programmes. When these programmes are terminated or financial support is withdrawn, these projects often become unsustainable.

This overreliance on government support is not only a persistent problem but is also one of the leading factors contributing to the failure of small businesses that fail to ensure that they become self sustainable.

### **2.2.2 Marketing resources**

In 2003, a survey was conducted amongst tourism SMMEs in the Free State that focused on the profile of tourism entrepreneurs as well as issues that the tourism SMMEs were confronted with (Rogerson 2005:632). The findings revealed that marketing was top of the issues identified by established entrepreneurs, with specific reference to the quality and volume of tourism marketing at national and provincial level (Rogerson 2005:643). The concerns of the smaller entrepreneurs related more to the state of official marketing, and the costs involved should they embark on their own marketing, considered to be a very costly exercise.

In a survey conducted amongst tour operators in Soweto in 2005, 50% of emerging tour operators identified access to finance sources, access to markets, and marketing

support as major constraints to the growth of their enterprises (Nemasetoni and Rogerson 2005:205). Interviews conducted with new enterprises highlighted the following challenges to access existing markets (Nemasetoni and Rogerson 2005:207):

- “I was unable to access the market because large established companies are mostly preferred.
- It took between 18 to 24 months to establish a client base.
- We were unable to break the market barrier particularly into foreign markets because we were unknown.
- Lack of access to profitable markets and marketing – most people see you as a taxi service, not as tour operator.
- To penetrate a market that is already dominated by established players is not easy and to make an impact when you are new or as an individual, is difficult.
- Tourism operates as a cartel with close dealings and associations in which big businesses have greater control.”

Soweto revealed that the marketing of their businesses both individually and collectively as an area of concern (Chandra 2002; Rogerson in Rogerson 2009:345). According to Rogerson (2009:345) marketing refers to, amongst other features, “knowledge and exposure to new market trends and how the tourism marketing process evolves with particular reference to information technology and the internet.”

From the above it can be deduced that marketing is regarded by STBs as one of their biggest challenges. The researcher is of the opinion that because of the cost elements coupled to marketing activities, STBs have a tendency to neglect this aspect, which is an imperative for attracting clientele. They also fail to recognise that in order to attract clientele your business needs to be visible in the market.

### **2.2.3 Access to information**

Access to information is one of the factors that contribute to accessing trade and economic opportunities. Research conducted by Rogerson (2005:633) highlights the

frustrations of entrepreneurs to access support through national government led programmes, which are often attributed to a lack of access to information. This may be overcome through resources such as the internet, which, according to Bourgooin (2002:197) provides access to a broad spectrum of sources of information, support networks and worldwide marketing channels, providing opportunities to conduct electronic commerce.

However, not all STBs have the business acumen and resources to conduct internet marketing as a medium to market their products or services. Elliot and Boshoff (2007:16) suggest that the internet is becoming an effective tool for SBs to overcome their marketing challenges and to access new markets. He further argues that it enables them to compete at the same level as larger firms.

Access to information is highlighted as an area which is often a source of frustration for entrepreneurs with reference to information on government led programmes and access to them. The literature recommends that access to information can also be achieved through resources such as the internet which also presents opportunities to conduct electronic marketing of products and services.

#### **2.2.4 Lack of market intelligence**

A lack of market intelligence, market trends and knowledge in terms of the needs and expectations of the market also becomes a constraint to trade and economic opportunities (Forstner 2004:501). It can be argued that this is a constraint to STBs, irrespective of whether they are situated in a rural or urban area.

Kirsten and Rogerson (2002:54) state that emerging entrepreneurs should be provided with support in terms of access to “finance, information, and training” in the absence of formalised business linkages. The authors further state that the research conducted indicates that the needs of the emerging entrepreneurs are not completely met by the support structures provided for small enterprise development.

Kirsten and Rogerson (2002:54) suggest that opportunities for SBs in the tourism sector are vested in cost reduction and from programmes driven by government intervention. They are of the opinion that in the absence of government intervention we would not see the introduction of programmes that are beneficial to SBs. A success story in this regard is the affirmative procurement programme by Sun International, a resort hotel chain and casino destination in South Africa: it used its contractors to create opportunities for SBs.

### **2.2.5 Lack of business skills**

According to Balkenhol et al. in Brand (2006:14-15), a lack of experience in the management of a business impacts on the ability of a SB and an entrepreneur to manage their businesses successfully. This results in the failure of many emerging SBs, and also becomes a determining factor in their ability to tap into markets. According to Brand (2006:15), business skills that are required include marketing, business management, financial management and personnel management.

The researcher agrees with the business skills as proposed by Brand (2006:15). Numerous programmes are employed by government at all spheres to capacitate small businesses in terms of marketing, and financial and business management skills. These programmes are critical in assisting SBs with skills and will enhance their ability to access trade and economic opportunities. This will be elaborated on later as part of the research findings (see Chapter 6 section 6.2.6).

## **2.2.6 Infrastructural challenges**

The management of a successful service business necessitates that certain infrastructural elements are available to make it operationally functional in order to provide a service to clients and to attract potential clients. Brand (2006:15) identifies these essential or general services as “electricity, telephone, water and sanitation”.

In the absence of communication media, for example, telephone lines, fax facilities, email and information technology (the internet), SBs will have difficulty in communicating with their suppliers and customers, and vice versa. This often results in ineffective business processes. These services are essential for the existence of a SB and its ability to effectively stay in touch with potential markets.

According to statistics provided by Statistics South Africa in 2002 in Brand (2006:16), only 166 000 (7,3%) of non-VAT-registered business owners obtained any license to operate their businesses. Lehohla in Brand (2006:16) contends this is the reason why “the majority of small and micro businesses are not registered with authorities, namely, municipalities or regional councils.” The lack of adequate communication services is one of the reasons why SBs do not register their businesses and this in turn then becomes an obstacle for them to conduct business in the first economy.

Infrastructure is an area of intervention where local government can provide considerable support given the fact that it is responsible for maintaining soft and hard infrastructure in terms of its tourism legislative mandate.

## **2.3 Conclusion**

The overall purpose of this chapter was to provide a situational analysis of challenges experienced by small businesses, thus highlighting the needs of such businesses. Through the literature review various perspectives were provided on these challenges and thus addressed the objective relative to identifying the needs of small businesses in the tourism sector to access trade and economic opportunities.

Having highlighted the challenges of STBs, chapter 3 will focus on the legislative and regulatory environment relative to small business support, and the approaches employed through programme interventions and intermediaries to address the needs of the STBs.

## **CHAPTER 3: REGULATORY ENVIRONMENT AND PROGRAMME INTERVENTIONS**

### **3.1 Introduction**

After the theoretical background has been provided it is important to review the regulatory environment within which support programmes for small tourism businesses are rendered. An overview will hence be provided of the relevant tourism legislation and the regulatory and policy framework pertaining to tourism development and small business development in South Africa and the Eden District.

This chapter will also engage in a discussion regarding programmes that have been implemented in South Africa by focusing on programme support and interventions to facilitate trade and economic opportunities.

It aims at demonstrating how the legislative regulatory environment has been used to facilitate more support to STBs, and to highlight the policy directives that have been entrenched in support of such businesses. The purpose of this chapter is therefore to delineate the regulatory environment and to describe the nature and extent of existing programme interventions in the tourism sector that have a bearing on the STBs.

### **3.2 Legislative framework and regulatory environment**

Vrancken (2002:279) is of the opinion that as soon as government grasped the economic potential of the tourism industry as a catalyst for employment creation and that the industry was also an important source of tax revenue, its level of involvement in the growth of the tourism industry increased significantly.

This can be seen throughout the following sections of this chapter in terms of the legislation enacted on national and provincial levels with specific reference to the regulatory environment applicable to local government. For ease of understanding how tourism has been prioritised by national government through the adoption of

legislation the next section discusses the regulatory environment instituted by this sphere of government.

### **3.2.1 National legislation and regulatory environment**

In South Africa tourism development has led to deliberate policy interventions post-1994 through legislation, by the DEDAT, and the National Tourism Sector Strategy of 2011 (South Africa 2011), including the Tourism Act No. 72 (South Africa 1993b), White Paper on the Development and Promotion of Tourism in South Africa of 1996 (South Africa 1996b), National Environmental Management Act No. 107 (South Africa 1998), Broad-Based Black Economic Empowerment Act No. 53 (South Africa 2003a), and the South African Framework for Sustainable Development of 2007 (DEDAT 2007).

Tourism is listed as a functional area of competence of national and provincial spheres of government in Schedule 4A of the Constitution of the Republic of South Africa (The Constitution) (South Africa 1996a). The Constitution also lists local tourism as a local government functional area in terms of section 4B and sections 155 (6) (a) and (7).

The first piece of legislation under discussion is the Tourism Act No. 72 of 1993 which lends itself to regulating the tourism industry in terms of services and standards.

#### **3.2.1.1 Tourism Act No. 72 of 1993**

The Tourism Act No. 72 of 1993 (South Africa 1993b) (South Africa 2011:07) “makes provision for the promotion of tourism to South Africa as well as in South Africa”. According to this source the Tourism Act No.72 of 1993 became a regulatory tool towards ensuring that certain standards are maintained within the tourism sector regarding facilities and services that are accessible to tourists or hired to tourists. Integral to its functions it fulfils a coordinating role in rationalising the activities of

individuals who participate in this industry (South Africa 1993b) (South Africa 2011:07).

The Tourism Act No. 72 of 1993 was still silent on the responsibility of local government as the custodian of its locality and the role that this sphere of government plays in preserving and maintaining its hard and soft infrastructure to make its municipal area tourism attractive. The role of local government has since evolved into becoming the largest tourism operator in South Africa in the context of the Tourism Act, attributable to the marketing activities that it undertakes. In other words this role was not seen in terms of providing programmes and interventions in support of SBs but rather a tourism development role which translates into managing tourism development in its locality.

But how did legislation adapt to ensure that it does not only address the regulatory aspect of the tourism sector but also recognises this sector as an economic growth sector? In addition, how will access to economic and trade opportunities be facilitated with the onus on inclusivity of small businesses within this growing sector?

The White Paper on the Development and Promotion of Tourism in South Africa of 1996 was therefore developed to facilitate the integration of tourism development with tourism promotion.

### **3.2.1.2 White Paper on the Development and Promotion of Tourism in South Africa of 1996**

The White Paper on the Development and Promotion of Tourism in Africa has as its vision under section 4.1 to “develop the tourism sector as a national priority in a sustainable and acceptable manner, so that it will contribute significantly to the improvement of the quality of life of every South African. As a lead sector within the national economic strategy, a globally competitive tourism industry will be a major force in the reconstruction and development efforts of the government.”

This White Paper (South Africa 1996c) provides the framework for tourism promotion and development in South Africa. The foundation laid by the White Paper

on the Development and Promotion of Tourism in South Africa has led to the development of numerous strategies by the National Government. It has the following economic objectives, under section 4.4, related to tourism promotion and development (South Africa 1996c)

- “To generate economic growth and foreign exchange, by aggressively developing and promoting tourism.
- To establish tourism as a national priority.
- To create sustainable employment opportunities and contribute to the well-being of all the people of South Africa.
- To optimise opportunities for SMME's, specifically emerging entrepreneurs
- To use tourism to aid the development of rural communities.
- To promote domestic tourism amongst all South Africans.
- To encourage tourism growth and cooperation in Southern Africa.
- To facilitate balanced tourism development in South Africa.
- To create a conducive tourism investment climate.
- To encourage linkages between tourism and other industries in order to curb leakages and stimulate the multiplier effect.
- To lengthen the tourism season in order to minimise the negative effects of seasonality on the industry.”

From the above it can be deduced that the White Paper through its economic objectives played an imperative role in instigating the prioritising of tourism promotion and development by National Government. Reference is made to prioritising tourism development and the need for an integrated economy that strengthens opportunities for SBs. It thus paved the trajectory for policy responses that would identify tourism as an economic growth sector.

The role of local government in achieving these economic objectives are critical and is described as follows in terms of tourism development and promotion under part VI section 6.3 (South Africa 1996c):

- “Responsible land-use planning, urban and rural development.
- Control over land-use and land allocation.

- Provision and maintenance of tourist services, sites and attractions, e.g. camping and caravan sites, recreational facilities (parks, historical buildings, sports facilities, theatres, museums, etc.) and public services.
- Provision of road signs in accordance with nationally established guidelines.
- Market and promote specific local attractions and disseminate information in this regard.
- Control public health and safety.
- Facilitate the participation of local communities in the tourism industry.
- Own and maintain certain facilities, e.g. ports and airports.
- Provide adequate parking, also for coaches.
- Facilitate the establishment of appropriate public transportation services, e.g. taxi services.
- License establishments in accordance with national framework.
- Promote and financially support the establishment of local publicity associations /community tourism and marketing organisations to facilitate, market, coordinate and administer tourism initiatives.

Local government should not provide services that can be provided by the private sector.”

The White Paper provides very clear guidelines regarding the role of local government in terms of tourism development and promotion in its locality. These are relative to providing the hard and soft infrastructure for tourism development and promotion of its area. It is however silent on the role of local government in achieving the economic objectives of the White Paper.

The framework provided by the White paper regarding tourism development and promotion would later culminate into the prioritising of tourism as one of the leading sectors in the economy. The integration of tourism into the economy can be approached from the perspective that at the advent of the democratisation of the country certain demographic groups lagged in terms of accessing trade and economic opportunities through tourism. The need therefore arose to look at policy responses and interventions that would ensure the integration of previously disadvantaged individuals into mainstream economic activities through participation in the formal

economy. This inclusivity called for policies that would permit preferential procurement and ensure that previously disadvantaged individuals benefit from trade and economic activities in the tourism sector. Such a deliberate policy intervention is the Broad Based Black Economic Empowerment Act (BBBEE Act) No.53 of 2003.

### **3.2.1.3 BBBEE Act No. 53 of 2003**

Section 9 (1) of the Broad Based Black Economic Empowerment Act (BBBEE Act) No. 53 of 2003 (South Africa 2003) provides for the Tourism Sector Charter as a sector code on black economic empowerment. The aim of the Tourism Sector Charter is to advance the objective of the BBBEE Act (WC DEDAT 2011:14).

This Act which is aimed at black economic empowerment focused on economic inclusivity. With its inclusion of the Tourism Sector Charter it presented an opportunity for SBs and entrepreneurs in the tourism sector to benefit from mainstream economic opportunities in the formal economy. It created an opportunity for SBs, entrepreneurs and consortiums to compete with established businesses. At the other continuum the literature review demonstrates that besides creating an opportunity for SBs to become competitive with larger established enterprises through this Act, the BBBEE Act is a deliberate policy intervention which obliges companies and organisations to make use of services rendered by smaller black enterprises as in the case of the affirmative procurement programme by Sun International.

### **3.2.2 Provincial legislation and regulatory environment**

This study is undertaken in the Garden Route and Klein Karoo, also known as the Eden District, which is situated in the Western Cape Province. The legislation and regulatory framework relevant to the promotion and development of tourism in the Western Cape was therefore studied. In addition to national policy and legislation, the following statutory and other instruments serve to define the specific legislative context of the Eden District within the Western Cape.

### **3.2.2.1 Western Cape Tourism Act of 1997**

According to Vrancken (2002:304), The Western Cape Tourism Act of 1997 relates to the Western Cape Tourism Board, regional tourism organisations and local tourism bureaus. This Act, which allowed the MEC to establish regional tourism organisations at district level, focuses on enhancing marketing and promotional activities. However, it also makes reference to “protecting and advancing emerging businesses and persons or categories of persons disadvantaged by unfair discrimination.”

From the latter it is clear that the Western Cape provincial government recognised the importance of advancing trade and economic opportunities for emerging businesses in its tourism sector. This Act has a key focus on the role of tourism bodies to promote and market their respective regions; however the imperative for the protection and advancement of emerging businesses and persons disadvantaged by unfair discrimination are highlighted as critical.

The trend prevalent here is that the development of legislation in the Western Cape was initially silent on small business development compared to the pace at which tourism marketing and development were prioritised by national government as a lead economic growth sector. An emphasis on marketing and promotion activities in 1997 in the context of the Western Cape Tourism Act of 1997 still enjoyed preference over the need for providing an economic environment that would enable emerging businesses to participate in formal economic activities in the Western Cape and outside its boundaries.

It is noticeable that the Western Cape Tourism Act of 1997 denotes a slower transition of tourism development and support to STBs in this province.

In 2004 however the Western Cape Tourism Act of 1997 was repealed by the Western Cape Tourism Act No.1 of 2004 as discussed below.

### **3.2.2.2 Western Cape Tourism Act No. 1 of 2004**

This Act provides for the establishment of the Destination Marketing Organisation of the Western Cape and repeals the Western Cape Tourism Act of 1997 (WC DEDAT 2011:16). Although this Act repealed the Western Cape Tourism Act of 1997 its main objective still emphasised tourism marketing and did not prioritise tourism development and support to STBs.

### **3.2.2.3 Draft White Paper on Sustainable Tourism Development and Promotion in the Western Cape of 2005**

The Draft White Paper on Sustainable Tourism Development and Promotion in the Western Cape (South Africa 2005a:60) proposed the following functions for regional tourism organisations:

“The Regional Tourism Organisation will primarily have a tourism marketing function at the level of the metropolitan and district councils. This is in conjunction with the Local Tourism Bureaus in their areas of jurisdiction to serve as regional offices of the marketing agency.”

According to this White Paper, Regional Tourism Organisations should promote and market tourism in its jurisdiction in cooperation with the marketing agency. One of its functions would be to establish and maintain a database of information requisite for the formulation of tourism policies and strategies pertaining to its area.

Once again emphasis is placed on the marketing and promotion aspect of tourism with no directive on the supporting role of Regional Tourism Organisation to STBs, and how their marketing activities are to be used to facilitate opportunities for STBs in the mainstream economic activities within the tourism sector.

In the absence of legislation that advocates support to small businesses in its tourism sector it therefore became prudent for the Western Cape government to ensure that this enjoyed precedence. The Western Cape Tourism Development Framework was therefore developed to address issues related to the limited participation of previously

disadvantaged individuals in tourism and provide a long term tourism outlook that was not fragmented, prioritising funding for tourism development and marketing.

#### **3.2.2.4 Western Cape Tourism Development Framework**

This framework sets the vision for the Western Cape as a tourism destination and provides a tourism strategy. It is the Western Cape Provincial Department of Economic Development and Tourism's "high level sector strategy" for tourism, and forms part of its microeconomic development strategy (WC DEDAT 2011:15).

This framework comprises the following sub-strategies:

- *Tourism BBBEE Strategy and Implementation Plan*

This strategy emanates from the National Tourism BEE Charter (DEDAT 2005) and seeks to ensure market accessibility by becoming a mechanism to empower those individuals who were previously excluded from benefiting from the tourism industry. The focus of this strategy is to promote "representivity and inclusiveness related to areas of control, ownership, management and equity." This includes driving transformation through the Tourism BEE Charter and Score Card and promoting economic empowerment through tourism with an emphasis on designated groups. Key projects of the Tourism BBBEE plan comprise linking large tourism businesses with SMME and BEE enterprises, enabling better participation of marginalised communities in the tourism industry, and recognising service excellence in the tourism industry (WC DEDAT 2011:15).

Aligned to the priorities of national government for small business support, the Western Cape provincial government started to develop and implement plans that would promote economic empowerment through tourism, thus providing an enabling environment for marginalised groups to participate in the formal economy. The Tourism BBBEE Strategy and Implementation plan provide support through enhanced participation in economic activities, however capacity building programmes required attention.

Human resource development thus lagged behind in the provision of an economic environment that allowed small businesses to optimally benefit from trade and

economic opportunities in the first economy. In 2010 the Tourism Human Resource Development Strategy therefore followed to provide programmes that would capacitate STBs and enhance their competitiveness. In other words, in addition to implementing strategies that would enhance access to economic opportunities through the Tourism BBBEE Strategy, it became imperative to equally address the capacity needs of STBs. The Tourism Human Resources Development Strategy of 2010 addressed this.

- *Tourism Human Resource Development Strategy of 2010*

The Human Resource Development Strategy serves as the policy framework for skills and human resource development in the tourism sector under the direction of the Western Cape Department of Economic Development and Tourism (WC DEDAT 2011:15).

Prior to the development of the Tourism Human Resource Development Strategy of 2010 the Integrated Development Framework was developed in 2008.

- *Integrated Tourism Development Framework of 2008*

The 2008 Integrated Tourism Development Framework (ITDF) succeeded the 2002 Integrated Tourism Development Framework. It is aimed at promoting BBBE, skills development, transformation, infrastructure development and job expansion. It is also aimed at guiding the development of tourist sites, attractions, routes and infrastructure in the Western Cape, with an emphasis on a wider distribution of tourists within the province. The Integrated Tourism Development Framework includes the Western Cape Tourism Investment Recruitment Framework and the Tourism Road Signage Framework (WC DEDAT 2011:15).

In the Western Cape this has played a contributory role in the development of micro economic policy such as the Micro Economic Development Strategy (MEDS). The Western Cape Provincial Department of Economic Development and Tourism developed a macro economic strategy for selected industries in its province amongst which tourism featured. The ITDF thus provided the framework for the implementation of the MEDS.

### **3.2.3 Local government legislation and regulatory environment**

The national and provincial regulatory environment pertaining to tourism demonstrated the prioritising of tourism development; however this environment needed extending to local government to ensure support by all spheres of government. Hence the next section explores the local government legislation and regulatory environment that is applicable to tourism and economic development.

Tourism is regarded as a function of local government as entrenched in Section 152 of the Constitution that defines the role of local government in terms of developmental government. Section 4 B of the Constitution categorises local tourism as a local government functional area to the extent set out in sections 155 (6) (a) and 7 of the Constitution.

Additional supporting White Papers are Section B of the White Paper on Local Government of 1998 (South Africa 1998b) and the Draft White Paper on the Promotion and the Development of Sustainable Tourism in the Western Cape of 2005 (South Africa 2005), referred to in the previous section (section 3.2.2.3). The White Paper on Local Government of 1998 states that: “Local government is committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives”.

On the other hand, under section B subsection 1.1 of The White Paper on Local Government of 1998, it is also very clear in terms of local government’s mandate regarding job creation that: “Local government is not directly responsible for creating jobs.” This White Paper proposes that this sphere of government rather has a “responsibility for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities.”

The question that arises is what the active steps are that the White Paper on Local Government of 1998 refers to, and how local government can assist small tourism businesses in its locality? Small business development and local economic development is not the responsibility of local government alone. The current reform

of public administration which is premised on the principles of new governance, requires collaboration, networking and the development of partnerships with the private sector. Hence the achievement of service delivery objectives entails a shared responsibility amongst actors and reliance on third parties to address public problems. With the establishing of partnerships with the private sector in the form of public private partnerships (PPP) it became imperative for local government to create an enabling environment conducive to job creation and an environment that facilitates economic opportunities for STBs.

Legislation that provides the policy framework for local government regarding the development of PPPs is regulation 16 of the Public Finance Management Act of 1999. The PPP Policy Framework that is governed by Regulation 16 of the Public Finance Management Act of 1999 underpins tourism development as the responsibility of local government through joint collaboration and partnerships with the private sector.

National Treasury has specifically developed guidelines pertaining to Tourism PPPs within the framework of Local Government, namely the Municipal Finance Management Act 56 of 2003 (South Africa 2003b) and Municipal Public Private Partnerships Regulations, as contained in the Government Gazette No. 27431 of 1 April 2005 (South Africa 2005b). Guidelines in terms of the process and conditions for establishing PPPs are contained in Chapter 11 of the Municipal Finance Management Act of 2003 (South Africa 2003b).

This implies that the responsibility of local government regarding tourism development is limited to the establishing of public private partnerships. Hence interventions and support programmes for STBs should be provided within the framework of structured and formalised agreements with the private sector in the form of public private partnerships. In the context of a PPP local government will fulfil more of a coordinating role, with limited use of its own resources to provide assistance to STBs and lobby third parties to provide interventions and programme support for such businesses. Through formalised partnerships with the private sector and third parties it is therefore possible for local government to provide programmes of support and intervention for STBs even in the absence of a dedicated tourism budget or local economic development budget.

On the other hand legislation is very clear regarding the promotion of economic development through financial support to small businesses. In terms of this legislation, legislative and regulatory constraints for local government to promote economic development pertain specifically to investments. The Local Government Transition Act No. 209 of 1993 Section 10G (9) (a) (South Africa 1993b) restricts high risk investments or investment into new business. In terms of this Act, no municipality may provide credit to existing or emerging businesses as it may put the assets of the municipality at risk.

According to Emdon and Walton (2000:62), the following are permitted investments:

- “Deposits with banks.
- Securities issued by the National Government.
- Investments with the Public Investment Commissioner.
- Deposits with the Corporation for Public Deposits as contemplated by the corporation of Public Deposits Act 46 of 1984.
- A Municipality’s own stock or similar type of debit.
- Internal funds of a municipality which have been established in terms of a law, to pool money available to the municipality and to use such money for the granting of loans or advances to departments within a municipality, to finance capital expenditure.
- Bankers acceptance certificates or negotiable instruments of deposits of banks.
- Long term securities offered by insurance companies in order to meet the redemption fund requirements of municipalities.
- Any other instrument which a municipality was permitted to invest in prior to this Act.”

The above restrictions are directly in line with the conditions set forth by the Public Finance Management Act No. 1 of 1999 (South Africa 1999) and the Municipal Finance Management Act (South Africa 2003b) in terms of PPPs. These conditions permit local government to embark on PPPs on the condition that the partners will carry all the risks, the municipality will receive value for money and it will also be affordable to the municipality. National Treasury prescribes a six-phase project cycle

for PPPs through the Municipal PPP Regulations and goes further by proposing a toolkit for the development of tourism PPPs.

In view of the above it is clear that tourism development with specific reference to programme support and development is dealt with through local economic development. Local government's responsibility regarding tourism development is therefore executed through its local economic development programmes and interventions. Within the context of this study it is therefore important to discuss the guidelines that the Department of Cooperative Governance and Traditional Affairs has for local municipalities regarding Local economic development.

The Department of Cooperative Governance and Traditional Affairs, previously known as the Department of Provincial and Local Government, defines the vision for South Africa in terms of LED as "robust and inclusive economies that exploits local opportunities, address local needs and contribute to national development objectives such as economic growth and poverty eradication" (Department of Provincial and Local Government 2005:17). This department developed specific guidelines regarding local economic development for municipalities. The guidelines are as follows (Department of Provincial and Local Government 2005:31):

- "To render operational the local socio-economic environment in order to facilitate the creation and the development of local economic activities.
- Plugging the leaks in the local economy (retaining income in the local economy);
- Development of human capital (skills development focused on the needs of the local economy).
- Development of social capital (encouraging and developing the presence and capacity of all relevant collective stakeholders in the local economy: chambers of commerce, bodies building and grouping coops, NGOs, CBOs, development agencies, local tourism structures etc.).
- Community economic development (community-based initiatives targeted at community businesses and cooperatives, municipal–community partnerships especially in respect of infrastructure and service delivery).
- SMME development (provision of business infrastructure, financial and non financial services, access to affordable finance and start up grants, technical

support, involvement of SMMEs in government procurement especially in relation to infrastructure delivery), with special reference to the part of the population which currently has limited access to these services.

- To identify and support business clusters and business opportunities.
- To facilitate the participation of the population in using the opportunities and stimulating the establishment of new businesses or the growth of existing ones.
- To organise networks of local actors for preparing and elaborating projects and initiatives which can have access to the provincial, national and international resources which are available.
- To support the creation and/or consolidation of chambers of commerce and business associations, the presence in the territory of qualified and effective business development services, the involvement of organised labour in LED planning and activities and other similar interventions to ensure the full use of all the available social capital resources in the economic development of the territory.
- To ensure that contacts, links and exchanges with possible national and international economic partners are in place.
- To prepare and implement technically appropriate , viable and sustainable LED components for their Integrated Development Plans, in alignment with the Provincial Growth Development Strategy.
- To keep a data bank of all relevant information concerning support mechanisms, grants and facilities for assisting LED and human resource, skills and capacity building in LED spheres, from national, provincial, parastatal, donor and other sources. Advising and organising the best uses of these resources at the level of territorial competence.
- To market the area and to provide marketing assistance and support to businesses from the area and to attract inward investment.
- To promote local business expansion and retention strategies.
- To encourage the formation of appropriate partnership and coalition structures
- To introduce preferential procurement policies aimed at broad-based black economic empowerment and promoting local suppliers and contractors.”

In view of the legislation discussed, it can be concluded that the main aims of the tourism regulatory environment are in the ambit of LED and are, amongst others, to facilitate accessibility to economic opportunities, access to participation in the formal economy, and to encourage the diversification of the economy.

This environment does not promote assisting SBs with funding because its core business is not that of a financial institution. Provincial and local government are rather encouraged to facilitate access to funding through agreements with financial and other institutions in the form of Public Private Partnerships.

It is noted that the legislative and regulatory environment undertaken on provincial level with regard to the integration of STBs in the formal economy is in line with national legislation. The policy environments that developed parallel to the legislative environment and followed it also provide context to the study and are therefore discussed in the next section to illustrate the prioritising of tourism development.

### **3.3 Policy interventions by government**

The previous section on the legislation suggests that tourism development and the integration of SBs in the formal economy called for the development of policies that would achieve this. Linked to the previous section on the legislative framework and regulatory environment, the next section discusses important policies that followed with the objective of enhancing the ability of SBs to access trade and economic opportunities.

Small business development is an area that is being prioritised at all spheres of government and which requires cooperative governance to give effect to the implementation of policies and programmes that will augment the ability of these enterprises to survive in a highly competitive market.

According to Kirsten and Rogerson (2002:40), government is playing a very strategic role in driving such strategies and its regulations and policies are the major driving force behind the establishing of business linkages for SBs. Interventions do not only

include developing appropriate programmes, they also include policy interventions that will regulate the distribution of economic wealth in the tourism industry. Although the White Paper on Tourism of 1996 (South Africa 1996b), lay the foundation in terms of acknowledging the importance of promoting the participation of SMMEs in the tourism economy, (Rogerson 2005:624), the industry still requires deliberate policy intervention by government that will facilitate access to trade and economic opportunities presented by the tourism industry.

Kirsten and Rogerson (2002:35) substantiate this view that without “deliberate policy interventions”, ecotourism becomes the best possible means for small medium and micro enterprises to have access to trade and economic opportunities. In the light of this the policy interventions implemented by the South African government are discussed.

Post-1994, numerous policy interventions and strategies followed that coincided with the passing of legislation. This included strategies such as: Tourism in Gear: Tourism Development Strategy 1998–2000 (DEAT 1997), Institutional Guidelines for Public Sector Tourism Development and Promotion in South Africa (DEAT 1999), Tourism BEE Charter (South Africa 2005), and South African Tourism Planning Toolkit for Local Government (NDT 2009).

According to Vrancken (2002:297), the Tourism in Gear: Tourism Development Strategy 1998–2000 Strategy (DEAT 1997), was a direct outflow from the White Paper on the Development and Promotion of Tourism in South Africa (South Africa 1996b). The White Paper on Tourism of 1996 advocates the involvement of “government, private sector, non-governmental organizations, and communities”, in the growth and development of the tourism industry. It places significant emphasis on the promotion of responsible and sustainable tourism and the role of communities in terms of their involvement in tourism and as beneficiaries of tourism.

According to Spenceley and Seif (2003:9), the objective of this strategy is to give effect to the policies contained in the White Paper by providing a framework for implementation within the context of the Growth, Employment and Redistribution (GEAR) programmes. With a focus on the macroeconomic environment, this strategy

has to give effect to areas such as “institutional capacity building, marketing, promotion and communication, infrastructure and security provision, product quality assurance, human resource development, business development and investment promotion, sustainable product diversification and packaging, stakeholder liaison and relations, and international cooperation.”

The Institutional Guidelines for Public Sector Tourism Development and Promotion in South Africa (DEAT 1999) outlines the roles of each sphere of government towards achieving sustainable tourism growth and the development of tourism. It also stipulates the responsibilities of each sphere of government and the importance of collaboration between the three, identifying where government intervention is required to realise the national vision of sustainable tourism development (Vrancken 2002:297).

Pre-empted by identifying the roles and responsibilities of the different stakeholders, specifically the three spheres of government, and strategies to build the tourism sector into a competitive industry, national government realised that all the departments will have to contribute to achieving growth of the tourism industry. The document Unblocking Delivery on Tourism Strategy by Government Departments (DEAT 2000) was therefore developed; it outlines the actions required by the different national departments pursuant to achieving the vision of national government to grow the tourism sector.

The DEAT established the Tourism BEE Charter and Scorecard in 2005 (<http://www.tourismbeecharter.co.za/>). It is integral to the socio-economic strategy of the Broad-Based Black Economic Empowerment Act No. 53 of 2003 (<http://www.tourismbeecharter.co.za/>). This scorecard also became one of the deliberate policy responses of the South African government to leverage opportunities for SBs in the tourism industry.

Rogerson (2005:624) suggests that through the enterprise development targets set in the Tourism BEE Charter, government could influence the process of establishing linkages for SBs, which in turn would afford the SBs market access opportunities. The establishment of linkages was promoted by encouraging the formation of

relationships between large firms and the community in which the large firms are based. These relationships between SBs and large firms became a contributing factor to promoting social stability in the communities where the large firms are based, especially if a sound relationship is maintained with the host community. It creates the potential to use locally produced goods, services and resources, which, in turn, enhances social and economic stability in such communities (Goss, in Kirsten and Rogerson 2002:40).

The promotion of linkages by government between large firms and SBs is also utilised to promote the competitive advantage of both enterprises in terms of product differentiation. Product differentiation presents numerous opportunities for establishing linkages between large firms and SBs with specific reference to cultural tourism, ecotourism, and adventure tourism (Kirsten and Rogerson 2002:40). Dube and Jansen Van Vuuren in Kirsten and Rogerson 2002:40) make specific reference to cultural villages and the selling of a tourist experience based on their culture and heritage, which requires no training.

The literature that was reviewed on policy interventions by government to enhance market access opportunities for SBs in the tourism sector revealed that the important drivers that have made a considerable impact to establish linkages for STBs are outsourcing and insourcing (Rogerson 2002:159, Bredenoord 2000, Schroeder 2000 and Sheller 2000, in Kirsten and Rogerson 2002:38). The success of both drivers is due to promotion through government interventions and policies.

The researcher contends that a definite relationship exists between developing entrepreneurs in the tourism sector and, accordingly, facilitating access to opportunities for them to participate in economic activity. It is in line with developmental local government and the vision of South Africa for LED development. Thus, creating a robust and inclusive economy and performing its LED mandate as per the White Paper on Local Government of 1998 (South Africa, 1998) ensures that the economic and social conditions within a municipality are conducive to creating employment opportunities.

This approach of government policy intervention is aligned with the principles of New Public Management and Developmental Government (George, et al 2009:201). According to George et al (2009:201), the traditional public administration model focused on implementing policy “for a perceived public good”. A more corporate model of public administration is being adopted that comprises investment returns, stakeholder relations, and the role of the market. It thus has elements of new public management and also lends itself to neoliberalism that advocates the formation of PPS partnerships. According to George et al. (2009:210), neoliberalism brings about a shift in the responsibilities of government toward policy-making consistent with an entrepreneurial state.

The section on policy interventions shows that a definite relationship exists between the legislative environment and policy responses. This is demonstrated through amongst others, GEAR, that was an outflow of the White Paper on the Development and Promotion of Tourism in South Africa of 1996, and the Tourism BEE Charter of 2005 in terms of the BBEE Act No 53 of 2003 to ensure beneficiation of the tourism rand to marginalised groups and STBs. Cognisant of the role of local government in tourism development, the South African Tourism Planning Toolkit for Local Government (NDT 2009) was crucial to ensure local government practitioners are capacitated to deal with tourism marketing and development.

### **3.4 Programme support**

Now that an overview of the legislative and regulatory environment is provided, the next section will discuss programme support to assist STBs in terms of interventions and the intermediaries that implement such programmes.

Kirsten and Rogerson (2002:30) see local government as playing a very important role to attract trade and investment, with specific reference to providing tourism infrastructure. This is of particular relevance to municipalities that are responsible for providing and maintaining hard and soft infrastructure, so critical in positioning a region as conducive for tourism promotion. Further to this, the respective spheres of government also provide the support mechanisms for SBs to share in accessing the economic benefits of the tourism sector. Kirsten and Rogerson (2002:34) support this

with their view that the intervention of government is of critical importance in developing programmes that will enhance the establishment of linkages for SBs, especially to overcome poor entrepreneurial skills.

Gilbert in George, Mair & Reid (2009:210) refers to the current phenomenon of programme intervention by government as a linkage between social and developmental issues, where government takes on the role of an enabling state instead of a public welfare state. In an enabling state, social equity is promoted through employment creation and it is directly linked to the principles of employment creation and the formation of public-private partnerships (PPPs) that underpin tourism development. Harvey in George et al. (2009:210) defines this new form of programme intervention by government as an entrepreneurial state where entrepreneurialism is advanced to fuel private-sector-led growth.

In the South African context government has prioritised the development of PPPs towards facilitating trade and economic opportunities for SBs. Legislation such as the Broad-Based Black Economic Empowerment Act No. 53 of 2003 (South Africa 2003a), and the Tourism BEE Charter of 2005 (South Africa 2005) enhances the facilitation of trade and economic opportunities for SBs, indicating some characteristics of an entrepreneurial and enabling state.

The next section presents an overview of programme interventions provided by national and provincial government, and the private sector, to assist STBs. Various research efforts conducted on interventions that support opportunities for these enterprises are discussed. Several authors have reported on the importance of facilitating trade and economic opportunities, and specifically market access opportunities, for STBs. These are now discussed with an integration of both the programmes intervention as well as the intermediary which implement programmes that promote trade and economic opportunities

### **3.4.1 Programmes interventions and intermediaries**

The lead department that is driving SMME development in terms of its mandate is the Department of Trade and Industry (DTI). According to Brand (2006:20), the objectives of this department regarding enterprise development are as follows:

- To improve investments in, and exports from, South Africa.
- To grow markets for South African products abroad.
- To grow SMMEs.
- To redress inequities in the economy by bringing the previously disadvantaged into the mainstream.
- To reduce geographic and spatial development inequalities by spreading investment over the provinces.
- To create a fair and efficient marketplace for businesses and consumers alike.

This study takes place in the Eden District in the Western Cape province and it is therefore imperative to include an overview of programme support and interventions that have been implemented to support STBs in the Western Cape as part of the discussion. The lead Department in the Western Cape that plays an active role in providing policies and strategies to augment the development of an enabling environment for economic activity in the province is the Western Cape Department of Economic Development and Tourism.

The various programmes and channels available for promoting market access opportunities are now addressed. Forstner (2004:502) proposes the public sector, the private sector, membership associations, and non-governmental organisations as intermediaries in facilitating market access.

This section will therefore provide context to programme interventions that have been explored in practice to provide support to small tourism businesses as well as the intermediaries used to implement such programmes. In turn the success and failures of these interventions will be elaborated on.

Telfer and Wall in Kirsten & Rogerson (2002:33) conducted studies on programme interventions in Indonesia and Zimbabwe and highlighted key components that should

be present to secure successful business linkages: opportunities, information, capacity and capital. Programme interventions in South Africa are now discussed using these components as the framework for the discussion.

#### **3.4.1.1 Access to business opportunities and networking**

According to Rogerson (2002:159), the focus of developing tourism enterprises is broader than job creation and should include the offering of business opportunities. A SMME should have the ability to identify business opportunities when the prospect presents itself to link its business activities to that of a larger enterprise. Furthermore, a SMME should be able to identify whether it will be beneficial in the long term.

The obligation on government, and local government specifically, is to provide access to business opportunities and not necessarily business opportunities or jobs per se. Local government should provide the social and economic conditions in its locality that are conducive to the creation of job opportunities, as stated in the White Paper on Local Government of 1998 (South Africa 1998). SBs therefore remain responsible for the growth of their businesses and to identify economic and trade opportunities.

Local government will merely fulfil a role of facilitating platforms where SBs can make contact with potential business contacts and acquire information on business opportunities, thus fulfilling its mandate for developmental local government. An example in this regard is the SEDA small business week presented in partnership with a local municipality where a platform is created for small businesses to exhibit their products and services but also to obtain information regarding support for their businesses and potential business opportunities.

Access to business opportunities should be created through partnerships with businesses in the private sector. Such partnerships will provide STBs with an opportunity to gain access to the customer base of the larger businesses and to attract new customers. The affirmative procurement programme of Sun International as alluded to earlier (see Chapter 2 Section 2.2.4), serves as an example of the success of partnerships and linkages when private sector contractors are used to create opportunities for SBs.

Access to opportunities is supported by Rogerson (2002:159), who maintains that it relates to the offering of business opportunities and the establishing of linkages, considered to be a critical factor that will contribute to tourism development. The larger business may even take on the role of a mentor and coach to the SB and adopt the SB in terms of assisting it with business processes and financial management.

Networking is also proposed as a platform that presents an opportunity for STBs to obtain information regarding trade and economic opportunities. Networking is a very important ingredient in facilitating business opportunities and linkages; it is the easiest way of finding out what opportunities exists in the market. The Small Enterprise Development Agency currently has networking sessions which have also become a tool for SMMEs to build up networks. Rogerson (2002:163) supports the development of local networks and suggests that they should be fostered to maximise the benefits of tourism development for the local economy.

An intermediary with programmes that facilitate access to business opportunities and create network opportunities for SBs is the Small Enterprise Development Agency (SEDA). This agency was established by the Department of Trade and Industry (DTI) as part of its Enterprise Development programme (Department of Trade and Industry 2009:17). Besides the creation of network and business opportunities SEDA provides non-financial business development and support services for small enterprises. The amounts payable are based on the approved business plan of the entity, and supporting memoranda of understanding (Department of Trade and Industry 2009:17).

The researcher also supports the creation of network opportunities as a mechanism to assist SBs to become aware of business opportunities. Networking also enables larger firms to become aware of the services offered by SBs and the former may possibly outsource some of its services to a SB.

#### **3.4.1.2 Access to information**

Access to information is also considered as a programme intervention. The importance of information is that potential partners become knowledgeable as to whom the suppliers and also the potential buyers are of goods and services. The

researcher proposes that the local municipality should have a comprehensive database that profiles both the suppliers of tourism goods and services, and the buyers of such goods and services. Local government has an important role to play in this regard, and the development of a database of this nature will also assist the process of linking suppliers and buyers of goods. Such a database can enhance the process of matching larger firms and SBs.

A programme intervention that facilitates access to information is the Business referral and information network (BRAIN). According to the Department of Environmental Affairs and Tourism (2012:3) the aim of BRAIN, which is a programme of the National Coordinating Office of the Manufacturing Advisory Centres (NAMAC) Trust, is to assist small businesses through the provision of value-added business information. In addition to BRAIN, the NAMAC Trust which implements SMME support programmes on behalf of the Department of Trade and Industry also launched the Franchise Advice and Information Network (FRAIN) in 2002 (WC DEDAT 2012:3). According to WC DEDAT (2013:3), NAMAC provides support to small businesses through intermediaries.

#### **3.4.1.3 Capacity building**

Programme interventions focusing on the building of capacity in SBs will assist such businesses to honour their obligations and to meet the standards for quality, quantity, and deadlines set by the client. This will be expanded upon later (see Chapter 6 Sections 6.2.4 and 6.2.6) when the findings of the research are discussed. Access to funding and funding mobilisation is critical to the survival of any small enterprise; it has been identified as an essential element that will enable SBs to capitalise on opportunities that become available. The capacity of SMMEs to manage the administrative and financial aspects of their businesses is critical to the survival of their businesses.

Various authors namely Ndabeni (2008), Kirsten and Rogerson (2002), Reznik in Kirsten and Rogerson 2002, Bredenoord 2000, Schroeder 2000 and Sheller in Kirsten and Rogerson 2002 have proposed interventions such as business incubators,

partnerships, the establishment of linkages, and outsourcing to enhance the capacity of STBs to access markets which are discussed in the following section.

The programmes provided by SEDA and RED Door entail skills development programmes that capacitate the administrative and financial management capacities of such businesses. In addition to these intermediaries Ntsika, which is also a small business development programme implemented by the DTI, provides management and entrepreneurship schemes, technology transfer schemes, market access, and business development programmes through a network of local business services centres. This programme was specifically developed to enhance the market accessibility of SMMEs and their international competitiveness. The Ntsika programme thus provides business development programmes that enhance the capacity of SBs and in turn improves the competitiveness of these businesses.

#### **3.4.1.4 Business incubators**

According to Ndabeni (2008:259), SMMEs are often subject to failure, only a very small percentage survives. This requires policy interventions that will augment the competitiveness and efficiency of these enterprises to improve their chances of survival. This author provides supporting views regarding the involvement of government to enhance the competitiveness of STBs. Hence the mentoring of SBs forms an integral part of the support provided and will contribute to the success of a small enterprise (Kirsten and Rogerson 2002:34). It is, however, essential that such support is provided by suitably qualified persons or support institutions, and not necessarily government officials.

The researcher agrees with this perspective on business incubators as a medium to assist SBs, but wishes to emphasise that a model should be used that incorporates assistance and support from various stakeholders, namely knowledgeable partners, financial institutions and the private sector, amongst others. The basis for this is discussed later (see Chapter 6 Section 6.2.4) during the analysis of the research findings. It is critical that support is provided across the value chain, namely, information communication technology services, product development, marketing, skills development, and legal advice.

Ndabeni further suggests that business incubators are an effective intervention to provide support to SMMEs. Here, support includes “workspaces, financing, shared equipment and a network base of potential customers.” Various role-players, for example, government, suppliers and delivery agents, provide a support base for the SMMEs that form part of the incubator. The advantages of the business incubator for a SMME are that it creates an environment for relationships to develop between business owners, and provides the following: assistance to secure finance, access to business and technical assistance, and flexible leases at cost effective rates (Ndabeni 2008:262).

An Enterprise Development Centre is a centre that offers advice, funding and business development support to SBs. Local government provides the building for the centre. Accessibility to the resources and services in the centre is strictly managed through a voucher system, to avoid abuse of resources. The partners commit to, for example, the provision of mentoring, coaching, free legal and accounting advice, and assistance with business registration. Respective role players in this incubator model provide services and assistance relative to their areas of expertise.

The researcher suggests that government should render services in line with its core business, namely availing office space or a municipal facility for the walk-in centre, and should not embark on partnerships to provide support and assistance that is not aligned with its core business.

A programme intervention that is aligned to a business incubator model is the Manufacturing Advice Centres implemented by the DTI. This centre provided advisory services to small medium and micro enterprises in the manufacturing sector to increase their productivity and to improve their competitiveness on an international level.

In addition to this the private sector is also investing in programmes to assist small businesses. A large South African commercial bank also recognises its ability to assist SMMEs through a model based on an enterprise development centre (ABSA Bank 2011). Such a centre, which becomes a one-stop shop for SBs in terms of

advice, funding and business development support, is based on three pillars, namely: a current enterprise development centre, funding solutions, and after-care. Current enterprise development centres offer walk-in customer advice and assistance, and business registration. Funding solutions include client selection, application for credit and approval for credit, client link to sales channels, as well as recommendations for post-approval support. This aspect also includes the mentoring and coaching of the SBs. After-care entails post-approval support and mentoring, business assistance in the form of free legal and accounting advice, as well as customer specific training courses.

These centres are located in Johannesburg, Polokwane, Nelspruit, Durban, and Kimberley (ABSA Bank 2013).

Partners to the Enterprise Development Centre Programme are the South African Revenue Services, the Department of Trade and Industry, and one of the four top accounting firms in South Africa, KPMG.

#### **3.4.1.5 Partnerships/linkages between small businesses and large firms**

Partnering of SBs with larger enterprises in the tourism industry has also become a strategy to ensure active participation of the aforementioned in the economy. Following international best practice models, this is adopted to achieve a reduction in costs and to fuel efficiency; to improve quality; to improve government policy; product differentiation; local social stability; human agency and leadership (Kirsten and Rogerson 2002:38-41).

A programme that facilitates partnerships linkages is the Black Business Suppliers development programme (WC DEDAT 2012:5). According to this source this programme was established to establish linkages between black enterprises, the corporate and public sector (WC DEDAT 2012:5). The capacity of small businesses was therefore enhanced to enable these enterprises to compete for tenders from the private sector as well as the public sector.

The WC DEDAT has as one of its support programmes to STBs the Tourism Enterprise Programme (TEP). The main aim of this programme, which is implemented by subcontractors in the Western Cape, is to assist tourism enterprises in the growth and expansion of their businesses (WC DEDAT: 2012).

This is achieved by identifying business opportunities and linkages that SMMEs, historically disadvantaged enterprises, investors and large operators can benefit from. Services rendered through TEP include “SABS quality certification, debt and equity finance, business planning, packaging, legal advice, technology needs, and marketing” (WC DEDAT 2012). It is stated in the Tourism Enterprise newsletter of December 2011 that 4991 jobs were created in 2011 by the enterprises supported by TEP (Tourism Enterprise Annual Report). According to this source the contribution of the TEP programme to job creation rose over the last decade to more than “66900 jobs and a turnover of R5,3 billion”.

### **3.3.1.6 Outsourcing**

The encouragement of outsourcing as an approach to facilitate market access opportunities is now discussed. Kirsten and Rogerson (2002:50-51) propose various approaches to facilitate market access opportunities, including outsourcing. In terms of cost reduction and efficiency, larger firms will outsource activities that are not so critical to them to STBs, e.g., the restaurant services (Reznik 2000, in Kirsten and Rogerson 2002:37-38). This also includes services such as laundry services, room cleaning services, producing crafts, cultural entertainment, transport services for guests and employees; it may also include outsourcing supply needs (Reznik in Kirsten and Rogerson 2002:43). In the South African context, this form of enterprise-led linkage prevails across all sectors in the local tourism industry (Bredenoord 2000, Schroeder 2000 and Sheller in Kirsten and Rogerson 2002:38). This approach of enterprise-led linkages enables SBs to receive more support in terms of infrastructure, access to information and the availability of information (Kirsten and Rogerson 2002:51). These enterprises also have access to a broader network of the private sector than entrepreneur-led initiatives which receive support from public sector interventions.

In addition to the programme interventions discussed in the previous section that are aligned to accessing trade and economic opportunities, the DTI has also embarked on the following (Department of Trade and Industry\_2009:17):

*“Enterprise development – assist in growing and developing SMMEs and cooperatives. Under this programme, provision is made for roll-out of the transfer payments and subsidies aimed to support co-operatives and SMMEs, so as to withstand the challenges of a contracting economy. Provision was thus made for the following transfer payments and subsidies:*

- Khula Enterprise Finance Ltd. (Khula) was established to provide wholesale finance to promote and facilitate access to finance for small and medium enterprises. The amounts payable are based on the approved business plan of the entity, and supporting memoranda of understanding.
- South African Micro-Finance Apex Fund (SAMAF) provides sustainable access to affordable financial services for the poor. The amounts payable are based on the approved business plan of the entity, and supporting memoranda of understanding.
- United Nations Industrial Development Organisation (UNIDO) channels the South African contribution towards achieving sustainable global industrial development. The amounts payable are based on the fees determined by member states, including South Africa.”

The DTI implemented three major small business support programmes: the Khula Enterprise Finance Facility, Manufacturing Advice Centres, and Ntsika which were discussed under the programmes interventions.

With reference to the private sector, Forstner (2004:502) identifies tour operators and travel agents as institutions that can be classified as intermediaries that will aid in facilitating market access opportunities for STBs. These intermediaries play an important role in the process of “product distribution and activities that enable potential customers to access tourism products”. The author also identifies private business as a strategic intermediary and highlights the benefits of such partnership as mutually beneficial as it may become an investment in a niche market, or attract a new market.

Forstner (2004:505) indicates that, due to a lack of marketing skills and access to finance, a joint approach becomes very beneficial for SBs to access potential markets. This refers to the establishing of a community-based tourism association (CBTA) or forum to fulfil the marketing role for STBs that do not have the financial resources to market their products and service (Forstner 2004:505 and Biljohn 2010).

Forstner (2004:505) highlights the functions of CBTAs as including, amongst others: “to provide its members and communities with product development assistance. This includes product design and the development of management plans and training programmes.” Such an association becomes a medium to assist community-based tourism products to improve the quality and standards of their services. It has a particular important role to play in ensuring that the facilities of home stays meet hospitality standards and grading requirements. Further important functions of CBTAs are to establish linkages with the private sector, and to facilitate the distribution of community based tourism products. Such associations will work closely with the private sector through representation on tourism boards, and by promoting tourism products at domestic and international marketing platforms such as trade and consumer shows.

In a study conducted on community ventures and access to the market, Forstner (2004:497) analysed the role of private companies, membership organisations, public sector institutions, and non-governmental organisations as intermediaries to facilitate market access opportunities for community-based tourism initiatives. A strong case is contended for collaborative approaches between the aforementioned intermediaries since they have divergent areas of expertise as well as constraints. It is suggested that this encourages collaboration in terms of marketing assistance to tourism enterprises taking into consideration the location, tourism resources and organisational structure (Forstner 2004:497).

According to Kindness and Gordon in Forstner (2004:502), where marketing activities are embarked on jointly, they have “several advantages for the small producer, including economies of scale through the joint marketing of products, improved access to finance, joint ventures, collective bargaining power and lower transaction costs.”

Non-governmental organisations and non-profit organisations are also identified as media to promote community based tourism products. It is argued that these institutions appeal to a client base that is more interested in community based tourism, and hence they are promoting a niche in the tourism market (Forstner 2004:508). However, the limitations of such intermediaries should be acknowledged, and alternative intermediaries should possibly be explored.

Having explored the programme interventions and intermediaries that implement them, it can be deduced that numerous interventions have been embarked on aligned to the policy environment addressing obstacles experienced by STBs. It can be concluded that these programmes are available to the benefit of, and the enhancing of, the ability of STBs to access trade and economic opportunities in the tourism sector.

### **3. 5 Conclusion**

This chapter provided the important legislation that led to the prioritising of tourism promotion and development at all spheres of government, and the context in which the policy direction of national government evolved. To conclude the literature study on the legislation, the legislative and regulatory environment for tourism promotion and development in the Eden District was summarised.

Chapter 3 also explored the programme support that is provided within the relevant legislative framework and the intermediaries that facilitate this support.

## **CHAPTER 4: PROGRAMME INTERVENTIONS BY THE EDEN DISTRICT MUNICIPALITY**

### **4.1 Introduction**

The aim of this chapter is to address the research objective related to describing current local economic development programmes and interventions provided by the Eden District Municipality. It also investigates the rationale of the study to investigate existing programmes and interventions provided by the Eden District Municipality that facilitate access to trade and economic opportunities. This chapter therefore considers the programme interventions provided by the Eden District Municipality for STBs that will assist them to access trade and economic opportunities.

Before the researcher goes into an in-depth discussion regarding the available programme interventions, a brief description of the location and tourism potential is outlined to provide context for the discussion. This is followed by an overview of tourism structures in the Eden District Municipality.

The Eden District Municipality is also known as the Garden Route and Klein Karoo. It is the third largest region in the Western Cape: it covers a geographical area of 1 903 301 hectares, approximately 23 319 square kilometres, and is located 350 square kilometres along the Indian Ocean (EDM TMDS 2011:74). Tourism offerings in the Garden Route and Klein Karoo can be classified as nature based, cultural and heritage, natural heritage, human-made heritage, and architectural heritage (EDM TMDS 2011:40). The Tourism Marketing and Development Strategy, which is still in its draft process, reports that popular themes amongst domestic and international tourists who visit the Garden Route and Klein Karoo can be categorised as ecotourism, adventure, nature, cultural, sport, and agritourism (EDM TMDS 2011:41). The Tourism Marketing and Development Strategy further identify the following tourism development opportunities in the Eden District which holds trade and economic opportunities for STBs as illustrated in Table 4.1 below.

***Table 4.1: Tourism development opportunities in the Eden District***

<b>OPPORTUNITY</b>	<b>RATING</b>
Cycling	26.5
Whale watching	40.25
Bird watching	53.75
Business tourism	64
Health and wellness tourism	41.5
Medical tourism	47
Historical and cultural tourism	73.25
Adventure tourism	63.25
Wine and port tourism	46.5
Harbour development	50
Fishing activities	44
Agritourism	54
Flora tours	38.25

Table 4.1 suggests that the Eden District as a tourism destination offers considerable business opportunities that STBs can tap into. In turn, the latter has the potential to create employment opportunities if these opportunities are effectively utilised.

Now that the tourism potential of the Eden District has been discussed a brief overview of tourism structures in the Eden District Municipality is provided. The Tourism Department of the Eden District Municipality administers and manages the functioning of the regional tourism organisation, namely Garden Route and Klein Karoo. Chief executive officers or chief operating officers of the LTOs are represented on the regional tourism organisation, and the Eden District Municipality fulfils the secretariat function. The functions of the Regional Tourism Organisation include playing a coordinating role in terms of the marketing of the destination, and performing a coordinating function in the provision of skills development programmes. This is conducted in collaboration with the LTOs, including the B Municipalities, within the Eden District. Its functions include dissemination of information to stakeholders and beneficiaries.

## 4.2 Programme support by the Eden District Municipality

The Eden District Municipality embarked on the development of its Growth and Development Strategy in 2007. Tourism is identified as a key economic growth sector in the Growth and Development Strategy, and this strategy advocates a common regional vision for growth, introduce support structures and facilitate opportunities for the marginalised.

This strategy provided the trajectory for the LED agenda of the Eden District Municipality, set the context for the development of the 2008 EDM Tourism Marketing Strategy, and made recommendations in terms of SB support. These will now be discussed, with a short description of the attainment of each recommendation.

1. “The Eden District Municipal, local authorities and the new sector-focused body (Destination Management Organisation, or section of the Economic Development Agency) should be fully aware of the needs of these small enterprises and the support already available. To strengthen public awareness about such support (from all levels of the public and private sectors) there may be a need for easily understandable local information brochures to outline existing programmes and relevant contacts” (EDM, Growth and Development Strategy 2007:46).

Regarding a local information booklet, a simplified version was developed to assist SBs. The booklet contains policies, codes of good practice and important contact details of various institutions and organisations. This booklet, an outcome of the 2008 BBBEE summit presented by the Eden District Municipality, was developed to educate SMMEs on the economic benefits of BBBEE.

2. “The Eden District Municipality or the Destination Marketing Organisation/Economic Development Agency, in cooperation with local SMME representatives, will have to consider the need and scope for further tourism-focused local or regional SMME support programmes. Ideally they should be planned and implemented in close co-operation with private sector associations as well as provincial and national SMME support agencies and programmes. In this context special attention should be given to the expressed need of a “tourism development

fund” for Eden enterprises, in order to, for example, help to overcome difficulties with regard to access to finance experienced by emerging enterprises. Such a project will, however, need very thorough investigation first, given the countrywide broadening of finance-support mechanisms and the challenges inherent in such top-down initiatives” (EDM, Growth and Development Strategy 2007:47).

Various financial institutions were engaged by the LED and Tourism Department regarding the establishing of an SMME Incubator fund. Some of the financial institutions demonstrated an interest in such a fund on the premise that the model be revised by the Eden District Municipality. The SMME incubator would provide financial assistance in the form of equipment for small businesses that do not have the funds to purchase equipment essential to their business operations. The researcher was personally involved in the Local Economic Development section of Eden District Municipality at the time that this fund was introduced and on the basis of personal anecdotal observations the following appeared to be contributory reasons for its failure:

- Lack of secured private sector partners
- Reluctance of private sector partners to commit resources
- Workable implementation model was not developed

3. “As part of this support process consideration could be given to the expansion of the services of local tourism offices towards the dissemination of small-business information for local operators, thereby expanding quite significantly the local network of small-business information points” (EDM, Growth and Development Strategy 2007:47).

A close working relationship has developed between the Eden District Municipality and the LTOs over the past two years and this has led to the involvement of LTOs in tourism development initiatives and the distribution of information to SBs. Some of the LTOs have prioritised tourism development as part of their key functions in addition to their product marketing activities. The LTOs thus assist in providing an information point for STBs.

Tourism help desks, established by the WC DEDAT, throughout the province also serve as information points for STBs. These were however discontinued during 2010 in the Eden District when the program was terminated by the Western Cape Provincial Department of Economic Development and Tourism.

4. “The Eden District Municipality and the Destination Marketing Organisation/Economic Development Agency should also encourage other players in this field (like financial institutions) to revisit their approach towards the needs of local tourism enterprises, including BEE firms. Other challenges in this field include the expansion of *homestay* and *farmstay* facilities as well as the encouragement of informal township operators to gradually upgrade and formalize their operations as a way to expand earning capacities” (EDM, Growth and Development Strategy 2007:47).

As mentioned in the previous section, various local financial institutions have been approached by the Eden District Municipality to provide assistance to SBs, though no commitment has yet been received. A workable model still needs to be developed in order to implement such a fund.

In terms of the expansion of homestay and farmstay facilities, the Tourism Department of the Eden District Municipality has developed a Craft and Culture Destination Guide which is aimed at developing a route that will market craft producers and culture and heritage tourism, including homestays. In addition, township tourism is also receiving attention through this free marketing tool. The LTOs play a critical role in encouraging homestays to upgrade their facilities, as well as township tour operators. Whilst local municipalities can be of assistance in mobilising resources to upgrade these facilities, the LTO also has a role to play in marketing these products as part of the tourism offering of its town.

5. “Consideration should also be given to the establishment of tourism-focused small-business incubators in one or two of the larger places in the region, in line with world-wide incubator initiatives” (EDM, Growth and Development Strategy 2007:47).

An incubator programme in this regard is a SB mentorship programme, called the Plato Mentorship Programme. This programme, which emanated from a Belgian model, was targeted at SBs across the region and included mentoring by financial institutions, amongst which a large commercial banking institution, as well as business institutions. The programme which was implemented over two financial years came to an end in June 2011. The Plato Mentorship Programme was aimed at SBs across all sectors; it was not specifically tourism focused. It was implemented in the following B Municipalities: Oudtshoorn, Bitou, Knysna and Hessequa.

6. “Municipalities and larger tourism enterprises should also encourage the outsourcing of supply needs in the tourism field to emerging enterprises, even outside the direct tourism supply chain. This could further widen the regional multiplier effect of increased visitor flows” (EDM, Growth and Development Strategy 2007:47).

Although the principle of making use of SBs through preferential procurement policies by municipalities applies, there was no deliberate intervention or strategy from the District Municipality’s side that encouraged the industry to outsource some of its services to SB. Although this may not have been advocated by the Eden District Municipality, it cannot be concluded that this practice is not occurring within the local hospitality industry.

In terms of the support strategies recommended by the Growth and Development Strategy of 2007, only a few were achieved: an information brochure; a craft and culture destination guide to enhance the marketing of craft producers, homestays and cultural heritage tourism products; and the Plato Mentorship Programme as a business incubator programme. What was not achieved was the establishment of comprehensive business incubator programme to serve as a one-stop shop for STBs providing assistance along the value chain.

The dissemination of information to SBs by LTOs has not been fully achieved as an expansion of the services of LTOs. Strategies that encourage the outsourcing of business by larger firms to SBs were also not implemented at district level.

Having described the achievement of the tourism support strategies as recommended in the EDM Growth and Development Strategy of 2007, an analysis will now be undertaken of the PDI support strategies recommended in the Tourism Marketing Strategy of 2008 and the achievement of these.

The Eden District Municipality's Tourism Marketing and Development Plan developed in 2008 wishes to achieve a common regional vision – to grow tourism aligned with its strategic objective to make Eden a home and future for all. The tourism PDI development support strategies as advocated in the Eden District Municipality's Tourism Marketing and Development Plan of 2008 are the following:

1. Create and exploit marketing platform opportunities for SMMEs, specifically previously disadvantaged individuals.
2. Oversee the participation of quality PDI tourism products/services in ETEYA.
3. Facilitate, support and expose SMMEs and PDIs on existing local, national and international marketing platforms.
4. Facilitate the participation of SMMEs at business tourism platforms.
5. Develop specific brochures for PDI community products.
6. Develop more holistic database of visuals, including cultural/ community products.
7. Utilize existing local and national development forums (public, private and community) to advocate and lobby for SMME support and exposure.

Achievement of these support strategies are demonstrated in Table 4.2 below.

***Table 4.2: Tourism development support***

<b>Strategy</b>	<b>Actions</b>	<b>Who</b>	<b>By when</b>	<b>Performance targets</b>	<b>Were these achieved?</b>
Create and exploit marketing platform opportunities for SMMEs, specifically PDIs	Facilitate and coordinate the participation of emerging entrepreneurs annually at Indaba.	EDM LTO LED EDTA	May 2009	10x emerging entrepreneurs to participate as roving and stand exhibitors.	Yes Indaba 2009: 2 SMMEs Indaba 2010: 3 SMMEs Indaba 2011: 2 SMMEs
Oversee the participation of quality PDIs' tourism products/services in ETEYA	Identify SMME candidates for ETEYA. Participate in the adjudication process for ETEYA.	EDM LTO LED EDTA	Nov 2008	Coordinate the process of identifying 1x market ready tourism SMMEs for ETEYA finalists.	No
Facilitate, support and expose SMMEs and PDIs on existing local, national and international marketing platforms	Organise SMMEs for participation on relevant platforms.	EDM LTO LED EDTA	Ongoing	10x emerging entrepreneurs to participate across platforms	Market access opportunities facilitated at: George Cheese Festival, 2009 ABSA KKNK, 2010 Eden Duo, 2009
Facilitate the participation of SMMEs on business tourism platforms	Facilitate participation of business tourism SMMEs at Meetings Africa	EDM LTO LED EDTA	Feb 2009	2x business tourism SMMEs to participate in Meetings Africa.	No
Develop specific brochures for PDIs' community products	Brief requirements for brochures, featuring products and contact details throughout the Eden area	EDM LTO LED EDTA	Sept 2009	PDI community product brochure (print run to be confirmed)	Craft and Culture Destination Guide, 2008 Craft and Culture Destination Guide, 2011 – to promote craft and cultural tourism
Develop more holistic database of visuals, including cultural/community products	EDTA and emerging tourism product owners to provide into destination visual images	EDM LTO LED EDTA	Ongoing	Improved visual database reflecting the more holistic product offering	Yes - Database of featured craft and cultural tourism related SMMEs 2008–2011

Further to the 2008 strategy, the Eden District Municipality has embarked on the review of its Tourism Marketing and Development Strategy which is currently in its drafting process.

The objectives for tourism in terms of the Integrated Development Plan of 2010 are to achieve transformation and development. The Eden District Municipality's 2010 Integrated Development Plan document (EDM 2010:65) proposes the review of its current tourism marketing strategy to derive mechanisms that will address transformation and development. It has thus placed transformation and development at the centre of the regions' tourism agenda.

Programmes and support interventions rolled out during the 2009/2010 and 2010/2011 financial years to assist small businesses included the following:

- Increasing access to funding/facilitating pool of resources, marketing opportunities for SMMEs.
- Commitment to BBBEE (awareness raising and Eden procurement).
- Trade and investment marketing (business guide, platforms, catalytic projects, etc.).
- Skills development in line with industry requirements (export development programme).
- Support for SMME development – SEDA (skills development, mentorship through Plato, etc).

### **4.3 Conclusion**

This chapter discussed current local economic development programmes and interventions provided by the Eden District Municipality within the context of its Growth and Development Strategy, Local Economic Development Strategy and its Tourism Marketing and Development Plan. An overview was thus provided of programme responses geared towards small business support provided from a local economic development perspective. The attainment of each of these programmes was discussed to provide a synopsis on its implementation status.

Although some of the programmes were not implemented it is aligned to some of the programme interventions recommended through the literature study in chapter three namely access to finance, access to information, capacity building through incubators, and the establishing of linkages with partners. It therefore demonstrates a definite relationship exists between the programmes and interventions that are provided and the needs of the STBs. However do these programmes and interventions address the needs of STBs in the Eden District Municipality to access trade and economic opportunities? The next chapter will provide empirical data in this regard.

## **CHAPTER 5: RESEARCH DESIGN, RESULTS AND DATA ANALYSIS**

### **5.1 Introduction**

Chapter 5 presents the results of the research and the data analysis. The responses of STBs will be interpreted by analysing the data obtained from the questionnaire they completed. The main purpose of the questionnaire was to obtain data that will enable the researcher to answer the research objective, namely:

To investigate if support programmes provided by the EDM meet the needs of small businesses in its tourism sector. It also answers the rationale which investigates if the programme interventions provided by the EDM address the needs of the small tourism businesses?

This is achieved by grouping responses of the STBs together through statistical analysis into relevant categories of data which are graphically illustrated through figures. The data represented in these figures are then analysed through a discussion and used to formulate the findings of the research. The findings are then used to address the final objective of this study, identifying strategies and programme interventions that will enhance the accessibility of trade and economic opportunities for small businesses in the EDM.

### **5.2 Summary of Research Design**

#### **5.2.1 Study methods and design**

The research was conducted by using questionnaires as primary data. The self-administered questionnaire, which consists of four sections, was distributed amongst STBs in the Eden District/Garden Route and Klein Karoo. A quantitative study method formed the basis of the study by using questionnaires that consisted of closed-ended questions and a few open-ended questions. The rationale for using SBs as the sample is to obtain the perspective of SMMEs instead of local government

practitioners who may hold different views regarding small business support and interventions. Primary limitations experienced regarding the non-return of completed questionnaires were time and a lack of cooperation of the respondents.

### **5.2.2 Data analysis**

A structured questionnaire (see Appendix 1) was developed to capture the views of SBs. The data obtained through the questionnaires was analysed by using statistical methods and results presented in the form of graphs and tables.

### **5.2.3 Ethics**

No ethics problems were experienced due to the nature of the research. The respondents remained anonymous.

## **5.3 Survey results and data analysis**

The target population in the study comprised 78 identified STBs in the EDM. The STBs were first contacted telephonically and asked if they would be willing to participate. The questionnaire was emailed or faxed to those SBs that agreed to participate. The sample that responded was 22. This does not constitute 30% for the sample to be considered representative of the sample population group, as suggested by Anastasi and Urbina (1997:113).

The results of the survey therefore provide an overview of the extent of support and assistance received from the EDM by the STBs that responded. The results cannot be interpreted as the full representation of support received by STBs across the district.

The results of the questionnaires are now to be discussed. The results were analysed after grouping related questions together for comparisons to be made. Analyses were grouped into the following categories: characteristics of the respondents, public awareness, analysis of communication awareness mediums, small business support,

perception of tourism management by the municipalities, and participation in tourism strategies.

### 5.3.1 Characteristics of respondents

A total of 22 questionnaires were collected from the 78 distributed. Of the respondents, 71% were females and 29% males. See Figure 5.1. The reason for this might be that the tourism industry of the EDM, especially the SBs, is dominated by females rather than males.

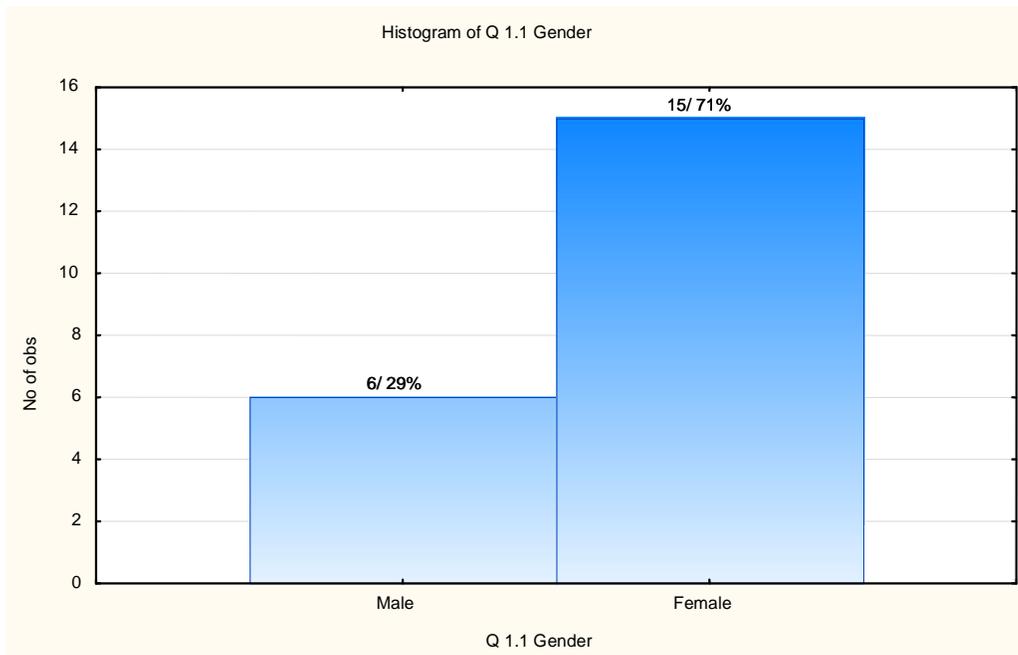


Figure 5.1: Comparison between male and female respondents

The age distribution of respondents who completed the questionnaire is shown in Figure 5.2. The majority are in the age group 35–45 years. Indications are that most of the small businesses that responded are managed by older/mature individuals.

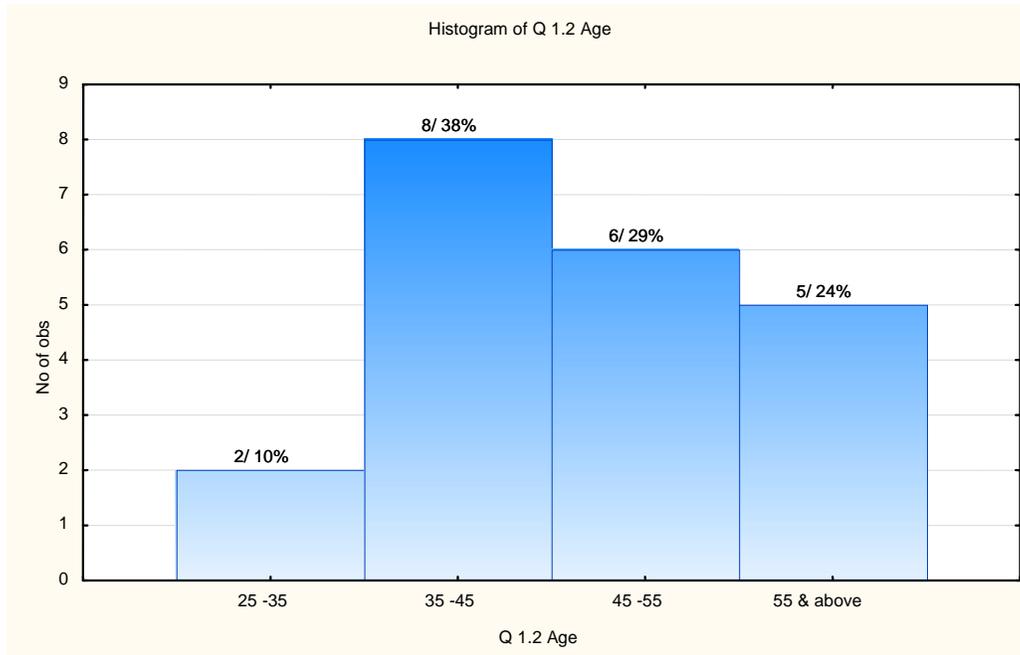
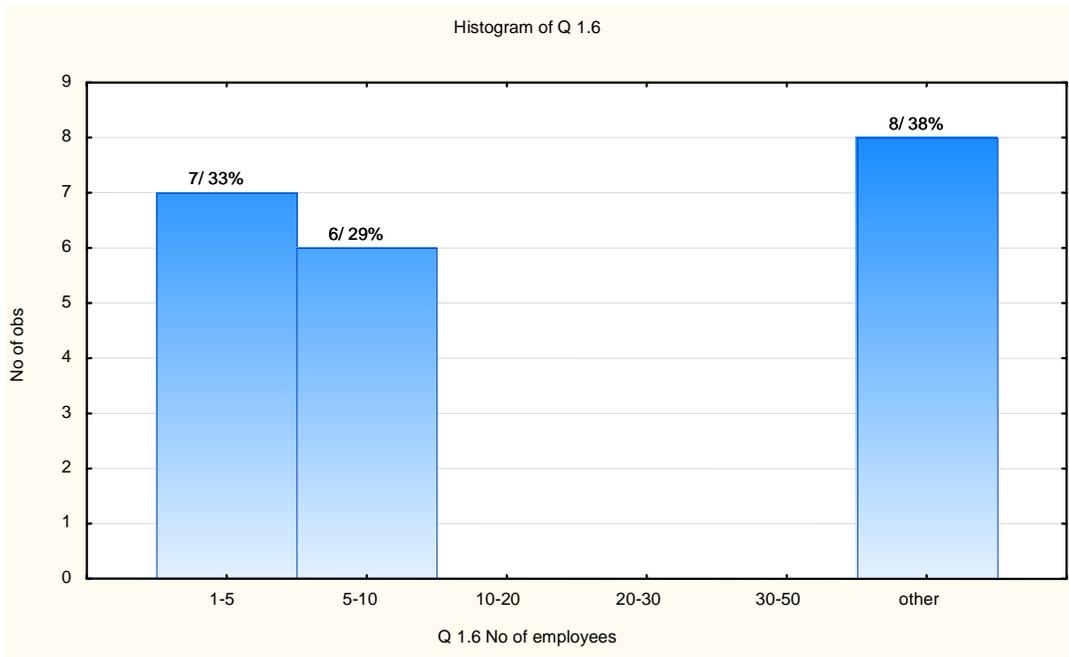


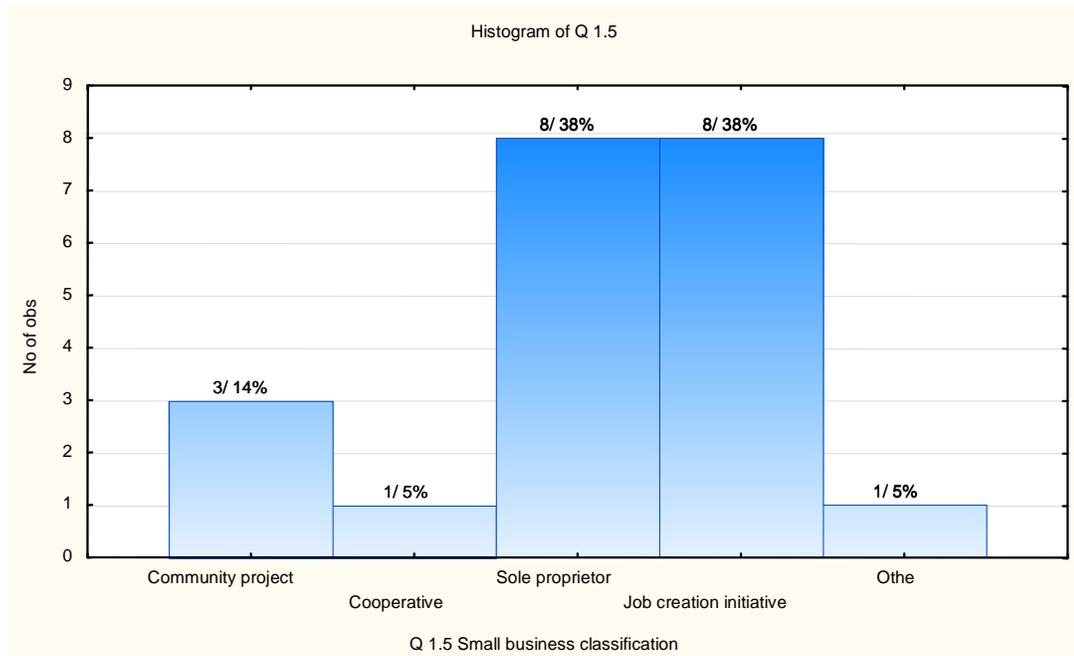
Figure 5.2: Classification of the different age categories of the respondents

Figure 5.3 shows the number of employees per SB: 33% of the respondents can be classified as having a micro business with 1–5 employees, 29% of the respondents have a very small business with 5–10 employees, and 38% are classified as ‘other’, meaning that they are sole proprietors, or have more than 50 employees (a medium-size businesses).



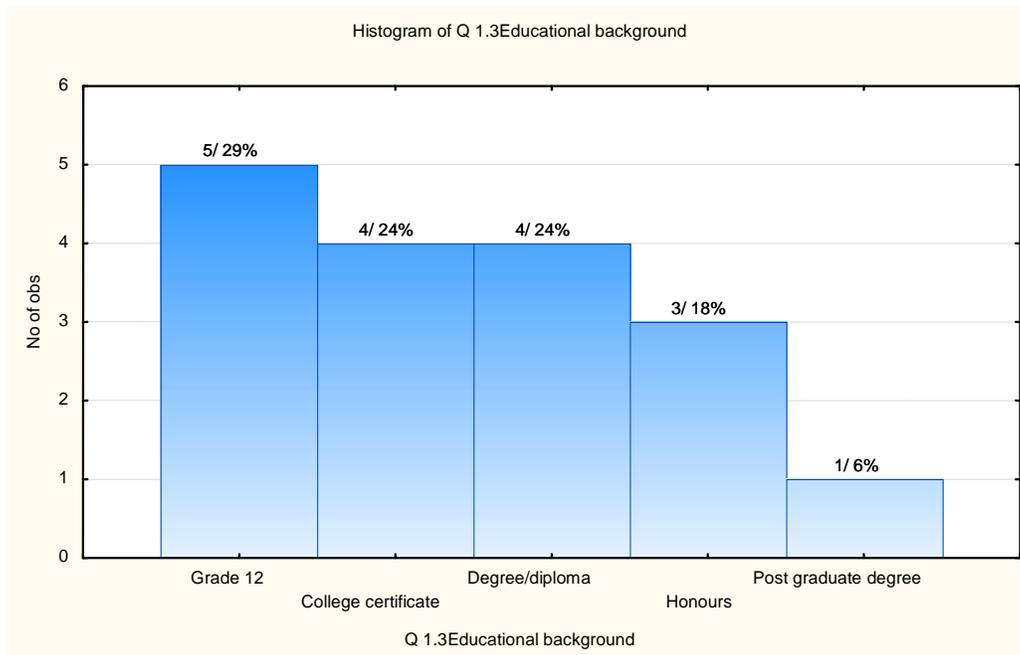
***Figure 5.3: Number of employees in small businesses***

Figure 5.4 shows that 13% of respondents represent community projects, 5% cooperatives, 38% sole proprietors as well as job creation initiatives, and 5% are represented by 'other'.



**Figure 5.4: Classification of small business**

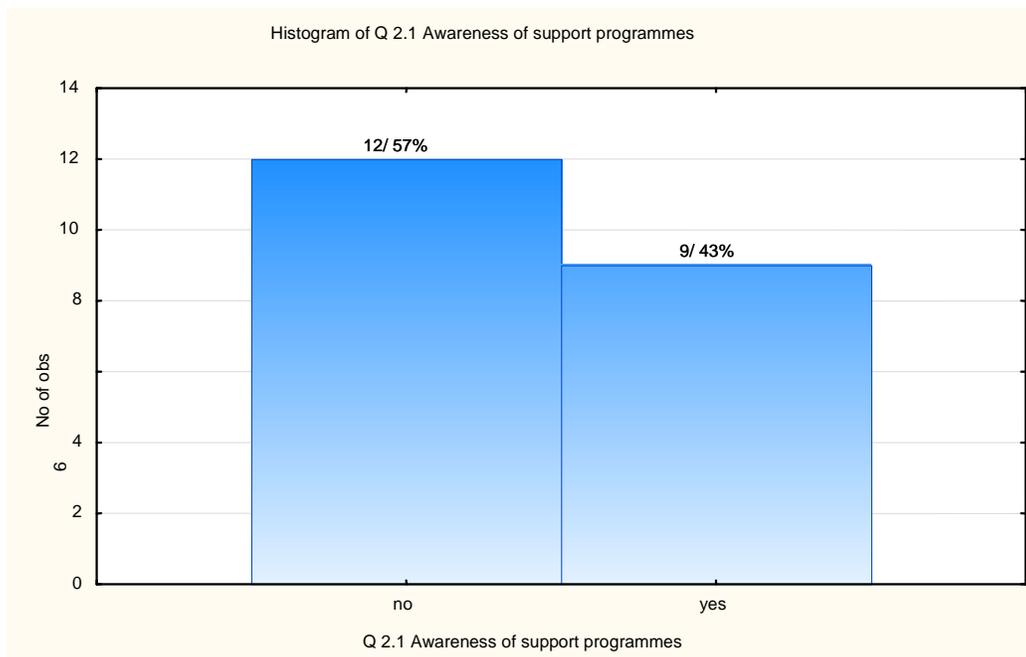
Figure 5.5 shows the educational status of respondents. The majority of the small businesses that responded (29%) are managed by respondents who only have Grade 12; this may have an impact on business decisions. However, 24% of the respondents are in possession of a college certificate and a degree/diploma, indicating that many SBs are also managed by individuals who may be better able to make good business decisions.



**Figure 5.5 Educational status of respondents**

### 5.3.2 Analysis of public awareness

It is important that SBs are aware of and informed of the available support programmes that can assist the growth of their business. An integral part of this study was therefore to establish whether SBs are adequately informed of the support programmes offered by government as well as the EDM. In addition ascertaining the accessibility of media used to inform the SBs of the type of support programmes available. Figure 5.6 reports on the awareness of support programmes offered by Government. More than half the respondents (57%) are not aware of such programmes.



*Figure 5.6: Awareness of support programmes offered by Government*

Figure 5.7 reports on the awareness of support programmes offered by the EDM. Similar results were recorded.

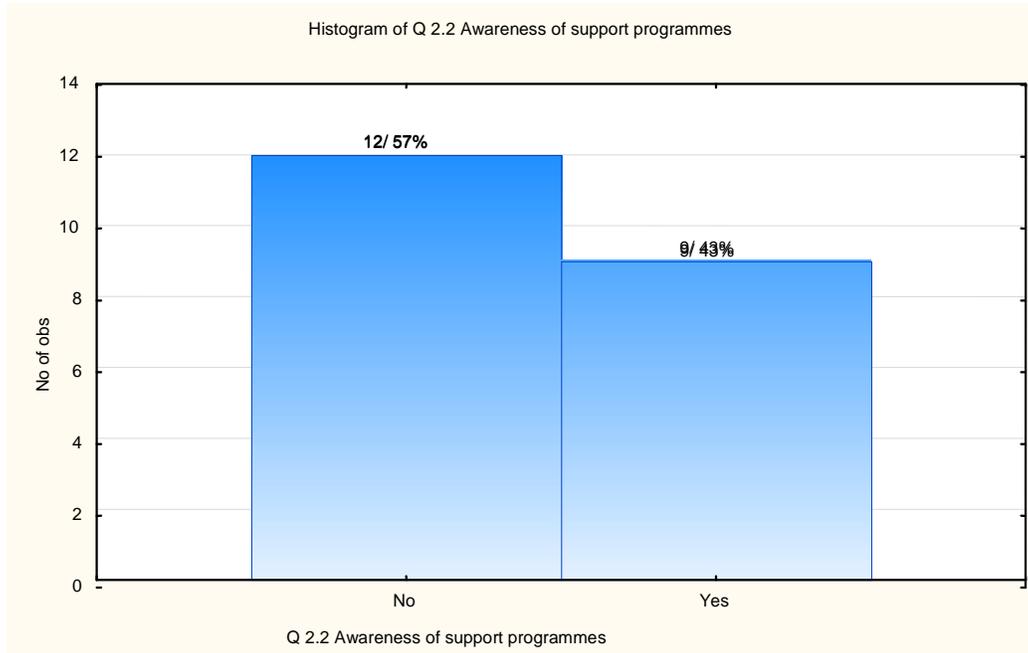
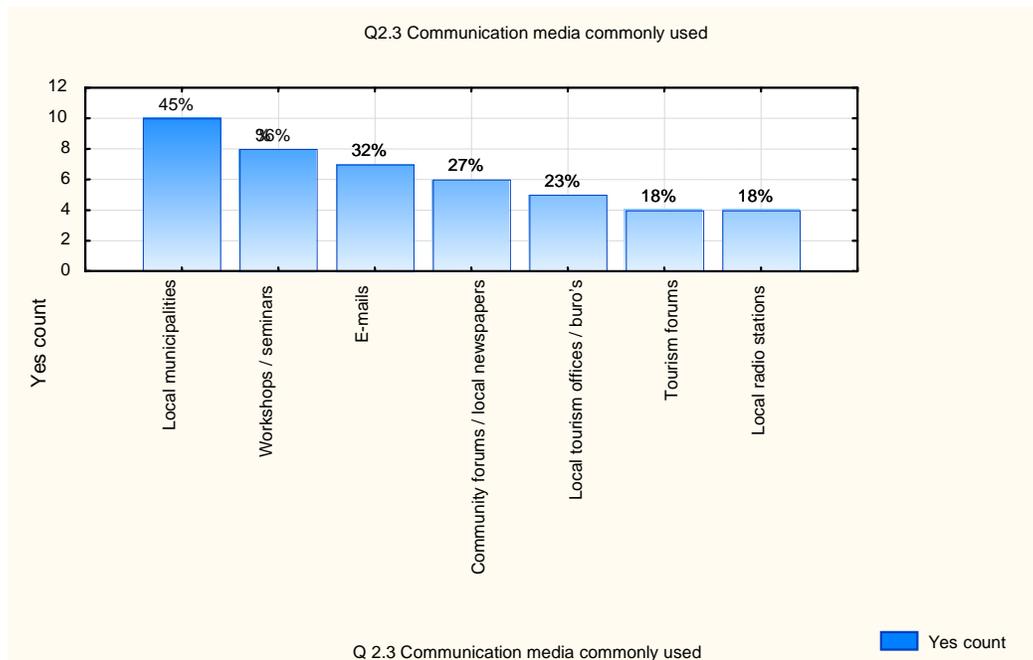


Figure 5.7: Awareness of support programmes offered by the Eden District Municipality

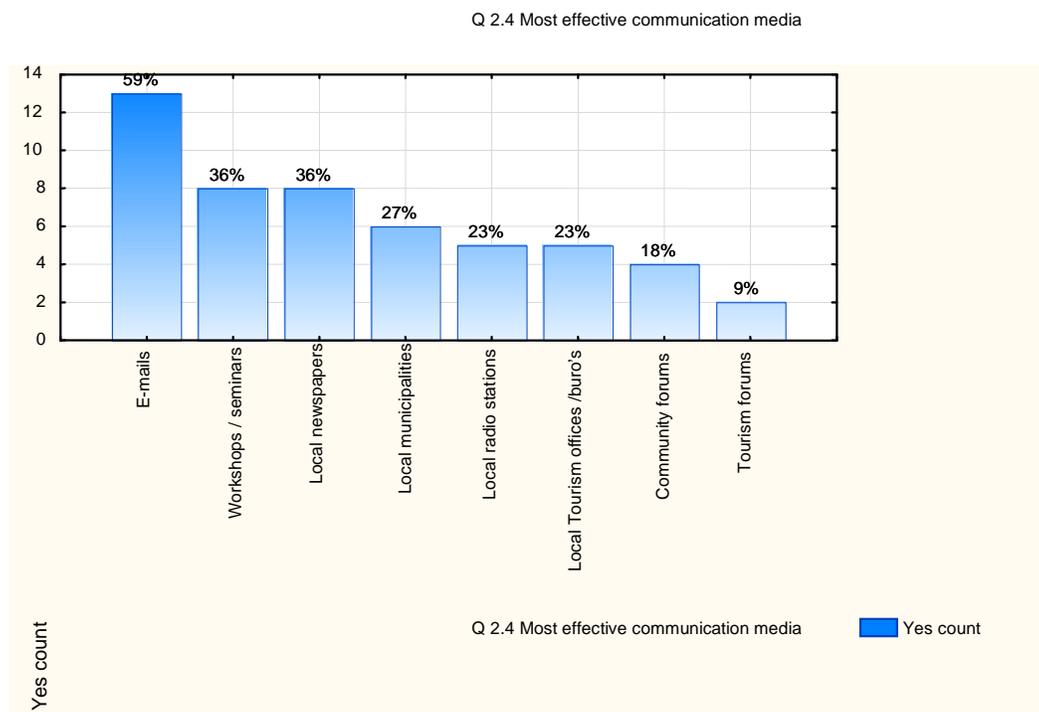
### 5.3.3 Analysis of communications media

The municipality has a responsibility to raise awareness regarding support programmes that are available. In this section an analysis will be made of media utilised to promote awareness of support programmes in order to ascertain whether they effectively and efficiently promote awareness. Responses indicating which communication media are commonly used to promote support programmes by the EDM are displayed in Figure 5.8. The local municipalities were identified as the most common method used (45%) and workshops/seminars the second most common (36%).



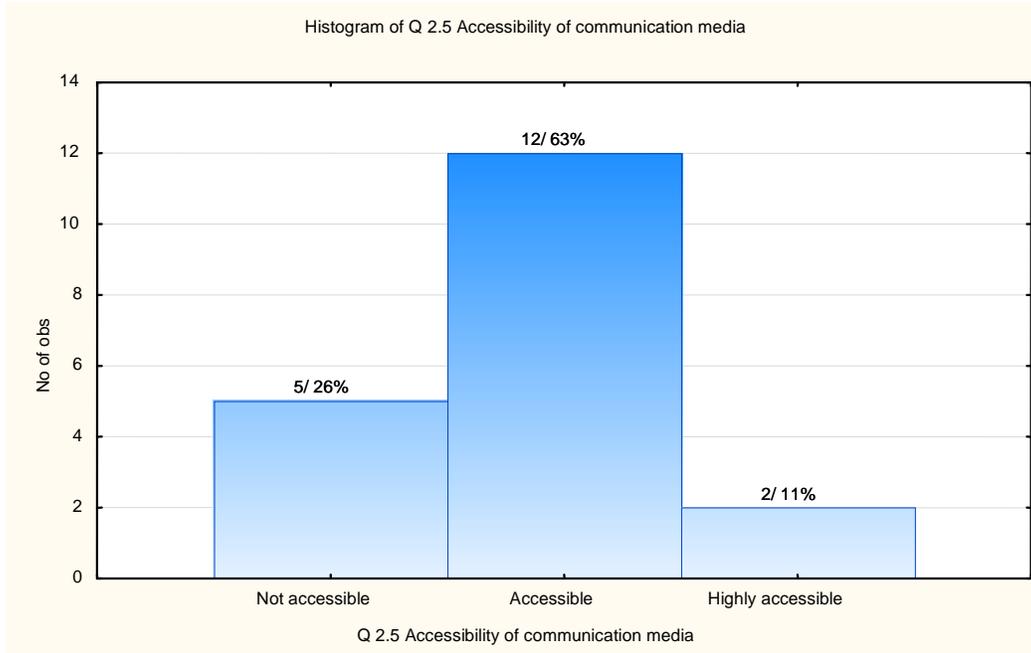
**Figure 5.8: Communication media commonly used to promote support programmes offered by the Eden District Municipality**

Responses obtained regarding which communication media are most effective are displayed in Figure 5.9. Emails are regarded as the most effective communication medium (59%). This may be because the majority of SBs have internet access and make use of emails as a standard practice to communicate with potential customers and for staying in touch with developments in their respective business areas. Workshops and seminars are the second most effective communication medium (36%), perhaps because these are usually the platforms used to engage with other SBs. Local newspapers are also regarded as an effective communication medium (36%). This may be because local newspapers are able to reach a larger group of people across a broader spectrum and are mostly published more frequently.



***Figure 5.9: Communication media considered most effective in promoting support programmes offered by the Eden District Municipality***

Respondents were also asked to indicate accessibility of these different communications media. Responses are displayed in Figure 5.10. A quarter of respondents indicated that these media are not accessible to them.



**Figure 5.10: Accessibility of communications media**

### **5.3.4 Small business support**

An overview of the support programmes available for STBs from the EDM is now given. An analysis of the type of assistance that SBs receive will also be provided as well as how these SBs rate the assistance that they received from the EDM . In addition an account of the areas in which the SBs require support will be given, thereby offering a comparative evaluation between the type of assistance received and the type of support required.

Figure 5.11 shows the response to awareness of the type of support programmes offered by the EDM for SBs being: nearly half (41%) of the respondents indicate that they are not aware of the type of support programmes offered; just more than a third (36%) are aware of training/skills development programmes that are offered. Only 14% of the SBs indicated access to funding/finance, market intelligence and partnership linkages with established businesses while only 5% of the SBs indicated access to a business incubator.

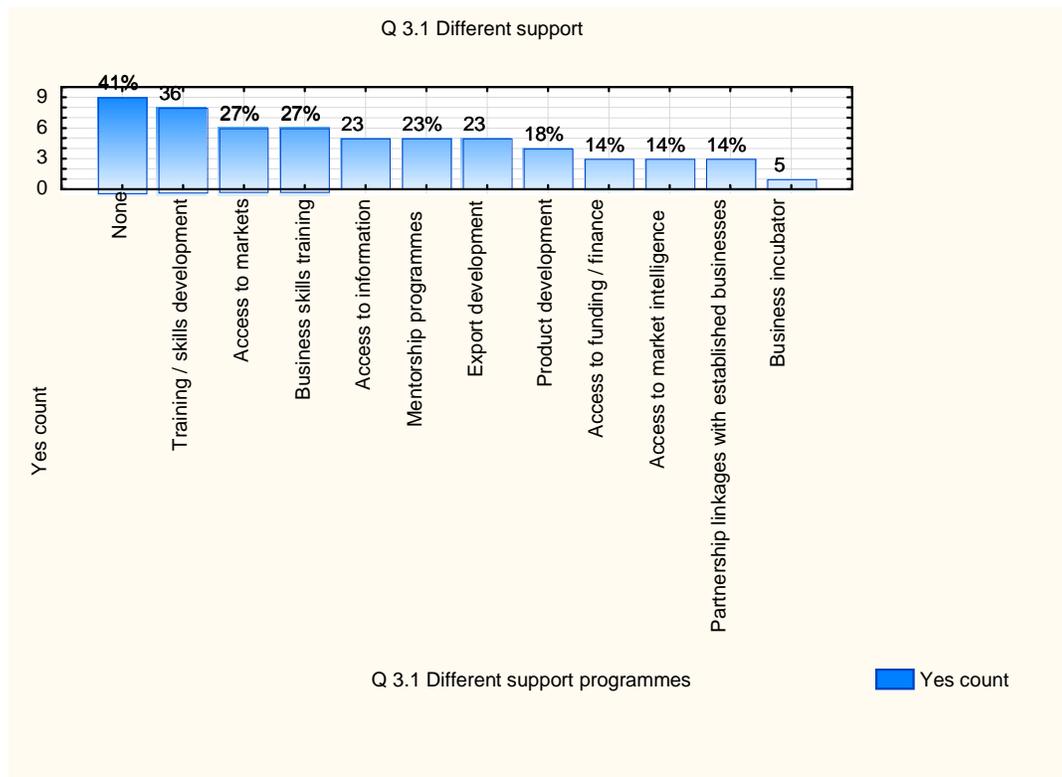
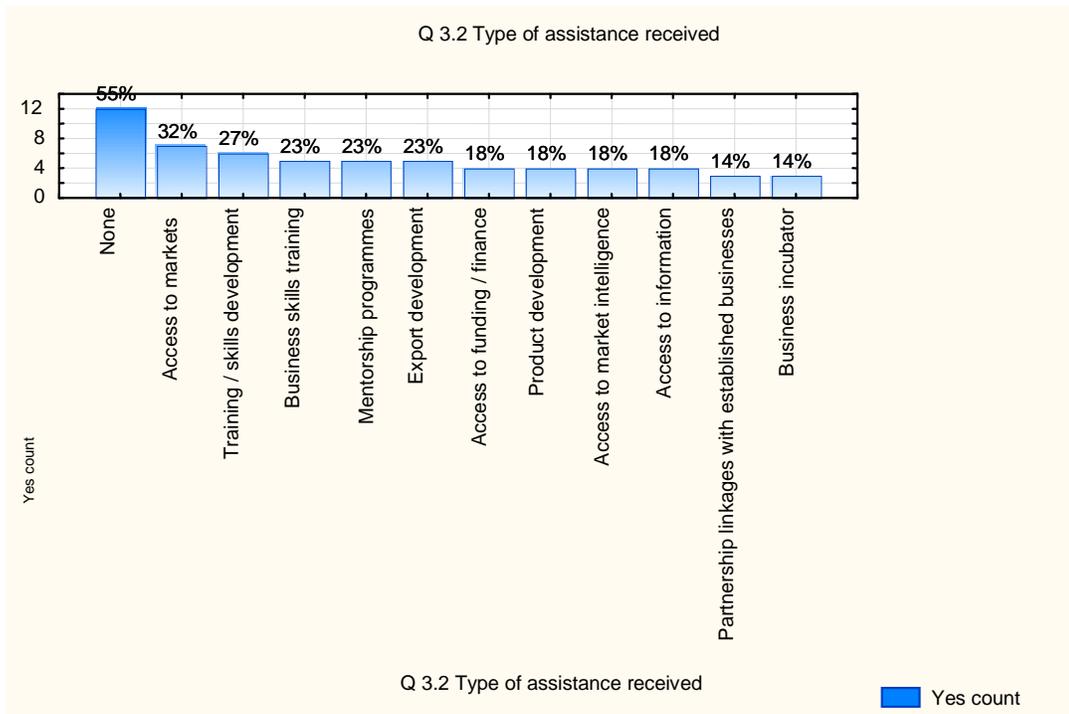


Figure 5.11: Awareness of different types of support programmes offered for small businesses by the Eden District Municipality

Having established whether or not SBs are aware of the type of support offered by the Eden District Municipality, it was considered important to determine how many of these SBs actually received any form of assistance from the EDM. See Figure 5.12. Of the respondents, 55% indicated that they did not receive any assistance, 32% received assistance with access to markets and 27% participated in training/skills development. Business skills training, mentorship programmes and export development were selected by 23% of the respondents, 18% selected access to funding/finance, product development, access to market intelligence and access to information, while 14% identified partnership linkages with established businesses and a business incubator as support they received from the EDM.



**Figure 5.12: Type of assistance received from the Eden District Municipality**

It was also considered important to determine how the SBs rate the support they received from the EDM. See Figure 5.13. The majority (55%) rated the assistance they received as poor, 15% rated it average, 20% rated it good, while only 10% regarded it as very good.

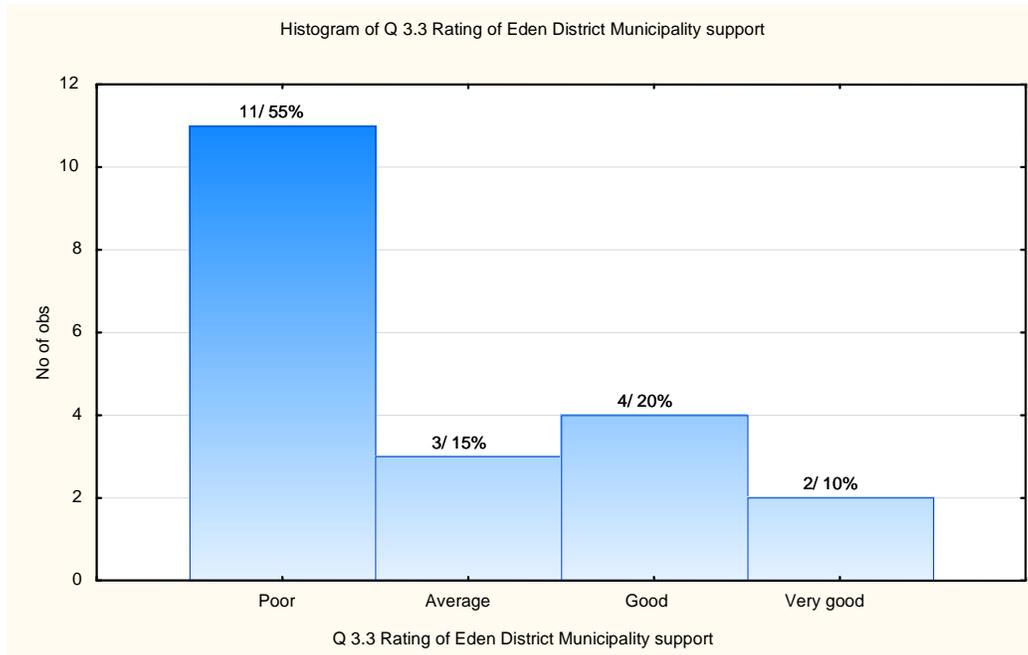


Figure 5.13: Rating of the support received from the Eden District Municipality

Respondents were also asked to rate the assistance they received from government. See Figure 5.14. The majority (57%) rated the assistance they received as poor, 24% rated it average, 5% rated it good, while only 14% regarded it as very good.

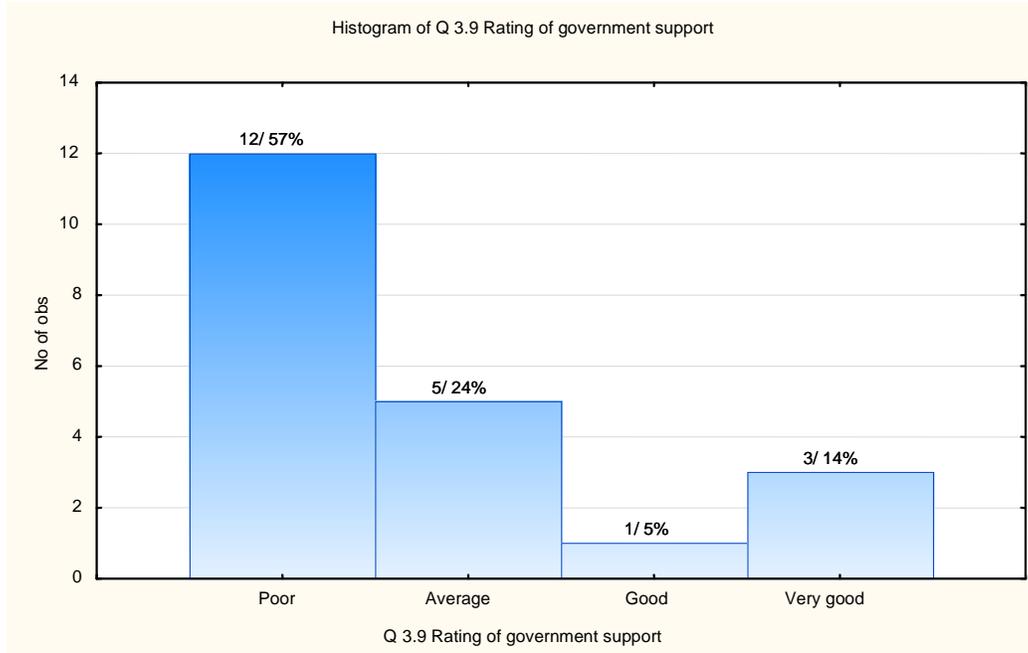
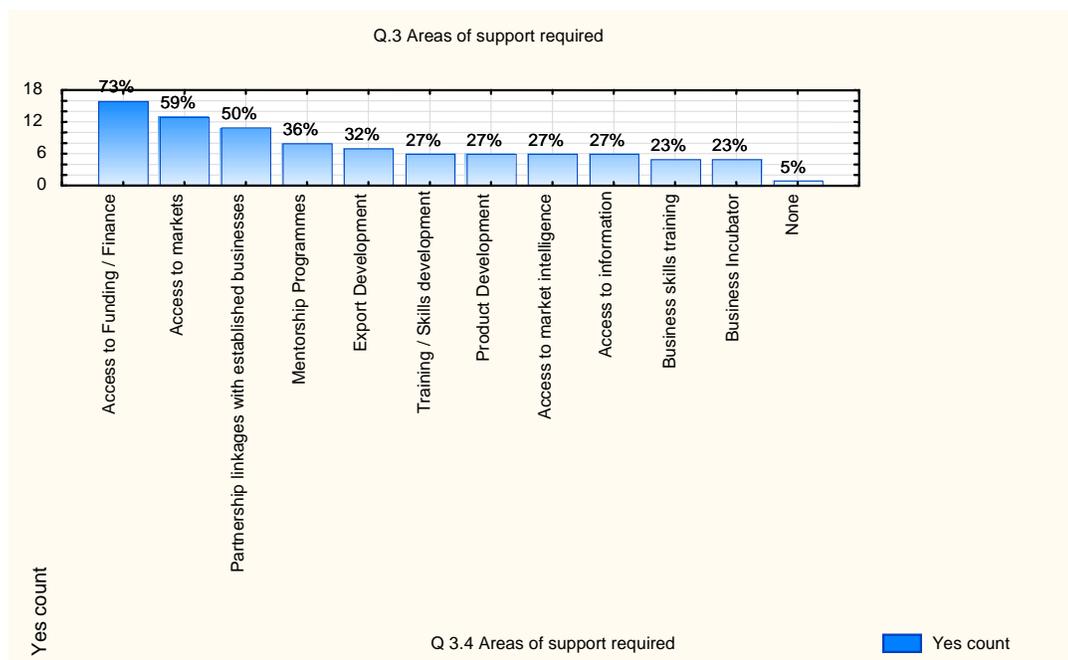


Figure 5.14: Rating of the support received from government for small business

The type of assistance that the SBs received from the EDM was assessed, as well as their individual ratings. It was then considered imperative that a synopsis be provided of the areas in which the SBs require support. This will enable us to measure if coherence exists between assistance provided and support required. See Figure 5.15. The area in which most of the SBs require support is access to funding/finance, as identified by 73% of the respondents. Other important figures were the following: 59% selected access to markets as an area in which they require support; 50% identified partnership linkages with established businesses; mentorship programmes were identified by 36% of the respondents and export development by 32% of the respondents; 27% identified training/skills development, product development, access to market intelligence, and access to information. Business skills training and business incubators were selected by 23%, while 5% selected none of the options that were listed.



***Figure 5.15: Areas that small businesses require support in***

Besides identifying the areas in which the SBs still require support, the SBs were asked if the support programmes provided by the EDM meet the interventions required for their respective businesses. Results are shown in Figure 5.16: 75% of the respondents reported that the support programmes do not meet the interventions they require and 25% reported that they do meet the interventions they require.

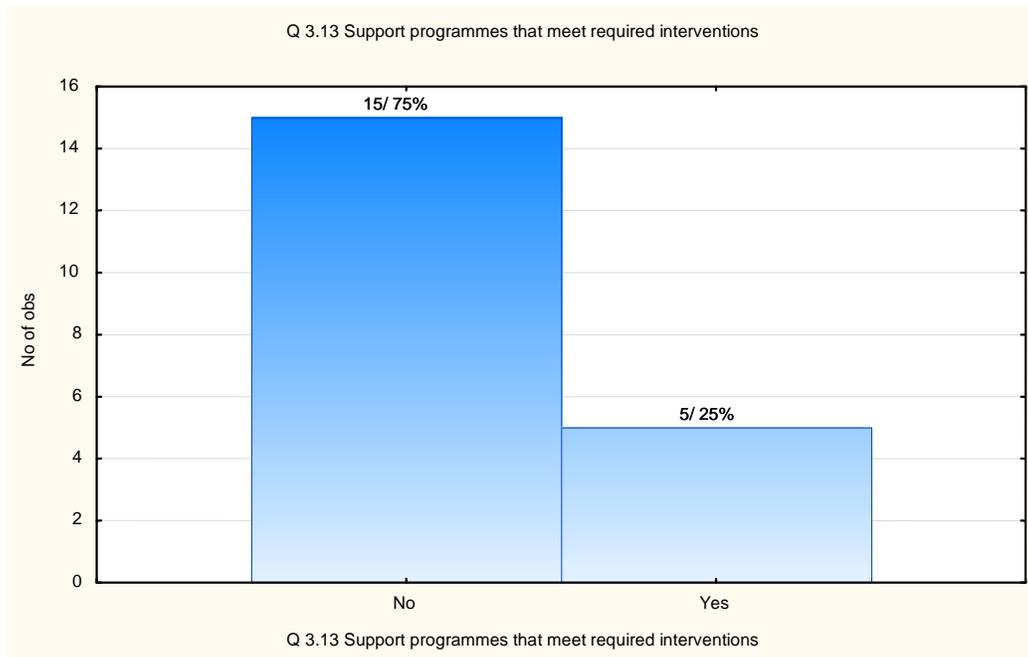


Figure 5.16: Support programmes provided by the Eden District Municipality that meet the interventions required for small businesses

### **5.3.5 Perception of local government and Eden District Municipality**

In this section the perception that SBs have of local government/municipalities is addressed. See Table 5.1. The majority of the respondents are of the opinion that local government/municipalities are not doing enough to promote tourism and its benefits. This is confirmed by 24% of the respondents who completely disagree with the statement that local government/municipalities' efforts are sufficient in raising awareness around tourism and its benefits; 33% disagree and 14% do not know.

In terms of local government/municipalities providing a conducive environment supportive for the development of SMMEs to grow in the tourism sector, the majority of the respondents do not support this view: 25% completely disagree and 40% disagree, whereas only 25% agree and 10% completely agree. The reason for this may be that the support programmes and assistance provided are ineffective in creating a conducive environment for SBs to prosper, or emerge.

Respondents are of the opinion that sufficient training and skills development programmes are not provided to support SB owners: 24% completely disagree and 24% disagree, whereas only 10% agree and 33% completely agree (10% undecided). A strong feeling exists amongst some of the respondents that training and skills development needs are not met while according to others these needs are in fact met. The latter may be because such programmes are either not accessible or SBs are not aware of the existence of such programmes while some of the training and skills development programmes that do exist, do not address the direct needs of the SBs.

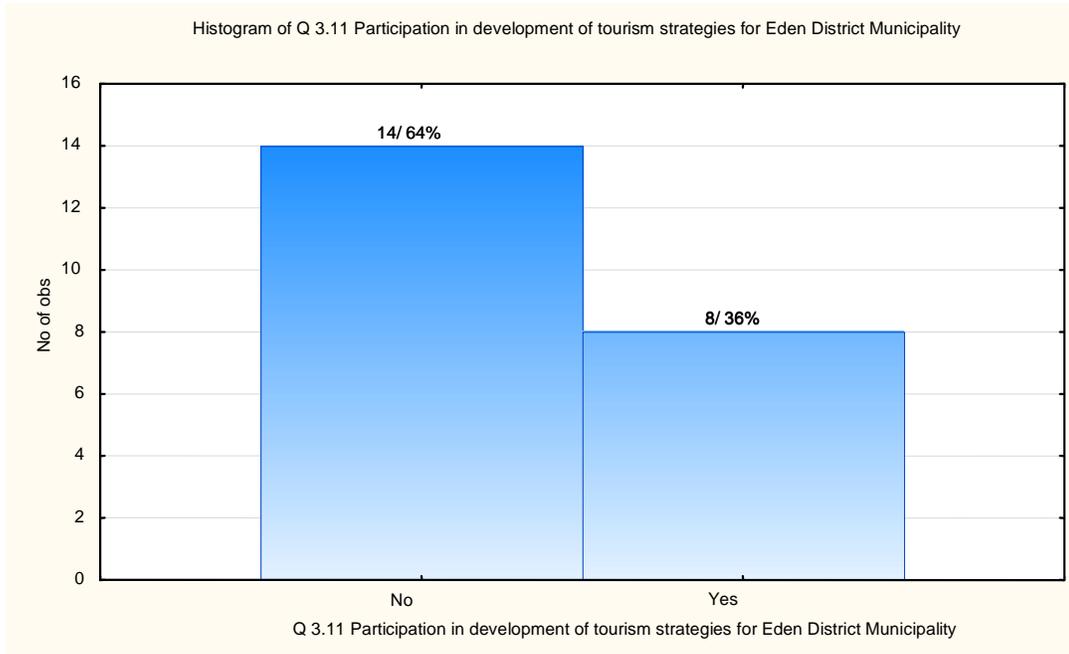
***Table 5.1 Perception of local government and EDM***

STATEMENT	Completely disagree	Disagree	Don't know	Agree	Fully agree
Local Government/municipalities' efforts are sufficient in raising awareness around tourism and its benefits.	24%	33%	14%	19%	10%
Local Government/municipalities provide a conducive environment supportive for the development of small medium and micro businesses to grow in the tourism sector.	25%	40%	0%	25%	10%
Local Government/municipalities provide sufficient training and skills development programmes to assist small business owners.	24%	24%	10%	33%	10%
Small businesses are consulted during the development of tourism strategies for their areas.	25%	25%	20%	15%	15%

### **5.3.6 Participation in tourism strategy development**

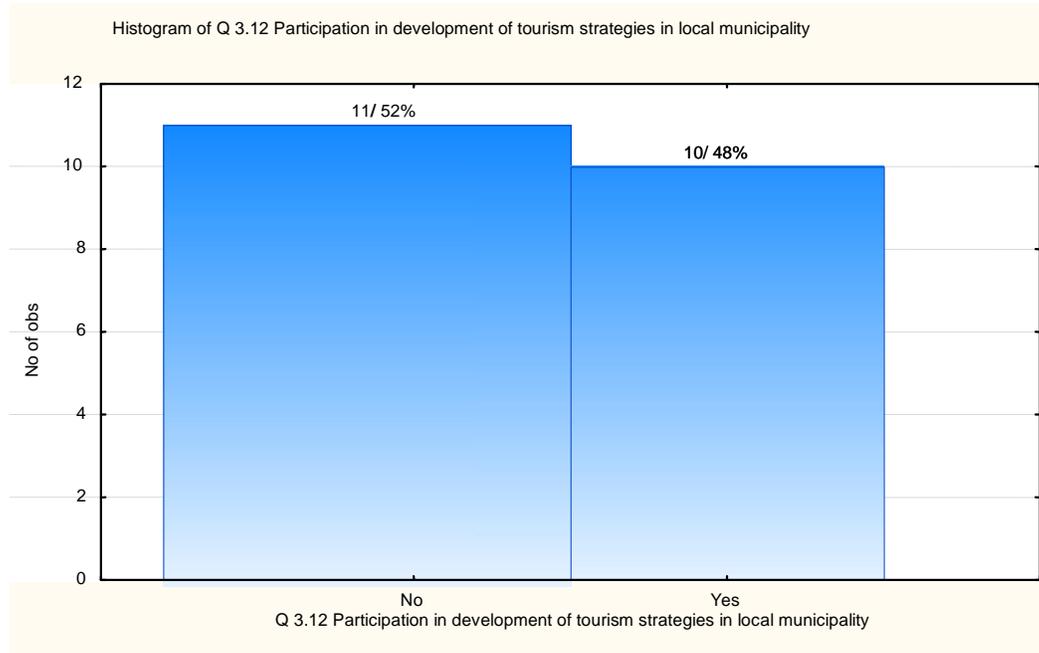
Consultation with SBs is integral to the development of any tourism strategy. The respondents were however of the opinion that they are not adequately consulted during the development of tourism strategies. This is confirmed by the following results (table 5.1): 25% completely disagree and 25% disagree, 15% agree and 15% completely agree (10% undecided).

Figure 5.17 shows the responses for participation in any public participation processes related to the development of tourism strategies for the EDM: 64% of the respondents. The majority (64%) are of the view that they have not participated in the development of tourism strategies for the EDM.



**Figure 5.17: Participation in any public participation processes in the development of tourism strategies for the Eden District Municipality**

Figure 5.18 shows the responses for participation in any public participation processes in the development of tourism strategies for the local municipality. Again, the majority (52%) indicate that they have not participated in the development of tourism strategies for their local municipality.



**Figure 5.18: Participation in any public participation processes in the development of tourism strategies for your local municipality**

## **5.4 Conclusion**

This chapter provided a descriptive analysis of the findings of the study displayed through graphs.

Through a holistic analysis of these findings, the next chapter will consider recommendations to the EDM that will augment accessibility to trade and economic opportunities for STBs.

## **CHAPTER 6: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 Summary**

This Chapter will discuss the findings of the research by providing recommendations in terms of these findings. However before the findings are discussed a summary is provided of the chapter outlines and the focus of each chapter.

Chapter 1 provided the background and rationale to the study, as well as the research design and methodology that was to be followed. It provided context to the study by emphasising the significant contribution that small businesses make to local economies and job creation and the potential benefits of tourism for SBs. The aim of this chapter was thus to motivate why this research should be undertaken and how the findings would contribute to the development of future support programmes and interventions for STBs. The researcher stated the objectives of the study and outlined the intended research within the framework of the research methodology to be followed.

Chapter 2 highlighted generic challenges experienced by small tourism businesses. The overall aim of this chapter was to address one of the research objectives which sought to identify the needs of small businesses in the tourism sector to access trade and economic opportunities. It further set out to answer the rationale of the study related to investigating what the needs of small businesses in the tourism sector are regarding accessing trade and economic opportunities.

Chapter 3 comprised a review of the institutional and legislative framework for tourism marketing and development, with specific focus on the legislative mandate of local government with regard to SB development and tourism development. The role of other stakeholders in providing assistance to STBs was also investigated. This chapter also included programme interventions provided by national and provincial government as well as the private sector in response to the challenges of STBs and as provided within the legislative framework.

Chapter 4 considered existing programme interventions provided by the EDM to address the needs of STBs and examined the research objective to describe current local and economic development programmes and interventions provided by the EDM. This chapter therefore also investigated programmes and interventions provided by the Eden District Municipality.

Chapter 5 reports on the research findings and addresses the research question which is: “Do the programmes and interventions provided by the EDM meet the needs of small businesses that use tourism to access trade and economic opportunities?” It also demonstrates the achievement of the research objectives and the rationale of the study.

Chapter 6 provides a summary of the research and proposes recommendations as to the findings of the study. It also reports on the achievement of the objectives for the study.

Having provided the chapter outline it is imperative to determine if the research objectives were met through these chapters as indicator of the research having met the objectives of this study. In chapter one the objectives of the study was provided as a guideline to the researcher’s anticipated goal of this study. The objectives as stated below were achieved within the chapters as follow:

1. To identify the needs of small businesses in the tourism sector to access trade and economic opportunities. This objective was addressed in chapter 2.
2. To describe current local economic development programmes and interventions provided by the EDM. This objective was addressed in chapter 4.
3. To investigate if support programmes provided by the EDM meet the needs of small businesses in its tourism sector. This objective was addressed in chapter 5.
4. To identify strategies and programme interventions that will enhance the accessibility of trade and economic opportunities for small businesses. Chapter 6 will address this objective.

It also becomes important to establish if the rationale for the study was met through the various chapters. In chapter 2 the literature review discusses the challenges

experienced by STBs and the needs of these businesses to access trade and economic opportunities, thus addressing the second rationale of this study. Chapter 4 addresses the first rationale by investigating existing programmes and interventions provided by the EDM that facilitate access to trade and economic opportunities. The third rationale, investigating the extent to which the programme interventions provided by the EDM address the needs of small businesses, is answered in Chapters 5 and 6.

Having established that the objectives and the rationale for the research have been met, the question that remains to be answered is the research question.

The responses recorded during the research serve to inform a conclusion which indicates a negative answer to the question addressed at the commencement of this research, namely: Do the programmes and interventions provided by the EDM meet the needs of small businesses that use tourism to access trade and economic opportunities? The answer is therefore, no.

## **6.2 Conclusions**

The findings of the research are discussed using the Growth and Development Strategy (GDS) of 2007, the Tourism Marketing and Development Plan (TMDP) of 2008, and programmes rolled out during the 2009/2010 and 2010/2011 financial years as point of references (these make various recommendations in terms of SB support).

The study confirmed that the SBs that participated conform to the classification of SBs within the South African context as discussed in the literature review. SBs are also defined by the National Small Business Act No. 102 of 1996 (South Africa 1996b) in terms of the type of businesses that it is registered, or how it is managed; namely, cooperative enterprises, non-governmental organisations, or by one owner or several owners. The sample for which the study was intended was very small, but relevant for the purpose of the study. This is regarded as one of the limitations of the study, and it is therefore recommended that further, more comprehensive polling is necessary.

An important outcome of the research is the revelation that the majority of SBs that responded are not aware of the support programmes offered by both the EDM and by the government, and hence they cannot access these programmes. This poses a serious impediment in terms of the strategies that are followed to ensure that SBs benefit from the support programmes.

The GDS of 2007 specifically addresses the importance of public awareness of support programmes and the necessity of a brochure with programme information and contact details. The closest that the municipality came to achieving this objective is the release of a simplified BBBEE booklet that contains charters, policies, codes of good practice, etc. It also specifically displays programmes offered by the EDM and educates SMMEs on the economic benefits of BBBEE.

The participation of SBs in the development of tourism strategies ensures that such strategies address the developmental and marketing needs of such businesses. The research however revealed that the majority of the respondents were not consulted during the development of tourism strategies for the EDM or their local municipalities.

The research suggests that municipalities are commonly used to inform small tourism business of support programmes. However, the respondents regarded emails as the most effective communication medium to promote information regarding support programmes. Tourism forums were seen as the least effective. All of the communication media, namely emails, workshops or seminars, tourism forums, community forums, local newspapers, local radio stations, local tourism offices or bureaus, and local municipalities were regarded as accessible by the majority of the respondents.

### **6.2.1 Access to funding/finance**

The findings revealed that the majority of the SB respondents require support with access to funding/finance. Responses revealed that only 18% of the respondents received assistance in this regard. The GDS of 2007 also proposes the creation of a

tourism development fund to help emerging enterprises to overcome the financial difficulties that they may experience. This fund has however not been developed although various financial institutions have been engaged by the Local Economic Development and Tourism Department to establish a SMME Incubator Fund. Such a fund would provide financial assistance in the form of equipment, essential for a SB not able to self-finance the purchase of such equipment. The fund has not materialised yet. The TMDP of 2008 is particularly silent in this regard. However, increasing access to funding for SBs does form part of the programmes and support interventions rolled out during the 2009/2010 and 2010/2011 financial years.

Literature revealed that a perception and expectation exists amongst some local government practitioners and SBs that local government, specifically, should provide SBs with financial assistance or sponsorship (as it is often referred to). This form of financial assistance has become common practice in some municipalities and is perceived as a form of intervention to assist the growth of SBs, aimed at the sustainability of such businesses. Upon close scrutiny it appears that this type of assistance contravenes investment restrictions laid down by the Local Government Transition Act 209 Section 10G (9) (a). It may well be argued that the municipality is not investing in the SBs, but rendering assistance. However, the core business of municipalities is to render services, not necessarily financial assistance. Besides the fact that this type of activity has a risk-bearing consequence for the municipality, it may also be to the benefit of advancing a particular business, which is not necessarily to the overall benefit of a community. Projects should be prioritised through the Integrated Development Planning Process of Council so that they can be responsibly budgeted for.

Although access to funding/finance is one of the most challenging areas in which SBs require assistance, cognisance should be taken of the fact that business skills are required to manage the finances of a business. We should therefore be cautious to denote the survival of a business to access to funding/finances alone because in the absence of adequate business skills its finances may be mismanaged. Through proper diagnostics of the business it may even be found that finances is not the real problem, and that perhaps some other form of intervention is required.

### **6.2.2 Access to markets**

This is the area in which most of the respondents (36%) indicated that they received assistance from the EDM. Although not as strongly advocated in the GDS of 2007, it became an important area of SB support in the Tourism Marketing and Development Plan of 2008. The latter includes the following strategies: to create and exploit marketing platform opportunities for SMMEs, specifically previously disadvantaged individuals, and to facilitate, support and expose SMMEs and PDIs on existing local, national and international marketing platforms that are mainly used for local tourism brand awareness.

Besides the development of a Craft and Culture Destination Guide in 2009 and 2011 to market crafters, platforms were facilitated by EDM for STBs to attend Indaba, the international tourism trade show hosted annually in Durban (South Africa). In addition, through partnerships with festivals and big tourism events in the Garden Route and Klein Karoo, platforms were facilitated for SBs to market their products at such events. It may therefore be argued that access to markets is one of the strategies or programmes coherent with the required interventions indicated by the SBs responses to the questionnaire forming part of the present study.

### **6.2.3 Partnership linkages with established businesses**

The literature review highlighted the importance of partnership linkages between small and established businesses as a strategy that can help SBs towards participating in the economy. Benefits for SBs also include new joint business ventures with more established businesses, thus introducing them to a wider network of contacts in the private sector as well as business opportunities. It may also present opportunities of outsourcing, which also becomes an approach to facilitate access to markets and economic opportunities. The respondents identified this as the third largest area in which they require support. However, it does not form part of the SBs support strategies in the GDS of 2007 or the TMDP of 2008.

Although outsourcing forms part of the SB support strategies in the GDS of 2007, its implementation cannot be measured. The research shows that only 14% of the

respondents confirmed they received assistance from the EDM in this respect. This suggests that the needs of SBs may not be met in terms of this area and that more strategies should be considered at district level to promote it.

#### **6.2.4 Mentorship programmes and business incubators**

The implementation of tourism-focused SB incubators in one or two of the larger areas in the Eden District is promoted in the GDS of 2007. The Plato Mentorship Programme was rolled out during the 2009/2010 and 2010/2011 financial years as part of support for SMME development. Of the respondents in this study, 23% indicated that they received assistance in this area, while 36% indicated that they require support through mentorship programmes.

Business incubators, on the other hand, are not included in the strategies of the TMDP of 2008 and were not implemented in the form of comprehensive incubator programmes that provide assistance across the value chain. Of the respondents in this study, 23% indicated that they required support with business incubators, whilst 14% indicated that they received assistance in this area from the EDM.

Results of both the literature survey and the responses received from STBs suggest the future implementation of business incubators should specifically address business processes, financial management and marketing, as the critical areas where assistance is required. This should be in the form of a facility where SBs can be provided with assistance and, simultaneously, an information dissemination point. It is critical that various partners and stakeholders, namely financial institutions, knowledge partners and the private sector, cooperate to provide support to SBs to ensure that SBs receive relevant support across the value chain.

#### **6.2.5 Export development**

This area does not form part of the SB support strategies as per the GDS of 2007 or the TMDP of 2008. It was however rolled out by the Local Economic Development Department of the EDM during the 2009/2010 and 2010/2011 financial years in the

form of export development programmes for SBs across the sector. The indicators are that SBs still require support and assistance with export development, as confirmed by 32% of the respondents; 23% of the respondents indicated that they received support from the EDM in this area.

#### **6.2.6 Training/skills development and business skills training**

The GDS of 2007 does not make specific reference to training/skills development or business skills training. Skills development is in line with industry requirements in terms of the export development programme and support for SMME development through the Plato Programme, although it formed part of programme interventions during the 2009/2010 and 2010/2011 financial years. Training and skills development was identified by 27% of the respondents as an area in which they require support; 27% of the respondents also selected it as an area in which they received support from the EDM.

Business skills training, on the other hand, was identified by 23% of the respondents as an area where support is required; 23% confirmed that they received such assistance from the EDM. According to the literature review this area, relating to the management of a business (its finances, marketing and personnel, amongst other factors), is critical to the success of a business. It can therefore be argued that such interventions are more critical to the success of a SB than financial assistance. The latter is often regarded as essential to the survival of a business, but in the absence of sound financial management skills any business is bound to fail. Funding or financial assistance is often not the problem, but rather the lack of skilled management to operate the business.

#### **6.2.7 Product development**

Of the respondents, 27% identified product development as an area in which they required support while 18% claimed to have benefited from such programmes presented by the EDM.

### **6.2.8 Access to information and access to market intelligence**

The literature review suggests that access to information helps SBs to stay informed of potential buyers of goods and services and of potential partnership opportunities available to them. The role of the municipality in this respect should be assistance in developing a database that hosts information to be used for matching SBs with larger and more established businesses and promote potential partnership linkages.

The distribution of information to SBs forms part of the standard practice of the Tourism Department of the EDM in order to keep them informed of training and skills development and market access opportunities. The LTOs also employ this practice by disseminating important information to SBs on its database. Although the distribution of information is carried out, access to information has however not received prominence as part of the SB support strategies of the EDM in either its GDS of 2007 or TMDP of 2008. Of the respondents, 27% confirmed that they required support with access to information, with 18% identifying this as an area where they have received assistance. This suggests that access to information it is an area where more strategic efforts should be directed as it culminates in the availability of market related information essential for SBs participation in economic and trade activities.

Similarly, access to market intelligence was also identified by 27% of the SB respondents as an area in which they required support; 18% confirmed that they have received assistance from the EDM in this area. SBs should know what the expectations of the market and consumers are in order to participate in the economy. Market intelligence provides needed information relevant to current trends in the market and assists SBs to stay informed of such market trends which may help them in exploiting available trade and economic opportunities.

### **6.3 Recommendations**

The findings of the research elicit a negative answer to the research question: Do the programmes and interventions provided by the EDM meet the needs of small businesses that use tourism to access trade and economic opportunities?

In the light of this study a number of possible strategies are proposed that, if implemented, will minimise the challenges experienced by STBs in terms of accessibility to trade and economic opportunities. It will provide a framework for the EDM to facilitate trade and economic opportunities for STBs.

The following recommendations are made:

#### **1. Public awareness**

Road shows should be employed as a strategy to inform SBs of the support programmes that are available from the EDM as well as government and other stakeholders. The road shows should be performed at the beginning of each financial year, and can be conducted in conjunction with the local municipalities, LTOs, knowledge partners and role players. Information should also be available on the official website of the municipality and a simplified booklet or brochure can be distributed which outlines available programmes, skills development or training initiatives, who the target audience is, and relevant dates.

During the course of the year, SBs should be informed of programmes primarily through emails, but also through the local municipalities, LTOs and through partnerships with local radio stations. This is an area where attention should be directed inclusive of future strategies, given the fact that the research indicates a gap in this regard.

#### **2. Workshops**

A workshop should be held with SBs per B Municipality to ascertain the areas in which they require support. This will ensure that programme interventions accurately address the specific needs of the SBs. It can also be concluded as part of the tourism strategy review process.

### **3. Public participation in tourism strategies**

The participation and involvement of SBs in tourism strategy development should be enhanced. SBs should form part of the consultation process to ensure that strategies promote SB development and reflect their needs and priorities.

### **4. Critical intervention areas**

#### ***Facilitation of market access opportunities and platforms***

Major events in the Eden District, namely festivals, craft markets, etc., should be used to create marketing opportunities for SBs at these events. In addition, the private sector and accommodation establishments should be engaged in programmes providing free marketing of the products of SBs. A quarterly networking platform can be incorporated where the private sector is invited to engage with SBs and where such opportunities to engage with them may identify potential business ventures.

#### ***Database for the purpose of partnership linkages***

The Municipality should embark on the development of a comprehensive database of suppliers and buyers of tourism goods with whom STBs can form partnerships. By pairing SBs with larger enterprises the aforementioned can also be mentored by the larger enterprise. This database should be developed with the input of various stakeholders and knowledge partners.

#### ***Business incubators***

A strategy should be developed in consultation with the relevant stakeholders regarding a regional business incubator to service areas in which SBs require support, including financial advice, legal advice, and marketing. The Mentorship Programme should be continued and SBs that do not require the intensive assistance provided through the incubator can be guided through the Mentorship Programme.

#### ***Access to funding/financial assistance***

The EDM should steer clear of sponsoring SBs as it may lead to the enrichment of individual businesses, and it is also arguably in contravention of the provisions of the Local Government: Municipal Finance Management Act, No. 56 of 2003. The EDM should rather approach this from a PPP perspective and engage financial institutions to form part of such a venture. Any risk bearing is thus transferred to the private sector partners and the EDM then fulfils a coordinating role by identifying SBs that can benefit from such a partnerships. The relevant financial institutions will provide funding solutions and provide mentoring and coaching of the SBs.

## **5. Monitoring and evaluation**

The provision of support programmes by the EDM should be assessed on an annual basis through a survey. The survey can be conducted with tourism SBs towards the end of every financial year to assess the SB programmes of the EDM. It also becomes an assessment tool measuring how the public perceives the support they receive from the municipality and in which areas more intervention and improvement is required.

At the centre of LED, local government has a leading role to play in the facilitation of economic opportunities for SBs by establishing functioning partnerships with other role players. Local government cannot achieve its LED mandate of creating an environment conducive to the creation of economic opportunities without proper plans, strategies, and partnerships with the private and public sectors and other key role players. Policy responses should reflect the needs of STBs and interventions must be based on proper research and implemented with the cooperation of a network of competent role players that are experts in their respective fields. Interventions should be linked to broader support programmes and initiatives and form part of partnerships that will enable SBs to access economic opportunities. By understanding the economic and trade opportunities that are available in its locality, the municipality should be proactive by making this information available and accessible to SBs. From the research it is evident that the provision of support programmes calls for the development of functional relationships with stakeholders across various sectors and the alignment of interventions with the Integrated Development Plan (2010), Local Economic Development Strategy, and tourism strategies of the municipality.

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# Appendix

## QUESTIONNAIRE

### *An analysis of interventions in support of tourism small businesses in the Eden District Municipality*

#### INSTRUCTIONS

1. Please complete the questionnaire as indicated.
2. Use (X) to mark your most appropriate answer

#### Section 1- Biographical information

##### 1.1 Gender

Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
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##### 1.2 Age

18 – 25	<input type="checkbox"/>	25 -35	<input type="checkbox"/>	35 -45	<input type="checkbox"/>	45 -55	<input type="checkbox"/>	55 & above	<input type="checkbox"/>
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##### 1.3 Educational background

Grade 12	<input type="checkbox"/>	College certificate	<input type="checkbox"/>	Degree/Diploma	<input type="checkbox"/>	Honours	<input type="checkbox"/>	Postgraduate degree	<input type="checkbox"/>
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##### 1.4 In which sector of the tourism industry is your business?

Travel agent / Tour operator	<input type="checkbox"/>	Transport	<input type="checkbox"/>	Accommodation	<input type="checkbox"/>	Restaurants	<input type="checkbox"/>	Arts and culture	<input type="checkbox"/>
Other:	<input type="text"/>								

##### 1.5 Specify your type of business?

Community project	<input type="checkbox"/>	Cooperative	<input type="checkbox"/>	Sole proprietor	<input type="checkbox"/>	Job creation initiative	<input type="checkbox"/>
Other (specify)	<input type="text"/>						

##### 1.6 How many employees do you have?

1-5	<input type="checkbox"/>	5-10	<input type="checkbox"/>	10-20	<input type="checkbox"/>	20-30	<input type="checkbox"/>	30-50	<input type="checkbox"/>
Other:	<input type="text"/>								

#### Section 2 - Public awareness

2.1 In your view are entrepreneurs and tourism small businesses aware of the type of support programmes available from government?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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2.2 Are you aware of the type of support programmes available for small businesses from the Eden District Municipality?

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
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2.2.1 If yes, please specify how you became aware of the support programmes?

<input type="text"/>
<input type="text"/>

2.3 What communication mediums are commonly used to promote support programmes for tourism small businesses offered by the Eden District Municipality?

E-mails	<input type="checkbox"/>	Workshops / seminars	<input type="checkbox"/>	Tourism forums	<input type="checkbox"/>	Community forums	<input type="checkbox"/>
Local newspapers	<input type="checkbox"/>	Local radio stations	<input type="checkbox"/>	Local tourism offices / buros	<input type="checkbox"/>	Local municipalities	<input type="checkbox"/>

2.4 In your view which of these mediums are more effective?

E-mails		Workshops / seminars		Tourism forums		Community forums	
Local Newspapers		Local radio stations		Local tourism offices / buros		Local municipalities	

2.5 In your view how accessible are these mediums to tourism small businesses?

Highly accessible		Accessible		Not accessible	
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**Section 3 – Small business support**

3.1 Select the type of programme support for small businesses offered by the Eden District Municipality that you are aware of?

Access to markets		Training / skills development		Access to funding / finance		Product development	
Access to market intelligence		Business skills training		Access to information		Partnership linkages with established businesses	
Business incubator		Mentorship programmes		Export development		None	

3.2 Select the type of assistance received from the Eden District Municipality.

Access to markets		Training / skills development		Access to funding / finance		Product development	
Access to market intelligence		Business skills training		Access to information		Partnership linkages with established businesses	
Business incubator		Mentorship programmes		Export development		None	

3.3 How would you rate the type of assistance received from the Eden District Municipality?

1. Average		2. Poor		3. Good		4. Very Good	
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3.4 In which areas do you still require support for your small business?

Access to markets		Training / Skills development		Access to funding / Finance		Product development	
Access to market intelligence		Business skills training		Access to information		Partnership linkages with established businesses	
Business incubator		Mentorship programmes		Export development		None	

3.5 What obstacles do you experience as a small business in tourism?

1.	
2.	
3.	
4.	

3.6 Who manages the finances of your business?

Accountant		Bookkeeper		Co-Owner		Yourself	
Other (specify)							

3.7 Select the mediums you use to market your business?

e-marketing (internet / facebook / Twitter)		Print media (newspapers / pamphlets / magazines)		Radio		None	
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Other (specify)							
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3.8 Have you attended any platforms where you could access programmes in support of small businesses?

Yes	
If yes, specify	
No	

3.9 In your opinion how would you rate the support you received from government for your business?

1. Average		2. Poor		3. Good		4. Very Good	
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3.10 What are the obstacles that you experience in terms of your business operations?

1.	
2.	
3.	
4.	

3.11 Have you participated in any public participation processes in the development of the tourism strategies for the Eden District Municipality?

Yes	
If yes, specify platforms)	
No	

3.12 Have you participated in any public participation processes in the development of the tourism strategies for your local municipality?

Yes	
If yes, specify	
No	

3.13 Do you feel that the support programmes provided by the Eden District Municipality meet the interventions required for your business?

Yes	
No	

**Section 4 – Likert scale type questions**

*Please rate your agreement or disagreement with the statements below.*

	Completely disagree	disagree	Don't know	agree	Fully agree
4.1 Local Government / municipalities' efforts are sufficient in raising awareness around tourism and its benefits.	1	2	3	4	5
4.2 Local Government / municipalities provide a conducive environment supportive for the development of small medium and micro businesses to grow in the tourism sector.	1	2	3	4	5
4.3 Local Government / municipalities provide sufficient training and skills development programmes to assist small business owners.	1	2	3	4	5
4.4 Small businesses are consulted during the development of tourism strategies for their areas.	1	2	3	4	5

**THANK YOU FOR YOUR COOPERATION**